Annual Report 2020

WAFER –

BASIS FOR DIGITAL PROGRESS

siltronic

Siltronic Group key figures

Statement of profit or loss

In EUR million		2020	2019
Sales		1,207.0	1,270.4
Gross profit		339.5	457.6
Gross margin	%	28.1	36.0
EBITDA		332.0	408.7
EBITDA margin	%	27.5	32.2
EBIT		192.2	298.3
EBIT margin	%	15.9	23.5
Financial result		−3.0	4.4
Income taxes		−2.4	−41.7
Result for the period		186.8	261.0
Earnings per share	EUR	5.36	7.52

Capital expenditure and net cash flow

In EUR million	2020	2019
Capital expenditure in property, plant and equipment, and intangible assets	187.6	363.0
Net cash flow	77.4	81.3

Statement of financial position

In EUR million		Dec. 31, 2020	Dec. 31, 2019
Total assets		1,919.4	1,945.0
Equity		871.8	930.2
Equity ratio	%	45.4	47.8
Net financial assets		499.2	588.9

Non-financial performance indicators

		2020	2019
Efficiency of the use of silicon (100 percent corresponds to the 2015 base)	%	99	103
Energy use per wafer area (100 percent corresponds to 2015 base)	%	99	104
Waste recycling ratio	%	70	69
Water usage for production per wafer area (100 percent corresponds to 2015 base)	%	99	105
Occupational accidents at work per million working hours	Number	2.1	2.5
Occupational accidents (per working days) with chemicals per year (number of affected employees)		–	5

Employees (excluding temporary employees)	**3,772**	**3,669**

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Success with wafers

Siltronic is one of the world's leading manufacturers of hyperpure silicon wafers with diameters up to 300 mm and partner of many leading semiconductor companies. The Company has a network of state-of-the-art production sites in Asia, Europe and the USA. Silicon wafers are the basis of modern micro- and nanoelectronics and a key component in semiconductor chips in e.g. computers, smartphones, navigation systems and many other applications. Being among the technology leaders and a consistent focus on improving efficiency form the bedrock for increasing the Company's value going forward.

Content

About this report

We have optimized our annual report in PDF format for convenient use on a PC or tablet. The linked tables of contents allow quick and easy navigation through all chapters. Meaningful links and standardized function buttons on each page make it easier for the reader to establish references to the content and enable convenient and transparent absorption of the report content.

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Siltronic

Figures and Facts

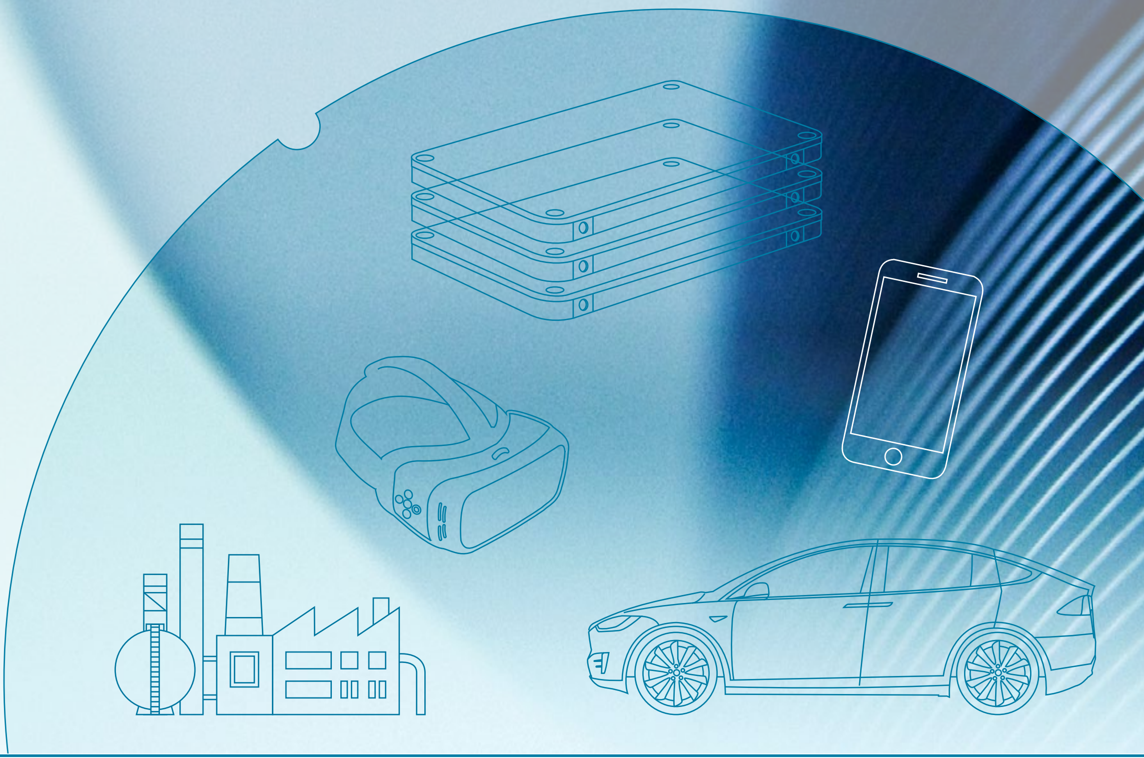
Global player with strong roots in Germany. Siltronic is one of the world's leading manufacturers of hyperpure silicon wafers with a diameter of up to 300 mm and a partner of leading chip manufacturers.

Our sites

Germany
Munich (Headquarters)
Burghausen
Freiberg

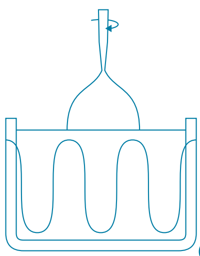
France
Italy
USA
Singapore
Taiwan
South Korea
Japan
China

End markets for semiconductor applications

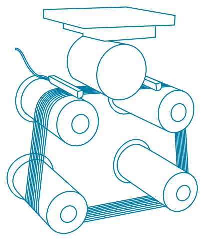


Wafer production

1. Polysilicon →



2. Crystal pulling →



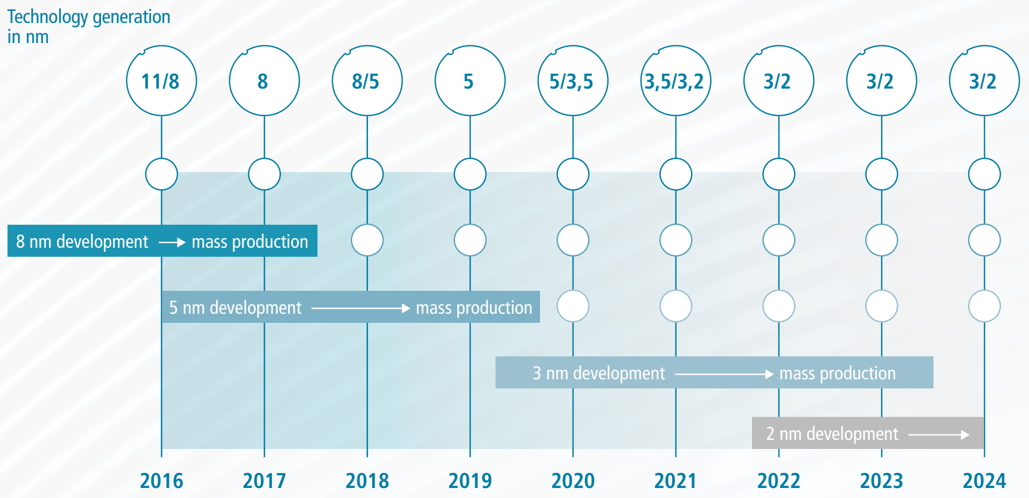
3. Wire sawing →

The term wafer refers to silicon slices approximately 1 mm thin, which are given an extremely flat surface through technically very demanding processes.
The choice of the crystal growing process is determined by the later application. After various production steps, the customer receives the wafer manufactured according to his specifications in special packaging that allows the wafers to be used immediately in his production line.

Our way to success

Driving wafer development

Short innovation cycles, a highly competitive market. Around 1,850 patents and patent applications clearly demonstrate our claim to be among the technology leaders in the global market.



1962 → Development of the first silicon wafer

1968 → Founding of Wacker-Chemitronic-Gesellschaft für Elektronik-Grundstoffe mbH ("Wacker-Chemitronic")

1978 → Founding of Wacker Siltronic Corporation in Portland, USA

1995 → Acquisition of Freiberger Elektronikwerkstoffe Produktions- und Vertriebsgesellschaft mbH

2006 → Foundation of the joint venture Siltronic Silicon Wafer Pte. Ltd. (SSW) in Singapore

2014 → Take-over of the majority interest in SSW

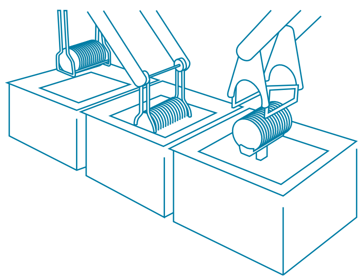
2015 → Siltronic successfully goes public

2017 → Wacker Chemie AG sells majority stake in Siltronic

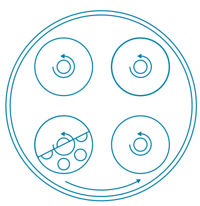
2018 → Siltronic celebrates its 50th anniversary

Future-proof with wafers

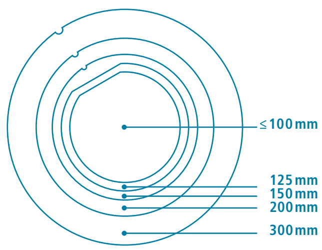
Wafers made of hyperpure silicon are so versatile in their use that probably almost everyone comes into contact with them. Siltronic's technology is to be found in smartphones, PCs and laptops and increasingly in industrial applications and automobiles. And the demand for wafers increases with every technological advancement – good prospects for our business. Since our company was founded over 50 years ago, it has developed just as dynamically as the challenging market environment in which we operate. With our unique combination of innovative strength and precision, we create the conditions for devices and applications to become ever more powerful and faster. Technological innovation and a consistent focus on efficiency gains are our foundations for future growth of the company value.



→ **4.** Cleaning and etching



→ **5.** Polishing



→ **6.** Silicon wafer

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Letter to Shareholders

Dear shareholders,
dear customers, business partners and employees

The year 2020 was an exceptionally challenging year. The Corona pandemic caused a global crisis. In many countries around the world, both public and economic life almost came to a complete standstill. Factories were shut down, stores were closed and, in the first half of the year, the global economy experienced the largest decline in economic growth since World War II. Countries and central banks used unprecedented fiscal and monetary stimulus to avoid an even deeper recession. This was relatively successful in some countries, for example Germany.

With the active support of our employees, we have successfully mastered this crisis. We would like to take this opportunity to thank all Siltronic employees. During the Corona pandemic, the health of our employees and business partners was and remains one of our top priorities. By introducing comprehensive and regularly adjusted hygiene concepts, increased home office activities, continuous information and communication, and the almost complete cancellation of business trips as of March 2020, we responded to the worldwide spread of the virus. Thanks to these measures and the disciplined behavior of our employees, infections have been limited to a few minor cases. Furthermore, we are proud that there have been neither layoffs nor short-time work at Siltronic due to Corona. On the contrary, we actually increased the number of employees by almost three percent to 3,772 during these difficult times.

Thanks to the measures taken, we were able to supply our customers with products that were also needed to cope with the effects of the pandemic without any interruptions in production last year. Semiconductor components based on our wafers are used not only in servers, smartphones, PCs, laptops and cars, but also in medical products such as lung ventilators.

It was also important for us to make a social contribution towards combating the pandemic. We donated protective masks, protective suits and disinfectants, particularly at the German sites in Burghausen and Freiberg, to support local communities during the first wave of the pandemic.

Moreover, we consider it extremely important to continually improve our sustainability performance. Our focus is on optimizing energy consumption and the associated emissions as well as careful use of raw materials and other resources. It was important for us to anchor the achievement of our targets even more firmly as an Executive Board responsibility. Since 2020, four sustainability targets have been included in the variable compensation agreement for the Executive Board. And senior executives are also measured by these sustainability targets in order to drive them forward at operational levels as well.

In our first forecast in March 2020, we took into account the possible impact of a further spread of the Corona pandemic, which ultimately became a certainty. As expected, we recorded a decline in sales and earnings development in 2020. Average selling prices per wafer area were lower than in 2019 due to moderate price declines in the first half of 2020 and due to the strength of the Euro in the second half of 2020. Unfortunately, the higher than expected demand for wafer area was not able to fully compensate these negative effects.

While the sales for smartphones and for the automotive industry in particular came under severe pressure during the first few months of 2020, there was additional demand due to the digitization surge triggered by the Corona pandemic. This generated strong demand for laptops, headsets and monitors, for example. Among other things, they were used to equip home offices and for home teaching (schools, universities). These new working environments also required corresponding server performance, which was reflected in the demand for wafers used in cloud servers, etc. In H2 2020, we saw first signs of a recovery in demand for cars, partly due to subsidized electric cars and due to the new 5G technology for smartphones.

Overall, we generated Group sales of EUR 1,207.0 million and EBITDA of EUR 332.0 million in 2020. We successfully worked on our cost reduction programs and were able to significantly increase productivity in many areas. As shareholders, you will participate in Siltronic's success according to the general dividend policy by receiving around 40 percent of net income. The Executive Board and Supervisory Board will propose a dividend of EUR 2.00 per share at the Annual General Meeting.

Siltronic has been generating a positive cash flow for a number of years, including 2020. Our net cash flow was EUR 77.4 million and net financial assets were EUR 499.2 million at the end of December. In 2020, we invested in further expanding our technological capabilities, supporting market growth for epitaxial wafers and completing capacity expansion projects, most of which took place in Singapore.

We will continue to work on the continuous increase of our technological performance. In doing so, we are confident to achieve our strategic goal of providing leading-edge technology for all new specifications of our customers and to support new design rule developments from the very beginning. We are always involved in the conception of new design rules by our customers, and we are proud of this; but it also requires constant performance, customer orientation and corresponding investments.

For 300 mm wafers, we benefit from the continued good demand for epitaxial (Epi) wafers by investing in additional reactors. For 200 mm wafers and smaller diameters, we focus on the ongoing optimization of the product mix.

The year 2021 will be challenging again. The further development of the Corona pandemic and the economic impact of possible prolonged lockdowns are difficult to predict. However, with widespread vaccination efforts underway around the world, there is hope for a return to a somewhat more normal life for all of us.

Nevertheless, 2021 may also offer additional opportunities for the entire technology industry. We have rarely seen so many trends having such a transformative effect as in 2020. The Corona year proved to be an accelerator for many new ideas. For many companies, whether small, medium-sized or industrial conglomerates, the crisis was a wake-up call when it came to future topics such as digitization and innovation. Many "nice to have's" became "must have's".

The further applications created by digitization are multifaceted. Mobile communications technology such as 5G, for example, will support progressive networking in manufacturing companies in the future. The first campus networks have already been operating successfully for several months, but broad network expansion is unfortunately still unsatisfactory. In the automotive sector, more and more manufacturers – including German companies – are able to offer competitive electric cars and plug-in hybrids. The digitization of administration in Germany and many other countries is still missing, but here and there some initiatives give cause for optimism.

All these developments, which of course also include artificial intelligence, are driven by technology companies. In the end, our wafers are the basic product in all applications. Based on this scenario we are optimistic to be active in a growth industry. We therefore expect sales growth in the mid to high single-digit percentage range in 2021. Rising volumes and positive effects from our cost-saving programs will be offset by a strong euro. We therefore expect only a slight increase in the EBITDA margin.

In 2021, Siltronic will undergo a major transformation. GlobalWafers made a tender offer to our shareholders and, on February 10, 2021, reached the minimum acceptance threshold of 50 percent. We recommended Siltronic AG shareholders to accept GlobalWafers' offer, as it offered an attractive overall package – from an attractive price per share to far-reaching site and employment guarantees for the German sites. We have agreed with GlobalWafers that the social partnership with German employee representatives will be maintained and the Burghausen site will remain Siltronic's technology and R&D center. Sufficient investment budgets will be available in order to maintain and further develop existing production capacities. The established Siltronic brand will also remain in the combined company. Subject to the approval of various anti-trust authorities and foreign trade investigations, we expect the acquisition to be completed in H2 2021. Siltronic will then become part of the Taiwanese GlobalWafers Group. We are convinced that, together, the two companies will be a strong alliance and, as one of the technology and market leaders, will play an important role for our customers. Nevertheless, Siltronic will continue to operate as an independent company.

We wish to express our sincere thanks to our motivated employees for their commitment. We are confident that we can rely on them to successfully meet the challenges in 2021. We would also like to thank our business partners for their trusting cooperation.

And we thank you, dear shareholders, for your trust and above all for 2021, we sincerely hope you "stay healthy".

Kind regards

Dr. Christoph von Plotho
CEO

Rainer Irle
CFO

Supervisory Board report

Dear shareholders,

Siltronic was able to close the fiscal year 2020 with good results despite the impact of the corona pandemic. Demand for semiconductors remained generally robust - also thanks to increased demand from the server sector and for home office and homeschooling equipment. The Executive Board responded to the infection situation with comprehensive hygiene concepts. Production was maintained throughout at all sites. In the particularly challenging environment, the Company also succeeded in significantly increasing productivity and successfully continuing its ongoing cost-saving program.

As in the previous year, we want you as shareholders to share Siltronic's success, not least through an appropriate dividend. The Executive Board and Supervisory Board therefore recommend a dividend of EUR 2.00 per no-par value share entitled to dividend. This is in line with the dividend policy adopted by the Executive Board in September 2017, according to which around 40 percent of the consolidated profit attributable to shareholders is to be distributed.

Dr. Tobias Ohler,
Chairman of the Supervisory Board of Siltronic AG

Continuous dialogue with the Executive Board

Throughout the fiscal year 2020, the Supervisory Board performed its duties according to the law, the Articles of Association and the rules of procedure with the utmost diligence. The Executive Board and the Supervisory Board worked together in the best interest of the Company in a spirit of trust. The Supervisory Board regularly advised the Executive Board on the management of the Company, monitored its activities and satisfied itself that the Company was managed in a lawful, expedient and correct manner. The Executive Board informed the Supervisory Board and its committees both in writing and verbally in detail and in a timely manner about the Company's course of business, the position of the Company and its strategic development as well as the risk situation, the activities of the internal audit department and compliance topics. The Supervisory Board and the responsible committees were involved in all decisions of fundamental importance at an early stage. The Supervisory Board always had the opportunity to critically examine the reports and proposed resolutions of the Executive Board.

Deviations of the Company's course of business from the plans and targets were explained in detail. The Chairman of the Supervisory Board and the Chairman of the Audit Committee were also in close contact with the Executive Board outside the regular meetings of the Supervisory Board and were informed about current developments and significant business transactions.

Public tender offer by GlobalWafers

The Supervisory Board also closely followed the ongoing public tender offer process in the past fiscal year. In several meetings and conference calls it dealt intensively with the decision published in the reporting year to submit a voluntary public tender offer by GlobalWafers GmbH, Munich, the bidder company of GlobalWafers Co., Ltd, Hsinchu, Taiwan (hereinafter referred to as "GlobalWafers"), dated December 9, 2020, as well as the offer document published on December 21, 2020, and in particular with issues relating to the evaluation of the Company to assess the appropriateness of the offer price, the Business Combination Agreement, and the reasoned statement on the offer. The Supervisory Board was supported in this by external legal and financial advisors and also set up a Special Committee for the efficient preparation of the reasoned statement and process support.

Key activities of the Supervisory Board plenum

In the reporting year, four regular plenary meetings were held – two each in the first and second half of the year – as well as two extraordinary plenary meetings in December. The Supervisory Board also adopted one resolution by written procedure in the reporting year. Due to the special circumstances of the Corona pandemic and depending on the events surrounding the infection, meetings of the Supervisory Board and its committees were increasingly held as video conferences.

At the meeting of the Supervisory Board to approve the financial statements held on March 4, 2020 we, including the auditor, who was present at the meeting, discussed in detail the annual financial statement of Siltronic AG and the consolidated financial statement as of December 31, 2019 and the combined management report and approved them. Based on the recommendation of the Executive Committee, the Supervisory Board also approved the compensation system for the members of the Executive Board effective January 1, 2020, which was subsequently approved by the Annual General Meeting on June 26, 2020 with a majority of 98.84 percent of the votes cast. In addition, the Supervisory Board determined the variable compensation of the Executive Board for the fiscal year 2019 based on the recommendation of the Executive Committee and based on the determined target achievement. After the preparation and recommendation by the Executive Committee, we resolved on the individual total target compensation and maximum compensation for each Executive Board member as well as the performance criteria for the variable compensation for the fiscal year 2020.

We also approved the internal control procedure for Related Party Transactions. As a precautionary measure, Supervisory Board Chairman Dr. Tobias Ohler, who is also a member of the Wacker Chemie AG Executive Board, and Sieglinde Feist, who holds a management position at Wacker Chemie AG, did not take part in the resolution on this agenda item in order to avoid even the appearance of a conflict of interest.

We also adopted the Supervisory Board's report to the Annual General Meeting and dealt with the agenda for the Annual General Meeting originally scheduled as a physical meeting for April 23, 2020. In addition, the Executive Board reported on the business performance during the fiscal year 2019 and the start of the fiscal year 2020.

Due to the developments of the Corona pandemic, an additional written resolution was required which we passed on May 4, 2020, approving the decision of the Executive Board to hold the Annual General Meeting 2020 as a virtual Annual General Meeting without the physical presence of shareholders on June 26, 2020. We also approved the proposed resolutions to the Annual General Meeting. In addition, we completed the target parameters for the variable Executive Board compensation by written resolution on the same day.

On June 25, 2020, the Supervisory Board dealt, among other things, with the course of business of the Company, in particular with the effects of the Corona pandemic on the business. The Executive Board also reported on the expected capacity development for 300 mm wafers and required investments. In addition, the Supervisory Board dealt with the achievement of the targets set for the gender quotas in the Company. The Supervisory Board set a target of 50 percent for the proportion of women on the Executive Board by June 30, 2023.

At the Supervisory Board meeting on September 24, 2020, we dealt with the Executive Board's report on the business performance and the effects of the Corona pandemic. Another focus of the deliberations was the challenges and prospects for the production of small diameters in Burghausen. The Supervisory Board also reviewed how effectively the Supervisory Board itself and its committees perform their duties (self-assessment). No deficits were identified. The German Corporate Governance Code and the issuance of the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) were further items on the agenda. We also resolved to revise the objectives for the composition of the Supervisory Board, including the competence profile and the diversity concept for the Supervisory Board.

At its meeting on November 26, 2020, the Supervisory Board discussed the Executive Board's report on the course of business, Siltronic Group's planning for the fiscal year 2021, and medium-term planning for the fiscal years up to and including 2023. The 2021 budget presented by the Executive Board, including financial and investment planning, was discussed in detail and approved. Another focus of the deliberations was the report by the Executive Board on the status of the discussions with GlobalWafers on a possible business combination based on a Business Combination Agreement between Siltronic AG and GlobalWafers.

In a conference call on November 29, 2020, the Executive Board informed us about the agreement on material transaction parameters with GlobalWafers.

During information events held on December 1 / 2, 2020 for shareholder representatives and employee representatives, external legal advisers explained in detail the draft Business Combination Agreement, the assurances it provides for sites and employees, and the necessary merger control and foreign trade approvals for the closing of the transaction.

At an extraordinary Supervisory Board meeting on December 9, 2020, we approved the conclusion of the Business Combination Agreement with GlobalWafers and formed a Special Committee to prepare a draft of the reasoned statement on the bidder's public tender offer.

With regard to the voluntary public tender offer, Wacker Chemie AG concluded an irrevocable agreement with the bidder on the same day – according to the GlobalWafers offer document – on the acquisition of the Siltronic shares it holds in the course of the offer (Irrevocable Undertaking). The Chairman of the Supervisory Board, Dr. Tobias Ohler, took account of his dual mandate by not participating in the negotiations of the Irrevocable Undertaking between Wacker Chemie AG and the bidder and by not participating in the resolution of the Executive Board of Wacker Chemie AG on the conclusion of this agreement.

At an extraordinary Supervisory Board meeting on December 22, 2020, following intensive deliberations based on the recommendation of the Special Committee formed, we resolved the joint reasoned statement of the Executive Board and the Supervisory Board on the voluntary public tender offer.

Supervisory Board committees

In order to perform its duties efficiently, the Supervisory Board has set up four permanent committees: an Audit Committee, an Executive Committee, a Nomination Committee and the Conciliation Committee, the latter of which is mandatory pursuant to Section 27 (3) of the German Co-Determination Act. The committee chairpersons reported regularly and comprehensively to the Supervisory Board on the committee work. In addition, a Special Committee was established in connection with the voluntary public tender offer in December 2020, comprising Supervisory Board members Dr. Tobias Ohler, Michael Hankel, Johann Hautz and Jörg Kammermann.

The Executive Committee met three times during the reporting year. It dealt with the personnel matters of the Executive Board and its compensation and, in this context, prepared the resolutions of the Supervisory Board plenum regarding the determination of targets for the variable compensation, the particular total target compensation and maximum compensation, the determination and review of the appropriateness of the Executive Board compensation and the approval of the compensation report. The Committee also recommended that the Supervisory Board modify the Executive Board service contracts and the Executive Board compensation system with effect from January 1, 2020 and submit the service contracts and the modified compensation system to the 2020 Annual General Meeting for approval. The Executive Committee also dealt with long-term succession planning for the Executive Board and prepared the reappointments of Mr. Irle and Dr. von Plotho.

The Audit Committee held four meetings in the fiscal year 2020 and also passed one resolution outside a regular Audit Committee session. The Audit Committee discussed the annual financial statement of Siltronic AG and the consolidated financial statement as well as the combined management reports in the presence of the auditor. It also discussed the quarterly reports and, in the presence of the auditor, the half-year report as well as the auditor's review thereof. The Audit Committee recommended to the Supervisory Board that KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, be proposed to the 2020 Annual General Meeting for election as auditor. The Audit Committee issued the audit engagement letter to the auditor for the fiscal year 2020, defined the focal points of the audit and determined the auditor's fee. In addition, the Committee monitored the selection, independence, qualifications, rotation and efficiency of the auditor. In particular, it dealt with the treatment of non-audit services and the assessment of the quality of the audit. In addition, the Audit Committee dealt with the accounting process, the Company's risk management system, the effectiveness and findings of the internal audit and the compliance system and received on-going reports on compliance topics. In addition, the Audit Committee commissioned the auditors to review the non-financial report.

The Nomination Committee and the Conciliation Committee were not convened in the fiscal year 2020.

The Special Committee formed by the Supervisory Board in connection with the voluntary public tender offer met once in the reporting year and prepared the submission of the Supervisory Board's reasoned statement pursuant to Section 27 of the German Securities Acquisition and Takeover Act (WpÜG).

Education and training measures

The members take responsibility for the training and continuing education required for their duties and they receive appropriate support from the Company as required. New Supervisory Board members are offered the opportunity to attend an onboarding information event in connection with their induction into office in order to familiarize them with the Company. The next event is planned for the fiscal year 2021.

Individualized disclosure of attendance of Supervisory Board members in 2020

Supervisory Board member	Supervisory Board plenum		Executive Committee		Audit Committee		Special Committee	
	Number	in %	Number	in %	Number	in %	Number	in %
Dr. Tobias Ohler (Vorsitzender)	6 of 6	100	3 of 3	100	4 of 4	100	1 of 1	100
Johann Hautz (stellv. Vorsitzender)	6 of 6	100	3 of 3	100			1 of 1	100
Mandy Breyer	5 of 6	83						
Klaus Estermaier	6 of 6	100						
Prof. Dr. Gabi Dreo	6 of 6	100						
Sieglinde Feist	6 of 6	100						
Gebhard Fraunhofer	6 of 6	100			4 of 4	100		
Dr. Hermann Gerlinger	6 of 6	100	3 of 3	100				
Michael Hankel	6 of 6	100	3 of 3	100			1 of 1	100
Bernd Jonas	6 of 6	100			4 of 4	100		
Jörg Kammermann	6 of 6	100					1 of 1	100
Gertraud Lauber	2 of 6	33						

Audit of annual and consolidated financial statements

The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements of Siltronic AG for the fiscal year 2020, the consolidated financial statement and the combined management report on the individual and consolidated financial statements (balance sheet date December 31, 2020) prepared by the Executive Board and issued an unqualified audit opinion thereon. Signing auditors are Damir Ratkovic since the fiscal year 2016 and Johannes Hanshen as auditor responsible for the audit since the fiscal year 2020. The external rotation period for auditors defined as a maximum of ten years in compliance with the European Auditing Regulation (EU Regulation 537/2014) started in 2015, the year in which Siltronic AG was listed on the stock exchange.

The annual financial statements of Siltronic AG and the combined management report for the Siltronic Group were prepared in accordance with German statutory accounting requirements. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the additional requirements of German law pursuant to Section 315e (1) HGB.

The Executive Board's proposal for the use of unappropriated profit, the various financial statements, the combined management report and the auditor's reports were made available to all members of the Supervisory Board in a timely manner and were first discussed and examined in detail as a draft version in the Audit Committee meeting on February 24, 2021. The final version was subsequently discussed and examined in great detail at the Supervisory Board's meeting to approve the financial statements on March 1, 2021. The auditor was present in both meetings. The Audit Committee dealt in particular with the Key Audit Matters described in the audit opinion, including the audit procedures performed. The auditor reported on the scope, the priorities and main results of their audit and in particular addressed the Key Audit Matters and the audit procedures applied. The auditor was available to the Audit Committee and the Supervisory Board plenum for questions and additional information. The auditor also examined the early warning system for risks in accordance with Section 91 of the German Stock Corporation Act (AktG) and found that the early warning system for risks meets the legal requirements. No risks were identified that could jeopardize the going concern status of the Company.

At the Supervisory Board meeting held on March 1, 2021, the Supervisory Board, taking into account the recommendation of the Audit Committee, adopted the resolution proposal to be made to the 2021 Annual General Meeting regarding the selection of the auditor. The decision was based on the Audit Committee's statement that its recommendation is free from undue influence by third parties and that no restrictive clause within the meaning of Article 16 (6) of the EU Statutory Audit Regulation had been imposed on it.

The Supervisory Board concurs with the results of the audit. Based on the final results of the review by the Audit Committee and our own examination, there are no objections to the annual financial statements of Siltronic AG, the consolidated financial statements, the combined management report and the auditor's reports. We therefore approve the annual financial statements of Siltronic AG and the consolidated financial statements for the year ending December 31, 2020, as prepared by the Executive Board. The annual financial statements of Siltronic AG are thus adopted. The Executive Board proposes to use the unappropriated profit to pay a dividend of EUR 2.00 per eligible share and to carry forward the remainder. The Supervisory Board concurs with this proposal.

Separate non-financial report

At its meeting on October 21, 2020, the Audit Committee also commissioned the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, to audit limited collateral requirements for the combined non-financial (Group) report. KPMG AG Wirtschaftsprüfungsgesellschaft issued an unqualified audit opinion. The combined non-financial (Group) report and the audit opinion of KPMG AG Wirtschaftsprüfungsgesellschaft were submitted to the members of the Supervisory Board in a timely manner. The Audit Committee at its meeting on February 24, 2021 and the Supervisory Board at its meeting on March 1, 2021 discussed, reviewed and approved the combined non-financial (Group) report in detail. There were no indications for any objections to the combined non-financial (Group) report or the assessment of the audit results by KPMG AG Wirtschaftsprüfungsgesellschaft.

Changes to the Executive Board and Supervisory Board

At the Supervisory Board meeting on March 4, 2020, Rainer Irle was reappointed as a member of the Executive Board for the period from January 1, 2021 to December 31, 2025. At the Supervisory Board meeting on December 9, 2020, the term of office of Dr. Christoph von Plotho as a member of the Executive Board and as CEO was extended prematurely until December 31, 2023, by mutually terminating his appointment as a member of the Executive Board and subsequently renewing his appointment. His original appointment would have expired on December 31, 2021. In view of GlobalWafers' announced intention to submit a voluntary public tender offer, special circumstances existed which made it necessary to reappoint Dr. Christoph von Plotho prematurely one year before the end of his term of office.

At the end of December 31, 2020, Gertraud Lauber and Jörg Kammermann resigned from their positions as employee representatives. We would like to thank them for their trusting cooperation on the Supervisory Board. By court order dated December 17, 2020, Lina Ohltmann and Markus Hautmann were appointed as their successors effective January 1, 2021.

The Supervisory Board would like to thank all employees of Siltronic AG and all Group companies for their hard work and commitment.

Munich, March 1, 2021
The Supervisory Board

Dr. Tobias Ohler
Chairman of the Supervisory Board of Siltronic AG

Siltronic on the stock exchange

Global equity markets on an upward trend in 2020

The 2020 financial markets were subject to extreme fluctuations due to the Corona pandemic and its negative economic effects, some of which were mitigated by monetary and fiscal policy measures. At the beginning of 2020, China was in a massive crisis caused by the Corona virus. Europe still considered itself safe at the time, and the DAX climbed to a record high of 13,795 points in February. From March onwards, Europe and the USA were also under the influence of the Corona pandemic. The gradual and widespread shutdown of public life in many countries caused the worst economic recession since World War II and financial markets declined. The DAX had lost around 40 percent, falling to 8,256 points in mid-March. The substantial price losses were followed by a rapid recovery of the financial markets. Led by US technology equities, they reached record highs by the end of 2020. The DAX followed with a time lag, climbing above the mark of 13,900 points for the first time end of December and outperforming numerous European indices with a gain of 3.5 percent in 2020. This was mainly the result of Germany being hit less severely by the pandemic.

Siltronic share volatile upwards

The macroeconomic conditions were also reflected in the performance of the Siltronic share. A significant increase in the first two months of the year was followed by a sharp correction and thereafter a mostly steady upward trend. This was accelerated end of November, when positive results and improved forecasts from our customers led to strong demand for Siltronic shares. The share price increase was further strengthened after November 29, 2020, when the voluntary tender offer for Siltronic by GlobalWafers was announced.

The average daily Xetra trading volume of Siltronic shares in 2020 was 162,885 shares. Based on the Xetra closing price, the market capitalization on December 30, 2020, was around EUR 3.8 billion.

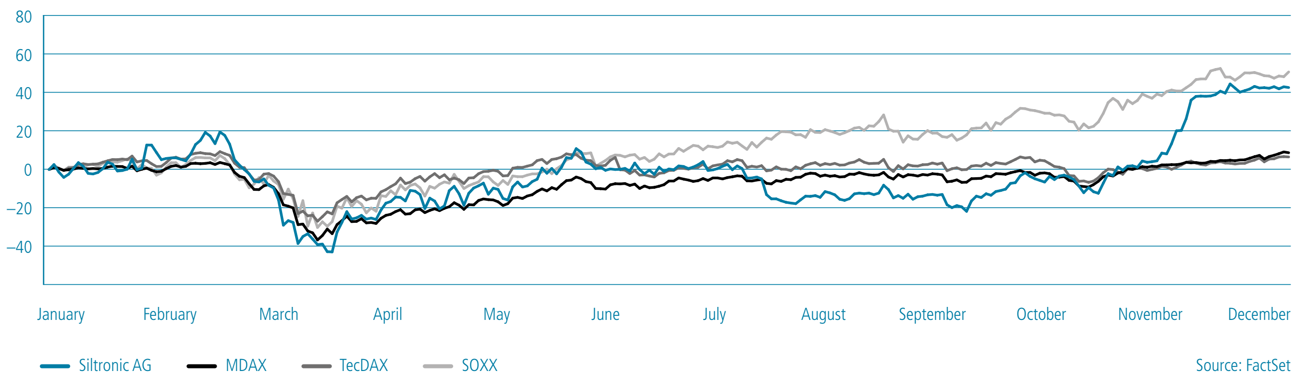
Based on the Xetra closing price of EUR 128.10 on December 30, 2020, the Siltronic share significantly outperformed the two key reference indices, the MDAX (up 8.8 percent) and the TecDAX (up 6.6 percent), with an increase of 42.8 percent. The international benchmark index Philadelphia Semiconductor Index rose by 50.9 percent in the same period.

In the MDAX rankings, Siltronic shares ranked 35 in terms of trading volume and 39 in terms of market capitalization at the end of 2020. In the TecDAX, it was ranked 14 in terms of trading volume and market capitalization.

Dividend proposal of EUR 2.00

The proposed dividend for 2020 is EUR 2.00 per share. With a total payout of EUR 60 million, this corresponds to a payout ratio of 37.3 percent and thus is in line with the general dividend policy of Siltronic AG.

Performance of Siltronic shares vs. indices 2020
in %



Source: FactSet

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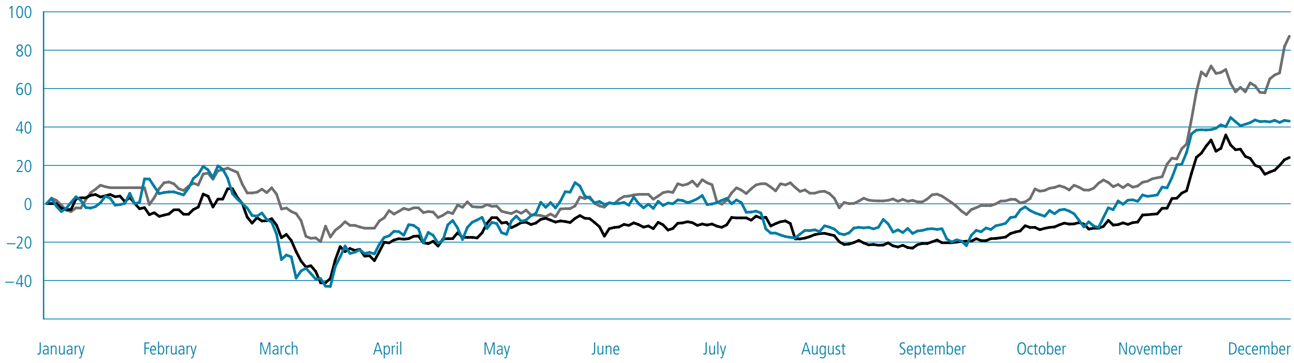
Performance of Siltronic shares vs. competitors 2020
in %



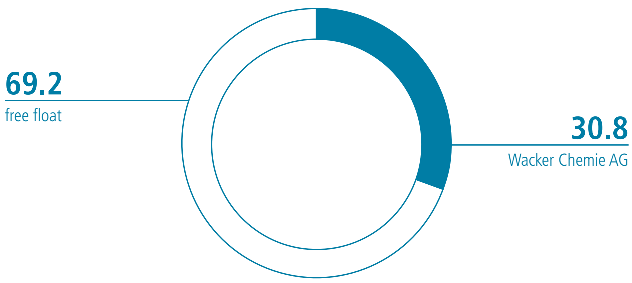
Source: FactSet

Shareholder structure

Wacker Chemie AG was Siltronic AG's largest shareholder as of December 31, 2020, with 30.8 percent of the voting rights. The free float was at 69.2 percent. According to the voting rights notifications, the largest institutional investors as of December 31, 2020, holding more than 3 percent of the voting rights were Allianz Global Investors (4.90 percent), GlobalWafers (4.17 percent), Goldman Sachs (3.62 percent), the State of Norway (3.19 percent) and Capital Group (3.03 percent).

Within the free float, as of December 16, 2020, around 20 percent was held in Germany, followed by 28 percent in the USA and a good 15 percent in the United Kingdom. As of December 31, 2020, the Executive Board and Supervisory Board held less than 1 percent of the shares.

Shareholder structure of Siltronic AG
in %



Investor relations activities

Our investor relations activities aim to provide comprehensive information and contribute to an appropriate valuation of the shares. We maintain open communication with our investors and analysts and create transparency. We took account of the travel and contact restrictions caused by the Corona pandemic by providing virtual investor support since February 2020. We organized our own roadshows and took part in conferences and roadshows organized by brokers. In 2020, we participated in 25 capital market conferences and roadshows organized by banks, reaching investors and analysts in Europe, America and Asia. Overall, we held around 360 individual and group meetings with our target group in 2020. Our capital market communications focused on the 2020 business performance, the impact of the Corona pandemic and the digitization of the economy, sustainability performance, the demand and capacity situation, and the possible acquisition of Siltronic AG by GlobalWafers.

In 2020, we received two awards for our investor relations work. In the German Investors' Darling, Siltronic ranked third among all 60 MDAX-listed companies and ninth among all 160 DAX, M-DAX and SDAX-listed companies. In the "Institutional Investor's 2020 All-Europe Executive Team" ranking, in which nearly 1,200 investors, buy-side and sell-side analysts from more than 500 companies participated, Siltronic achieved second place in the category "Best IR Team Small-Mid Cap Technology/Hardware".

Analyst coverage

By the end of 2020, the Siltronic share was covered by 13 financial analysts. As of December 31, 2020, four analysts issued a buy recommendation and seven advised holding the share. Due to consulting activities for Siltronic regarding the tender offer by GlobalWafers, one analyst interrupted his rating because of potential conflicts of interest. One analyst recommended acceptance of the tender offer by GlobalWafers. The average target price of the banks was EUR 127.23 in December 2020.

Current data and information is published on the Siltronic website *www.siltronic.com* under Investor Relations.

Key share data

First trading day	June 11, 2015
Stock exchange	Frankfurt
Market segment	Regulated Market
Transparency standard	Prime Standard
Index	MDAX, TecDAX
ISIN	DE000WAF3001
Ticker symbol	WAF300
Free float in %	69.2
Number of shares	30,000,000
High of 20201[1)]	EUR 129.80
Low of 20201[1)]	EUR 51.16
2020 closing price1[1)]	EUR 128.10
Market capitalization as of December 30, 2020	EUR 3.8 billion

[1)] Xetra closing price

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Combined management report

Business and economic conditions

Group structure and business activities

One of the leading international suppliers of hyperpure silicon wafers

Siltronic is one of the global market and technology leaders for hyperpure silicon wafers for the semiconductor industry. There are production facilities at four locations in Asia, Germany and the USA, where we manufacture silicon wafers with diameters of up to 300 mm. Our customers include the top consumers of silicon wafers in the semiconductor industry, and we generally maintain long-term business relationships with them.

Siltronic is known in the market for its long-standing expertise, customer-specific solutions, and global product availability, as well as assured quality and delivery reliability. Our worldwide presence enables us to respond to inquiries from customers in less than 24 hours. This combination is the basis for our high level of customer satisfaction and is the foundation for the sustained success of our business. Our aim is to supply high-quality wafers with specifications that completely fulfill our customers' requirements.

Silicon wafers are the basis for modern microelectronics and nano-electronics and are therefore a key component of countless everyday objects, such as computers, smartphones, flat screens, and navigation systems.

We strive to be a driving force for innovation in silicon wafers for the semiconductor industry.

Legal structure of the Group

Siltronic has had the legal form of a stock corporation (Aktiengesellschaft) subject to German law since 1996, although at that time it was called Wacker Siltronic Gesellschaft für Halbleitermaterialien AG. In 2004, the Company was renamed Siltronic AG. Its head office is based in Munich, Germany. At the end of 2020, the Company had direct or indirect equity investments in seven companies and one special fund.

Management and control

As required by the German Stock Corporation Act (AktG), Siltronic AG has a two-tier governance structure consisting of the Executive Board and Supervisory Board. The Executive Board has two members; its composition did not change in 2020. The Supervisory Board consists of twelve members. Information on the Executive Board and the Supervisory Board and how their responsibilities are allocated can be found in the Declaration on Corporate Governance on p. 76.

Allocation of responsibilities on the Executive Board

Dr. Christoph von Plotho	Rainer Irle
• Chief Executive Officer • Application Technology • Corporate Development • Engineering • Investor Relations & Communications • Legal & Compliance • Production • Quality Management & Sustainability • Sales & Marketing • Site Management, Burghausen & Freiberg • Supply Chain Management • Technology • Siltronic Japan • Siltronic Singapore	• Chief Financial Officer • Labor director • Controlling & Finance • Accounting & Tax • Human Resources • IT • Procurement • Risk Management & Audit • Siltronic USA

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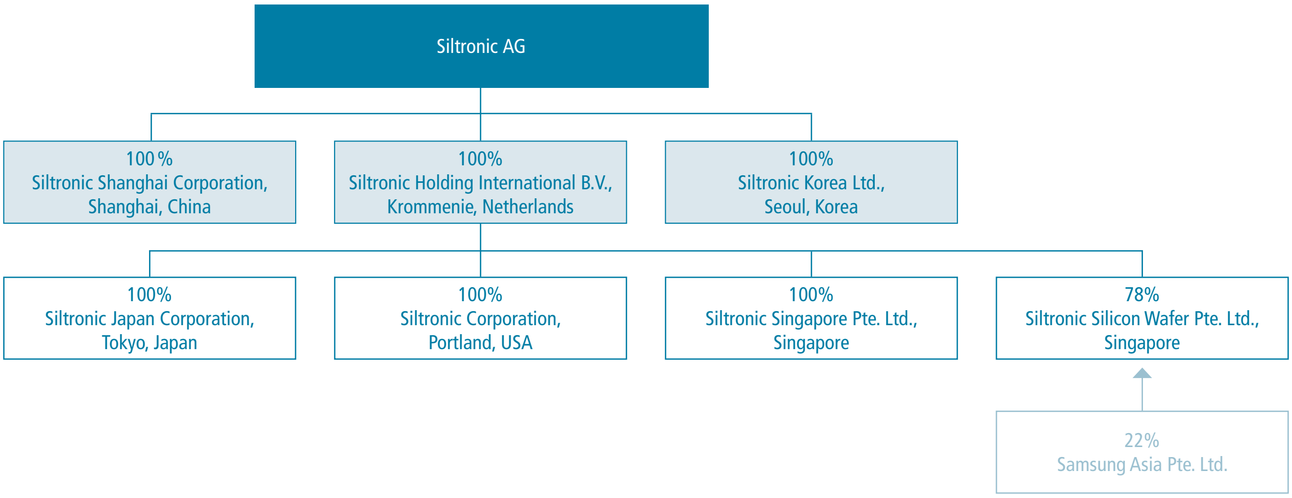
Structure of the Siltronic Group



Active strategic management holding company, decentralized structure, and proximity to customers
The parent company of the Siltronic Group, Siltronic AG, acts as the Group's holding company under company law and as its operational holding company. As the parent company, Siltronic AG is in charge of the corporate strategy and strategic management as well as communications with the Company's important stakeholders, particularly the capital markets and shareholders. The operational subsidiaries are managed by local management. The Siltronic AG Executive Board is represented on the executive boards of the subsidiaries, with the exception of Korea and China, which are sales entities only. An extended team of senior group managers at Siltronic AG have their performance measured in accordance with agreed targets. Specific targets are defined at groupwide, regional, and operational level and are reviewed on an ongoing basis.

Remuneration of the Executive Board and Supervisory Board
The Executive Board's remuneration consists of fixed and variable elements. The main features of the remuneration system for the Executive Board and Supervisory Board are described in the compensation report on p. 60 of the combined management report.

Declaration on corporate governance
The declaration on corporate governance, which is required by section 289f and section 315d of the German Commercial Code (HGB), is issued on p. 76. It includes information on the work of the Executive Board and Supervisory Board, the declaration of conformity pursuant to section 161 AktG, details on significant corporate management practices and further details on corporate governance.

The declaration of conformity has been made permanently accessible to the public on the website *https://www.siltronic.com/en/investors/corporate-governance.html*.

Important products, business processes, and markets

We create added value with our experience, technological competence and innovative strength
Silicon is the basis for nearly all semiconductor components and thus essentially underpins the entire global electronics industry. The wafers are used for increasingly small structures, known as design rules, which nowadays are just a few nanometers in size. This makes it possible to manufacture ever more powerful and energy-efficient generations of semiconductor chips. Our silicon wafers, with diameters of up to 300 mm, support these developments and form the basis for highly complex semiconductor components, such as high-voltage applications, low-resistivity circuit boards for automotive engineering and telecommunications, and highly integrated microprocessors and memory modules for information processing.

We act as a strategic development partner for our industrial customers, to whom we supply solutions tailored specifically to their requirements. In doing so, we draw on our technical expertise and deep understanding of what our customers need. Our four production facilities and nine sales offices in Europe, the USA, and

Asia serve our customers worldwide. In 2020, our five largest customers were (in alphabetical order) Infineon Technologies, Intel, Samsung Electronics, SK Hynix and Taiwan Semiconductor Manufacturing Company (TSMC). Our local sales approach enables us to offer high-quality customer service.

By working closely with our customers, we help them to continuously improve and update their products and solutions. We manufacture specified polished and epitaxial wafers in accordance with the latest design rules.

Competitive situation

There is a great deal of global competitive pressure in the market for silicon wafers for the semiconductor industry which is characterized by a high concentration of wafer suppliers. Our main competitors are the two Japanese manufacturers Shin-Etsu Handotai and SUMCO Corporation plus GlobalWafers from Taiwan and SK Siltron from Korea. In terms of sales, Siltronic had a market share of around 13 percent in 2020.

Together, the five largest manufacturers meet roughly 90 percent of global demand. Customers are working increasingly closely with manufacturers on the development of new wafers. We expect to be able to benefit even more from this trend in the future due to our excellent access to customers.

Economic and legal influences

We sell our wafers to customers in the semiconductor industry worldwide. This means we are subject to the cyclical fluctuations that are typical for this industry. However, this volatility varies significantly in terms of when it occurs and to what extent. We take account of expected developments in our business planning at an early stage using selected leading indicators, such as commodity prices, customers' ordering behavior, our capacity utilization, and production and unit sales forecasts for the semiconductor industry.

Exchange rate volatility caused by trade relationships between currency areas has an operational impact on our sales and earnings because we generate around two-thirds of our sales in US dollars but incur the bulk of our costs in euros. We are trying to reduce the currency effect of changes in foreign exchange rates by increasing the production in Singapore, which shows correlation to the US dollar.

Siltronic's costs are affected by wage and salary increases and by changes in the cost of materials and energy costs. Our main raw material is polysilicon, most of which we obtain from Wacker Chemie AG on the basis of long-term supply agreements. We use a large number of supplies, e.g. slurries and sawing wire, in our manufacturing processes. As far as possible, we try to procure our materials from multiple suppliers.

We increase our profitability by taking steps within the Company, such as optimizing processes in all functional units. Back in 2010, we launched cost roadmaps, an ongoing cost-reduction program, in order to proactively identify and unlock potential for improvement.

In regular Steering Committee meetings new ideas are prioritized and their implementation is monitored.

Because we do business worldwide, various legal and tax requirements apply to us that we have to take into account in our operations. These include product liability legislation, employment regulations, foreign trade laws and patent laws.

External influences such as the Corona pandemic pose a challenge. In the context of the spread of the Corona virus, we immediately initiated our global pandemic protection plans and are continuously assessing the situation.

We are keeping a particularly close eye on the logistics chains and our suppliers.

Risks for our business arising from the economic and legal situation are presented in the risk report on p. 48.

Corporate strategy and corporate management

Our short- and long-term strategic objective is to expand our business activities in order to strengthen our position as one of the leading manufacturers of semiconductor wafers. To achieve this objective, we will continue to strongly invest in technology and quality, continue with our program for operational excellence and cost reductions as well as increase our capacities according to market growth. We also focus on a high level of profitability and a stable cash flow. In case needed, we adjust our strategy and our operating activities to the respective market conditions. It was not necessary to significantly change Siltronic's strategic focus compared to the previous year.

Megatrends creating a sustained increase in the use of our high-quality hyperpure silicon wafers

Customer requirements in the semiconductor industry are changing all the time, driven primarily by global megatrends such as electromobility, connectivity, miniaturization, and cost efficiency. Because of the Internet of Things (IoT), for example, the devices that come on to the market will be increasingly intelligent, and everyday objects will be fitted with processors, sensors and networking capabilities. The technology will range from app-controlled wearables to smart factories. Continuous improvements to functionality and energy efficiency, for example of smartphones, driver assistance systems in motor vehicles, and industrial automation, are based on semiconductor manufacturers constantly enhancing the components needed for these applications. Typically, these developments mean that raw materials have to meet constantly increasing performance requirements. For example, smaller design rules for components are only possible if the silicon wafers have the necessary uniformity.

We therefore expect that demand for highly developed wafers will continue to rise. We want to take advantage of these growth opportunities by focusing on innovative solutions that add value, thereby proactively helping to meet our customers' new requirements.

Synergies through standardized production processes

We have many years of experience in manufacturing 300 mm wafers and have built state-of-the-art production facilities at our German sites in Freiberg (Saxony) and Burghausen (Bavaria) as well as in Singapore that are designed for the volume production of these wafers. Standardized processes and largely identical machinery ensure knowledge transfer between our production sites. This enables us to improve processes quickly and easily, to simplify the qualification process by our customers.

Our success factors: a global presence and innovative strength

We want to offer solutions with enhanced product capabilities and quality that our customers can use in their current and future applications.

The products required in our target markets are highly sophisticated. Examples of applications for silicon wafers are computers, tablets, smartphones, solid-state drives, assistance and control systems in the automotive industry, or wearables. We provide our customers worldwide with specified, high-quality products. Apart from the Czochralski process we use the float zone technology for growing ingots to produce wafers with a diameter of up to 200 mm (see the chapter on production on p. 45). We continuously improve our innovative strength and attach a high priority to research and development (R&D).

Ongoing optimization of our production processes and cost structures

Our strategic objectives are to improve profitability and strengthen cash flow. We support and steer our efforts to achieve these objectives in a variety of ways. These include cost discipline and continuous improvement of processes in all functions and regions.

Securing sustainable profitable growth

We invest in new equipment to meet the highest demands of our customers and to participate in market growth.

Constant monitoring of selected financial and non-financial key performance indicators

The Group's management team predominantly uses financial key performance indicators (KPIs) to manage Siltronic.

The most important financial KPIs in 2020 were EBIT, EBITDA margin and net cash flow.

A high level of profitability is an important target and metric for the Group's management team. The measurement basis we use is EBIT and EBITDA. EBIT is defined as earnings before interest and taxes, EBITDA as EBIT excluding depreciation/amortization, impairment losses and reversals thereof. We compare ourselves with our competitors via the EBITDA margin. We use this comparison, along with historical trends and planning information, to calculate an EBITDA margin target.

Another important metric is net cash flow. By focusing on this KPI, we are ensuring that Siltronic remains financially solid going forward.

The net cash flow shows whether the necessary investments in property, plant and equipment and intangible assets can be financed from the company's own operating activities (the cash flow from operating activities excluding changes in customer payments received or made). Our goal is to achieve a positive cash flow each year. The main influences on this KPI, besides profitability, are effective management of net working capital and the level of capital expenditure. Net working capital is defined as the sum of inventories and trade receivables less trade payables.

Targets for all financial KPIs are set and monitored company-wide. Each month, we measure the discrepancies between the target and actual figures at Group level and in all local companies. KPIs are analyzed monthly and quarterly. We also review the detailed business planning on the basis of the available monthly and quarterly results and draw up a specific forecast for business performance.

The abovementioned KPIs are supplemented by additional financial indicators, including particularly sales, capital expenditure and net financial assets.

Non-financial KPIs mainly relate primarily to the efficient use of silicon and energy, recycling of waste, water withdrawal as well as the number of work accidents and accidents involving chemicals. Furthermore, there are also indicators relating to product quality and innovation. We do not use any of these indicators consistently to manage the company. For further information, please refer to our non-financial report (see p. 86).[1]

[1] The non-financial KPIs of the non-financial report have been audited in accordance with Internatinal Accounting Standard on Assurance Engagements (ISAE) 3000 (Revised).

Business report

Macroeconomic situation and industry trends

According to analyses by the International Monetary Fund (IMF), due to the Corona pandemic, global economic growth in 2020 declined significantly. According to the latest forecast from January 2021, global gross domestic product in 2020 has decreased by 3.5 percent, after a growth of 2.8 percent in the previous year.

While growing by 1.3 percent in 2019, the economy in the euro area declined significantly by 7.2 percent in 2020. This sharp decline was caused by the effects of the Corona pandemic. Extensive monetary and fiscal policy measures were provided to absorb those effects.

The German economy, which is heavily dependent on exports, shrank by 5.4 percent in 2020, after a weak growth of 0.6 percent in 2019.

According to the IMF, the US economy decreased by 3.4 percent in 2020 (2019: plus 2.2 percent). After the tenth year of an upswing, the US economy has also suffered from the impact of the Corona pandemic.

A slightly positive development of Japan's economy with 0.3 percent growth in 2019, was followed by a significant downturn of 5.1 percent in 2020. At 2.3 percent, China's gross domestic product in 2020 was significantly lower than in 2019 (plus 6.0 percent). Nevertheless, in 2020 China was the only country among the advanced economies as well as emerging markets and developing economies to record economic growth.

In contrast to the overall economic trend, the market for silicon wafers for the semiconductor industry grew by 5 percent in 2020 (2019: minus 7.3 percent), measured in terms of wafer area sold worldwide.

Sources:
IMF (World Economic Outlook update, January 26, 2021),
SEMI SMG (press release February 3, 2021)

Significant events

Corona pandemic

In 2020, the Corona pandemic had an impact on Siltronic AG's business performance. The accelerated trend toward further digitization of the economy and private life had a positive impact on demand for wafer area. However, shifts in some end markets, such as the automotive industry, also had a negative impact on the product mix. We explain the effects on business performance in detail in the chapter financial position and financial performance.

Tender offer of GlobalWafers

On December 9, 2020, Siltronic and GlobalWafers from Taiwan entered into a business combination agreement (BCA) on the basis of which GlobalWafers submitted a tender offer to Siltronic shareholders. In a joint reasoned statement, the Supervisory Board and the Executive Board of Siltronic AG, after careful and thorough examination of the offer document, recommended that Siltronic shareholders accept the offer. Detailed documents from GlobalWafers on the tender offer can be found on the website *https://offer-globalwafers-siltronic.com*.[1] The publications of Siltronic AG are published at *www.siltronic.com/en/investors/information-regarding-tender-offer-by-globalwafers*.[1]

The minimum acceptance threshold of 50 percent of GlobalWafers' voluntary public tender offer was reached with 56.92 percent at the end of the acceptance period on February 10, 2021.

The German Federal Cartel Office approved the transaction in February 2021. As part of the merger control process, further applications have been or will be filed in seven other jurisdictions, which could take more than six months to process. In addition, an application for clearance by GlobalWafers has been filed with the German Federal Ministry for Economic Affairs and Energy. Investment approvals have been requested in a few other jurisdictions. Subject to receipt of the outstanding regulatory approvals and clearances, we expect the transaction to close in the second half of 2021.

[1] These are unaudited information.

Effects of tender offer on business strategy and sites

On the basis of the merger agreement, Siltronic can continue its business strategy essentially unchanged. In addition, GlobalWafers has provided extensive guarantees for Siltronic's German sites, in particular the continuation of the research and development site in Burghausen and the waiver of plant closures or layoffs until the end of 2024. GlobalWafers publicly announced at the end of January 2021 that they does not intend to conclude a domination and/or profit and loss transfer agreement with Siltronic AG in the next three years.

Effects of tender offer on the opportunities and risks as well as the forecast

The effects are explained separately in the corresponding chapters.

Comparison of actual and forecast business performance

Overall, business performance in 2020 was in line with the forecast. We recorded a decline in sales and earnings. This was mainly due to a decline of the average selling price compared to the previous year as well as the strength of the euro particularly in H2. In addition, a shift in end markets triggered by the Corona pandemic had a partially negative impact on Siltronic AG's product mix in Q3 2020. Overall, the increased demand for wafer area compared to 2019 could not compensate for these negative effects.

Due to the uncertainty caused by the Corona pandemic, the forecast included two scenarios, "before Covid-19" and "with further spread of Covid-19". In the Interim Report we stated out the full-year guidance more precisely with regard to Group sales, EBITDA margin, net cash flow and tax rate. Group sales were forecasted to decline in a mid single-digit percentage range compared to the previous year with a sequential decline in H2 compared to H1. The EBITDA margin should be mid single-digit percentage points down compared to 2019. Net cash flow was expected to be slightly below the previous year, according to the forecast. A tax rate of below 10 percent was estimated.

With revenues of EUR 1,207.0 million, the year-on-year decline of 5.0 percent was within the adjusted forecast range. The EBITDA margin in 2020 was 27.5 percent, which is also within the communicated range. In line with the forecast, EBIT of EUR 192.2 million was significantly below the previous year due to higher depreciation.

At EUR 77.4 million, net cash flow was within the adjusted forecast, but due to a burden from carry-over effects of 2019 investments, slightly below the prior year.

Investments in tangible and intangible assets (capex) were slightly below forecast. In 2020, EUR 187.6 million were invested (forecast approximately EUR 200 million). We made targeted investments in capabilities and epi reactors and completed capacity expansion projects.

Comparison of actual and forecast business performance

	2019 actual	Forecast Annual Report 2019 before Covid-19 (as of March 2020)	Forecast Annual Report 2019 in case of further spread of Covid-19 (as of March 2020)	Forecast Q1 statement (as of April 2020)	Forecast Q2 report (as of July 2020)	Forecast Q3 statement (as of October 2020)	**2020 actual**
Sales in EUR million	1,270.4	Slightly below previous year	Significantly below previous year	Significantly below previous year	Mid single-digit percentage range below 2019 with a sequential decline in H2 vs. H1	Mid single-digit percentage range below 2019 with a sequential decline in H2 vs. H1	1,207.0
EBITDA margin in %	32.2	Slightly below previous year	Significantly below previous year	Significantly below previous year	Decline by mid single-digit percentage points vs. 2019	Decline by mid single-digit percentage points vs. 2019	27.5
Net cash flow in EUR million	81.3	Clearly positive, in the range of 2019 around EUR 40 million burden from carry-over of (unpaid) 2019 investments	Signifiantly below previous year, around EUR 40 million burden from carry-over of (unpaid) 2019 investments	Signifiantly below previous year, around EUR 40 million burden from carry-over of (unpaid) 2019 investments	Slightly below previous year, around EUR 40 million burden from carry-over of (unpaid) 2019 investments	Slightly below previous year, around EUR 40 million burden from carry-over of (unpaid) 2019 investments	77.4
EBIT in EUR million	298.3	Due to higher depreciation significantly below previous year	Due to higher depreciation significantly below previous year	Due to higher depreciation significantly below previous year	Due to higher depreciation significantly below previous year	Due to higher depreciation significantly below previous year	192.2
Depreciation in EUR million	110.4	Around EUR 140 million	Around EUR 140 million	Around EUR 140 million	Around EUR 140 million	Around EUR 140 million	139.8
Tax rate in %	14	Around 10 percent	Around 10 percent	Around 10 percent	Below 10 percent	Below 10 percent	1
Capex in EUR million	363.0	Around EUR 200 million mainly in automation and capabilities	Around EUR 200 million mainly in automation and capabilities	Around EUR 200 million mainly in automation and capabilities	Around EUR 200 million mainly in automation and capabilities	Around EUR 200 million mainly in automation and capabilities	187.6
Earnings per share in EUR	7.52	Significantly below previous year	Significantly below previous year	Significantly below previous year	Significantly below previous year	Significantly below previous year	5.36

Overall statement by the Executive Board on business performance and the economic position

As expected, sales and earnings declined in the fiscal year 2020, which was significantly impacted by the Corona pandemic. According to the forecast of the International Monetary Fund (IMF), global gross domestic product in 2020 declined by 3.5 percent compared to the previous year, which also had an impact on us. The Corona pandemic had a negative impact on sales of cars and smartphones, particularly in the first half of 2020. In contrast, the digitization surge triggered by the pandemic generated strong demand for servers, laptops, headsets, monitors and other technological products.

At EUR 1,207.0 million, Siltronic AG's sales in 2020 were about five percent below 2019 (EUR 1,270.4 million). At around EUR 77.4 million, net cash flow in 2020 was slightly below the previous year's level and thus in line with expectations. Net financial assets decreased by only EUR 90 million to EUR 499.2 million (2019: EUR 588.9 million) due to the positive net cash flow despite the dividend payment of EUR 90 million and the repayment of customer prepayments.

In the past fiscal year, Siltronic invested EUR 187.6 million. In addition to basic investments of EUR 90 million, this includes future-oriented expenditures for capabilities, capacity expansions and investments in additional epi-reactors. In this way, we are securing our position as one of the technology leaders and further expanding it.

Siltronic's economic situation remains solid. This assessment is based on the results of the consolidated financial statements and the separate financial statements 2020 and takes into account the course of business up to the time of preparation of the combined management report for 2020.

The outlook for the wafer market is good at the beginning of 2021. Siltronic AG started the new year well with good to very good capacity utilization. The company continues to have a high proportion of long-term contracts with customers. Demand for wafer area is expected to further increase in 2021. However, the continuing strength of the euro is expected to have a significant headwind on sales and earnings development.

Fundamentally, megatrends such as 5G, artificial intelligence, electromobility and digitization are the growth drivers for the semiconductor industry. The year 2021 also offers additional opportunities for the entire technology industry, because rarely so many trends have had such a transformative effect as in 2020. The negative impacts in 2021 continue to include geopolitical and global economic developments such as the trade conflict between the USA and China and the further development of the Corona pandemic.

Financial position and financial performance

Financial performance and financial position

Increase in wafer area sold does not compensate for decline in ASP

		2020	2019	Change	Q4 2020[1]	Q3 2020[1]	Q4 2019[1]	Change Q4 to Q3	Change Q4 to Q4
Sales	**in EUR milion**	**1,207.0**	**1,270.4**	**–63.4**	**284.5**	**299.3**	**304.3**	**–14.8**	**–19.8**
	in %			–5.0				–4.9	–6.5

We closed the 2020 financial year with consolidated sales of EUR 1,207.0 million, down 5.0 percent from the previous year. The main reason for the reduction is the average selling price (ASP) per wafer area expressed in euros, which decreased compared to 2019.

The main drivers for the development of the ASP in 2020 have been (a) the exchange rate of the euro against the US dollar, (b) the product prices in billing currency, and (c) the product mix.

Siltronic generates most of its sales in US dollars. In the first two quarters, the exchange rate averaged 1.10, rose to 1.17 in Q3 and increased to 1.19 in Q4. This resulted in an average exchange rate of 1.14 for 2020, compared with 1.12 in 2019. On a year-on-year basis, this represents a slight foreign-exchange related burden for the ASP. When comparing quarters during the year, it should be noted that the euro rose by 6 percent in Q3 of 2020 and was stable at this higher level in Q4. Compared with the first two quarters, sales in Q3 and Q4 of 2020 are characterized by a significantly lower ASP due to exchange rate effects.

Product prices in billing currency showed a downward trend in 2019, which continued into the reporting year as expected. Prices have been roughly stable since the third quarter of 2020.

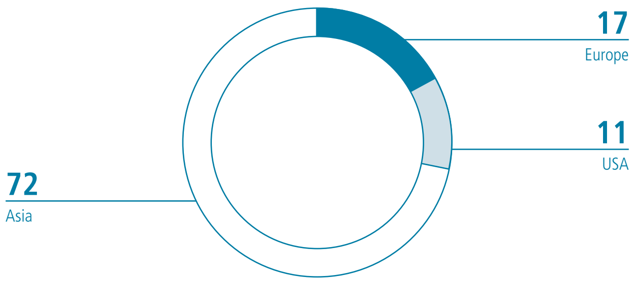
The ASP of Q3 was negatively impacted by changes in the product mix. The changes were an indirect result of the Corona pandemic, as this caused a shift in the end markets relevant to Siltronic. Total demand for wafer area was not affected.

While the Corona pandemic had a slightly negative impact on ASP, the effect on volume development was positive and wafer area sold significantly exceeded the previous year. Although end consumers purchased some end products relevant to us in lower volumes (e.g. smartphones, cars), demand for other end products relevant to us increased significantly (e.g. servers, network equipment, computers/tablets). However, for the year as a whole, the increase in sales due to increased wafer area sold could not compensate for the decline in sales resulting from the ASP translated into euros.

Sales in Q4 did not match the level of Q3. This was mainly due to slightly lower volumes, which is due to seasonality and the stronger euro.

The regional breakdown of sales shows that Asia, the largest region, accounted for 72 percent of sales (previous year: 70 percent), followed by Europe with 17 percent (previous year: 19 percent) and the USA with 11 percent (previous year: 11 percent).

Sales by region
in %



[1] Quarterly figures are unaudited values.

Increase in wafer area and depreciation drive cost of sales

		2020	2019	Change	Q4 2020[1]	Q3 2020[1]	Q4 2019[1]	Change Q4 to Q3	Change Q4 to Q4
Cost of sales	in EUR million	867.5	812.8	54.7	211.7	221.0	207.4	−9.3	4.3
	in %			6.7				−4.2	2.1
Gross profit	**in EUR million**	**339.5**	**457.6**	**−118.1**	**72.8**	**78.2**	**96.9**	**−5.4**	**−24.1**
	in %			**−25.8**				**−6.9**	**−24.9**
Gross margin	in %	28.1	36.0		25.6	26.1	31.8		

Although sales decreased year-on-year due to exchange rate effects and in billing currency, cost of sales increased by EUR 54.7 million. This was caused by the higher wafer area sold and a regular increase in depreciation of property, plant and equipment due to investments.

Disregarding increased depreciation, cost of sales per wafer area decreased significantly year-on-year. This performance is attributable to the success of cost-reduction programs and exchange rate effects.

In addition to the ASP, higher regular depreciation weighs on gross margin

Gross profit decreased by 25.8 percent to EUR 339.5 million and the gross margin declined from 36.0 percent in 2019 to 28.1 percent in 2020. In addition to the decline in ASP, this is also due to the increase in regular depreciation.

Gross profit in the Q4 of 2020 contracted by some seven percent compared with Q3. The gross margin reached 25.6 percent. The downward trend in the Q4 was due to higher depreciation as well as to a decline in wafer area sold.

Administration expenses increased by EUR 12 million due to tender offer

In EUR million	2020	2019	Change	Q4 2020[1]	Q3 2020[1]	Q4 2019[1]	Change Q4 to Q3	Change Q4 to Q4
Selling expenses	31.6	36.9	−5.3	7.3	8.2	10.7	−0.9	−3.4
R&D expenses	72.6	68.4	4.2	18.0	18.1	17.7	−0.1	0.3
Administration expenses	39.9	27.9	12.0	18.3	7.2	6.8	11.1	11.5
Total	**144.1**	**133.2**	**10.9**	**43.6**	**33.5**	**35.2**	**10.1**	**8.4**
In % of sales	11.9	10.5		15.3	11.2	11.6		

As a result of the tender offer by GlobalWafers, costs for external capital market and legal advice totaling EUR 12 million were incurred in the Q4. If these expenses are disregarded, total costs for sales, research and development (R&D) and administration are virtually unchanged compared to the previous year.

The additional costs incurred in the course of the tender offer are the reason why the ratio of selling, R&D and administrative expenses to sales, amounting to 11.9 percent, is significantly higher than in 2019 (10.5 percent).

[1] Quarterly figures are unaudited values.

Exchange rate effects significantly down

In EUR million	2020	2019	Change	Q4 2020[1]	Q3 2020[1]	Q4 2019[1]	Change Q4 to Q3	Change Q4 to Q4
Balance of exchange rate effects	−3.7	−27.0	23.3	−1.3	0.6	−4.2	−1.9	2.9
Sundry other operating income and expenses	0.5	0.9	−0.4	0.5	−1.6	−0.7	2.1	1.2
Balance of other operating income and expenses	**−3.2**	**−26.1**	**22.9**	**−0.8**	**−1.0**	**−4.9**	**0.2**	**4.1**

To mitigate risks arising from exchange rate developments, we implement measures to hedge currencies.

Exchange rate effects from hedging activities are included in other operating income and other operating expenses. Such income and expense counteract the impact of exchange rate effects on sales and gross margin.

In 2019, the development of the US dollar against the euro had a positive effect on sales and gross margin. The exchange rate effects in other operating income and expenses, which were very strongly driven by hedging activities, resulted in a net loss of EUR 27.0 million in 2019. In contrast, the loss in 2020 was only EUR 3.7 million, which represents an improvement of EUR 23.3 million. The charge of EUR 3.7 million in 2020 did not result from hedging transactions; these generated a significant profit. However, the gain was not sufficient to fully offset the exchange rate-related losses from accounts receivable and accounts payable.

EBITDA margin at a solid 28 percent despite additional costs due to the tender offer

		2020	2019	Change	Q4 2020[1]	Q3 2020[1]	Q4 2019[1]	Change Q4 to Q3	Change Q4 to Q4
EBITDA	**in EUR milion**	**332.0**	**408.7**	**−76.7**	**67.2**	**80.1**	**90.0**	**−12.9**	**−22.8**
	in %			**−18.8**				**−16.1**	**−25.3**
EBITDA margin	**in %**	**27.5**	**32.2**		**23.6**	26.8	**29.6**		
Depreciation, amortization and impairment less reversals thereof	in EUR million	−139.8	−110.4	−29.4	−38.8	−36.5	−33.3	−2.3	−5.5
EBIT	in EUR million	192.2	298.3	−106.1	28.4	43.6	56.7	−15.2	−28.3
	in %			−35.6				−34.9	−49.9
EBIT-Marge	in %	15.9	23.5		10.0	14.6	18.6		

EBITDA amounted to EUR 332.0 million in 2020, 18.8 percent below 2019 (EUR 408.7 million).

The main reasons for the decline in EBITDA are related to an adverse ASP in billing currency, the product mix shift occurring in Q3 2020, and the additional expenses included in administrative expenses due to the tender offer from GlobalWafers. The increase in wafer area sold and the reduced cost of sales per wafer area (excluding depreciation) significantly mitigated the burden, but could not fully offset them. The EBITDA margin declined year-on-year from 32.2 percent to 27.5 percent. Excluding the increase in administrative costs due to the tender offer, the EBITDA margin would have been 29.5 percent.

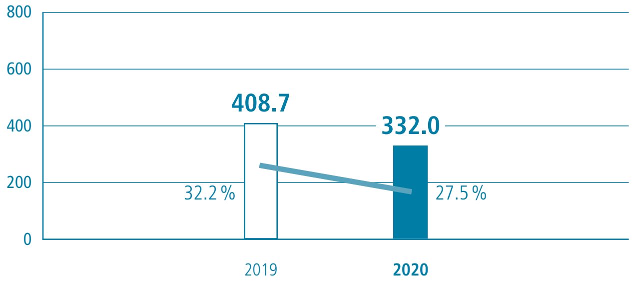
[1] Quarterly figures are unaudited values.

At EUR 67.2 million, EBITDA in Q4 was significantly lower than in Q3. The decrease of EUR 12.9 million is almost entirely attributable to the increase in administrative costs resulting from the tender offer. Without the cost increase, the EBITDA margin for Q4 would have been 27.8 percent (Q3 2020: 26.8 percent) instead of the reported 23.6 percent.

Due to the extensive investment projects in recent years, regular depreciation and amortization has increased in almost every quarter for the past two years. In 2020, depreciation and amortization exceeded 2019 by EUR 29.4 million. This circumstance, together with the decline in EBITDA, has led to a year-on-year decrease in EBIT of EUR 106.1 million to EUR 192.2 million.

EBITDA and EBITDA margin

In EUR million



Only slightly negative financial result despite low interest rate environment

In EUR million	2020	2019	Change	Q4 2020[1]	Q3 2020[1]	Q4 2019[1]	Change Q4 to Q3	Change Q4 to Q4
Interest expenses for pension provisions	−6.4	−7.4	1.0	−1.6	−1.6	−1.9	–	0.3
Net result of financial invest-ments	6.4	14.5	−8.1	3.0	1.9	3.3	1.1	−0.3
Other financial result, net	−3.0	−2.6	−0.4	–	−0.8	−0.6	0.8	0.6
Financial result	**−3.0**	**4.5**	**−7.5**	**1.4**	**−0.5**	**1.0**	**1.9**	**0.4**

The net result of financial investments mainly includes income from securities and time deposits. The other financial result, net includes income and expenses from derivatives used for currency hedging and expenses from the compounding of non-current liabilities (with the exception of pensions).

Despite the low interest rate environment and the sharp decline in financial markets in Q1 2020 in the wake of the Corona pandemic, Siltronic was able to generate a surplus in 2020 through interest-bearing and non-interest-bearing cash investments. The income compensated for the interest effect on pensions.

[1] Quarterly figures are unaudited values.

Net profit of EUR 187 million

		2020	2019	Change	Q4 2020[1]	Q3 2020[1]	Q4 2019[1]	Change	
								Q4 to Q3	Q4 to Q4
Result before income tax	in EUR million	189.2	302.7	−113.5	29.8	43.2	57.7	−13.4	−27.9
Income taxes	in EUR million	−2.4	−41.7	39.3	11.1	−4.0	−12.3	15.1	23.4
Tax rate	in %	1	14		−37	9	21		
Result for the period	**in EUR million**	**186.8**	**261.0**	**−74.2**	**40.9**	**39.1**	**45.4**	**1.8**	**−4.5**
thereof Siltronic shareholders		*160.8*	*225.6*		*35.0*	*32.3*	*36.4*		
thereof other shareholders		*26.0*	*35.4*		*5.9*	*6.8*	*9.0*		
Earnings per share	in EUR million	5.36	7.52	−2.16	1.17	1.08	1.21	0.09	−0.05

In 2020, income taxes amounted to EUR 2.4 million (previous year: EUR 41.7 million).

The tax rate in the Group declined to an extremely low 1 percent in 2020, compared with 14 percent in 2019, mainly for three reasons. First, production-related profits are increasingly arising at companies in Singapore, where the tax rate is comparatively low. Secondly, high personnel and electricity costs meant that no pre-tax profit was generated at the production sites in Germany. Thirdly, we received tax refunds in the USA as a result of government programs to support investments.

Profit decreased from EUR 261.0 million in 2019 to EUR 186.8 million in 2020. Of this amount, EUR 160.8 million is attributable to Siltronic AG shareholders (previous year: EUR 225.6 million).

Earnings per share resulted in EUR 5.36, compared with EUR 7.52 in 2019.

[1] Quarterly figures are unaudited values.

Assets and liabilities

The Group’s total assets slightly decreased to EUR 1,919.4 million on December 31, 2020 (2019: EUR 1,945.0 million).

Non-current assets increased due to investments

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Change
Intangible assets	23.5	22.7	0.8
Property, plant and equipment	961.7	951.4	10.3
Right-of-use assets	51.2	48.7	2.5
Financial investments	46.7	52.1	−5.4
Other assets	12.2	5.4	6.8
Non-current assets	**1,095.3**	**1,080.3**	**15.0**

Non-current assets amounted to EUR 1,095.3 million at the end of 2020, or around 57 percent of total assets (previous year: 56 percent). Compared with the end of 2019 (EUR 1,080.3 million), they increased by EUR 15.0 million which is attributable to a higher level of property, plant and equipment.

Investments (additions to property, plant and equipment and non-current intangible assets) totaled EUR 187.6 million (previous year: EUR 363.0 million) mostly related to measures (i) in production plants to meet increasingly demanding technical specifications (“capabilities”), (ii) finalizing capacity expansions projects and (iii) additional epi reactors.

Depreciation and amortization amounted to EUR 139.8 million in 2020 (previous year: EUR 110.4 million).

As of December 31, 2020, intangible assets include in particular goodwill arising from the step acquisition of Siltronic Silicon Wafer Pte. Ltd. in 2014. Goodwill, which amounts to EUR 20.5 million, is not subject to scheduled amortization.

Other non-current assets largely comprise deferred taxes. Deferred taxes increased in the US and Germany.

Current assets decreased mainly due to dividend payment for 2019

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Change
Inventories	163.0	152.8	10.2
Trade receivables	156.6	142.3	14.3
Other assets	50.2	31.1	19.1
Cash and cash equivalents and fixed-term deposits	454.3	538.5	−84.2
Current assets	**824.1**	**864.7**	**−40.6**

Current assets amounted to EUR 824.1 million as of December 31, 2020, down EUR 40.6 million on the previous year (EUR 864.7 million). They accounted for around 43 percent of total assets (previous year: around 44 percent).

Demand for wafer area in Q4 of 2020 significantly exceeded the demand in Q4 2019. This led to an increase in inventories and trade receivables (taking into account the offsetting of advance payments received) and contract assets compared with the previous year.

Other current assets mainly comprise tax receivables, market values of derivative financial instruments which increased both. Moreover, prepaid expenses are included in the line item.

Net working capital amounts to EUR 200.8 million (previous year: EUR 168.3 million). The amount is composed of inventories, trade receivables and contract assets less trade payables. Advance payments received from customers are not included in the net working capital.

The main reasons for the decline in cash, cash investments, securities and fixed-term deposits have been a lower inflow from free cash flow of EUR 77.4 million because of the investments, refunding advance payments received from customers totaling EUR 45.4 million and the outflow of EUR 90.0 million paid out in 2020 as a dividend for 2019.

Increasing pension liabilities drive up current liabilities

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Change
Equity	**871.8**	**930.2**	**−58.4**
Pension provision	566.5	491.5	75.0
Customer prepayments	137.4	152.5	−15.1
Lease liabilities	48.4	45.5	2.9
Other liabilities	76.1	81.8	−5.7
Non-current liabilities	**828.4**	**771.3**	**57.1**

Equity amounted to EUR 871.8 million as of December 31, 2020 (previous year: EUR 930.3 million). The equity ratio was thus 45.4 percent compared to 47.8 percent as of 31 December 2019.

The development of the equity is shown in the following table:

In EUR million	
Equity December 31, 2019	**930.2**
Net income	186.8
Dividend	−90.0
Other comprehensive income: remeasurement of DBO, mainly due to drop in interest rate	−94.2
Other comprehensive income: foreign currency valuation	−69.7
Other comprehensive income: changes of derivative financial instruments	8.7
Equity December 31, 2020	**871.8**

Non-current liabilities amounted to EUR 828.4 million as of December 31, 2020 (previous year: EUR 771.3 million); they account for around 43 percent (previous year: around 40 percent) of total liabilities and equity. The increase of EUR 57.1 million was driven by a strong rise in pension liability, which rose by EUR 75.0 million. The increase is a result of declining interest rate: In the USA, the interest rate for pensions fell from 2.98 percent at the end of 2019 to 2.07 percent at the end of 2020, in Germany from 1.24 percent to 0.69 percent in the same period.

The decline in non-current customer prepayments received is primarily caused by the scheduled transition to current prepayments.

Non-current other liabilities mainly comprise obligations for anniversary bonuses, partial retirement, taxes and liabilities for environmental protection, all due in more than one year.

As in the previous year, current liabilities accounted for only a small share of the balance sheet total at 11 percent

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Change
Trade liabilities	118.8	126.8	−8.0
Customer prepayments	23.6	28.6	−5.0
Lease liabilities	4.0	3.8	0.2
Other provisions and liabilities	72.8	84.3	−11.5
Current liabilities	**219.2**	**243.5**	**−24.3**

Current liabilities totaled EUR 219.2 million as of December 31, 2020, down EUR 24.3 million on the previous year (31 December 2019: EUR 243.5 million). Current liabilities account for around 11 percent of total assets (previous year: around 13 percent).

Trade payables decreased as investment activities in the months prior to the balance sheet date were lower than in the same period of 2019.

The lower short-term customer prepayments reflect the transition from non-current customer prepayments less scheduled refund to customers. Refunds are linked to shipments and sales respectively.

Other current liabilities mainly include the current portion of personnel liabilities (vacation, overtime, performance-related compensation), taxes, liabilities from derivative financial instruments and provisions for environmental protection.

Influence of exchange rate fluctuations and acquisitions on balance sheet items was not significant
The exchange rate fluctuations on the change in the carrying amounts of assets and liabilities located outside Germany (impact from translation shown in equity) decreased compared to prior year by EUR 69.7 million. There was no acquisition of any company or business.

Unrecognized intangible assets
We consider the confidence of our customers in the quality of existing products as well as in the ability of Siltronic to adapt existing products to the continuously increasing technical requirements of customers as an important factor for a successful business. In order to be able to identify and properly assess the future technical requirements of our customers at an early stage, we rely primarily on our own worldwide sales network, which maintains mature customer relationships.

Furthermore, we see our long-standing expertise in research and development as a competitive advantage.

Despite high capital expenditures and refunds of customer prepayments free cash flow was positive

In EUR million	2020	2019	Change
Cash flow from operating activities	236.7	385.3	−148.6
Proceeds/payments for capital expenditure including intangible assets	−204.7	−348.9	144.2
Free cash flow	**32.0**	**36.4**	**−4.4**
Increase/decrease of prepayments received (customer prepayments)	45.4	44.9	0.5
Net cash flow	**77.4**	**81.3**	**−3.9**
Proceeds/payments for capital expenditure including tangible assets	−204.7	−348.9	144.2
Proceeds/payments from financial investments (fixed-term deposits, securities)	168.3	55.0	113.3
Cash flow from investing activities	**−36.4**	**−293.9**	**257.5**

In 2020, we generated net cash inflow from operating activities of EUR 236.7 million compared to EUR 385.3 million in 2019. These amounts are influenced by customer prepayments, which only represent a shift between periods. The impact from such payments was almost the same in 2020 and 2019: In the reporting year, cash flow was negatively influenced by EUR 45.4 million after EUR 44.9 million in 2019. For the year-on-year comparison, it should also be noted that the cash flow from operating activities in the previous year included proceeds of EUR 45.0 million from insurance payments in connection with environmental liabilities (reporting year: EUR 0.0 million) and that cash out for pension funding exceeded prior year payments by EUR 14.7 million.

Cash outflows for investments in property, plant and equipment and intangible assets decreased from EUR 348.9 million in 2019 to EUR 204.7 million in 2020.

Cash outflows for investments in property, plant and equipment and intangible assets in 2020 and the refund of customer prepayments were easily financed from operating activities: Free cash flow (cash inflow from operating activities after deduction of investments in property, plant and equipment and intangible assets) was clearly positive (EUR 32.0 million).

Net cash flow at EUR 77.4 million

Siltronic's management uses net cash flow as an internal performance indicator for the operating business. The net cash flow helps to assess the extent to which a company can sustainably finance its investments in property, plant and equipment and intangible assets through its operating activities, because in contrast to free cash flow, the timing of inflows and outflows caused by customer prepayments is balanced. Due to the amount and time lapse of the inflows, such shifts undermine the information provided in the free cash flow.

The net cash flow shows that, ignoring the shifts in the periods due to customer prepayments, after deducting the high payments for investments in property, plant and equipment plus intangible assets net cash inflows of EUR 77.4 million were generated in 2020. As expected, the number is only slightly below the prior year amount.

Cash inflow/outflow for financial investments

In addition to cash outflows for property, plant and equipment and intangible assets, cash inflows and outflows for cash investments (time deposits and securities) are included in cash flow from investing activities. In 2020, net cash inflows due to cash investments had a volume of EUR 168.3 million (previous year: net inflows of EUR 55.0 million). After these net cash inflows, the Group had EUR 204.6 million in cash investments as of December 31, 2020. This amount was owned in addition to cash and cash equivalents of EUR 294.6 million.

Financial management

Principles and objectives

The aim of financial management at Siltronic is to optimize cash flows and ensure that currency effects are hedged in accordance with our policy. Derivatives are used exclusively to hedge cash inflows and outflows resulting from receivables and liabilities.

As the Group's parent company, Siltronic AG is significantly involved in the financing of its subsidiaries. Financing is managed from the Group perspective.

Off-balance sheet financing instruments
Siltronic only uses off-balance sheet financing sources in negligible amounts.

Net financial assets at EUR 499.2 million
Despite the high investments of EUR 204.8 million in 2020 and the dividend of EUR 90.0 million paid to shareholders, net financial assets declined by EUR 89.7 million only. Siltronic showed net financial assets of EUR 499.2 million as of December 31, 2020 (December 31, 2019: EUR 588.9 million).

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Change
Cash and cash equivalents	294.6	200.7	93.9
Financial investments	204.6	388.2	−183.6
Net financial assets	**499.2**	**588.9**	**−89.7**

Liquidity management

Our aim is to pool Group companies' surplus liquidity and, ensuring solvency at all times, to optimally allocate this money within the Group or invest it externally. For this purpose, we use a treasury management system that provides us with an overview of each subsidiary's cash status at all times.

Summary of financial position

The net financial assets of EUR 499.2 million provide a solid foundation for our growth strategy.

Limitation of financial risk

To limit Siltronic's currency risk, we have defined a strategy for entering into currency hedging transactions. We refer to this as "hedging strategy". Currency hedging transactions include futures, swaps and options. Expenses and income are recognized in accordance with the rules on hedge accounting under IFRS (reported in the income statement or in other comprehensive income).

Other core components of our policy for limiting financial risk are the clear definition of process responsibility, multi-level approval processes, and risk assessments.

Analysis of capital expenditure

We invest the funds from operating cash flow mainly in existing plants to automate or optimize production and increase yields. In the reporting year, we progressed with capacity expansion projects and invested in additional epi reactors. Another focus was on improving capabilities.

Siltronic AG

In addition to the information on the Siltronic Group, we report on the performance of Siltronic AG. The annual financial statements of Siltronic AG are prepared in accordance with the regulations of the German Commercial Code (HGB). The complete set of financial statements including related documents is published separately.

As the parent company of the Siltronic Group, Siltronic AG is responsible for overall strategic management, financing and communication with the capital market and shareholders.

Siltronic AG is an operating company. Wafers and the intermediate product ingot are manufactured at the two German production sites in Burghausen and Freiberg. In addition, Siltronic AG has sales entities in the form of permanent establishments in Taiwan, France and Italy and a permanent establishment in Singapore, whose activities are limited in providing engineering services to Siltronic group companies in Singapore.

The company realizes its sales on the one hand from self-produced products (wafers and rods) and on the other from reselling wafers. Revenues generated in Singapore from engineering services are not significant.

The company sells wafers either to end customers (third parties) or to subsidiaries. Siltronic AG bills end customers if the end customer is (i) located in Europe or (ii) in Taiwan or if (iii) the customer explicitly wishes to purchase from Siltronic AG. In all other cases, Siltronic AG sells wafers to subsidiaries, which sell the wafers to end customers as distributors. Ingots are sold exclusively to subsidiaries.

In the distribution business, subsidiaries with manufacturing sell their wafers to Siltronic AG, which acts as a reseller. In these cases, Siltronic AG bills end customers located in (a) Europe or (b) Taiwan or if (c) a customer explicitly wishes to purchase from Siltronic AG.

Results of operations of Siltronic AG in accordance with the HGB

			Change	
In EUR million	2020	2019	Amount	in %
Sales	**914.2**	**971.2**	**−57.0**	**−5.9**
Changes in inventories and other own work capitalized	8.8	5.2	3.6	69.2
Total operating output	**923.0**	**976.4**	**−53.4**	**−5.5**
Cost of materials	−462.9	−473.4	10.5	−2.2
Labor costs	−238.5	−245.0	6.5	−2.7
Depreciation, amortization, and impairment	−72.6	−66.3	−6.3	9.5
Other net operating expenses and income	−157.9	−161.4	3.5	−2.2
Result before dividend income from subsidiaries	−8.9	30.3	−39.2	−129.4
Dividend income from subsidiaries	102.0	50.0	52.0	104.0
EBIT	**93.1**	**80.3**	**12.8**	**15.9**
EBITDA	**165.7**	**146.6**	**19.1**	**13.0**
Interest income/expenses	−15.0	−11.9	−3.1	26.1
Result before income taxes	**78.1**	**68.4**	**9.7**	**14.2**
Income taxes	−3.1	−9.9	6.8	−68.7
Retained earnings	**75.0**	**58.5**	**16.5**	

It is crucial to understanding Siltronic AG's financial performance to separate the earnings situation resulting from own production of wafers and ingots from the earnings situation of the trading business. The trading business relates exclusively to wafers that subsidiaries have manufactured. For further information, please refer to the paragraphs preceding the table.

Although the wafer trading business has a significant impact on sales and cost of materials, neither EBIT nor EBITDA of the company are significantly affected. The main reason for this is that the trading business shows a low margin in line with its low risk profile: The selling price of a wafer subject to resale recorded in the line item 'sales' is only slightly higher than the purchase price recorded under 'cost of materials'. In addition, neither the cost of materials nor the other line items of the income statement have a significant impact on fixed costs in the trading business.

EBIT and EBITDA of Siltronic AG are therefore driven by the company's own production of wafers and ingots and by the dividend from subsidiaries.

The EUR 57.0 million year-on-year decline in Siltronic AG's sales is largely attributable to the trading business. The background to the decline in sales was lower prices; the change in volume was of secondary importance.

Prices for sales of self-produced wafers also declined, but an increase in wafer area sold almost offset the price impact. Own-produced wafers are mostly invoiced in US dollars. Since the company bills wafers primarily in US dollars, the US dollar plays an important role. As stated in the results of operations for the Group, the average exchange rate of the US dollar to the euro in the year under review was 1.14, compared to 1.12 in the previous year.

Sales of (own-produced) rods did not reach the level of the previous year. Although the volume of ingots sold increased, the price per kilogram decreased compared with the previous year. The price decline is not surprising, as the price for ingot material generally develops similarly to the price for wafers.

Siltronic AG generated 63 percent of its total sales with customers located in Asia (previous year: 59 percent). The second most important region was Europe, where 26 percent (previous year: 21 percent) of customers were based, followed by the Americas with 13 percent (previous year: 13 percent).

The increased production of wafer area and ingot volume compared to 2019 drove cost of materials, in particular raw materials and supplies. This increase in the cost of materials was offset by a similar reduction in personnel expenses, which amounted to EUR 6.5 million or 2.7 percent. This reflects in particular the fact that a lower pension trend was applied for the actuarial calculation of pensions.

The most important reason for the rise in depreciation and amortization is the investment in buildings and machinery in 2020 and 2019. The figure includes impairment losses of EUR 1.2 million, compared with EUR 4.9 million in the previous year.

The improvement of EUR 3.5 million in other operating income and expenses (net) is the result of cost-reducing and cost-increasing factors. The largest relief came from the exchange rate result, which improved by EUR 17.6 million, driven by currency hedging transactions. The largest cost impact of around EUR 12 million resulted from external consulting expenses in connection with the tender offer from GlobalWafers.

Siltronic AG can participate in the financial performance of all major foreign subsidiaries through its investment company Siltronic Holding International B.V., Netherlands, by way of dividends. The Executive Board of Siltronic AG exercises this option by determining the amount of dividends to be paid by Siltronic Holding International B.V. to Siltronic AG each year on the basis of business considerations. In 2020, Siltronic AG recognized EUR 102.0 million as a dividend income (previous year: EUR 50.0 million).

The increased dividend payout by Siltronic Holding International B.V. slightly overcompensated for what was by far the most significant negative impact on the company's results - the decline in prices for wafers and ingots produced in-house. EBIT and EBITDA improved by EUR 12.8 million and EUR 19.1 million, respectively.

In terms of the relevant sales, Siltronic AG has performed in line with the performance of the Group. The company's EBITDA margin based on sales excluding trading business is 25 percent. The EBITDA margin of the Group, in which there is no trading business, was 28 percent in 2020. Based on EBIT, 14 percent in the individual company compares with 16 percent achieved in the Group.

In addition to EBIT and EBITDA, Siltronic AG's cash flow is dominated by the dividend payout by Siltronic Holding International B.V. A special characteristic of cash flow is that dividends from Siltronic Holding International B.V. agreed on at the end of the year are not transferred until the following year. Taking into account this regular period shift, the company generated net cash flow of EUR 51.3 million, compared with EUR 44.4 million in 2019. The figure was thus close to that of 2019. At Group level, net cash flow was also close to 2019.

Interest income/expenses is dominated by discounting provision for pensions.

The fact that income taxes were lower than in 2019 despite the higher income before taxes is due to dividend income which only results in minor income taxes.

Net assets of Siltronic AG in accordance with HGB

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Change Amount	Change in %
Non-current assets				
Intangible Assets	2.5	2.1	0.4	19.0
Property, plant and equipment	433.3	408.7	24.6	6.0
Investments in affiliated companies	129.9	129.7	0.2	0.2
Financial assets	124.9	130.4	−5.5	−4.2
	690.6	**670.9**	**19.7**	**2.9**
Current assets				
Inventories	243.4	249.0	−5.6	−2.2
Trade receivables from third parties	79.0	73.7	5.3	7.2
Receivables from affiliated companies	122.4	119.8	2.6	2.2
Other assets, excluding time deposits	22.2	26.3	−4.1	−15.6
Cash and cash equivalents, including time deposits	174.6	107.6	67.0	62.3
	641.6	**576.4**	**65.2**	**11.3**
Total assets	**1,332.2**	**1,247.3**	**84.9**	**6.8**

As investments in property, plant and equipment exceeded depreciation, the carrying amount increased by EUR 24.6 million. In 2020, additions to property, plant and equipment and intangible assets amounted to EUR 96.4 million.

Investments in affiliated companies relate almost exclusively to the subsidiary Siltronic Holding International B. V.

Advance payments made in the amount of EUR 162.6 million reported under inventories are virtually unchanged from the previous year (EUR 167.4 million). Siltronic AG made the advance payments to a manufacturing subsidiary whose wafers are sold by Siltronic AG as a distributor. No borrowing was necessary to finance the advance payment because Siltronic AG in turn received an advance payment in the same amount from a customer.

The item receivables from affiliated companies includes two offsetting effects. On the one hand, the item includes a dividend receivable from Siltronic Holding International B.V. in the amount of EUR 42.0 million (previous year: EUR 50.0 million). On the other hand, trade receivables from subsidiaries increased by EUR 10.3 million compared to the previous year.

The reason for the increase in cash and cash equivalents, including time deposits is mainly the inflow from loans from Group companies less the dividend payments of EUR 90.0 million.

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Financial position of Siltronic AG in accordance with HGB

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Change	
			Amount	in %
Equity	**629.1**	**644.1**	**−15.0**	**−2.3**
Provisions				
Pension provisions	115.6	122.0	−6.4	−5.2
Other provisions	120.3	113.7	6.6	5.8
	235.9	**235.7**	**0.2**	**0.1**
Liabilities				
– Trade payables to third parties	40.7	36.3	4.4	12.1
– To affiliated companies	255.1	122.9	132.2	107.6
Other liabilities	171.4	208.3	−36.9	−17.7
	467.2	**367.5**	**99.7**	**27.1**
Total equity and liabilities	**1,332.2**	**1,247.3**	**84.9**	**6.8**

As of the balance sheet date, 47 percent of the assets are financed by equity and 53 percent by debt.

Pension provisions are down compared with year-end 2019 because the company has made payments into a special fund, which is netted against pension obligations.

The main reason for the increase in liabilities to affiliated companies by EUR 132.2 million is the increase in financial settlement accounts with subsidiaries.

The decrease in other liabilities by EUR 36.9 million is due in particular to advance payments received by Siltronic AG from third party customers relating to future deliveries of wafers. The advance payments were refunded as scheduled.

Net financial assets amounted to EUR 86.7 million as of December 31, 2020, compared to EUR 165.4 million at the end of 2019. The decrease of EUR 78.7 million is mainly due to the following reasons:

Cash flow from operating activities amounted to EUR 109.6 million, EUR 95.7 million was paid out for property, plant and equipment and intangible assets, EUR 11.8 million was received from the purchase and sale of securities and time deposits, a dividend of EUR 90.0 million was transferred to shareholders, and EUR 139.9 million was received from subsidiaries via financial settlement accounts.

Chances and risks

The business development of Siltronic AG is essentially subject to the same risks and opportunities as those of the Siltronic Group. In principle, Siltronic AG participates in the rewards of its subsidiaries in accordance with its interest. The assessment of risks is presented in the risk report. Siltronic AG, the parent company of the Siltronic Group, is integrated into the Group-wide risk management system.

Outlook

The expectation for the further business development of Siltronic AG in 2020 is essentially identical to the outlook of the Siltronic Group, which is described in detail in the forecast report of the Group.

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Other non-financial aspects

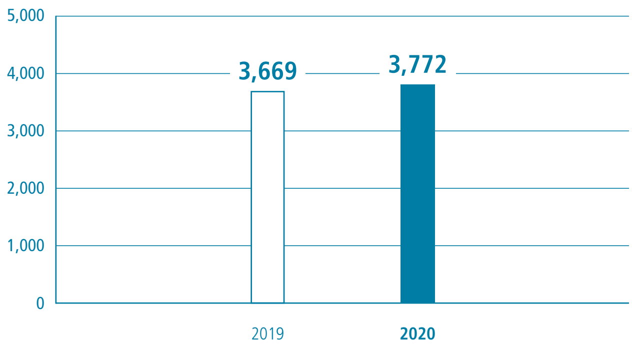
Employees

The work of our employees, who contribute their skills and passion for silicon wafers every day, forms the basis for our corporate success.

As of December 31, 2020, some 3,772 people were employed at Siltronic. The number of employees has thus increased by 103 employees or just under three percent compared with the previous year (3,669 employees). In addition, 330 temporary workers were employed worldwide as of December 31, 2020 (previous year: 283).

As a manufacturing company, we have a high proportion of direct personnel. This was around 62 percent in 2020.

Number of employees (excluding temporary employees)
as of December 31, 2020



Global personnel strategy and decentralized organization of personnel management
Our human resources management is organized on a decentralized basis to meet the different needs of employees at the individual locations and in the regions. The guidelines of our global human resources strategy, such as executive development and performance management, the performance-related design of our compensation system and the internationally oriented organization form the cross-site framework. In general, the strategic corporate guidelines and in particular the compliance guidelines must be observed.

Diversity is an important topic
One focus of our efforts is to take advantage of the existing diversity of modern society. In Germany and at Siltronic AG, our striving for diversity can be seen in the following examples, among others:

All employees at the German sites are obliged to familiarize themselves with the General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – AGG) through e-learning training. The training is binding for all hierarchy levels, from the Board of Management to employees covered by collective bargaining agreements. Every new employee must also complete this training.

We take the issue of the advancement of women very seriously and would like to fill more high-value functions with female executives by means of personnel development.

We support and encourage severely disabled people. Supervisors, employees, the human resources department, representatives of severely disabled and the health service work closely together so that employees with impaired health can stay at their workplace or change to a suitable position. This enables us to retain skilled personnel and retain many years of valuable knowledge at Siltronic. In Germany, an average of 205 severely disabled people with equal rights worked in 2020 (2019: 216), which corresponds to an employment rate of around 8 percent. In 2020 a corresponding inclusion agreement was concluded.

We also cooperate with workshops for the disabled. At our Burghausen site, for example, Siltronic purchases packaging from the Ruperti work-shops.

We are committed to childcare and the return to work after parental leave. In Burghausen and Freiberg there are kindergarten and day nursery places available close to the factory. At its Munich location, a service provider offers childcare places in kindergartens and crèches.

We support our employees by paying the costs of childcare in the form of a one-off subsidy. In addition, our employees can apply for parental leave to take care of their children up to the age of 8, which allows up to 5 days of additional leave. Since 2017, one-week childcare has been offered during the summer holidays. In 2020, also additional vacation days were granted to ensure child care during the Corona pandemic.

We also offer support with leave options or part-time models in the event of illness or if caring for a relative becomes necessary.

Home office enables flexible working

In 2020, we concluded a new company agreement that allows employees at our German sites to work from home for up to two days a week in consultation with their supervisors. However, this arrangement is not new to Siltronic: for many years, employees have had the option of working from home for a defined period of time in cases agreed in individual contracts. In times like these, this is more important than ever. In addition, during the Corona pandemic, special arrangements are in place to protect employees, including home office as a preferred option whenever and wherever possible, or fixed teams alternating office and home office hours.

We reward the performance of our workforce

Our employees develop innovations, successfully implement strategies and give the company its own identity. A common vision and actively lived company values stand for a feeling of unity and offer orientation in our daily work and actions.

We want to reward our employees' contribution to the company's success with variable remuneration systems. We review remuneration through regular benchmarks. In this way, we ensure that we offer our employees a salary that is in line with the market and related to performance and responsibility.

In addition to the fixed basic salary with vacation and Christmas bonuses, employees usually receive a variable remuneration based on the success of the company. This benefit is paid to employees covered by collective wage agreements and those not covered by collective wage agreements. At our German sites, we have collective agreements and company-related collective agreements with the German Mining, Chemical and Energy Industrial Union (IG BCE). Our constructive and trusting cooperation with the works councils at the German sites and the IG BCE is the basis for a targeted social partnership. This is reflected not least in the fact that there have been no strikes or work stoppages at our German sites in recent years.

In 2019, the IG BCE union and the employers in the chemical industry agreed on collective agreements with a term of 27 and 28 months respectively, which provide for a collective increase in two stages of 1.5 percent from July 2020 and 1.3 percent from July 2021. In addition, the chemical industry social partners agreed on more flexibility in working hours and guidelines for mobile working in the new "Modern Working World"-collective agreement, as well as a future amount from 2020 that can be used for various purposes in working life. The aim of the future amount was to prioritize sustainability for our employees, which is why the company pension plan and additional days off in particular are central cornerstones.

Employee development has high priority

In order to ensure the sustainability of our success, we have been initiating a process for the promotion of talented potential candidates for many years. In an annual performance management cycle, all non-tariff employees and senior executives are discussed according to uniform criteria in internal and cross-divisional conferences. At the subsequent Siltronic Conference, all potentials worldwide are presented to the Executive Board in order to initiate individual development directions. In the annual employee review, concrete development measures are then discussed between the supervisor and the employee on this basis. We want to fill challenging positions with internal candidates in the medium and long term. As part of the digitization of our processes, the documentation of the employee appraisal interview will be electronic not only for non-tariff employees, but since 2020 also for our employees covered by collective bargaining agreements.

Personnel marketing concept for the recruitment of new employees and retain existing ones

We present Siltronic as an employer brand at various recruiting fairs, mainly in the form of online events in 2020. In addition to the career page on our website with all the important information for applicants, cooperation with Social Media platforms also enables us to win a wider audience for our varied jobs. We not only want to be perceived as an attractive employer for applicants. We also attach great importance to internal employer branding. As part of the modernization of our intranets, we have therefore focused on ensuring that our employees find the content they need quickly and in a targeted manner and can obtain comprehensive information about our wide range of services. In 2020, we received awards from various publishers and institutes for our achievements as an employer. Among others, we received awards as a preferred employer for women and family support and as one of the best training companies in Germany.

Training as a contribution towards ensuring sustainable skilled manpower in Germany

Since 2017, we have been training in technical and commercial professions in cooperation with the Berufsbildungswerk Burghausen and the Bildungswerkstatt Chemnitz. We currently employ 30 apprentices. In addition, from 2021 we will offer dual study programs at the Baden-Württemberg Cooperative State University to cover our medium-term demand for engineers and IT specialists internally.

Health management offers employees various services in Germany

In order to remain innovative and competitive, our employees have the opportunity to make use of various services via our health management. We want to prevent back and cardiovascular diseases in our workforce, strengthen mental resilience, enable age-appropriate work and provide suitable jobs for employees with limited health. All employees at our German sites have the opportunity to take part in preventive medical check-ups at regular intervals.

In 2014, Siltronic, in cooperation with Deutsche Rentenversicherung (German Pension Insurance), launched a measure to maintain health, initially specifically for shift employees. Since then, more than 200 employees have successfully completed the health program. The target groups were continuously adjusted and in 2019 this offer will also be extended to all employees covered by collective bargaining agreements. The prevention program is suitable for employees who have no or few health problems, who want to maintain their resilience in the long term and get in better shape. In addition, a health week has been offered since 2018, which is designed as a prevention program aimed at employees over the age of 40 and financed by the company.

We also offer all employees a health check, which is carried out free of charge every 3 years.

Leasing models for employees

We offer our employees the opportunity to lease cars and bicycles and to retain the leasing instalment conveniently via their payroll accounting. Our employees can use up to two bicycles or e-bikes via an external provider. Employees not covered by collective agreements also have the option of a car leasing model.

Research & development

Innovation is key to success

Key drivers of the semiconductor industry are miniaturization, cost reductions and efficiency increases. This is expressed, for example, in higher computing power and memory density, lower specific power consumption and steadily falling costs per function. At the same time, there is disproportionate growth in special applications such as power electronics, sensors and communication electronics, each of which requires tailored wafer solutions. To achieve these goals, our customers simultaneously demand the highest technical competence and speed in the further development of silicon wafers, which are still the most important base material for the semiconductor industry.

Key figures for R&D

	2020	2019	2018	2017
R&D expenditure (EUR million)	72.6	68.4	68.1	68.3
R&D expenditure as a percentage of sales	6.0	5.4	4.7	5.8
R&D grants and subsidies received (EUR million)	0.9	0.7	0.5	0.8

Intensive development activities are therefore essential to keep pace with the rapid developments in the semiconductor market and maintain our leading technological position. We employ more than 400 engineers worldwide in the areas of process technology, metrology, intellectual property and innovation, who are based at all our sites. The Burghausen site is Siltronic's central development location. Tasks include maintaining product quality, testing and evaluating new processes and equipment modifications, continuous improvement and line integration through to qualification of wafers for our customers latest technologies.

An intellectual property portfolio of 1,850 pending and active patents and patent applications in almost 370 patent families underpins our high innovative strength and secures our leading technology position in the global market.

Our research and development (R&D) expenses amounted to EUR EUR 72.6 million in 2020 (previous year: EUR 68.4 million). Subsidies for R&D were not significant.

Strategic cooperation with customers and research institutions
A large number of our projects require close and continuous cooperation with our customers. To this end, we work on projects with our technologically leading customers as part of joint development programs, taking care to cover a broad spectrum of semiconductor end applications overall. We also cooperate with research and university institutions. At national and European level, we make use of public funding opportunities where appropriate.

Production and supply chain management

Production

Our production plants are strategically located close to our customers and offer good access to a highly skilled workforce. We can make optimum use of the respective strengths at our locations. We benefit from the innovative strength of very well-trained scientists and engineers in Germany and from the advantageous labor costs in Asia.

We process silicon crystals produced by the Czochralski process into polished wafers. A portion of the production is further refined by applying a so-called epitaxial layer.

Siltronic also produces wafers from crystals grown using the float-zone process (zone-draw process), which are used in particular in power electronics. These wafers have different surface properties and diameters of up to 200 mm.

We use standardized processes to supply our customers reliably from different locations. By transferring know-how between production sites, we implement process improvements easily and quickly and simplify qualification by our customers. In addition, we operate our German 300 mm wafer lines in Freiberg and Burghausen in a close production network as a so-called -"virtual factory"- with joint, cross-site management.

We are continuously optimizing our production processes and thus both our process capability and our cost position. Changes are tested, evaluated and efficiently introduced into the production lines by means of consistent change management. In doing so, we pay particular attention to ensuring the quality of our products and the cost-effectiveness of our lines. State-of-the-art technologies are an integral part of our factories and enable us to respond flexibly to our customers' requirements.

Projects in 2020
In 2020, we continued the projects started in 2019 to debottleneck our lines and completed major automation and optimization projects to improve our cost position. The main projects include capacity expansion, improvement of our capabilities and new epi reactors.

Supply Chain Management

Thanks to our fully integrated logistics processes, we offer added value to our customers in the form of rapid reaction times and a high level of delivery reliability. Our electronically supported supply chain ensures every process – from initial contact to manufacturing to delivery – is transparent and can be monitored.

We are working continuously to reduce delivery times and optimize our supply chain in terms of cost, speed, and quality. By reusing and recycling, we try to minimize the impact on the environment, particularly with regard to primary packaging for wafers and secondary packaging used for transportation.

Requirements relating to wafer specifications, volumes, and destinations for our exports, both to our customers and to Siltronic sites, are subject to constant changes that we analyze regularly and coordinate with our capacities. Global planning of raw materials, semi-finished products, finished wafers, and their shipping to customers takes place in real time using customized systems. We thus offer our customers quality and reliability of supply.

We use extensive e-business solutions to integrate our external partners into our processes so that we can unlock the full potential of these partnerships. One such solution is a collaboration platform (extranet) that enables us to exchange information with individual partners and thus operate lean and integrated administrative processes.

For optimal electronic data exchange with our external partners, we preferably use the internationally recognized 'RosettaNet' standard. Alternatively, we rely on other service providers – so-called third party providers – to receive or make available, for example, EDI formats. With many customers, we have built fast B2B connections that streamline collaboration, from electronic inventory management and demand planning in vendor managed inventory processes to electronic invoicing. In addition, the electronic connection of external logistics providers will be further promoted to ensure complete tracking of the supply chain to the customer.

Purchasing and supplier management

Our goal is to continuously improve our procurement costs and the quality of supply, to avoid and eliminate procurement risks, to tap additional supply potential, and to increasingly promote sustainable action in our supply chain. Specialized teams manage purchasing processes for raw materials and supplies, spare parts and equipment, facilities, investment projects, energy and media supply, IT/logistics and technical services, as well as site services to supply our international locations. In 2020, we worked continuously to expand our supplier base competitively on the global procurement markets and continued to systematically implement and improve our supplier management processes. In this way, we ensure competitive procurement on an international scale, compliance with all relevant rules and standards, continuous improvement of our processes and services, and adequate security of supply at all times.

Systematic supplier management (risk and performance monitoring, auditing, supplier development) is an important tool for Siltronic to establish and evaluate sustainable, reliable supplier relationships and to take the necessary measures. We use analyses by rating agencies, our own supplier evaluations and direct contact with our partners. We continuously evaluate and assess the performance of over 100 suppliers worldwide, most of whom represent our global procurement volume. We also ensure compliance with all legal requirements and standards and increasingly monitor and promote the contribution of our supply chain to sustainability and corporate social responsibility (CSR). In doing so, we are guided by the standards of the Responsible Business Alliance (RBA, formerly EICC), among others. We attach great importance to direct contact with suppliers and to long-term, constructive cooperation based on partnership. Our suppliers make a significant contribution to enabling Siltronic to manufacture wafers of the quality required by customers with improved processes and a high level of innovation.

At around EUR 724 million, the order volume in 2020 was down on the previous year (2019: around EUR 845 million) due to lower investments. The agreed delivery qualities, quantities and deadlines were realized by our suppliers at a high level. Siltronic placed a total of around 56,800 orders worldwide. Nine percent of our suppliers cover approximately 90 percent of our purchasing volume.

Variation in material price movements

The price development of the materials and raw materials most important to us was slightly down in 2020 due to the weaker global economy and despite rising raw material, energy and personnel costs. In the area of logistics services and cleanroom requirements, however, we had to accept in some cases high price increases due to the global corona pandemic. Currency effects from acquisitions in US-dollar and Japanese yen had an increasingly positive impact on procurement in 2020 from the second half of the year.

Security from long-term agreements

We have secured the supply of polysilicon to the German sites by Wacker Chemie AG with a long-term supply contract until 2024. A specific contract between Wacker Chemie and our Singapore site ensures a stable supply of polysilicon to Siltronic Singapore until 2023. Overall, Wacker mainly supplies the Siltronic Group with polysilicon. The price for the polysilicon is negotiated annually between the contracting parties within a fixed price range based on the previous year's price. Alternative procurement sources are also available as part of our multi-supplier strategy.

Efficient and robust processes and systems

We are making increasing use of electronic procurement, looking at the entire purchasing process from the inquiry with the supplier to payment of the invoice. An important metric is the number of automated purchase orders created. Worldwide, more than 97,000 purchase order items were triggered in 2020 (previous year: around 99,800 purchase order items). Of these, we created or shipped around 73 percent (37 percent via eCatalog) automatically at our German sites in 2020. In 2020, we also began to replace our SRM ERP system solution and are thus taking the next step toward making our procurement and supplier management processes more efficient and digital.

We work with over 3,800 suppliers worldwide (previous year: 3,800). The share of Asian suppliers is at around 26 percent. Our goal is to continue to expand our procurement globally with new suppliers in order to exploit or balance opportunities and risks in the procurement market and to continue to ensure continuous production without disruptions from suppliers at the best possible cost and quality. The corona pandemic in particular shows that we are correctly positioned in procurement and that our global procurement network and supplier management stand out.

Sales and marketing

We strive for close and long-term cooperation with our customers. In total, we supply customers in more than 40 countries. We also carry out joint development projects with many of our customers. For more information, please refer to the chapter -"Research & development"- starting on p. 44.

Sales and application technology specialists in the seven defined sales regions USA, Europe, Japan, China, Taiwan, Korea and other Asia-Pacific ensure competent and prompt on-site support for our customers. On the sales side, we are present in the USA, France, Italy, Germany, Korea, Japan, China, Taiwan and Singapore and sell our wafers almost exclusively directly to our customers.

Key account teams, consisting of employees from the areas of sales, application technology, process technology, quality management and logistics, maintain close relationships with our key customers. This enables us to react quickly to changing customer requirements and to produce silicon wafers that meet these requirements.

Contracts with our customers have varying durations from approximately three months to over a year. In 2020, despite a difficult market environment, we again concluded multi-year contracts with customers for 300 mm wafers and the supply of wafers with a diameter of 200 mm.

We constantly evaluate market information, which enables us to continuously sharpen our focus on our customers and their requirements, optimize the use of our resources, and keep an eye on market developments.

We have a long-term partnership with our customers based on trust and cooperation. This is also reflected in the numerous awards we have received from our customers. In 2020, for example, we received the Preferred Quality Supplier Award from Intel for the tenth time in succession.

Corporate responsibility (CR)

We believe one of our core responsibilities is to bring the impact of our business activities towards our employees, environment and society into line with the expectations and needs of our relevant stakeholder groups.

That is why we are guided in our business decision-making by principles of responsible corporate governance and sustainable business practice.

We address the topic of "corporate responsibility" in detail in our non-financial report, which was prepared on the basis of the CSR-RUG and in accordance with the reporting standards of the Global Reporting Initiative (GRI), the Sustainable Development Goals and the principles of the United Nations Global Compact.

The non-financial report follows the combined management report in the annual report.

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Risk and opportunity report

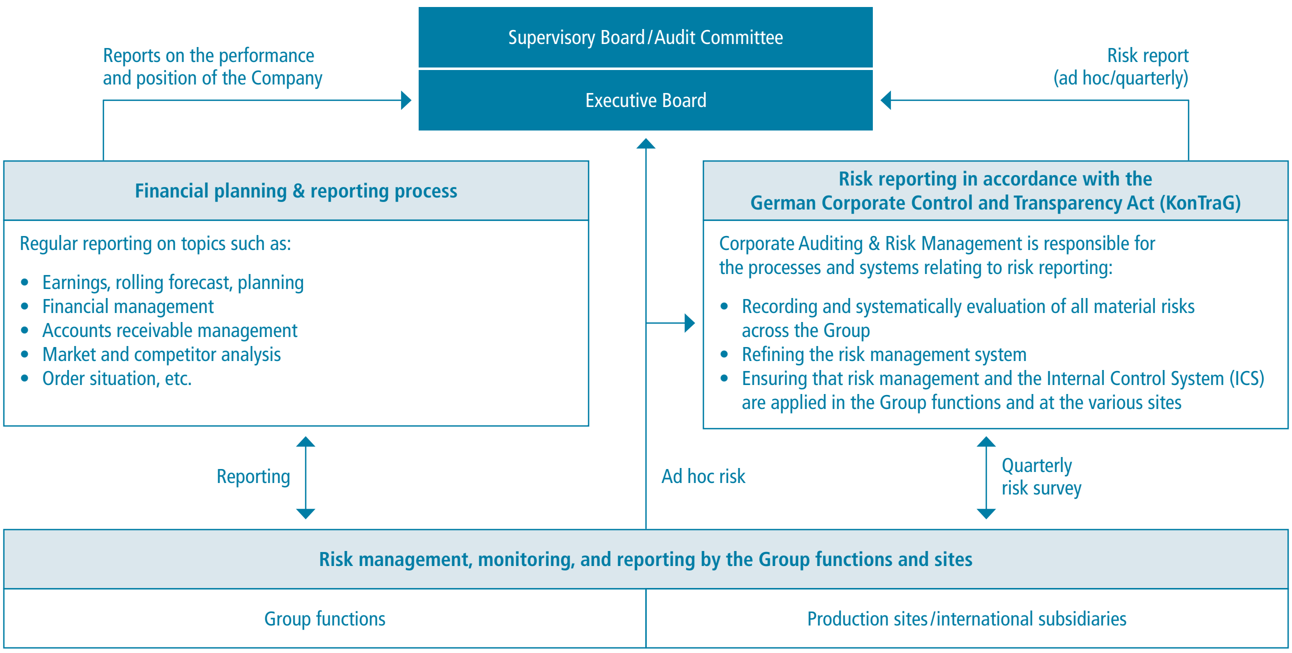
Risk strategy and risk policy

Siltronic is exposed to various risks. That is why we believe effective opportunity and risk management is an important element of corporate governance for us as a global company. It is also part of our wider process of opportunity and risk management aimed at unlocking existing and future potential for success. We define risks as internal and external events that have a negative impact on the achievement of our targets and forecasts. Based on the acceptable overall risk, the Executive Board decides which risks we will take in order to seize opportunities available to the Company. Our aim is to detect risks as early as possible, assess them appropriately, and take suitable steps to mitigate or avoid them. The Executive Board regularly reviews and updates the risk strategy, which covers all areas of the Company.

Risk management system

From an organizational perspective, the risk management system is integrated into the existing decentralized organizational and reporting structure. It is complemented by a multi-stage process, whose mandatory procedures and criteria for identifying, assessing, managing, and reporting risks and for monitoring the system as a whole are defined in a Group manual. The risk management system encompasses all entities. The legally independent Group companies and the Group functions oversee day-to-day risk management in their own areas. Every quarter, the designated risk managers are requested to report to head office with regard to risks at their site or in the Group function for which they are responsible. In addition, material risks must be reported immediately using an ad-hoc reporting process. Corporate Auditing & Risk Management, which reports directly to the Executive Board, is responsible for the processes and systems related to the groupwide early-warning system for risks. This head-office department also coordinates the groupwide recording of all material risks, analyzes the overall situation at Group level, and communicates risks. The Executive Board and the Supervisory Board's Audit Committee are kept informed about the current risk situation in the Group. There is no formal system for recording opportunities within the risk management process. The Executive Board and other senior managers receive monthly reports from the central Financial Planning & Reporting department on current and expected business performance. On the basis of this data, risks and opportunities are discussed regularly in management, evaluated and weighed against each other.

Risk reporting



The designated risk managers in our Group functions and at the main sites, along with the Group risk manager, regularly review processes, procedures, and developments for any risks that might exist. No significant changes were made to the risk management system. Risks are identified and assessed using standardized risk matrices. We assess the relevant risks for probability of occurrence and the degree of impact on our business activities, financial position, financial performance, and cash flow.

Based on the risks recorded quarterly or ad hoc, suitable measures are taken to avoid the identified risks or to reduce their probability of occurrence or possible economic damage. The measures derived to limit risks and any relevant early warning indicators, as well as the residual risks derived from them, are regularly updated and centrally documented.

Internal control system in the Group accounting process

The internal control system (ICS) comprises checks that serve to manage risks and thus ensure that business activities can proceed properly. These checks are integrated into the operating processes and incorporate, for example, adequate separation of duties, verification by a second person, access and approval procedures, and other steps. The internal control system helps us to achieve the objectives of our business policy by ensuring the effectiveness and efficiency of business processes, compliance with laws and regulations, and the protection of our assets.

With the internal control system relating to the accounting process, we pursue the goal of uniformly implementing the accounting and valuation rules of the International Financial Reporting Standards (IFRS) and of complying with supplementary statutory regulations relevant to accounting. This avoids misstatements in Group accounting and in external reporting. The control system is designed to ensure that all business transactions are accounted for in a timely, uniform and accurate manner and that reliable data on the Group's results of operations, financial position and net assets are available on an ongoing basis. The organizational responsibility and the process flow of topics relevant to accounting are regulated in internal instructions. Compliance with reporting obligations is monitored centrally by the Group function "Accounting". Once approved by the local management team, the reporting packages of the individual companies are posted to a centralized consolidation system. This data is automatically validated by the system and checked using reports and analyses, thereby ensuring the integrity of the data and adherence to the reporting logic. System-based checks are also built into the consolidation process. Finally, we analyze the Group's statement of profit or loss and statement of financial position in order to identify trends and anomalies. We keep abreast of changes to financial reporting standards and train the employees who work in this area. For particularly complex aspects of accounting, such as pensions, we bring in external specialists. Our financial systems are protected against misuse by suitable authorization concepts, approval concepts, and access restrictions. We minimize the risk of data loss and of the failure of accounting-relevant IT systems by performing regular system back-ups and maintenance.

We ensure the effectiveness of the checks by monitoring key performance indicators on an ongoing basis as part of the monthly management reporting. Regular reviews and external audits by the independent auditor also take place for each reporting quarter and at the end of the financial year. Each quarter, the management teams of the subsidiaries confirm that all information relevant to the quarterly and annual financial statements has been reported. Internal Audit, acting on behalf of the Executive Board, audits the processes and, in particular, the internal control systems, in the main areas of the Company. In consultation with the Audit Committee, the Executive Board decides on the topics to be audited, following a risk-oriented approach. If necessary, due to a change in circumstances, these topics can be flexibly amended during the year.

The Supervisory Board is also involved in the control system through the Audit Committee. The main aspects monitored by the Audit Committee are the accounting process, the effectiveness of the control system and risk management system, and the audit of the financial statements. It also reviews the documents pertaining to the separate financial statements of Siltronic AG, the consolidated financial statements, and the combined management report relating to these financial statements before discussing them with the Executive Board and the auditor. The auditor assesses the early-warning system for risks during the audit of the annual financial statements.

Effect of the tender offer by GlobalWafers on opportunities and risks

In the event of a successful tender of Siltronic by GlobalWafers, no significant risks will arise for Siltronic, but some opportunities will. It is conceivable that customers could be served with a more extensive product portfolio and synergies could arise in the area of manufacturing, distribution and administrative costs.

It was agreed in the business combination agreement that Siltronic is entitled to liquidated damages of EUR 50 million under certain conditions in the event that certain regulatory approvals and releases are not granted or not granted in a timely manner and the offer or the merger cannot be completed.

Material risks

The following overview reflects our assessment of material risks. The statements refer to the multi-year planning horizon. The risks in the overview are assessed on a net basis, i.e. taking into account the control and mitigation measures taken.

Overall environment

Global economic downturn
Our business is particularly dependent on the development of the global economy. Global economic growth could be adversely affected by trade and tariff disputes or the spread of the Corona virus, among other things. The government support programs to mitigate the Corona pandemic have significantly increased global public debt. An unexpected slowdown in economic development both globally and in regions that are important for the semiconductor industry could lead to a situation in which our sales revenues do not develop as expected. The demand for silicon wafers could be reduced due to a lack of demand or we could be forced to lower our prices due to stronger competitive pressure. If production capacity utilization is lower, specific manufacturing costs may increase and additionally burden our earnings.

We monitor the economic performance of our main sales markets on an ongoing basis. When economic growth weakens, we make preparations early on in order to flexibly adjust our production capacities, resources, and inventories in line with customer demand.

Corona pandemic
Siltronic is a globally operating group with production sites in Germany, the USA and Singapore. The Corona pandemic poses a potential risk to our business and production operations as well as to the sale of our products. In the context of the spread of the Corona virus, our global pandemic protection plans were initiated immediately, and the situation is being continuously assessed. We are keeping a particularly close eye on logistics chains, the procurement of production supplies and sales markets. Government requirements to contain the pandemic may lead to supply and production restrictions if, for example, employees or service providers are no longer able to access our sites or production at our suppliers', our own or our customers' sites has to be reduced or interrupted.

Political crises and trade tensions
Political crises and trade tensions in certain countries or regions in which we operate pose a potential risk to our business and production operations, the sale of our products, and our fixed assets. We have developed plans and measures to minimize the impact of external events on our business processes. Our production sites are located in relatively stable and secure regions. Our globally located production sites and balanced customer portfolio help to limit the impact of regional events on our business operations.

Industry and market risks

Competition, buying power on the customer side and cycles in the wafer market

The wafer industry is characterized by phases of imbalance between supply and demand, which can regularly have an impact on prices. The forecasts for sales volumes and prices are subject to a high degree of uncertainty due to the fluctuations in demand that can often be observed. Not only existing competitors but also new competitors may be able to expand production capacities earlier or more than expected. We may be forced to reduce our sales volumes and prices without being able to reduce our costs accordingly. Our top ten customers already account for more than two thirds of our sales, and we expect their share of sales to increase further. Should major customers significantly reduce or even terminate their orders with us, this could have a significant negative impact on our results of operations, financial position, and net assets.

We lower the risks by increasing flexibility in production and by managing costs rigorously. We adjust our capacities to market conditions and are continuously improving the efficiency of manufacturing and business processes in order to reduce the cost base. We have entered into long-term purchase agreements with various customers with a term of several years, set minimum purchase quantities and prices.

Investments

Changes in customer demand and/or to the original assumptions about the market might not be reflected in our capital expenditure quickly enough or may lead to poor investments. Delays to production start-up or capital expenditure projects may mean we are unable to fulfill supply agreements, our sales and earnings may fall, and we could lose market share.

Siltronic takes various steps to counter capital expenditure risk. Capital expenditure projects are only approved on a step-by-step basis. Intensive project planning and control serve to minimize and prevent delays. Capital expenditure risk is also closely linked to changes in customers' technological requirements. Siltronic counters this risk by closely watching the market and by holding discussions with customers in a systematic manner.

Additional costs from closing production lines

Changes to the market and to demand may force us to shut down sub-segments, production lines, or sites. This could result in the recognition of impairment losses on non-current assets and closure costs, e.g. severance payments for employees.

Various measures are initiated to improve the cost structure in order to maintain the production of small diameter wafers at the Burghausen production site.

Product development risk

The semiconductor industry is characterized by ongoing technological change and tightening or even new requirements for our manufacturing processes. We may not be able to respond appropriately quickly. We may gauge future market trends incorrectly or customers may not accept our product developments. Our competitors may launch new generations of wafers faster, at lower prices, or with better capabilities.

We minimize the risks arising from our development work by carrying out certain developments in cooperation with customers. At the same time, we keep a close eye on the market and our competitors, meet with customers and suppliers, and regularly attend conferences of significance to our business. Siltronic AG collaborates with universities and research institutions on its R&D projects in order to incorporate the latest trends into the development of its technologies and projects. We use systematic project management methods for our development projects. Specific project milestones and clear approval processes help us to detect project risks at an early stage and respond appropriately.

Procurement market risk

Raw materials, energy, other secondary materials, equipment and spare parts are only offered by a limited number of suppliers. Due to general cost pressure and complexity, cooperation will become increasingly intensive and interdependencies will increase. The continuing effects of the Corona pandemic, but also the strong order situation in some supplier industries, can increase delivery times, risks of failure as well as price pressure. Quality defects, supplier failures or delays in delivery and unexpected price increases can have negative effects on production, sales and earnings, and the necessary qualification of new suppliers may take a longer time.

We select our suppliers carefully in order to limit the risk of supplier failures. We define systematic procurement strategies for strategic raw materials and resources, as well as critical equipment and services, each year – and on an ad-hoc basis if required – that include an assessment of procurement risk. If procurement risk is considered to be significant, we implement appropriate countermeasures wherever possible, e.g. long-term supply agreements and the establishment of alternative suppliers or the development of safety stocks.

We purchase supply services from Wacker Chemie AG in particular, as well as polysilicon, a very important raw material for us. If we have to build up corresponding capacities ourselves or commission alternative suppliers, it might lead to delays and additional costs.

We have secured the supply services from Wacker Chemie AG on the basis of long-term contracts. Suitable notice periods have been agreed and we obtain polysilicon from Wacker Chemie AG under a long-term agreement. The price development of polysilicon depends on the economic development in the semiconductor and solar industries. There is a risk that we will not be able to pass on rising polysilicon prices to our customers. To minimize failures in the supply of polysilicon, several production facilities of Wacker Chemie AG and other suppliers were qualified.

Production risk and product liability risk

Errors can occur during production, storage, and transportation, leading to product defects, personal injury, damage to property, or environmental damage. Our manufacturing process is highly complex and requires state-of-the-art facilities that are continually upgraded in order to meet customers' high demands in relation to specifications, quality (performance, stability, and continuous improvement), and price. The smallest variances in supplier performance can lead to considerable losses for customers, along with damages claims, a reduction in orders, and even the termination of customer relationships. In addition, they entail expensive product recalls and recertification processes. The possible resulting harm to our reputation may also adversely affect our future business performance.

We have taken out appropriate insurance for those risks that can be insured. Siltronic places particularly high importance on ensuring high quality standards in order to prevent defects in quality. The Company uses the integrated management system (IMS) along with process control and monitoring systems based on the IMS in order to manage its processes. It defines the processes and responsibilities and takes account of productivity, quality, adherence to customer specifications, safety, environmental protection, and health in equal measure. The IMS is founded not only on statutory requirements but also on national and international standards, such as ISO TS 16949 (quality), ISO 14001 (environment), OHSAS 18001 (health), Responsible Care®, and the Global Compact, which go far beyond the standards required by law. We try to ensure the maximum possible safety at our production facilities by conducting extensive maintenance checks, regular inspections and audits. To guarantee the safety of facilities, we carry out wide-ranging safety and risk assessments, from the design stage through to start-up, and identify any necessary improvements. If a damage/loss event occurs, each Siltronic site has emergency response plans in place that govern the cooperation with internal and external emergency services and the authorities. To avoid quality risks, we apply Lean Six Sigma methods for prevention, problem-solving, and continuous improvement in our production processes.

Legal and regulatory risk

General legal risk

Lengthy legal disputes can have a negative impact on our operations, image, and reputation and involve high costs. In order to counter potential risks that may arise from the many different tax, patent, anti-trust, trade, employment, contractual regulations and laws, Siltronic AG bases its decisions on extensive investigations and legal advice.

As a technology company, Siltronic AG is particularly reliant on the protection of its intellectual property and thus pursues a patent strategy that supports this. If required, we call in external legal specialists. Our Intellectual Property department protects and monitors patents and trademarks. Before starting research and development projects, we investigate whether existing third-party patents and other third-party intellectual property rights could hamper us in marketing newly developed products, technologies and methods.

We limit legal risks with the support of our legal- and subject department. If necessary, we also rely on specialized external legal experts. We limit the risk of legal violations through compliance programs. The applicable Code of Conduct defines rules of conduct that are binding for all employees. Through training, we increase awareness of these issues and try to avoid reputational risks.

Environmental risks

Siltronic AG is subject to a number of local environmental protection laws and regulations, which primarily relate to the storage, handling, disposal, emission and registration of hazardous substances. This could expose us to liability for environmental damage. Changing environmental laws may lead to further pressures on our sites.

Siltronic AG meets this risk through extensive maintenance routines and ongoing inspections of its own facilities. In its mission statement, Siltronic AG has formulated the responsibility for environmental protection, safety and health and communicated globally binding principles and strategies. In the event of damage, Siltronic AG has developed contingency plans in addition to the insurance protection, which are regularly reviewed and trained.

Siltronic Corp., USA, has been a party to several administrative proceedings with the local environmental authority DEQ (Department of Environmental Quality) in Oregon and the national environmental authority EPA (US Environmental Protection Agency) for several years. The proceedings concern two environmental issues. The first is an upland investigation and cleanup of the Siltronic Corp. property in Portland and the second is design work done jointly with another party for a remedy of the Willamette River sediments adjacent to the property. Siltronic Corp. had taken out policies with several insurance companies covering environmental risks. Based on the policies, two insurance companies have paid a total of EUR 45 million to Siltronic Corp. in 2019. The Company uses this to finance the ongoing costs resulting from the two environmental issues. In addition, there are claims against other insurance companies.

Regulatory risks

The regulatory environment in the energy sector is characterized by repeated legislative adjustments. We believe it is possible that there may be further burdens in the future, for example on grid usage fees or emissions trading.

Security of the IT systems; data security

Information security is highly threatened by attacks on IT systems supporting business processes as well as systems for communication and collaboration. Disruptions, defects, manipulations or delays in IT functions and communication systems would therefore have a considerable adverse impact on our financial performance, and reputation.

Siltronic checks its IT constantly and puts a high focus on ensuring that the IT-supported manufacturing and business processes run securely. Our IT security and risk management team has the task of controlling threats in a financially viable manner. The basis is provided by the ISO 27001 standard. Using a risk analysis, we define the requirements for our central systems with regard to the availability, confidentiality, and integrity of data. We have specified these requirements in service level agreements (SLAs) with our service providers. We monitor and verify compliance with the SLAs on an ongoing basis. We have taken appropriate precautions in case of emergencies. Our service provider has set up a global security team that takes organizational and technical measures and runs awareness programs in order to counter problems with the confidentiality, integrity, and availability of data and systems.

HR risk

A lack of committed and qualified specialists and managers can have a negative impact on the Company's further growth and leading technological position.

We limit HR risk by using various HR policies. The two main activities in this area are our performance management process and the associated employee development plans. We also offer a wide range of training and development activities, attractive employee benefits, and performance-based pay. Group-wide succession plans are drawn up for key roles in the Company.

Pension risk

Our employees are sometimes granted pensions and occupational pensions after termination of employment. The longer life expectancy of beneficiaries, additional obligations resulting from salary and pension increases, and falling discount rates are causing defined benefit liabilities to rise.

In Germany, a large part of the Company pension commitments is covered by the Wacker Chemie VVaG pension fund. In addition, we have set up a trust fund to proportionately secure the pension obligations from direct commitments, deferred compensation as well as the pension adjustment from the basic provision. The investment portfolio is diversified to ensure a sufficient return on assets and to limit investment risks. As one of the sponsoring companies of the pension fund, Siltronic makes demand-oriented financial contributions to the pension fund. In future, the return on capital employed will probably not be sufficient to meet pension obligations in the long term. We therefore expect additional payments.

Financial risk

Credit risk
Due to the use of financial instruments and investments and our large credit balances with banks, we are exposed to the risk of default on the part of financial institutions. We contain our counterparty risk by entering into financial instruments and investments only with investment-grade counterparties and by limiting the individual transaction volumes and terms to maturity.

Consolidation in the semiconductor industry is leading to increasing concentration on customers becoming larger. We use various instruments to reduce the risk of default. Our receivables management team regularly assesses customers' credit standing. Default risk is contained using defined credit limits and in selected cases bank guarantees. We strive to make our customer base as diversified, balanced, and solid as possible.

Market risk/currency risk
Although we generate the bulk of our sales in US dollars and Japanese yen, most of our costs are incurred in EUR and Singapore dollars. Exchange rate movements thus affect sales, earnings, liquidity, and the measurement of financial assets/liabilities and financial instruments used to hedge currency risk.

We use financial instruments to address and manage the financial requirements and risks that are a necessary part of our operating activities. Hedging is based both on operating activities that have already been posted and on future cash flows. Having production facilities outside the Eurozone also helps us to counter currency risk. Translation risk, i.e. valuation risk resulting from the translation of line items in foreign currency on the statement of financial position, is not hedged. An overview of the derivatives in existence as of the reporting date and further information regarding the management of financial risks can be found in the notes to the financial statements under note 16.

Liquidity risk
Liquidity risk is managed centrally using rolling liquidity planning and efficient cash management systems. Siltronic counters funding risk by holding liquidity reserves.

Opportunity report

We see a variety of opportunities for maintaining its path of successful growth over the coming years. We use various market observation and analysis instruments to identify opportunities at an early stage, for example, tools for the continuous structured evaluation of market data, industry data, and competitor data. Close contact with our customers also helps us to assess future opportunities. KPIs (rolling forecasts and reporting of actual figures) enable us to ascertain whether, and to what extent, identified opportunities are fulfilled.

Strategic opportunities of significant importance – such as adjustments to the strategy or possible acquisitions, alliances, and partnerships – are dealt with at Executive Board level as part of the annual strategy development and planning process or, in the case of current matters, during the regular Executive Board meetings. Various scenarios and risk/reward profiles are prepared for these opportunities to provide a basis for decision-making.

Macroeconomic and industry-specific opportunities

Securing high profitability
Siltronic aims to secure its earning power in the long term and to continue to grow. The focus region for us remains Asia. Increasing prosperity in Asia and in emerging markets in other regions is driving demand for higher-value products in which semiconductors are used. The focus is particularly on automotive, industrial applications, smartphones, digitization and consumer electronics. We want to accompany this growth with innovative products. In addition to increasing prosperity, rising data volumes and the ever more complex and versatile requirements placed on electronic components and the resulting increase in space requirements per component are key growth drivers in our market environment. The efficient use of limited global resources is forcing the industry to develop ever smaller, more powerful and more efficient components. To make this possible, the technological requirements for our wafers are increasing.

The most important driver of profitability is the prices achievable on the market. In addition to the technical requirements, the utilization of existing capacities plays a decisive role in the capital-intense environment of wafer producers. In the short term, these are influenced by fluctuations in customer demand and their inventories, in the medium to long term by the investment decision of wafer producers and the steadily increasing consumption of wafer area.

More favorable exchange rates also have a positive effect on our earnings situation. For Siltronic, the exchange rate of the euro against the US dollar and the Japanese yen is decisive, with around 90 percent of our sales being accounted for by these currencies, while our expenses are mainly denominated in euros and Singapore dollars.

Presence at all wafer consumers

We serve all the leading consumers of silicon wafers for the semiconductor industry with our product portfolio. The growth in demand for silicon wafers for the semiconductor industry has recently been driven by a broad application base. We expect robust demand development in the traditional application areas of smartphones, PCs and consumer electronics. New markets and application areas, such as in the automotive industry and in the general industry, are likely to develop disproportionately and thus increase the demand for silicon wafers. With our broad product portfolio, we can serve these global future topics in an outstanding way. By diversifying our products into more and more applications and industries, we expect the semiconductor market to show less short-term cyclical demand fluctuations in the future and to evolve into a more stable market.

Strategic and business-performance opportunities

Sound financial position

The good financial situation enables us to react flexibly and quickly to strategic options as they arise in the event of market and industry developments. The investment focus is on equipment for the production of wafers with higher requirements, further automation and market-oriented capacity expansion. Our goal is to participate in market growth.

Stay amongst the technology leaders

We firmly believe that we can successfully participate the further chances and opportunities of our industry, as we continuously develop new technological solutions for our customers. Wafers are being used for increasingly smaller structures, also known as design rules, which are now in the range of a few nanometers. This enables the production of ever more powerful and energy-efficient generations of semiconductor chips. We are involved in joint development projects with a large number of customers in order to be a key partner in the introduction of new applications.

Continuous improvement to cost structures

We are investing heavily in the automation of existing equipment and processes to further improve our cost position.

New applications and material properties

Due to the high availability of silicon and its special material properties, we assume that substitute materials will only be used in special applications. Based on the continuous development of technical possibilities and applications at our customers, we are constantly evaluating the market in order to identify and exploit new fields of application and opportunities at an early stage.

The Executive Board's assessment of overall risk

The Group's risk profile did not change significantly in the year under review. At the time this report was published, the Executive Board of Siltronic had not identified any individual or aggregate risks that could seriously jeopardize the Company's ability to continue as a going concern.

Risk Assessment for 2021

Risiko	Risk Assessment: Low	Medium	High	Change compared to previous year
Overall environment				
Economic downturn			•	→
Coronavirus pandemic			•	→
Political crises and trade tensions		•		↑
Industry and market risk				
Competition, demand controlled by customers, cycles in the wafer market			•	→
Investments		•		→
Additional costs from closures		•		→
Product development risk		•		→
Procurement risk		•		→
Production risk and product liability risk		•		→
Legal and regulatory risk				
General legal risk		•		→
Risk relating to environmental laws	•			→
Regulatory risk	•			→
Security of IT systems and data		•		→
HR risk	•			→
Pension risk		•		→
Financial risk				
Credit risk financial institutions	•			→
Credit risk customers	•			→
Market risk / currency risk			•	→
Liquidity risk	•			→

We assess the relevant risks according to the probability of occurence and the degree of impact on business activities, net assets, financial position, results of operations and cash flow. For better readability, we have classified risks according to the following matrix compared to the previous year:

Risk assessment		Probability of occurrence: < 25 percent	25 – 75 percent	> 75 percent
Effects on the development of the Group's net assets, financial position and result of operations	< EUR 5 mn	Low	Low	Medium
	EUR 5 – 25 mn	Low	Medium	High
	> EUR 25 mn	Medium	High	High

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Outlook

Expected macroeconomic trends

The International Monetary Fund (IMF) forecast for global growth in 2021 is significantly higher than for 2020 (2021: 5.5 percent expected, 2020: minus 3.5 percent forecast). The IMF expects a widespread recovery of the global economy from the impact of the Corona pandemic. The strongest growth is expected to occur in emerging and developing countries, where the growth rate is expected to rise from minus 2.4 percent (2020) to 6.3 percent (2021). Following a massive decline in 2020, for the advanced economies a growth of 4.3 percentage points is forecasted. The IMF sees the greatest risks in the ongoing uncertainty regarding the humanitarian and economic impact of the Corona pandemic.

In the euro zone, signs point to a significant recovery with a growth 4.2 percent in 2021 (2020: minus 7.2 percent expected).

For Germany, the IMF is forecasting a significant growth of 3.5 percent in 2021 (2020: minus 5.4 percent expected). According to the IMF, the US economy is expected to grow by 5.1 percent in 2021, and with a forecasted decline of 3.4 percent 2020, the negative impact from the Corona Pandemic was notably smaller compared to Germany, for example. For Japan, the IMF is forecasting a growth rate of 3.1 percent in 2021 compared to the previous year (2020: minus 5.1 percent expected). For China, the IMF forecasts a strong growth of 8.1 percent (2020: 2.3 percent expected).

Based to SEMI SMG's forecast, Siltronic expects the market for silicon wafers for the semiconductor industry to grow by between 8 percent and 12 percent in 2021, based on wafer area sold worldwide.

Sources:
IMF (World Economic Outlook update, January 26, 2021)
SEMI SMG (Press release, October 13, 2020)

Siltronic's future performance

Siltronic does not plan any significant changes in its corporate goals and strategy. We will continue to work on our position as one of the technology leaders and maintain our high quality performance. We will remain focused on our program of operational excellence and cost reduction, as well as high profitability and stable cash flows in the short and long term.

The most important financial performance indicators are:

- EBITDA margin
- EBIT
- Net cash flow

The ongoing Corona pandemic makes it more difficult to issue a forecast for Siltronic, as the associated macroeconomic effects are difficult to assess.

We currently anticipate a significant increase in wafer area sold in 2021. In 2021, we anticipate a significant headwind on sales and earnings due to the strong euro. Average selling prices in invoice currency have stabilized. We expect a significant contribution to earnings from the cost-saving programs in 2021. These savings should significantly outweigh the effects of inflation and salary increases.

The Executive Board expects that 2020 will develop as follows:

Sales
We expect a significant increase in wafer area sold of around 8 percent to 12 percent compared to 2020. The EUR/USD exchange rate in 2020 averaged 1.14. An exchange rate within the range of 1.20 to 1.25 in 2021 would reduce sales by around EUR 50 million to EUR 80 million (including a weaker Japanese yen). Assuming relatively stable average selling prices in invoicing currency and depending on further market developments and the exchange rate, we expect an increase in sales in the mid to high single-digit percentage range.

Exchange rates of EUR/USD of 1.23 and EUR/JPY of 128 are assumed.

Excluding currency hedging transactions, a deviation of 1 USD cent in the EUR/USD exchange rate from the planned rate results in a change in sales of around +/- EUR 6 million and a change in EBITDA of around +/- EUR 4.5 million in the financial year.

EBITDA margin

An increase in wafer area sold and the earnings contribution from the cost reduction programs are having a clearly positive effect on unit costs. However, this will be offset by the strong euro. We therefore expect only a slight increase in EBITDA margin in 2021.

Depreciation

Due to our investments, depreciation will increase by approximately EUR 15 million to EUR 20 million to approximately EUR 155 million to EUR 160 million.

EBIT

Despite higher depreciation, we expect EBIT to increase significantly in 2021.

Tax rate

The tax rate is expected to be significantly below 10 percent.

Investments

We plan to invest around EUR 250 million in 2021. The focus will be on expanding epi capacity and extensive measures to improve the capability for new design rules. This also includes the expansion of a building for new crystal pulling equipment which will replace older equipment.

Net cash flow

With the improved earnings situation, net cash flow will also improve slightly despite increased capital expenditures.

Earnings per share

We expect earnings per share to increase slightly.

Effect of the GlobalWafers tender offer on the forecast

As a result of the tender offer by GlobalWafers, costs for external consultants are expected. The forecast includes such costs in the high single-digit million range. The impact on the forecast is not material.

The actual development of the Group may deviate, either positively or negatively, from our assumptions.

Overall statement by the Executive Board on expected performance

At the time of preparing the combined management report for 2020, the Executive Board expects Siltronic to continue to operate successfully in the market in 2021.

Possible negative factors for 2021 continue to include geopolitical and global economic developments such as the trade dispute between the USA and China. It is also difficult to predict how the Corona pandemic will develop. Customer inventory levels are likely to have less of an impact on demand in 2021 than it was the case at the beginning of 2020. However, NAND inventories at memory customers still appear to be elevated.

Megatrends such as 5G, artificial intelligence, electromobility and digitization are growth drivers for the semiconductor industry. In these areas, the signs point to a positive environment in 2021, even if other end markets such as the automotive industry are likely to be below the level of 2019.

Demand for wafer area is high and capacity utilization is good to very good. We currently expect demand for wafer area to increase significantly in 2021. We still have a high proportion of long-term contracts with customers, which means that prices can only be negotiated to a limited extent.

We expect a significant headwind on sales and earnings development in 2021 due to the continued strength of the euro.

Siltronic will continue to benefit from the underlying long-term growth trends in the wafer sector due to the wide range of end applications.

Forecast for 2021

Sales	mid to high single-digit percent increase
EBITDA margin	slight increase
Depreciation	around EUR 155 million to EUR 160 million
EBIT	significant increase
Tax rate	significantly below 10 percent
Capital expenditure	around EUR 250 million, mainly in epi reactors, capabilities and expansion of crystal pulling hall to replace older equipment
Net cash flow	slight improvement
Earnings per share	slight increase

Compensation report

The following compensation report forms part of the combined management report and the consolidated financial statements.

Executive Board compensation system

The system and the amount of the Executive Board compensation are determined by the full Supervisory Board on the basis of proposals by the Executive Committee of the Supervisory Board and are regularly reviewed for appropriateness. For the fiscal year 2020, the Supervisory Board resolved an adjusted compensation system for the Executive Board, which was approved by the Annual General Meeting on June 26, 2020 with 98.84 percent of the votes cast.

Contribution to the promotion of the business strategy

The compensation system contributes to Siltronic AG's business strategy of sustainably strengthening its position as one of the leading manufacturers of semiconductor wafers by defending its technological position, expanding its capacities in line with market growth and generating profit and positive cash flow through continuous improvement of its cost position throughout all market cycles.

The compensation system provides incentives that are consistent with and support this business strategy: Unless otherwise agreed, the financial targets of the short-term variable compensation (short-term incentive, "STI") relate to the performance categories 'plan EBIT' and 'plan net cash flow', thus promoting the focus on profitability and the creation of positive cash flow. The non-financial objectives of the STI support the strategic development of the Company which also includes social and ecological aspects.

As an important step towards linking compensation to the long-term development of the Company, the portion of the long-term variable compensation (long-term incentive, "LTI") will be increased and the assessment basis extended. The performance factor in the LTI provides incentives for long-term profitability and operational improvement compared to competitors.

Finally, the compensation system helps to attract qualified executives and retain them in the long term. The compensation of the members of the Executive Board comprises fixed and variable components. The fixed components include the fixed annual salary, fringe benefits and the company pension. The variable components are the STI and the LTI.

Relative share of the compensation components

The relative share of all fixed and variable compensation components is explained below in connection with the total target compensation. The total target compensation for the respective fiscal year is composed of the fixed annual salary, for the STI the target value in case of a 100 percent target achievement, for the LTI the allocation value that corresponds to 100 percent of the target achievement, the pension expense (service costs) and fringe benefits.

Without taking into account the Company pension scheme and fringe benefits, the share of the fixed compensation amounts to 40 percent of the total target compensation and the share of the variable compensation to 60 percent of the total target compensation. Within the variable compensation, the STI (100 percent target achievement) represents 25 percent of the total target compensation and the LTI (allocation value corresponding to 100 percent of the target achievement) represents 35 percent of the total target compensation.

The particular relative shares of the compensation components for the fiscal year 2020 are listed under p. 68.

Fixed compensation components

Basic annual salary

The basic annual salary is a fixed cash payment for the entire year, based on the area of responsibility of the respective member of the Executive Board (Dr. Christoph von Plotho: EUR 550,000, after 2022: EUR 600,000; Rainer Irle: EUR 360,000, after 2021: EUR 390,000). It is paid as a salary in twelve monthly instalments.

Company pension scheme

Executive Board members are initially entitled to a basic Company pension through the Wacker Chemie VVaG pension fund. For this purpose, the Company and the Executive Board make monthly contributions to the pension fund.

In addition, Dr. Christoph von Plotho is entitled to a supplementary Company pension from the Company up to and including the fiscal year 2021 and Rainer Irle up to and including the fiscal year 2020 as follows:

The agreed basic annual salary is regarded as pensionable income. The benefits under this supplementary Company pension scheme consist of retirement pensions, early retirement pensions, disability pensions and survivors' pensions. The pension expense for a fiscal year amounts to 15 percent (above 150 percent of the applicable income threshold of the statutory pension insurance) or 12.25 percent of the basic annual salary (between 100 percent and 150 percent of the income threshold). The pension expense forms the basis of assessment for the amount of the pension benefit. The pension benefit payable annually after the occurrence of the pension event amounts to 18 percent of the total pension expense made available by the Company up to that point. Entitlement to a pension arises when the employment contract is terminated, but not before the age of 65, or when disability occurs.

Deviating from the above, the following applies to entitlements acquired following the new appointment of members of the Executive Board and for Dr. Christoph von Plotho after January 1, 2022 and for Rainer Irle after January 1, 2021:

The Company provides a pension expense of 30 percent of the basic annual salary each year. The pension expenses saved up to the time of retirement are credited to a notional capital account and bear interest at the current yield, but at a minimum of 2.5 percent and a maximum of 5 percent. The pension is calculated by multiplying this pension capital according to the status of the corresponding capital account at the time of the occurrence of the pension case by the pension factor applicable to the respective retirement age of the Executive Board member at the time of the occurrence of the pension case. Alternatively, in the event of a pension being payable, the member of the Executive Board can choose a lump-sum payment instead of the promised lifelong retirement and disability pension, which corresponds to the pension capital at the time of the pension payment.

The gross amount of the monthly pension to be paid after retirement (based on the employer-financed portion) is limited for the members of the Executive Board to 50 percent of the monthly installment of the basic annual salary last received by the respective Executive Board member from the Company (pension cap).

Members of the Executive Board who have been promised deferred compensation in the past may continue to receive this compensation to the same extent as before.

The current members of the Executive Board receive an additional monthly amount (gross) from the Company in the amount of the employer's contribution to the statutory pension scheme as a building block for building up a private pension scheme. Such a component will no longer be granted in the event of future appointments of new Executive Board members.

Fringe Benefits

As a fringe benefit by the Company, the members of the Executive Board have a company car at their disposal, also for private use. In addition, there is a D&O insurance policy with a deductible in accordance with the requirements of the German Stock Corporation Act (AktG) amounting to 10 percent of the damage up to one and a half times the basic annual salary. In addition, the members of the Executive Board are included in the criminal legal expenses insurance that the Company has taken out for its employees and members of its executive bodies. This insurance covers any lawyers' and court costs incurred in the defense in criminal or misdemeanor proceedings. In addition, the members of the Executive Board are included in an accident insurance policy for accidents on and off the job. The members of the Executive Board also receive a subsidy for health and long-term care insurance as well as costs in connection with a medical check-up. The fringe benefits also include legal fees to be reimbursed and the above-mentioned subsidies for building up a private pension or the non-cash benefit of the aforementioned benefits.

Variable compensation components

Performance related bonus: STI

The STI is a performance-related bonus with a one year assessment period. The basis for the STI is the achievement of the performance targets set by the Supervisory Board for each fiscal year at the beginning of the fiscal year. The performance targets consist of financial targets and non-financial targets relevant to the Company. Unless otherwise specified, the financial targets relate to the performance categories 'plan EBIT' (40 percent) and 'plan net cash flow' (40 percent).

The performance criterion 'plan EBIT' sets incentives to strengthen the Company's operating earning power. EBIT measures earnings before interest and taxes. With regard to the tax relief from which the Singapore subsidiary benefits for its investments, it makes sense to choose a ratio that excludes local taxation and the financial structure of the Company. Furthermore, the key figure EBIT takes depreciation and amortization into account and – against the background of the capital intensity of the semiconductor sector – only promotes investments that achieve an appropriate return on capital employed.

The performance criterion 'plan net cash flow' is based on one of the key financial control parameters used to manage the Company. The net cash flow shows whether the necessary investments in property, plant and equipment and intangible assets can be financed from the Company's own operating activities. In addition to profitability, the main influencing factors are effective management of net working capital and the level of capital expenditure. Net working capital is the sum of inventories and trade receivables plus contract assets less trade payables. A positive net cash flow is particularly important in a cyclical industry. Influencing factors for this performance category are in particular cost performance, good working capital management and an appropriate investment policy. On the other hand, factors of a non-operating nature, such as inflows and outflows of customer prepayments and changes in non-operating current assets are not considered in the benefits category.

The non-financial targets relate to strategic targets (10 percent in case of several strategic targets, the weighting between the targets is determined by the Supervisory Board), which may also include personal/individual targets for the member of the Executive Board, as well as environmental, social and prudent corporate management (governance) targets – so-called ESG targets – (10 percent in total; in case of several ESG targets, the weighting between the targets is determined by the Supervisory Board). When setting strategic targets, the Supervisory Board takes particular account of the strategic focus topics for the compensation year. The ESG targets are based on the targets defined by the Company in the Company's sustainability strategy, from which the Supervisory Board selects annually. The sustainability strategy and the Company's main non-financial targets are published in the non-financial report, which contains further information on the sustainability strategy.

The Supervisory Board is entitled to determine other or further suitable performance categories and targets for future assessment periods and to set a different weighting.

The amount paid out for the STI is calculated by multiplying the total target achievement factor (sum of the target achievement factors in the performance categories and non-financial targets) for the compensation year by the contractually agreed target value. The STI is limited to a maximum of twice the target value. The total target achievement factor is decisive for the STI payout amount.

For each performance category and each non-financial target, the Supervisory Board sets a target value, a minimum value and a maximum value at the beginning of the fiscal year. The target value corresponds to a target achievement of 100 percent or a target achievement factor of 1. The annual overall target achievement factor corresponds to the weighted sum of the target achievement factors in the performance categories and non-financial targets. The maximum overall target achievement factor is two or 200 percent.

For the purpose of setting the financial performance criteria, the Supervisory Board takes into account the budget approved by the Supervisory Board or the forecast values stored for the Siltronic Group.

The achievement of targets is measured by means of the financial ratios published in the consolidated financial statements. The measurements for the non-financial indicators are based on the Company's internal sustainability reporting, which also forms the basis for the indicators published in the Company's non-financial report. The STI is determined by the Supervisory Board within the first three months of the fiscal year following the year of compensation. If the Executive Board member does not work for the Company for a full twelve months in any one fiscal year, the STI is reduced accordingly on a pro rata basis. The STI becomes due for payment with the fixed salary for the month following the month of determination.

In the event of extraordinary events or developments, e.g. the acquisition or sale of a business unit, the Supervisory Board is entitled to make appropriate adjustments to the plan conditions of the STI at its reasonable discretion.

Long-term share-based compensation: LTI

The LTI is designed as a share-based performance share plan with a four year performance period or holding period for the phantom stocks (performance shares) and is based on economic indicators that take into account the long-term sustainability of the Company.

The allotment value agreed in the service contract is initially converted into granted phantom stocks on the basis of the average weighted closing price of the share of the XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last 30 trading days prior to the first day of the compensation year. The phantom stocks are held for a period of four years, calculated from the beginning of the compensation year. The basis for the LTI and the final number of phantom stocks is the achievement of the targets set by the Supervisory Board for each performance period. For each performance period, the performance targets are set by the Supervisory Board at the beginning of the performance period.

Unless otherwise specified, the performance targets relate to the performance categories EBITDA margin improvement/deterioration in comparison with competitors over the performance period and average annual plan EBIT target achievement of the Company over the four year performance period:

For the overall target achievement factor, a 50 percent change in the Company's EBITDA margin in comparison with competitors over the performance period is relevant, i.e. in comparison with the four most important wafer manufacturers worldwide. The EBITDA margin is defined as earnings before interest, taxes, depreciation and amortization, including impairment losses and, where applicable, reversals of impairment losses. It is one of the Siltronic Group's financial control parameters for measuring profitability in comparison with competitors. With this performance criterion, the Supervisory Board would like to create incentives for a performance that is demanding by industry standards. At the beginning of the compensation year, the Supervisory Board sets a target value, a maximum value and a minimum value for the performance category EBITDA margin improvement/deterioration. To determine the EBITDA development, the Supervisory Board first determines the average EBITDA margin of the four reported quarters preceding the four-year performance period for the Company and for each peer company and compares it with the average EBITDA margin of the four reported quarters prior to the end of the performance period. In the second step, the EBITDA development thus determined is used to determine the percentage by which the EBITDA margin has improved or deteriorated for the Company and for each comparable company; the average is then calculated for the comparable companies. The third step is to determine by what percentage the Company's EBITDA margin deviates from the average EBITDA margin change of the peer companies. Based on the percentage determined, the achievement of the objectives is calculated in a fourth step.

A further 50 percent of the overall target achievement factor is based on the average Company performance over the four-year performance period, i.e. the average of the annual plan EBIT target achievement of the Company over the four-year performance period. The definition of objectives and the measurement of target achievement follows the STI's plan EBIT target.

The Supervisory Board is entitled to determine other or further suitable performance categories and targets and a different weighting for future assessment periods.

The annual overall target achievement factor corresponds to the weighted sum of the target achievement factors in the performance categories. The maximum total target achievement factor is 2 or 200 percent.

The LTI is settled in cash. For this purpose, the final number of phantom stocks is first calculated by multiplying the granted number of phantom stocks by the overall target achievement factor (sum of the target achievement factors in the performance categories). The amount of the cash settlement is based on the average weighted closing price of the share of the XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last 30 trading days of the performance period and the sum of the dividends that would have been distributed for real shares during the performance period. The amount of the LTI is determined by the Supervisory Board within the first three months of the fiscal year following the last fiscal year of the performance period. The LTI becomes due for payment with the fixed salary for the month following the month of the determination.

In the event of extraordinary events or developments, e.g. in the event of the acquisition or sale of a business unit, the Supervisory Board is entitled to adjust the plan conditions of the LTI at its reasonable discretion.

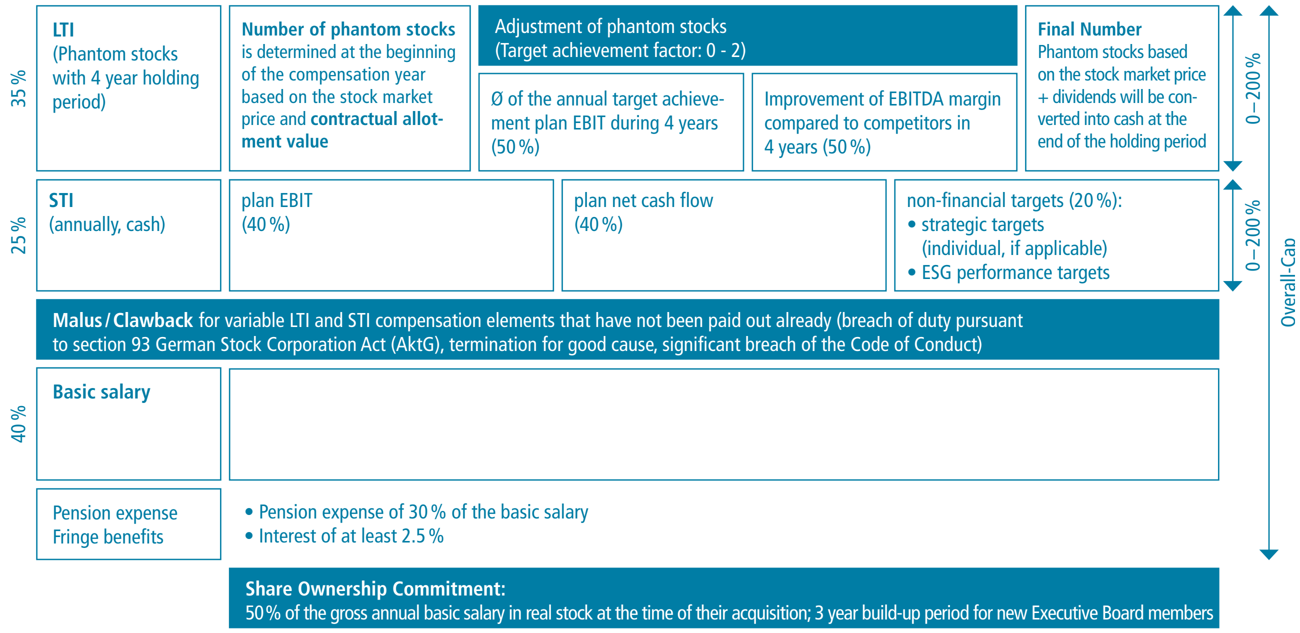
Option to reclaim (clawback/malus)

The Supervisory Board may reduce the amount paid out under the STI and the LTI by up to 100 percent upon termination of the Executive Board member's service contract due to termination by the Company for good cause, in the event of a breach of duty within the meaning of Section 93 of the German Stock Corporation Act (AktG) or a material breach of the Company's Code of Conduct by the Executive Board member during the assessment period – in case of the STI during the relevant one-year assessment period or, in case of the LTI during the relevant four year assessment period in each case. The reduction of the amount paid out is at the dutiful discretion of the Supervisory Board.

Maximum compensation

The total compensation to be granted for a fiscal year (sum of all compensation amounts spent for the fiscal year in question, including basic annual salary, variable compensation components, pension expenses [service costs] and fringe benefits) of the members of the Executive Board (irrespective of whether it is paid in this fiscal year or at a later date) is limited to a maximum amount (Maximum Compensation). The Maximum Compensation for the CEO amounts to EUR 2,450,000.00 and for other members of the Executive Board to EUR 1,810,000.00 each. As already explained, the variable compensation components are also limited to twice their respective target amount.

Model adjusted compensation system



Further regulations of the compensation system

Share ownership commitment

In addition to the LTI as a share-based performance share plan with a four-year performance period, the share ownership commitment for the Executive Board is another key component of the compensation system. The members of the Executive Board are obliged to acquire shares amounting to 50 percent of a basic annual salary (gross amount) and to hold these shares for the duration of their appointment to the Executive Board. The value of the shares at the time of acquisition is decisive. The current members of the Executive Board, Dr. von Plotho and Mr. Irle, fulfil this share retention obligation by means of the shares held by them at the time of the conclusion of their service contract in March 2020, based on the value of the shares at the time of the first creation of a share retention obligation on September 14, 2017. In addition to the LTI, the share retention obligation provides an additional incentive for the long-term development of the enterprise value beyond the respective four year performance period.

Because of the announced voluntary public tender offer by GlobalWafers, the share ownership commitment was adjusted by resolution of the Supervisory Board on December 9, 2020. The members of the Executive Board have now the option to tender the shares held by them under the share ownership commitment as part of the tender offer. However, there is an obligation to continue to hold the shares in accordance with the previous rules until the offer is completed. If the tender offer is not completed, the existing rules on the shareholding obligation will continue to apply unchanged.

Loans and advances

No loans or advances are granted to members of the Executive Board.

Procedures for determining, implementing and reviewing the compensation system

The Supervisory Board determines the system and the amount of the compensation of the Executive Board, including the maximum compensation, on the basis of a proposal by the Executive Committee of the Supervisory Board. The Supervisory Board submits the resolved compensation system to the Annual General Meeting for approval. The current compensation system was approved by the Annual General Meeting on June 26, 2020 with 98.84 percent of the votes cast.

The Supervisory Board regularly reviews the system and level of compensation of the Executive Board for appropriateness. To this end, it conducts an annual vertical comparison of the compensation of the Executive Board with that of the workforce. Secondly, the level and structure of compensation is compared with a peer group of German listed companies defined by the Supervisory Board, which have similar key figures and whose composition is published. For the formation of this peer group, it was not possible to draw on the competitors, as they only publish insufficient compensation information and are not listed in Europe. The Supervisory Board therefore formed a peer group of German listed companies that are listed in the MDAX, TecDAX or SDAX and have similar key figures. This includes Carl Zeiss Meditec AG, Fuchs Petrolub SE, Gerresheimer AG, Jenoptik AG and Sartorius AG.

In the event of significant changes, but at least every four years, the compensation system is again submitted to the Annual General Meeting for approval.

If the Annual General Meeting does not approve the system submitted for voting, the Supervisory Board shall submit a reviewed compensation system to the Annual General Meeting for approval at the latest in the following Annual General Meeting.

The Supervisory Board may temporarily deviate from the compensation system (procedures and regulations on compensation structure) and its individual components as well as with regard to individual compensation components of the compensation system or introduce new compensation components if this is necessary in the interest of the long-term well-being of the Company.

Commitments in connection with the termination of the activity as members of the Executive Board

In the event of premature termination of the service contract, any payments to be agreed, including fringe benefits, may not exceed the value of two years' compensation or the value of the compensation for the remaining term of the service contract within the meaning of recommendation G.13 of the German Corporate Governance Code (GCGC) as amended on December 16, 2019 (severance payment cap). In the event of premature termination by the Company for good cause, a severance payment is excluded.

The members of the Executive Board are each subject to a post-contractual non-competition obligation for a period of twelve months after termination of their service contracts. During this period, they are entitled to a waiting allowance amounting to 100 percent of the last annual basic salary received. Any benefits paid under the Company pension scheme and any income earned from activities not covered by the waiting period obligation are offset against the waiting period compensation if this additional income exceeds the total annual compensation (the amount paid out is decisive) of the last full year of service as a member of the Executive Board. If the Company pays a compensation for waiting periods, the severance payment will be credited against the compensation for waiting periods.

If the service relationship ends for any other reason than as a result of termination by the Company for good cause, the entitlement to the STI and the LTI remains subject to the general contractual provisions on settlement and payment.

There is no special right of termination in the event of a change of control, nor is there any promise of benefits in the event of premature termination of Executive Board membership due to a change of control.

The main features of the pension commitments (company pension plan) are provided on p. 60.

Total compensation of the Executive Board members for the fiscal year 2020

The following section describes the specific application of the compensation system for the members of the Executive Board of Siltronic AG in the fiscal year 2020.

The total compensation of all members of the Executive Board amounts to EUR 2,539,880 (previous year: EUR 2,214,895) in accordance with the applicable accounting principles.

Determination of the target achievement

In line with the compensation system, the performance targets agreed for 2020 for the one-year performance-related bonus STI refer to the financial targets EBIT (40 %) and net cash flow (40 %) and a non-financial strategic target to increase productivity in the wafer production lines (10 %) as well as quantitative ESG targets (10 %) to prevent occupational accidents (measured by accidents causing absence per million hours worked), to efficiently use silicon in wafer production (measured by silicon yields), to reduce energy and water consumption (per cm^2 of wafer area), which add up to an ESG performance index.

The Supervisory Board has refrained from individualizing the strategic objectives for the members of the Executive Board as this would be possible under the compensation system.

In accordance with the compensation system and in order to increase the transparency of the Executive Board compensation, the targets set and the levels of target achievement will be published ex-post for the first time, provided they do not contain any confidential or competition-relevant information. The targets set and the target achievement within the bonus (STI) applicable for the fiscal year 2020 are shown in the table below. For the purpose of measuring the target achievement, unplanned contributions to plan assets in order to offset pension provisions as well as period shifts in non-operating items and period shifts in investments are not taken into account, which increases the actual value of net cash flow by EUR 15 million compared to the reported value. In the target measurement of the performance category EBIT, transaction costs in connection with the public tender offer by GlobalWafers GmbH are not taken into account, which is why this is EUR 11 million higher than the reported value.

STI target achievement

	Target value	Target corridor	Actual value	Target achievement	Weighting
	in EUR million	in EUR million	in EUR million	in percent	in percent
Financial targets					
plan EBIT	129	14 – 244	204	165	40
Plan-Net-Cashflow	10	– 80 – 100	92	191	40
Non-financial targets					
Strategic target (productivity wafer lines)	Contains competition-relevant information (confidential)			155	10
ESG performance index				84	10
Total STI				**166**	**100**

The specific target and target achievement of the 2020 LTI tranche, 50% of which relates to the change in the Company's EBITDA margin compared with competitors and 50% of which relates to the average of the Company's annual plan EBIT target achievement over the four year performance period in accordance with the compensation system, will be published in the 2024 Annual Report after the end of the four year performance period.

Granting and inflow for or in fiscal year 2020

The following tables show the grants awarded and payments made ("inflow") in the fiscal years 2020 and 2019. "Target" shows the value determined by the Supervisory Board as part of the target set in the event of a 100% target achievement.

The information provided under "Maximum" show the maximum values for the respective compensation components as set out in the compensation system and by the Supervisory Board. The sum of the maximum values corresponds to the maximum compensation pursuant to Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG) approved by the Annual General Meeting on June 26, 2020 as part of the resolution on the compensation system.

The values under "Actual" correspond to the payment amount or monetary benefit in case of fixed compensation and fringe benefits, to the service cost in accordance with IAS 19 in case of pensions, to the payment amount due after the end of the fiscal year and determination of the degree of target achievement by the Supervisory Board in case of the STI, and to the fair value at December 31, 2020 in case of the LTI, which was calculated using a Black-Scholes model taking into account the preliminary target achievement, the share price and the value-reducing cap.

The amount reported under "inflow" corresponds to the payments made in the fiscal years 2020 and 2019 at the relevant time under German tax law. Accordingly, the inflows from long-term incentive compensation in the fiscal year 2020 relate to the 2017/2018 tranche of virtual shares paid out in cash with a term until 2019 and to the 2016/2017 MTI tranche with a term until 2019. In fiscal year 2019, the 2017/2018 MTI tranche with a term until 2018 was paid out.

The pension expense corresponds to the service cost (excluding past service cost) in accordance with IAS 19 and thus to the amounts granted and does not represent an actual inflow in the narrower sense.

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Granting and inflow

	Dr. Christoph von Plotho Chief Excecutive Officer						
	2019	2020				2019	2020
EUR	Actual	Target (100 %)	Maximum	Actual	Percentage	Inflow	Inflow
Fixed components							
Fixed salary (basic annual salary)	550,000	550,000	550,000	550,000	31 %	550,000	550,000
Fringe benefits	26,881	30,000		32,722	2 %	26,881	32,722
Pension expense	87,122	94,590		94,590	5 %	87,122	94,590
Total	**664,003**	**674,590**		**677,312**	**38 %**	**664,003**	**677,312**
Variable components							
One year variable compensation		343,750	687,500	570,625	32 %		–
Multiannual variable compensation LTI							
LTI 2020 (term until 2024) 1)		481,250	962,500	526,035	30 %		–
LTI 2018/2019 (term until 2021)2)	342,810						
LTI 2017/2018 (term until 2020)							–
LTI 2016/2017 (term until 2019)	–					–	306,128
Multiannual variable compensation MTI							
MTI 2018/2019 (term until 2019) 3)	299,145						299,145
MTI 2017/2018 (term until 2018)						539,000	
Total compensation 4)	**1,305,958**	**1,499,590**	**2,450,000**	**1,773,972**	**100 %**	**1,203,003**	**1,282,585**
minus pension expense	– 87,122			– 94,590			
Total compensation without pension expense	**1,218,836**			**1,679,382**			

	Rainer Irle Chief Financial Officer						
	2019	2020				2019	2020
EUR	Actual	Target (100 %)	Maximum	Actual	Percentage	Inflow	Inflow
Fixed components							
Fixed salary (basic annual salary)	360,000	360,000	360,000	360,000	28 %	360,000	360,000
Fringe benefits	26,582	30,000		30,763	2 %	26,582	30,763
Pension expense	157,896	190,610		190,098	15 %	157,896	190,098
Total	**544,478**	**580,610**		**580,861**	**45 %**	**544,478**	**580,861**
Variable components							
One year variable compensation	–	225,000	450,000	373,500	29 %		
Multiannual variable compensation LTI							
LTI 2020 (term until 2024) 1)		315,000	630,000	344,273	27 %		
LTI 2018/2019 (term until 2021)2)	224,370						
LTI 2017/2018 (term until 2020)							
LTI 2016/2017 (term until 2019)							209,916
Multiannual variable compensation MTI							
MTI 2018/2019 (term until 2019) 3)	195,804						195,804
MTI 2017/2018 (term until 2018)						352,800	
Total compensation 4)	**964,652**	**1,120,610**	**1,810,000**	**1,298,634**	**100 %**	**897,278**	**986,581**
minus pension expense	– 157,896			– 190,098			
Total compensation without pension expense	**806,756**			**1,108,536**			

1) Fair value at date of granting (May 2020) amounted EUR 376,097 for Dr. Christoph von Plotho and EUR 246,173 for Rainer Irle.
2) Fair value at date of granting (March 2019) amounted EUR 457,215 for Dr. Christoph von Plotho and EUR 299,268 for Rainer Irle.
3) Fair value at date of granting (March 2019) amounted EUR 439,285 for Dr. Christoph von Plotho and EUR 287,532 for Rainer Irle.
4) Total compensation according to accounting principles based on the fair value at the date of granting of the LTI amounted in the fiscal year 2020 for Dr. Christoph von Plotho to EUR 1,529,444 and for Rainer Irle to EUR 1,010,436.

Additional information on share-based compensation instruments in the fiscal year 2020

The weighted average Xetra price of the Siltronic share on the last 30 trading days of the fiscal year 2020 was EUR 121.61 (previous year: EUR 81.75). This price is decisive for the 2017/2018 LTI tranche to be paid out in the fiscal year 2021.

Review of the maximum amounts of compensation in total

Taking into consideration the payment of the 2016/2017 – 2019 LTI tranche in the fiscal year 2020, compliance with the maximum amount of compensation for the fiscal year 2017 in which the tranche was granted, was also reviewed. The maximum amounts were not exceeded for any member of the Executive Board. The amounts paid out are shown in the overview below:

Payment	Tranche	Number of phantom stocks	Xetra price last 30 days 2019 in EUR	Dividends (2018 + 2019)	Payment tranche 2016/2017 – 2019
Dr. Christoph von Plotho	2016/2017 – 2019	3,430	81.75	7.50	306,128
Rainer Irle	2016/2017 – 2019	2,352	81.75	7.50	209,916

The following overview shows the development of the phantom stock portfolio of the tranches that have not been paid already:

Portfolio	Tranche	Calculated LTI at the beginning of the performance period in EUR	Number of phantom stocks at the time of granting	Number of phantom stocks (preliminary) 31.12.2020	Value on the reporting date 31.12.2020 in EUR
Dr. Christoph von Plotho	2017/2018 – 2020	561,000	7,489	7,489	970,627
	2018/2019 – 2021	311,355	3,809	3,809	500,884
	2020 – 2024	481,250	5,887	5,328	526,035
Rainer Irle	2017/2018 – 2020	367,200	4,902	4,902	635,334
	2018/2019 – 2021	203,796	2,493	2,493	327,830
	2020 – 2024	315,000	3,853	3,487	344,273

Pension commitments

The following table shows the pension expense and the defined benefit obligations of the pension commitments for the fiscal year 2020. The decrease in the defined benefit obligation for Rainer Irle results from the change in the Company pension plan described on p. 60 due to the new compensation system for the Executive Board. This resulted in past service cost (earning) of EUR 1,052,779.

	Benefit obligations		Pension expense	
EUR	2020	2019	2020	2019
Dr. Christoph von Plotho	2,905,485	2,973,463	94,590	87,122
Rainer Irle	2,681,427	3,130,381	190,098	157,896

As of December 31, 2020, the pension obligations for active Executive Board members amounted to EUR 5,586,912 (previous year: EUR 6,103,844) and the pension obligations for former Executive Board members and their surviving dependents amounted to EUR 7,863,911 (previous year: EUR 7,892,388).

Other Information

Compensation paid to former Executive Board members and their surviving dependents amounted to EUR 262,373 (previous year: EUR 221,253) in the reporting year.

Compensation of Supervisory Board members

The compensation of the members of the Supervisory Board of Siltronic AG is governed by the Articles of Association of Siltronic AG.

The Articles of Association provide for a fixed annual compensation of EUR 30,000 (plus value-added tax) for the members of the Supervisory Board.

Due to the additional expense associated with exercising certain functions, the compensation for the Chairman of the Supervisory Board is multiplied by a factor of 3. The factor 2 applies to his Deputy and the chairperson of a committee and the compensation of members of committees is multiplied by a factor of 1.5. However, membership of the Conciliation Committee, which is required to be established by law, is not taken into account, i.e. membership of this committee does not lead to an increase in annual compensation. In addition, twin and multiple functions are not taken into account, so that the Chairman and Deputy Chairman do not receive any other factors for functions in committees and committee functions are only taken into account once for the members of the Supervisory Board.

When joining or leaving the Supervisory Board or a committee during the current year, the principle of pro rata temporis compensation of Supervisory Board members applies.

The members of the Supervisory Board also receive an attendance fee of EUR 2,500 per meeting for each physical meeting of the full Supervisory Board and its committees in which they participate in person, up to a maximum of EUR 2,500 per calendar day. Members attending physical meetings by telephone, video conference, or voting in writing, will not receive a meeting attendance fee. For meetings held in the form of a telephone or video conference, participating members receive a reduced attendance fee of EUR 1,250.

The Company will also reimburse the members of the Supervisory Board for their necessary expenses, plus appropriate value-added tax, upon proof of such expenses.

The Company provides Supervisory Board members with adequate insurance cover. In particular, the Company takes out a D&O insurance policy without deductible for the benefit of Supervisory Board members.

No advances or loans were granted to members of the Supervisory Board during the reporting year.

Pursuant to section 113 (3) of the German Stock Corporation Act (AktG), the Annual General Meeting must pass a resolution on the compensation of the members of the Supervisory Board at least every four years. The compensation system outlined above was approved by resolution of the Annual General Meeting on June 26, 2020 with a majority of 99.91 percent of the votes.

Compensation of the Supervisory Board members in the fiscal year 2020

The compensation paid to Supervisory Board members for the fiscal year 2020 comprises the following:

Supervisory Board member	Annual remuneration 2020 in EUR[3)]	Attendance fee 2020 in EUR	Total remuneration 2020 in EUR	Annual remuneration 2019 in EUR[3)]	Attendance fee 2019 in EUR	Total remuneration 2019 in EUR
Mandy Breyer[2)]	30,000	8,750	38,750	30,000	10,000	40,000
Prof. Dr. Gabi Dreo	30,000	8,750	38,750	30,000	10,000	40,000
Klaus-Peter Estermaier[1)]	30,000	11,250	41,250	30,000	10,000	40,000
Sieglinde Feist	30,000	11,250	41,250	30,000	10,000	40,000
Gebhard Fraunhofer[2)]	45,000	18,750	63,750	45,000	20,000	65,000
Dr. Hermann Gerlinger	60,000	13,750	73,750	45,000	11,250	56,250
Michael Hankel	45,000	15,000	60,000	30,000	7,500	37,500
Johann Hautz[2)]	60,000	15,000	75,000	60,000	13,750	73,750
Bernd Jonas	60,000	18,750	78,750	60,000	20,000	80,000
Jörg Kammermann[2)]	30,945	12,500	43,445	18,329	7,500	25,829
Gertraud Lauber[2)]	30,000	2,500	32,500	30,000	10,000	40,000
Dr. Tobias Ohler	90,000	21,250	111,250	90,000	22,500	112,500

1) For the representative of the executive employees on the Supervisory Board, the regulations of the Verband angestellter Akademiker und leitender Angestellter der chemischen Industrie e. V. apply. (VAA).
2) These employee representatives on the Supervisory Board as well as the trade union representatives on the Supervisory Board have declared that their compensation will be paid to the Hans Böckler Foundation in accordance with the guidelines of the German Trade Union Federation.
3) Taking into account the applicable factors for specific functions.

Disclosures relevant to acquisitions

(pursuant to section 289a and section 315a
of the German Commercial Code (HGB)) and explanatory report

Composition of subscribed capital (section 289a para. 1 no. 1, 315a para. 1 no. 1 HGB)

The subscribed capital of Siltronic AG amounts to EUR 120 million and is divided into 30 million no-par-value shares, each with an imputed share of the capital amounting to EUR 4. The shares are registered shares. All the shares are of the same type; each share has the same rights attached to it and allows one vote at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares (section 289a para.1 no. 2, 315a para. 1 no. 2 HGB)

On December 9, 2020, GlobalWafers GmbH, Munich (the Bidder) and GlobalWafers Co, Ltd, Hsinchu, Taiwan entered into an agreement with Wacker Chemie AG regarding the publication and acceptance of a public tender offer for Siltronic AG, under which Wacker Chemie AG has undertaken to accept the offer for its total of 9,250,000 Siltronic Shares ("Irrevocable Acceptance Declaration"). In the Irrevocable Acceptance Declaration, Wacker Chemie AG has expressly waived any right of rescission that may exist by law with respect to a competing offer for the Siltronic Shares. In this context, Wacker Chemie AG has also undertaken not to transfer or sell its shares tendered in the public tender offer until 10 days after the conditions of the public tender offer have been fulfilled, but no later than February 14, 2022 ("Standstill").

The members of the Executive Board are obligated to purchase shares equivalent to 50 percent of their annual base salary (gross amount) and to hold them for the duration of their appointment to the Executive Board (Share Ownership Commitment). The value of the shares at the time of purchase is decisive. The current Executive Board members Dr. Christoph von Plotho and Rainer Irle fulfill this Share Ownership Commitment through the shares held by each of them at the time of conclusion of the service agreement in March 2020, based on the value of the shares at the time a Share Ownership Commitment was first established on September 14, 2017. The Executive Board members continue to be entitled to voting and dividend rights during the holding period.

Against the background of the announced voluntary public tender offer, the Share Ownership Commitment was amended by resolution of the Supervisory Board on December 9, 2020 to the effect that the members of the Executive Board have the option of tendering the shares held by them under the Share Ownership Commitment as part of the tender offer. However, there is an obligation to continue to hold the shares in accordance with the previous rules until the offer is completed. If the tender offer is not completed, the existing rules on the Share Ownership Commitment will continue to apply unchanged.

We are not aware of any other contractual restrictions relating to voting rights or the transfer of shares.

The Articles of Association of Siltronic AG do not restrict the transferability of shares. However, there may be restrictions on the shares' voting rights imposed by the German Stock Corporation Act (e.g. section 136 AktG) or as a consequence of the disclosure requirements pursuant to the German Securities Trading Act (WpHG) being violated. In accordance with Section 67 (2) of the German Stock Corporation Act (AktG), the parties deemed to be shareholders of Siltronic AG are those parties entered as such in the share register. Pursuant to Section 67 (4) of the German Stock Corporation Act (AktG), Siltronic AG is entitled to demand information from the persons entered in the register on whether the shares that are entered as held by them in the register actually belong to them and, if this is not the case, to demand information on who the shares are held for, as required in order to maintain the register. Until this demand is met, the voting rights attached to the shares are suspended (Section 67 (2) sentence 3 of the German Stock Corporation Act (AktG)).

Shareholdings in the Company that represent more than 10 percent of the voting rights (section 289a para. 1 no. 3, 315a para. 1 no. 3 HGB)

The Company has been notified of the following direct and indirect shareholdings in the Company that represent more than 10 percent of the voting rights:

- Wacker Chemie AG (Munich, Germany): 30.83 percent
- Dr. Alexander Wacker Familiengesellschaft mit beschränkter Haftung (Munich, Germany): 30.83 percent (allocated via Wacker Chemie AG)
- Sino-American Silicon Products Inc. (Hsinchu/Taiwan): 13.67 percent (notified on 02/10/2021)

Shares with special rights that confer authority to exert control over the Company (section 289a para. 1 no. 4, 315a para. 1 no. 4 HGB)

Shares with special rights conferring control powers were not issued.

Type of voting right controls in cases where employees hold shares in the Company and do not exercise their control rights directly (section 289a para. 1 no. 5, 315a para. 1 no. 5 HGB)

In case employees hold shares in Siltronic AG, they exercise their resulting control rights directly in accordance with the statutory provisions and the Articles of Association.

Appointment and removal of members of the Executive Board and amendments to the Articles of Association (section 289a para. 1 no. 6, 315a para. 1 no. 6 HGB)

Pursuant to Section 5 of the Articles of Association, the Executive Board of Siltronic AG must consist of a minimum of two persons. In other respects, the Supervisory Board determines the number of Executive Board members. The Supervisory Board appoints one member of the Executive Board as President & Chief Executive Officer. The appointment and removal of members of the Executive Board are governed by Section 84 et seq. of the German Stock Corporation Act (AktG) and Section 31 German Co-Determination Act (MitbestG).

Changes to the Articles of Association are governed by Section 179 et seq. of the German Stock Corporation Act (AktG), which stipulates that all changes to the Articles of Association require a resolution to be adopted by the Annual General Meeting.However, the Supervisory Board is authorized in Section 9 (2) of the Articles of Association to make changes that relate solely to the wording.

The Supervisory Board is also authorized to amend Section 4 (6) of the Articles of Association accordingly after the Authorized Share Capital 2020 has been utilized or the period for the utilization of the Authorized Share Capital 2020 has elapsed. Furthermore, the Supervisory Board is authorized to amend Section 4 (7) of the Articles of Association in accordance with each utilization of the Conditional Capital 2020 and after all option and conversion periods have elapsed.

Pursuant to Section 179 (2) of the German Stock Corporation Act (AktG), resolutions to amend the Articles of Association adopted by the Annual General Meeting require a majority of at least three quarters of the share capital represented during the voting, unless the Articles of Association specify a different majority. In accordance with Section 18 (2) of the Articles of Association, resolutions at the Annual General Meeting are passed by simple majority of the votes cast and by simple majority of the share capital represented in the voting if a majority of the share capital is required, unless the law or the Articles of Association require otherwise. The law requires a greater majority of three quarters of the share capital represented in the voting in several cases, such as when changing the objects of the company (Section 179 (2) sentence 2 of the German Stock Corporation Act (AktG)), capital measures and the exclusion of subscription rights.

Authority of the Executive Board to issue and buy back shares (section 289a para. 1 no. 7 section 315a para. 1 no. 7 HGB)

On the basis of a resolution of the Annual General Meeting on June 26, 2020, the Executive Board is authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to June 25, 2025 by up to a total of EUR 36 million by issuing new registered no-par-value shares for cash or non-cash contributions (Authorized Share Capital 2020). In general, the shareholders are to be granted a subscription right. The shares may also be subscribed in whole or in part by one or more credit institution(s) or companies within the meaning of Section 186 (5) sentence 1 of the German Stock Corporation Act (AktG) with the obligation to offer them to the shareholders of the Company for subscription (so called indirect subscription right). The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights for one or several capital increases from the Authorized Share Capital 2020,

- to exclude fractional amounts from the subscription right;
- in case of capital increases in return for cash contributions, if the issue price of the new shares is not significantly below the stock exchange price for the shares of the same class already listed and the aggregate pro rata amount of the share capital attributable to the new shares issued with the exclusion of the subscription right does not exceed 10 percent of the share capital existing on the date on which this authorization takes effect and on the date in which the authorization is being exercised. This limit of 10 percent of the share capital shall include shares that were issued or sold during the term of this authorization in direct or analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG); it shall also include shares that can be or are to be issued by the Company to service conversion or option rights or to fulfil conversion or option obligations arising from bonds, provided that the bonds are issued during the term of the Authorized Share Capital 2020 under exclusion of shareholders' subscription rights in analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) (mutual offset);
- to the extent necessary to be able to grant new shares in the Company to holders or creditors of bonds that were or will be issued by the Company or by its subordinate group companies upon exercise of conversion or option rights or upon fulfilment of a conversion obligation, and insofar as necessary to grant a subscription rights to new shares in the Company to holders of conversion or option rights or to creditors of conversion bonds with conversion obligations that were or will be issued by the Company or its subordinated group companies, to the extent that they would be entitled to such rights as shareholders after exercising their option or conversion rights or after fulfilling conversion obligations;

– in the event of a capital increase against contributions in kind, in particular in the context of corporate mergers or for the (also indirect) acquisition of businesses, operations, parts of businesses, equity interests, investments or other assets or claims to the acquisition of assets, including claims against the Company or its Group companies; and
– in order to implement a scrip dividend where shareholders are entitled to tender their dividend rights (in whole or in part) as a contribution in kind against issuance of new shares under the Authorized Share Capital 2020.

The sum total of shares issued on the basis of the Authorized Share Capital 2020 under exclusion of shareholders' subscription rights, taking into account other shares of the Company that are sold or issued during the term of the Authorized Share Capital 2020 under exclusion of subscription rights or are to be issued on the basis of bonds issued during the term of the Authorized Share Capital 2020 under exclusion of subscription rights, may not exceed a calculated proportion of the share capital of 10 percent, neither at the time the Authorized Share Capital 2020 takes effect nor at the time it is utilized (mutual offset).

On the basis of a resolution of the Annual General Meeting on June 26, 2020 and subject to the consent of the Supervisory Board, the Executive Board is authorized to issue once or several times on or before June 25, 2025 holder and/or registered convertible bonds and/or option bonds, profit participation rights and/or participating bonds or a combination thereof ("Bonds") for a total nominal amount of up to EUR 500,000,000.00 and to grant the holders or creditors of bonds conversion and/or option rights or obligations of up to 3,000,000 new no-par value ordinary registered shares of the Company with a proportionate amount of the share capital of up to EUR 12,000,000.00 according to the more detailed terms and conditions of the bonds ("Bond Terms and Conditions") ("2020 Authorization").

The sum total of the shares which are, can be or are to be issued to service conversion and/or option rights or to fulfil conversion or option obligations arising from the bonds, and the shares issued during the term of this 2020 Authorization using the Authorized Share Capital 2020, shall not exceed an amount of the share capital of € 36,000,000.00 (corresponding to 30 percent of the current share capital) (mutual offset). The shareholders are generally entitled to a subscription right to the bonds. However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right to the bonds in the following cases:

– for fractional amounts resulting from the subscription ratio;
– if the bonds with option or conversion rights or obligations are issued against cash payment and are equipped in such a way that their issue price is not significantly lower than their theoretical market value determined in accordance with recognized principles, in particular those of financial mathematics. However, this authorization to exclude subscription rights only applies to bonds with option or conversion rights or option or conversion obligations for shares with a proportionate amount of the share capital that may not exceed 10 percent of the Company's share capital. For the purpose of calculating the 10 percent limit, the amount of the share capital at the time this authorization takes effect or – if this value is lower – at the time this authorization is exercised, shall be decisive. This limit of 10 percent of the share capital shall include shares which are issued or sold during the term of this authorization in direct or analogous application of Section 186 (3) sentence 4 AktG up to the time of its utilization or which are issued to service subscription rights or to fulfil conversion obligations arising from bonds, provided that the corresponding bonds are issued after this authorization takes effect in analogous application of Section 186 (3) sentence 4 AktG, excluding shareholders' subscription rights;
– insofar as the bonds are issued in return for a contribution in kind, in particular in the context of corporate mergers or for the (also indirect) acquisition of businesses or other assets, including receivables from the Company or its Group Companies, provided that the value of the contribution in kind is in reasonable proportion to the market value of the bonds;
– insofar as this is necessary in order to grant the holders or creditors of previously issued bonds a subscription right to the extent to which they would be entitled as shareholders after exercising an option or conversion right or after fulfilling an option or conversion obligation.
– The total number of shares that can be issued on the basis of the utilization of the Authorization 2020 to issue bonds with option or conversion rights or obligations with the exclusion of shareholders' subscription rights, taking into account other shares of the Company that are sold or issued during the term of the Authorization 2020 with the exclusion of subscription rights, may not exceed a calculated proportion of the share capital of 10 percent, either at the time the Authorization 2020 becomes effective or at the time it is utilized (mutual offset).
– insofar as profit participation rights or profit participating bonds without option or conversion rights or obligations are issued, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders in its entirety if these profit participation rights or profit participating bonds are similar to obligations, i.e. do not establish membership rights in the Company, do not grant

any participation in liquidation proceeds and the amount of interest is not calculated on the basis of the amount of the net income for the year, the balance sheet profit or the dividend. Furthermore, in this case, the interest rate and the issue amount of the profit participation rights or profit participating bonds must correspond to the current market conditions for comparable borrowings at the time of issue.

For the purpose of servicing the aforementioned bonds by the Company, the Annual General Meeting on June 26, 2020 has increased the share capital of the Company by up to EUR 12 million by issuing up to 3 million new no-par value registered shares ("Conditional Capital 2020"). The new shares shall be issued at the conversion or option prices to be determined in the Bond Terms and Conditions in accordance with the authorization of the Annual General Meeting.

In accordance with the resolution of the Annual General Meeting on June 26, 2020, the Executive Board is authorized until June 25, 2024, with the consent of the Supervisory Board and in accordance with the legal provisions of Section 71 (1) no. 8 of the German Stock Corporation Act (AktG), to purchase for any permissible purpose treasury shares in an amount of up to 10 percent of the share capital existing at the time of the resolution or – if this value is lower – of the share capital existing at the time of exercising this authorization. The share capital at the time the resolution was passed amounted to EUR 120 million.

At the discretion of the Executive Board, the acquisition may be carried out through purchase on the stock exchange by means of a public invitation to submit offers of sale, by means of a public offer or by granting tender rights to shareholders. The authorization of the Annual General Meeting contains different requirements for the individual types of acquisition, in particular with regard to the purchase price. The authorization may be exercised once or several times, in full or in partial amounts. The Executive Board is authorized, with the approval of the Supervisory Board, to use the treasury shares acquired on the basis of the authorization for all legally permissible purposes. In particular, they may be sold via the stock exchange or by means of a public offer to all shareholders in proportion to their shareholding (in the event of an offer to all shareholders, subscription rights for fractional amounts are excluded). They may also be sold for cash or for contributions in kind (in particular in the context of corporate mergers or for the acquisition of businesses, parts of businesses). The treasury shares may be used to fulfil or secure purchase rights or purchase obligations for shares in the Company (in connection with bonds, convertible bonds and/or option bonds). They may be used in connection with any share-based payment or employee share programs of the Company, however, the total of the treasury shares used for these purposes may not exceed a calculated proportion of the share capital of 1 percent. Treasury shares may be redeemed. The Supervisory Board is authorized to use the treasury shares to service purchase obligations or purchase rights to Siltronic shares agreed with members of the Executive Board of Siltronic AG as part of the compensation of the Executive Board. The total of the treasury shares used for this purpose together with treasury shares used for other share-based and employee share programs may not exceed a calculated proportion of the share capital of 1 percent. Except in case of a redemption, the shareholders' subscription rights to the acquired treasury shares are excluded to the extent that they are used in accordance with the above authorizations. The calculated proportion of the share capital, taking into account other shares of the Company which are sold or issued during the term of this authorization with the exclusion of subscription rights or which are to be issued on the basis of bonds issued during the term of this authorization with the exclusion of subscription rights, may not exceed a calculated proportion of the share capital of 10 percent (mutual offset).

Material agreements that are conditional upon a change of control resulting from a tender offer (section 289 a para. 1 no. 8, 315a para. 1 no. 8 HGB)

There are no significant agreements that are subject to the condition of a change of control following a tender offer.

Compensation agreements in the event of a tender offer (section 289a para. 1 no. 9, 315a para. 4 no. 9 HGB)

There are no agreements with the Executive Board or employees of the Company that provide for compensation in the event of a tender offer.

Declaration on corporate governance

The Executive Board – pursuant to principle 22 of the German Corporate Governance Code also on behalf of the Supervisory Board – reports subsequently on corporate governance as well as in accordance with Sections 289f, 315 d of the German Commercial Code (HGB) about the company management. Retaining the trust and confidence of our customers, business partners, employees and investors is an essential factor in achieving sustained growth in corporate value. The essential basis for this is good corporate governance, accomplished through transparent and responsible company management and supervision.

Declaration of Conformity issued by the Executive Board and the Supervisory Board of Siltronic AG pursuant to Section 161 of the German Stock Corporation Act (AktG)

Throughout the fiscal year 2020, the Executive Board and the Supervisory Board dealt intensively with the Company's corporate governance and the recommendations of the German Corporate Governance Code in its version as of December 16, 2019, published in the Federal Gazette on March 20, 2020. On September 24, 2020, the Executive Board and the Supervisory Board issued the following Declaration of Conformity which is permanently available to the public on the Company's website (*https://www.siltronic.com/en/investors/corporate-governance.html*):

"The Executive Board and Supervisory Board of Siltronic AG hereby declare the following with regard to the recommendations of the "Government Commission on the German Corporate Governance Code" ("Code"):

1. Code in the version dated December 16, 2019
Siltronic AG has complied with the recommendations of the Code in the version dated December 16, 2019, with the exception of the deviations set out and explained below since the announcement of the Code in the Federal Gazette on March 20, 2020, and will continue to comply with the Code with the deviations specified:

a. Membership in the Executive Board and Chairman of the Supervisory Board (Sec. C.5)
The Code recommends that a member of an Executive Board shall not accept the chairmanship in a Supervisory Board of a listed company outside the Group. This is justified in particular by the workload involved in performing those functions. The Chairman of the Supervisory Board of Siltronic AG, Dr. Ohler, is also a member of the Executive Board of Wacker Chemie AG, thus deviating from this recommendation. In principle, we welcome the Code's goal of preventing the accumulation of activities so that sufficient time can be allocated to the work of the Supervisory Board. However, Dr. Ohler has proven in the past that for him the performance of both tasks can be very well combined in terms of time and organization.

b. Independence of the Chairman of the Supervisory Board (Sec. C.10)
According to the Code, the Chairman of the Supervisory Board shall be independent of the Company. As a member of the Executive Board of Wacker Chemie AG, the Chairman of the Supervisory Board, Dr. Ohler, holds a leading position for a supplier of Siltronic AG with whom material business relations exist. According to the Code, this should be an indication of a lack of independence. In our opinion, the business relationship does not prevent him from effectively performing the role of Chairman of the Supervisory Board. In accordance with the legal requirements, the Company has established an internal procedure to regularly evaluate whether the transactions with Wacker Chemie AG are conducted in the ordinary course of business and at arm's length. In order to avoid even the appearance of a conflict of interest, the Chairman of the Supervisory Board does not participate in resolutions concerning the business relationship between Wacker Chemie AG and Siltronic AG. The handling of conflicts of interest is reported in the Supervisory Board report.

2. Code in the version dated February 7, 2017
Since issuing its last Declaration of Conformity on September 26, 2019, Siltronic AG has complied with the recommendations of the Code in the version dated February 7, 2017, with the exception of the deviations set out and explained therein until the announcement of the revised Code on March 20, 2020:

a. D&O Insurance Deductible for the Supervisory Board Members (Sec. 3.8 Par. 3)
The previous version of the Code provided that the D&O insurance for the Supervisory Board shall include a deductible, which corresponds to the legal deductible for members of the Executive Board in the amount of at least 10 percent of the damage up to at least one and a half times the fixed annual compensation. Such deductible is not required by law for members of the Supervisory Board. In view of the different roles performed by the Supervisory Board and the Executive Board, which are also reflected in a different compensation structure, we consider this distinction to be appropriate. The deviation ceased to apply with the announcement of the new version of the Code on March 20, 2020, as a deductible in D&O insurance policies for the Supervisory Board is no longer recommended by the new version of the Code.

b. Maximum amount limits for the remuneration the Executive Board (Sec. 4.2.3 Para. 2 Sentence 6) and definition of a target pension level (Sec.4.2.3 Para. 3)
The previous version of the Code recommended that the remuneration of the Executive Board members shall be capped, both in the aggregate and for individual remuneration components. The contracts of the Executive Board members contained corresponding maximum amounts for fixed and variable compensation, but no overall cap for pension benefits was defined in the compensation system applicable until fiscal year 2019, which is why no maximum amount for the total compensation of the Executive Board could be agreed upon. For the same reason, as a precautionary measure, a deviation from the recommendation was declared, according to which the Supervisory Board should determine a target pension level in the case of pension commitments. With the 2020 compensation system, a maximum level of remuneration was defined which includes pension benefits and fringe benefits, so that the recommendation was followed from the 2020 financial year onwards. The deviation regarding the specification of a target pension level ceased to apply with the announcement of the new version of the Code, as such a target level is no longer recommended.

Munich, September 24, 2020
Siltronic AG

The Executive Board The Supervisory Board"

Relevant information on corporate governance practice

The Company complies with the statutory requirements relating to corporate governance. With the exceptions mentioned in the Declaration of Conformity, Siltronic follows all the recommendations of the German Corporate Governance Code.

Principles of the compliance management system

Compliance with legal requirements, laws and in-house policies as well as their observance within the Group are part of the management and supervision responsibilities at Siltronic. The Supervisory Board, in particular the Audit Committee, regularly addresses compliance topics and reviews the compliance management system.

The compliance management system is designed to prevent, identify, and sanction violations in the corporate context. It is regularly reviewed and improved by the Siltronic compliance organization. The Company has appointed compliance officers in Germany, the USA, Korea, China, Japan, Singapore, and Taiwan. They coordinate compliance activities within the Group, provide advice on the subject of compliance and are contact persons for questions and training.

Employees who have contact to business partners are required to complete an e-learning course on compliance. Production employees receive a presence training tailored to their needs by managers. All employees in sales and marketing as well as employees in certain other functions must also undergo online training courses on antitrust law.

Employees are required to report any violations they observe to their managers, compliance officers, the works council, or the responsible members of staff in the human resources department. Siltronic investigates every reasonable suspicion, examines the case and defines measures to remedy any vulnerabilities identified. Siltronic also takes any disciplinary measures if necessary. The compliance organization reports to the Executive Board of Siltronic AG on a monthly basis or as the need arises.

As a protected reporting channel, Siltronic has appointed an external ombudsman to whom employees and third parties can anonymously report violations of statutory regulations. Retaliation of any kind against persons who report compliance incidents in good faith is prohibited. The contact details of the ombudsman are published on our homepage.

Code of Conduct

The Code of Conduct of Siltronic provides a binding framework for the legal and responsible conduct of the employees in their daily work. It applies worldwide in all companies of the Siltronic Group. The Code of Conduct is intended to raise awareness among the employees regarding legal risks and support them in ethical issues. The Code of Conduct also sets out rules of behavior that apply throughout the Group for fighting corruption and protecting free competition. Furthermore, our Code of Conduct emphasizes the significance of focusing on quality, customer benefit and safety, as well as health and environmental protection. With its Code of Conduct, Siltronic is also committed to responsible corporate governance and sustainable action. The Code of Conduct is available on the Company's intranet as well as on its website (*https://www.siltronic.com/en/our-company/compliance.html*).

As a supplier to the electronics industry, Siltronic is also guided by the code of conduct of the Responsible Business Alliance, with which leading companies in the electronics industry aim to promote social and ecological responsibility and ethical business practices worldwide. Further information on the initiative and its code of conduct can be found on the internet at *http://www.responsiblebusiness.org*.

Siltronic also implements the ten principles of the United Nations´ Global Compact initiative to protect human rights, social and environmental standards and the fight against corruption. The ten principles of the UN Global Compact are available on the Internet at *www.unglobalcompact.org*.

Siltronic has also joined the "Charter of Diversity". Siltronic is committed to actively implement and promote equal opportunities and diversity. Information on the Charter can be found on the Internet at *https://www.charta-der-vielfalt.de/en/diversity-charter-association/about-the-diversity-charter/*.

Information on the working methods of the Executive Board and Supervisory Board and on the composition and working methods of the Supervisory Board's committees

Siltronic AG has a dual management system, as required by the German Stock Corporation Act (AktG). It consists of the Executive Board, which manages the Company, and the Supervisory Board, which monitors and advises the Executive Board.

Executive Board

The Executive Board currently comprises two members. The Executive Board conducts the Company's business in accordance with the law, the Articles of Association and its rules of procedure. The Executive Board manages the Company independently and represents Siltronic AG in all transactions with third parties. Its actions and decisions are determined by the interests of the Company and are geared towards creating sustainable growth in the corporate value. To this end, the Executive Board determines the Group's strategy and manages and monitors it by allocating financial and other resources and capacities as well as by supporting and supervising the operating business. The Executive Board ensures compliance with legal provisions and provides for an appropriate risk management and risk control.

The members of the Executive Board are jointly responsible for the executive management of the Company. The individual member of the Executive Board is responsible for managing the areas of responsibility assigned to him or her. The Executive Board holds regular meetings which are convened and chaired by the CEO. Board meetings must be held whenever the interests of the Company require it. The Executive Board generally adopts its resolutions by simple majority. As long as the Executive Board consists of only two persons, resolutions can only be passed unanimously; the CEO has no casting vote.

Diversity concept for the Executive Board

At its meeting on September 24, 2020, the Supervisory Board adopted the following diversity concept for the Executive Board:

"When appointing members to the Executive Board, the Supervisory Board looks for appropriate qualifications and experience required for the best possible performance of the Executive Board duties of a technology company in the semiconductor industry, as well as personal integrity, reliability and assertiveness. In addition to the specific knowledge required for their respective areas of responsibility, the members of the Executive Board must have a broad range of management and leadership experience in order to effectively fulfill the overall responsibilities of this board. When appointing new members to the Executive Board, the Supervisory

Board also takes into account the following diversity aspects, which are important but not exclusive appointment criteria. The Supervisory Board's decision on filling a specific Executive Board position is always based on the interests of Siltronic AG, taking into account all circumstances of the individual case.

– Professional diversity

  The Executive Board as a whole should have many years of experience in the fields of production, sales, technology, finance (in particular controlling, accounting, taxes and risk management), law and compliance. Educational and professional backgrounds should also be taken into account.

– International experience

  In light of the global activities of the Siltronic Group, particular attention should be paid to international experience (for example, through longer professional experience abroad or supervision of international business activities).

– Gender

  The Supervisory Board has set a target of 50% female representation on the Executive Board by June 30, 2023.

– Age

  The Supervisory Board has defined a standard age limit for members of the Executive Board in its Rules of Procedure. Other than that, the Supervisory Board does not aim for a specific age structure for the Executive Board.

The purpose of the diversity concept is to ensure that Siltronic AG is managed with a view to its long-term success and that the Executive Board and Supervisory Board work together in a targeted and efficient manner.

The Supervisory Board and the Executive Committee of the Supervisory Board take the diversity concept into account – in addition to the requirements of the German Stock Corporation Act (AktG), the German Corporate Governance Code and the rules of procedure for the Supervisory Board – in the long-term succession planning and appointment of Executive Board members.

Method of implementing the diversity concept

The diversity concept for the Executive Board is implemented as part of the Executive Board appointment process. The Supervisory Board and the Executive Committee of the Supervisory Board take into account the requirements set out in the diversity concept when selecting candidates and appointing Executive Board members.

At the Supervisory Board meeting on March 4, 2020, Rainer Irle was reappointed as a member of the Executive Board for the period from January 1, 2021 to December 31, 2025. At the Supervisory Board meeting on December 9, 2020, the term of office of Dr. Christoph von Plotho as a member of the Executive Board and as CEO was extended prematurely until December 31, 2023, by mutually terminating his appointment followed by his re-appointment. Against the background of the conclusion of the Business Combination Agreement and the announced public tender offer, the Supervisory Board wanted to ensure continuity in the work of the Executive Board in a strategically important phase. The aim is still to increase the proportion of women on the Executive Board in the medium term.

Close collaboration between the Executive Board and the Supervisory Board

The Executive Board and Supervisory Board work closely together to ensure the long-term and sustainable success of the Company. Their common goal is the sustainable development of the Company and its value. The Executive Board reports to the Supervisory Board regularly, promptly and comprehensively on all matters of strategy, planning, business performance, risk position, risk management and compliance that are relevant to the Company. The Chairman of the Supervisory Board also maintains close contact with the Executive Board between meetings, in particular with the CEO of the Executive Board, and discusses issues of importance. The Executive Board explains to the Supervisory Board if the business performance deviates from its intended plans and targets.

Certain transactions specified in the rules of procedure for Siltronic AG's Executive Board require the approval of the Supervisory Board. These include the adoption of the annual budget, including financial and investment planning, the acquisition and disposal of equity investments, the commencement of new and the discontinuation of existing production and business activities, and the raising of major long-term loans.

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board consists of twelve members. In accordance with the German Co-Determination Act (MitbestG), it is composed of equal numbers of shareholder and employee representatives. The term of office of the members is regularly five years. They can be re-elected. An overview of the members of the Supervisory Board in office during the reporting period and their other mandates on supervisory boards or comparable bodies required to be formed by law is available on p. 172. The regular term of office of the current Supervisory Board members will expire at the end of the Annual General Meeting in 2023. The Supervisory Board appoints, monitors and advises the Executive Board and is directly involved in decisions of material importance to the Company. Fundamental decisions on the further development of the Company require the approval of the Supervisory Board. The rules of procedure of the Supervisory Board are published on the Company's website.

Separate preparatory meetings of the shareholder and employee representatives are held regularly to prepare the Supervisory Board meetings. The Supervisory Board meets regularly without the Executive Board, in particular on issues relating to Executive Board compensation.

Diversity concept, objectives for the composition and competence profile of the Supervisory Board

On September 24, 2020, the Supervisory Board adopted the following diversity concept (including objectives for its composition and a competence profile):

"The Supervisory Board shall be composed in such a way that its members in their entirety have the necessary knowledge, skills, and professional experience to perform their duties in a proper manner and that the statutory gender quota is met. Against the background of the recommendations of the German Corporate Governance Code, the Supervisory Board has decided on the following specific objectives for its composition and the following competence profile, which together also form the diversity concept for the Supervisory Board:

I. Objectives for the composition

1. International expertise

In view of the Company's international strategy, at least one member of the Supervisory Board should have relevant experience.

2. Independence and potential conflicts of interest

At least four shareholder representatives should be independent within the meaning of the German Corporate Governance Code. The rules of procedure set out by the Supervisory Board for dealing with conflicts of interest must be observed. Major conflicts of interest not only of a temporary nature, such as those involving board functions or advisory tasks at major competitors of the Company, must be avoided.

3. Age limit for members of the Supervisory Board and standard length of service

The age limit regulations set out by the Supervisory Board in the rules of procedure must be observed.

4. Diversity

With regard to diversity, the Supervisory Board strives to ensure that its composition takes into account a wide range of professional experience, educational backgrounds and, in particular, the appropriate participation of both genders. Pursuant to section 96 (2) of the German Stock Corporation Act, the Supervisory Board must be composed of at least 30 percent women and at least 30 percent men. The shareholder and employee representatives on the Supervisory Board objected to the complete fulfillment of the gender quota. For this reason, the Supervisory Board of the Company must be composed of at least two women and two men on both the shareholder and the employee side.

II. Competence profile

In view of Siltronic's sphere of activity, the Supervisory Board as a whole must be competent in all areas of significance. These include, in particular, in-depth experience and knowledge of:

- Management roles at listed or international companies;
- Science or research;
- Technological fields relevant to the Company;
- Strategy and corporate development;
- Production, sales, and markets in which Siltronic operates;
- Finance, in particular financial reporting, taxation, and controlling;
- Risk management and compliance;
- Human resources and co-determination.

Furthermore, pursuant to Section 100 (5) of the German Stock Corporation Act (AktG), at least one member of the Supervisory Board must have expertise in financial controlling or auditing and the Supervisory Board in its entirety must be familiar with the semiconductor industry."

Status of implementation of the diversity concept including objectives for the composition and the competence profile

The Supervisory Board and the Supervisory Board's Nomination Committee consider the diversity concept (including the objectives for the composition and the competence profile) in the selection process and the nomination of candidates for the Supervisory Board as shareholder representatives to the Annual General Meeting. Prior to the Annual General Meeting, the curricula vitae of the candidates, including their pertinent knowledge, skills and experience, are published on Siltronic's website.

In its view, the Supervisory Board in its current composition meets the diversity concept as well as the compositional objectives and covers the competence profile. The Supervisory Board members have all the qualifications deemed necessary. The members of the Supervisory Board in their entirety are familiar with the sector in which the Company operates, i.e. the semiconductor industry, and possess the skills, experience and knowledge relevant for Siltronic's activities. Several members of the Supervisory Board have relevant experience with regard to the international strategy of the Company. Diversity is appropriately reflected in the Supervisory Board. In the fiscal year 2020, the Supervisory Board had four female members, two of whom were shareholder representatives and two of whom were employee representatives. The statutory minimum quota is therefore fulfilled. In the opinion of the shareholder representatives of the Supervisory Board, at least four shareholder representatives are currently independent within the meaning of the German Corporate Governance Code, namely Prof. Dr. Gabi Dreo, Dr. Hermann Gerlinger, Michael Hankel and Bernd Jonas.

Committees enhance Supervisory Board efficiency

In order to perform its duties efficiently, the Supervisory Board has established four professionally qualified committees. Reports on the work of the committees are regularly presented to the full Supervisory Board.

In addition, in connection with the voluntary public tender offer of GlobalWafers GmbH, a special committee was formed on December 9, 2020 to prepare the submission of the Supervisory Board´s reasoned statement pursuant to Section 27 of the German Securities Acquisition and Takeover Act (WpÜG).

Executive Committee

Chair:
Dr. Hermann Gerlinger

Members:
Michael Hankel
Johann Hautz
Dr. Tobias Ohler

Responsibilities:
The Executive Committee consists of three shareholder representatives and one employee representative. The Executive Committee prepares personnel decisions for the Supervisory Board, in particular those concerning the appointment and removal of members of the Executive Board. It also deals with the service contracts of the Executive Board and the Executive Board compensation system as well as suggestions for the target setting and target achievement, on the basis of which the full Supervisory Board determines the compensation of the Executive Board members. The Executive Committee regularly discusses the long-term succession planning for the Executive Board.

Nomination Committee

Chair:
Dr. Tobias Ohler

Member:
Dr. Hermann Gerlinger

Responsibilities:
The Nomination Committee consists of two members of the shareholder representatives. The Nomination Committee is responsible for proposing suitable candidates to be elected as shareholder representatives on the Supervisory Board to the Supervisory Board for its election proposals to the Annual General Meeting. In doing so, it considers the diversity concept including objectives regarding the composition and the competence profile.

Audit Committee

Chair:
Bernd Jonas

Members:
Dr. Tobias Ohler
Gebhard Fraunhofer

Responsibilities:
The Audit Committee consists of three members. The Audit Committee must include at least one member of the Supervisory Board with expertise in the fields of accounting or auditing and internal control procedures; the members in their entirety must be familiar with the sector in which the Company operates. The Audit Committee prepares the Supervisory Board's decisions on the adoption of the annual financial statements of Siltronic AG and the approval of the consolidated financial statements, as well as the proposal for a resolution by the Executive Board on the appropriation of profits. For this purpose, it is responsible for a preliminary review of the annual financial statements of Siltronic AG, the consolidated financial statements, the management reports or the combined management report, the non-financial report and the proposal for the appropriation of profits. It also deals with the review of the half-yearly interim consolidated financial statements and the discussion of the quarterly reports, as well as with issues concerning risk management and compliance. In particular, it monitors accounting processes, compliance and the effectiveness of internal control, risk management and auditing systems. The Audit Committee also monitors the external audit of the financial statements und regularly reviews its quality. It takes appropriate measures to determine and monitor the independence of the external auditor and to monitor the additional services provided by the auditor. Together with the auditor, the Audit Committee discusses the risks to the auditors' independence and the protective measures taken to mitigate these risks. Contracts may only be awarded to the auditor or companies with which it is associated legally, financially or in terms of personnel, to the extent these contracts do not involve prohibited non-audit services. Such contracts also require the prior approval of the Audit Committee which duly assesses the risk to independence and the protective measures applied. The Audit Committee prepares a recommendation for the Supervisory Board's proposal to the Annual General Meeting on the selection of the auditor. Before submitting the nomination proposal, the Audit Committee obtains a declaration from the designated auditor that the statutory independence requirements are being met. Following the resolution of the Annual General Meeting, it issues the audit engagement letter to the auditor. The Audit Committee agrees the fees with the auditor – in compliance with the statutory provisions on audit fees – and determines the main points of the audit. The Audit Committee also engages an auditor in order to issue a 'limited assurance' for the non-financial report. The Chairman of the Audit Committee has specialized knowledge and experience in the areas of accounting and auditing.

Conciliation Committee

Chair:
Dr. Tobias Ohler

Members:
Gebhard Fraunhofer
Johann Hautz
Sieglinde Feist

Responsibilities:
The Conciliation Committee to be formed pursuant to Section 27 (3) of the German Co-Determination Act (MitbestG) comprises the Chairman of the Supervisory Board, his deputy and two further members elected with a majority of the votes cast. One of the two members is elected by the Supervisory Board members representing the employees and the other is elected by those Supervisory Board members representing the shareholders. The Conciliation Committee has the task assigned to it by law, i.e. submitting proposals for the appointment or removal of members of the Executive Board if the required two-thirds majority of the votes of the Supervisory Board members is not obtained in the first ballot.

Special Committee

Members:
Mandy Breyer (from January 1, 2021)
Michael Hankel
Johann Hautz
Jörg Kammermann (until December 31, 2020)
Dr. Tobias Ohler

Responsibilities:
The Special Committee consists of two members representing the shareholders and two members representing the employees. It prepared the reasoned statement of the Supervisory Board pursuant to Section 27 of the German Securities Acquisition and Takeover Act (WpÜG) on the voluntary tender offer of GlobalWafers GmbH and it was authorized to decide on or prepare for the Supervisory Board any opinions on amendments to the offer as well as addenda or supplements to the statement.

Targets for the proportion of women on the Executive Board and at the first two management levels below the Executive Board; information on compliance with minimum quotas in the composition of the Supervisory Board

Siltronic AG is required by law to set targets for the proportion of women on the Executive Board and on the two management levels below the Executive Board. In the fiscal year 2020, targets to be achieved by June 30, 2023 were set as follows:

	Target by June 30, 2020	Target achievement by June 30, 2020	New target by June 30, 2023
Supervisory Board	Statutory 30 %-quota, therefore no target necessary		
Executive Board	0 % (0/2)	0 % (0/2)	50 % (1/2)
1st management level	min. 17.64 % (3/17)	14.3 % (2/14)	min. 21.45 % (3/14)
2nd management level	min. 8.33 % (3/36)	8.6 % (3/35)	min. 11.4 % (4/35)

The target for the first management level below the Executive Board, which is valid until June 30, 2020, was not achieved, in particular because positions were eliminated and no suitable female candidates with a strong technical background were available for a vacant position. Siltronic has taken extensive recruitment measures to make itself more attractive to talented women. In the fiscal year 2020, the proportion of women among new hires rose to 42 percent in Germany.

In accordance with statutory requirements, the Supervisory Board of Siltronic AG must be composed of at least 30 percent women and at least 30 percent men. The Supervisory Board of Siltronic AG has four female members – two on the shareholder and two on the employee side – and eight male members. The shareholder representatives and the employee representatives objected to the overall fulfilment of the gender quota. With a share of 33.3 percent women and 67.7 percent men, the Supervisory Board in its current composition meets the legal requirements for minimum quotas.

Further information on corporate governance

Transparent information for shareholders and the general public

Siltronic strives to provide all of the Company's targeted groups, whether shareholders, shareholder representatives, analysts, the media, employees or the interested public, with equal and timely information. We publish important Company dates in a financial calendar on our homepage. Capital market participants are in close contact with the investor relations team of the Company. Investors and analysts are informed about current and future business developments in telephone conferences on the respective quarterly reports. Siltronic regularly attends roadshows and investor conferences. Once a year an analysts' conference is held.

Where legally required, information in the form of ad hoc announcements are published. For this purpose, an ad hoc committee has been formed, on which both members of the Executive Board, the Head of Investor Relations & Communications and the Head of Legal & Compliance are represented to examine matters for their ad hoc relevance. This way it is ensured that possible insider information is handled in accordance with the law.

Key presentations can be viewed without restriction and downloaded online. All press releases and ad hoc announcements in German and English can also be found there as well as annual reports and all interim reports and quarterly announcements. Further information can be found at *http://www. siltronic.com*.

Annual General Meeting

The shareholders exercise their rights at the Annual General Meeting. Among other things, the Annual General Meeting resolves on the appropriation of profits, the discharge of the members of the Executive Board and the Supervisory Board and the appointment of the auditor. Amendments to the Articles of Association and measures to change the capital are resolved by the Annual General Meeting and implemented by the Executive Board. The Annual General Meeting also serves to inform all shareholders efficiently and comprehensively about the situation of the Company. Even before the Annual General Meeting, shareholders receive important information about the past fiscal year in the annual report. In the invitation to the Annual General Meeting, the items on the agenda and the conditions of participation are explained. The convening notice and all reports and documents required by law, including the annual report (which includes the consolidated financial statements and the combined management report) as well as the annual financial statements of Siltronic AG, are also available on the website. When shareholder representatives are elected to the Supervisory Board, a detailed curriculum vitae is published for each candidate. Following the Annual General Meeting, the attendance and voting results are published online. Siltronic facilitates the personal exercising of shareholders' rights and to vote by proxy. Authorized proxies are available to exercise shareholders' voting rights in accordance with instructions.

Due to the developments of the Corona pandemic, with the approval of the Supervisory Board, the Annual General Meeting in the fiscal year 2020 was held as a virtual meeting without the physical presence of the shareholders or their proxies.

Reporting obligations for managers

Pursuant to article 19 of the EU Market Abuse Regulation (MAR) No. 596/2014, the members of the Executive Board and Supervisory Board of Siltronic AG and persons closely associated with them are required to report proprietary trading in Siltronic AG shares or debt instruments of Siltronic AG or related derivatives or other related financial instruments to Siltronic AG and the German Federal Financial Supervisory Authority (BaFin). In 2020, Siltronic AG was not notified of any transactions requiring statutory disclosure under article 19 MAR. Any transactions reported are published on the Siltronic AG website.

Responsible approach to opportunities and risks

The responsible handling of risks by the Company is a key component of good corporate governance. Siltronic uses a systematic opportunity and risk management approach to regularly identify and monitor significant risks and opportunities. The aim is to identify risks at an early stage and mitigate them through rigorous risk management. The Executive Board regularly informs the Supervisory Board on existing risks and their development. The Audit Committee regularly addresses the financial reporting process and the effectiveness of the internal control, risk management and audit system. The opportunities and risk management system is continuously developed and adapted to changing conditions. Details are available in the Risk and opportunity report on p. 48.

Financial reporting and auditing of financial statements

Siltronic's consolidated financial statements for 2020 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The 2020 financial statements of Siltronic AG were prepared in accordance with the provisions of the German Commercial Code (HGB). The accounts for 2020 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich. In accordance with the provisions of the Corporate Governance Code, the Audit Committee agreed with the auditor that the auditor shall inform the Audit Committee immediately about all findings and circumstances that the auditor becomes aware of during his audit and that are significant for the Audit Committee's work. Should the auditor identify any facts during the audit of the financial statements that indicate an inaccuracy in the Declaration of Conformity with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG) issued by the Executive Board and the Supervisory Board, the auditor will inform the Audit Committee accordingly and note the finding in the audit report.

The Audit Committee regularly reviews the quality of the audit.

D&O insurance and criminal law insurance coverage

A pecuniary damage liability insurance policy is in place that covers the activities of the members of the Executive Board and the Supervisory Board (D&O insurance). The insurance policy provides for the statutory deductible for the members of the Executive Board. There is no deductible for members of the Supervisory Board. Furthermore, the members of the executive bodies are also covered by the criminal law insurance policy that Siltronic has taken out for its employees. The insurance covers any lawyers' and court costs that may be incurred for defense in criminal or misdemeanor proceedings.

Conflicts of interest

The members of the Executive Board and Supervisory Board are committed solely to the interests of the Company. In making their decisions, they may not pursue personal interests or exploit of business opportunities to which the Company is entitled. The rules of procedure for the Executive Board and the Supervisory Board stipulate that any conflicts of interest must be disclosed immediately. In the event of material and not only temporary conflicts of interest, the relevant Supervisory Board member is required to resign from office.

All transactions between the Company on the one hand and a member of the Executive Board or a relative of that member on the other hand must be conducted on an arm's length basis. Insofar as the participation of the Supervisory Board is not required anyway pursuant to Section 112 of the German Stock Corporation Act (AktG), such transactions require the approval of the Supervisory Board if the value of the individual transaction exceeds EUR 5,000.

Self-evalutaion

At its meeting on September 24, 2020, the Supervisory Board conducted a self-evaluation of the effectiveness of the Supervisory Board and its committees in accordance with the German Corporate Governance Code (formerly: efficiency review). On the basis of a questionnaire and related documentation sent out in advance to the Supervisory Board meeting, the self-evaluation was carried out as part of a general discussion.

Age limit for board members

According to the rules of procedure for the Supervisory Board, when preparing personnel decisions of the Supervisory Board, the Executive Committee shall take into account that the members of the Executive Board may in general not be older than 67 years.

According to the rules of procedure for the Supervisory Board, Supervisory Board members who have reached the age of 75 shall resign from office at the end of the Annual General Meeting following the 75th birthday of the respective Supervisory Board member. Any deviation from this rule shall be discussed with the members of the Executive Committee and – if a member of the Executive Committee is affected – additionally with the members of the Audit Committee.

Long-term succession planning

Long-term succession planning is the subject of regular consultations of the Executive Committee. In particular, the Chairman of the Supervisory Board is in regular dialogue with the Executive Board on this subject.

Non-financial report 2020 issued by Siltronic AG, Munich

(Implementation of the requirements contained in sections 315b, 315c in conjunction with sections 289b to 289e of the German Commercial Code)

Foreword

GRI 102-14

In order to achieve economic success, companies need to be trusted by society. We take our corporate responsibility seriously. We combine corporate success with responsible action – in our efficient production processes, in the procurement and use of resources, as well as in trusting dealings with our employees.

We are one of the global market leaders of hyperpure silicon wafers and supply all leading consumers of these wafers throughout the semiconductor industry. Silicon wafers are key components in the vast majority of electronic parts that make our lives more digital and thus easier, safer, and ecologically friendlier. Our technologies form the basis for manufacturing more compact and energy-efficient components in the modern world of electronics. Consequently, we contribute towards preserving precious resources and reducing carbon dioxide emissions worldwide.

We continually and consistently improve our production processes with the aim of reducing the use of raw materials and energy consumption and increasing the percentage of supplies that can be reused. In order to make deliveries to our customers as environmentally friendly as possible, we combine deliveries and utilize multiple-use packaging solutions.

Our employees represent our greatest asset and the cornerstone of our success. We treat one another with respect, honesty, and openness and see the differences between people as a source of enrichment. Our goal is to achieve even greater diversity within our organization, focusing in particular on mentoring more women and employees with varying cultural experiences to take up positions in middle and upper management. We support a work life balance with a variety of measures. Occupational health and safety are deeply embedded in our business processes.

Protecting our employees while maintaining production during the pandemic is a top priority for us as a company. This applies both in terms of our responsibility to our employees and to our customers and business partners. To this end, we offer our employees the option to work remotely wherever possible.

Siltronic implements the ten principles of the United Nations 'Global Compact' initiative for the protection of human rights, social and environmental standards, and the fight against corruption. We respect internationally proclaimed human rights and promote their observance within our sphere of influence. As a supplier in the electronics industry we observe the principles of the industry initiative Responsible Business Alliance (RBA), which we have been actively supporting as a member since May 2019.

Siltronic employees worldwide take on the daily challenge of making our processes better, safer, simpler, environmentally friendlier, and therefore more sustainable. Together, we want to live up to our responsibility to reconcile the impact of our business activities with the expectations and needs of society.

Dr. Christoph von Plotho
CEO

1. The framework for this non-financial report 2020

We see sustainability as the positive impact of our current activities on future conditions in the ecological, economic, and social spheres. Consequently, the underlying reason for this non-financial report or sustainability report is the question of how Siltronic contributes towards the improvement or deterioration of ecological, economic, and social aspects at local, regional, and global levels.

We believe that sustainable activity is also beneficial for Siltronic as a company. For instance, we are safeguarding our profitability by deploying raw materials more efficiently and optimizing energy consumption. Profitability is an important factor in our ability to provide employees with above-average social benefits and offer them a wide range of advanced training measures. A dedicated, well-trained workforce is more capable of breaking new ground in research and development, which, in turn, has a beneficial impact on our profitability in the medium and long term. In this manner, a cycle is created that is not only positive for stakeholders and the environment, but for Siltronic as a company, too.

With this non-financial report we supplement the economic aspects outlined in the consolidated financial statements and the combined management report by including ecological and social aspects and explaining how we propose to reconcile these with one another.

This report is the summarized, separate non-financial report for 2020 and applies to both Siltronic Group and Siltronic AG. Information that applies only to Siltronic AG, is indicated in the text. The non-financial report has been issued and was made available in German and English language to the public on *https://www.siltronic.com/en/our-company/sustainability.html*.

Information included in this report was prepared based on the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), is aligned to the Sustainable Development Goals of the United Nations and refers to the Code of Conduct of Responsible Business Alliance (RBA). Moreover, this report provides information regarding sustainability to the degree relevant for reporting the 'Communication on Progress' of the United Nations Global Compact ("Progress report 2020"). The reported period corresponds to that of the consolidated financial statements and all Group entities were included. The sustainability report is prepared on an annual basis. **GRI 102-50, -52**

This non-financial report was subject to an audit by the Supervisory Board of Siltronic AG. Hence, the Supervisory Board has appointed an audit firm to conduct a corresponding audit. KPMG AG Wirtschaftsprüfungsgesellschaft has performed an audit using ISAE 3000 to obtain a limited assurance regarding the information required in accordance with Sections 315b, 315c in conjunction with 289b to 289e of the German Commercial Code. **GRI 102-56**

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2. The Siltronic business model and our ethical principles

Section 289c para. 1 of the German Commercial Code

The Siltronic business model

Siltronic is a globally operating manufacturer of hyperpure silicon wafers. Since wafers form the basis for semiconductors all our customers are manufacturers of semiconductors. **GRI 102-2**

Wafers are produced by melting hyperpure silicon and extracting a crystal from the melt by means of a pulling process. The crystal is sawn into individual wafers, polished, and subject to a final inspection prior to packaging. Production costs are attributable (in decreasing order) to personnel, auxiliaries and operating materials, depreciation, raw materials and energy. **GRI 102-9**

The production equipment largely consists of machines for pulling crystals, furnaces, measurement equipment, cleaning systems, and machines for the mechanical and chemical treatment of the wafer surfaces. Most of the wafer manufacturing process takes place in cleanrooms. From our four production sites in Germany, Singapore and USA we dispatch our wafers directly to our customers' chip factories, which are located (in alphabetical order) in Israel, Japan, Korea, Malaysia, Singapore, Taiwan and (mainland) China, the USA, and Western Europe. At each of our four largest sites we run a production, administration and sales department. In addition, we operate small sales or administration units in six countries, thereof in Asia (mainland China, Japan, South Korea and Taiwan) and Europe (France and Italy). **GRI 102-4, -6, -9**

Additional information on our business model is available in the combined management report.

Corporate ethics at Siltronic

In order to achieve economic success, companies need the trust of society. In our efforts to ensure that Siltronic's business is conducted responsibly and compliant to all statutory regulations, we have developed various guidelines, including: **GRI 102-16**

- Code of Conduct: We have drawn up a Code of Conduct for our Group that sets out binding rules for responsible and law-abiding conduct, which all Siltronic employees are required to observe. The Code of Conduct deals in particular with the topics of behavior towards one another, leadership as an example, dealings with business partners, handling information, separation of private and corporate interests, quality, safety, health and environment, social responsibility and compliance. **GRI 102-17**

- Voluntary commitments: Siltronic implements the ten principles of the United Nations' Global Compact initiative for the protection of human rights, social and environmental standards, and the fight against corruption and publishes an annual progress report on this subject. Siltronic adheres to the principles of the chemical industry's Responsible Care® initiative. We have joined the Diversity Charter as a signatory and are thus committed to actively implementing and promoting equal opportunities and diversity in the company. As a supplier to the electronics industry, Siltronic observes the Code of Conduct set out by the Responsible Business Alliance (RBA), which leading companies in the electronics industry use to promote social and ecological responsibility as well as ethical business practices worldwide. Siltronic is a member of the Responsible Business Alliance (RBA). **GRI 102-12, -13**

The impact of ethical principles on the organization and processes of Siltronic

The above guidelines have an impact on the organizational structure of Siltronic, whereby the most important organizational measures for ensuring the ethical principles are (a) management systems, (b) coordination of Corporate Responsibility topics through a separate department for environmental protection, occupational health and safety, and plant process safety, and (c) reporting channels to the Executive Board and Supervisory Board.

We control operational processes via our Integrated Management System (IMS). The IMS outlines processes and responsibilities and defines group-wide standards, including those relating to quality, energy, occupational health and safety, environmental protection, and plant process safety. The standards are based on national and international standards, laws, customer requirements, and our own principles. Selected management systems are certified by a globally operating service provider. The certifications include ISO 14001:2015 for environmental protection, OHSAS 18001:2007 and ISO 45001:2018 for occupational health and safety, ISO 50001:2011 for energy management at our sites in Germany, and ISO 9001:2015 and IATF 16949 for quality management systems.

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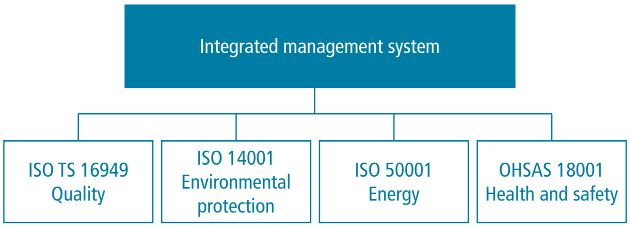
Group management system



In order to identify and manage the variety of possible risks entailed in conducting business, the Executive Board has implemented a risk management system, which is described in detail in the combined management report in the chapter 'Risk and opportunity report'.

Compliance system: we have installed a compliance system aimed at avoiding, identifying, and sanctioning company-related statutory violations, for which the Siltronic compliance organization is responsible. Siltronic has appointed compliance officers in all of its active entities. As a protected reporting channel for reporting violations, we have also appointed an external ombudsman to whom our employees and third parties can anonymously report any violations of statutory regulations. The Chief Compliance Officer reports directly to the CEO of Siltronic AG. **GRI 102-17**

As a company working with complex chemical and mechanical processes, we have a high degree of responsibility for the operation of our equipment as well as for the protection of people and the environment. Therefore, we have appointed employees at production sites, who are specially trained in environmental protection, occupational health and safety, and plant safety. These employees are grouped together in the Quality Management and Sustainability department. With the groupwide responsibility of the parent company in Germany for quality and sustainability topics, this department defines groupwide systems and guidelines. This department reports directly to the CEO. The allocation of responsibilities among the members of the Executive Board is presented in the combined management report. **GRI 102-11**

For information on the composition of the Supervisory Board and its cooperation with the Executive Board, please refer to the explanations in the Report on Corporate Governance and the Report of the Supervisory Board. Information on the remuneration of the Executive Board and the Supervisory Board is available in the Compensation report.

Non-financial performance indicators within our organization

The management of the Siltronic organization is based on financial performance indicators. The most important of these are recorded monthly on a local and Group basis and entered in reporting systems, where they are compared with previously determined targets.

Similar to the financial performance indicators, non-financial performance indicators also have a hierarchy according to their significance. At the highest level, the Executive Board has selected six performance indicators through which it is informed in the course of routine reporting. These performance indicators are monitored by means of short-term annual targets and long-term targets up to 2030 (base year 2015).

The six non-financial indicators and goals relating to the field of sustainability for the year 2020 are as follows: **Section 289c para. 3 number 5 of the German Commercial Code**

- Goal 1 | Management of raw materials
  The specific silicon yield is at least 106 (specific per wafer quantity; normalized to base year 2015).
- Goal 2 | Management of energy (climate change)
  The specific energy consumption is reduced by 1.5 percent (specific per wafer area).
- Goal 3 | Management of waste
  The waste recycling rate is increased by 1.5 percent.
- Goal 4 | Management of water
  The specific water withdrawal used for production processes is reduced by 1.5 percent (specific per wafer area).
- Goal 5 | Occupational safety
  The loss time injury frequency rate is a maximum of 2.0 (Injuries with loss time per 1 million working hours).
- Goal 6 | Occupational safety
  No injuries with loss time with chemicals shall occur.

These non-financial performance indicators are monitored and reported continuously. In the case of negative variances, the cause for the development is analyzed in order to introduce improvement measures.

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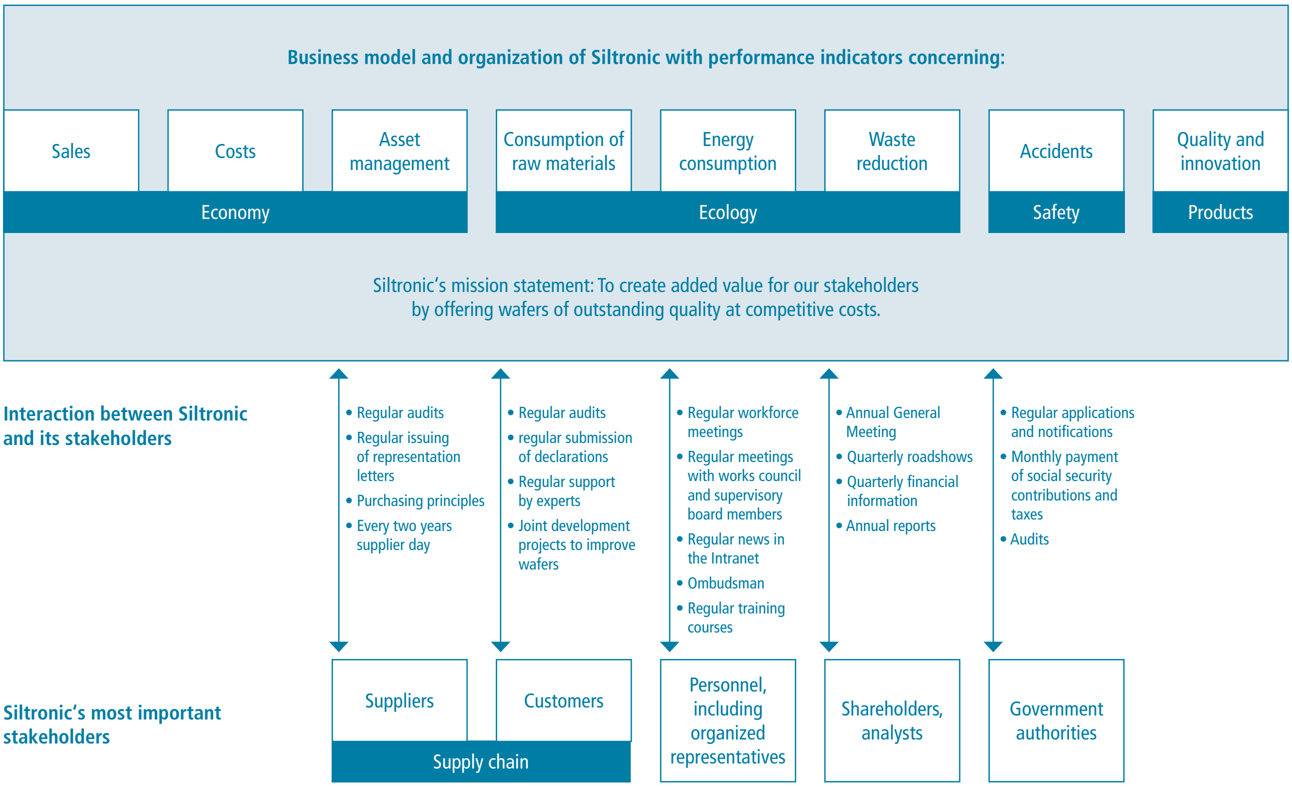
3. Determining the content of this report

Siltronic's most important stakeholders

Due to its extensive activities, Siltronic impacts outside individuals, organizations, companies, and public authorities in various ways. Defining stakeholder groups that have been assessed as the most important ones is mainly based on the number of interactions with a particular stakeholder group and the involvement of our managers. GRI 102-42

The following chart shows the most important interactions and their frequency of interaction. GRI 102-40, -43



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Determining the content of the report

Key topics were identified for determining the content of the report. An internally defined process is based on these steps:

- Collect and summarize topics and information
- Evaluate topics and determine relevant topics
- Communicate results
- Derive measures as required

In order to identify the topics important for this report – material topics relating to environmental topics, personnel aspects, supply chain (including human rights), social responsibility and social aspects (including fight against corruption and bribery) – we identified or updated various sustainability topics as a first step.

The identification of sustainability topics was based on the following information sources:

- The ten principles of the United Nations Global Compact.
- The Sustainable Development Goals of the United Nations.
- The requirements of the Responsible Business Alliance initiative.
- Customer requirements and assessments.
- Requirements and assessments of rating agencies.
- Exchange with network partners in the German Global Compact Network and the Responsible Business Alliance.
- Internal company requirements and specifications.

This entire collection of topics was summarized in the following overview for a structured evaluation.

ESG 3x9 Matrix

ESG 3x9 Topics		
Environment	Social	Governance
E1 – Sustainable Product	S1 – Human Rights	G1 – Product Safety
E2 – Energy	S2 – Supplier Sustainability	G2 – Transparency
E3 – Climate Change	S3 – CorporateCitizenship	G3 – Stakeholder Engagement
E4 – Waste	S4 – Diversity	G4 – Innovation Management
E5 – Water	S5 – Health & Safety	G5 – Compliance Management
E6 – Air Emissions	S6 – Communication	G6 – Business Strategy
E7 – Enviromental Compliance	S7 – Responsible Minerals	G7 – Data Security
E8 – Plant Safety	S8 – Human Resources	G8 – Fair Business Partner
E9 – Natural Ressources	S9 – Customer Sustainability	G9 – Risik Management

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In a second step, these topics were evaluated and prioritized according to materiality, considering the relevance of the topics for the company and the significance of our business activities for the respective topic in the sense of dual materiality. The following sources of information were used for this internal assessment of the topics according to materiality

- Results of previous assessment results from 2018 and 2019
- Current results of internal risk assessments
- Corporate strategy, long-term goals and relevant topics
- Structured query on the assessment of material topics from internal specialist groups
- Rating agency requirements and assessments
- Exchange with network partners in the German Global Compact Network and at Responsible Business Alliance
- Internal company requirements and specifications

The results of this assessment were then communicated internally and approved by the Executive Board. For 2020, the following 12 key topics were defined, which are relevant both for the company and for external stakeholders: **GRI 102-46, -47**

	Stakeholder		ESG		
Material topics	Company	External	Environment	Social	Governance
Sustainable product	x	x	x		
Energy	x	x	x		
Climate change	x	x	x		
Waste	x	x	x		
Water	x	x	x		
Environmental compliance	x	x	x		
Plant safety	x	x	x		
Health and Safety	x	x		x	
Customer sustainability	x	x		x	
Compliance management	x	x			x
Business strategy	x	x			x
Risk management	x	x			x

4. Environmental aspects

Section 289c para. 2 number 1 of the German Commercial Code, Sustainable Development Goals 6, 7, 8, 12, 13, Global Compact Principles 7, 8, 9; Responsible Business Alliance Code of Conduct Topic C

Environmental aspects and environmental protection measures

On an annual basis, we evaluate our environmental aspects using an ABC analysis and implement this on a site level with due regard to relevant aspects of improvement goals and programs. In 2020, we determined the following relevant environmental aspects: air: NO_x-emissions; water: water withdrawal; soil: waste amount and contamination; energy: electricity consumption

The volume data in this section relate to the production sites in Germany, Singapore and the USA. Data for the administrative sites, which are not relevant in terms of volume, are not included.

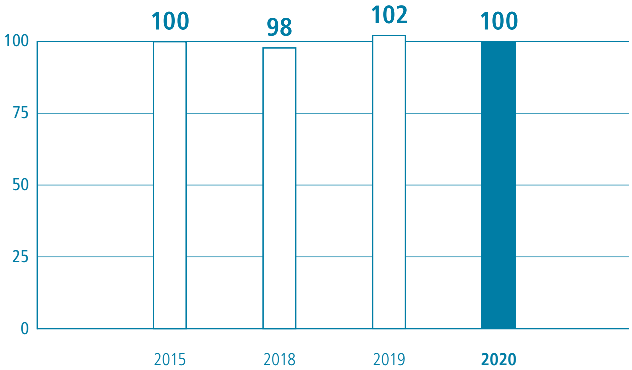
Management of raw materials and supplies

As wafers consist almost entirely of hyperpure silicon, silicon is by far the most important raw material for Siltronic. After oxygen, silicon is the second-most frequently found element in the Earth's crust and is non-toxic. For this reason, we regard silicon wafers as an unrivaled raw material for manufacturing semiconductors and the raw material of choice for our products in the long term.

We endeavor to use silicon as efficiently as possible, thereby contributing towards reducing environmental pollution and helping us remain competitive. The 'efficient use of silicon' performance indicator triggers in particular that silicon residues are recycled in our production cycle, that manufacturing processes are further developed with the aim of increasing yield, and that investments are made in new machinery. We set a target value for this performance indicator on an annual basis. The will to achieve the goals leads to the emergence of new ideas that are tested. If their use in production scenarios looks promising, investments are made to implement them.

The following table illustrates how the efficient use of silicon has developed, whereby 2015 was selected as the basis for comparison:

Development of the efficient use of silicon
in %



The lesser the energy required by smartphones, tablets, PCs, flat screens and all other devices with chips during their operation, the more demand customers place on our wafers in terms of physical and chemical specifications. The main reason is that our customers can produce chips with reduced electrical resistance based on our wafers with higher sophisticated technical specifications. Due to the effect of electrical resistance, chips with a reduced demand for electricity will be more powerful. The reduced electricity demand with increased power applies for the full lifecycle of chips.

Increased requirements on technical specifications have a negative effect on the efficiency of silicon use. We therefore need to use more silicon to produce wafers to fulfill the stricter specifications. However, not all types of wafers are affected by increasing specification requirements. In addition, the product mix of customer orders influences the efficiency of silicon use.

The specific raw material efficiency targets in 2017 and 2018 were not achieved due to more demanding specifications and a changed product mix. The agreed target in 2019 was achieved, and we have set a more challenging target for 2020. The target value for the key performance indicator "efficiency of silicon use" was not achieved due to a change in the product mix. Despite the high target achievement, our activities are aimed at further reducing the use of silicon.

Apart from the raw material silicon, chemicals, gases, and polishing agents used as supply materials also play a role in our production process. As the various supplies are less important than silicon, no performance indicators were reported to the Executive Board. Of course, we continuously work on changing our production processes with the aim of reducing the specific amounts of auxiliary materials required. Specific reductions are usually achieved by recycling (e.g. by reducing the use of polishing agents and cleaning baths). Progress is usually measured using quantitative factors and compared with targets after one or two years.

Management of energy

A substantial part of the process of transforming the purchased silicon into wafers is performed at high temperatures and in air-conditioned cleanrooms. The large amount of energy required to drive this process makes wafer production an energy-intense industry.

In 2020, energy consumption totaled 720 GWh and increased by 5 percent compared to the previous year. Electricity is by far the most important source of energy.

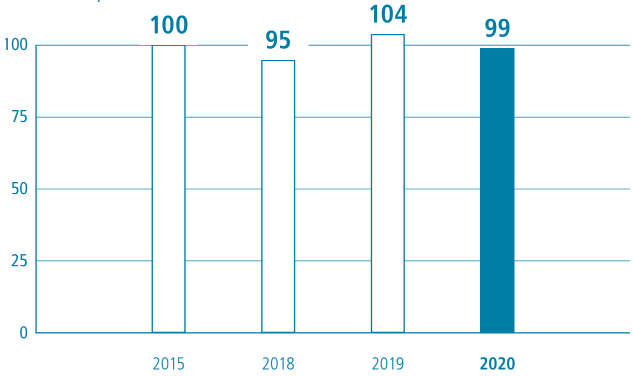
Energy consumption

in GWh	2017	2018	2019	2020
Electricity	601	608	571	606
Steam, heat	75	71	69	68
Natural gas	39	35	43	44
Fuel oil	6	5	4	3
Total	**721**	**719**	**686**	**720**

Siltronic purchases electricity from the public grid. About 52 percent of the electricity is consumed in Germany. According to the Federal Association of the Energy and Water Industry (BDEW), 45 percent (previous year: 43 percent) of the electricity consumed in Germany from public grids has its origin in renewable sources, which mainly includes wind, biomass and solar.

Energy consumption (per wafer area, specific)

normalized, base 2015



In order to reduce energy intensity, projects are being initiated and implemented to lower the specific electricity consumption. Sustainable changes were achieved in recent years especially through improvement projects in the areas of lightning, adjusting of cooling water demand and further process optimizations.

The 'efficient use of energy' performance indicator is reported to the Executive Board on a regular basis and targets are determined annually.

Siltronic pursues the strategic target of reducing its specific energy consumption by an average of 1.5 percent per year. On this basis and using a planned production volume, we calculate absolute savings targets in MWh for the sites and absolute targets for the production areas.

Numerous energy efficiency measures contributed to the achievement of the 2020 target, corresponding to a sustainable reduction in energy consumption of 7.1 GWh per year and an equivalent value of EUR 2 million. The annual target of an average reduction in energy intensity of 1.5 percent was achieved in 2020.

The companywide energy management system is certified in accordance with ISO 50001:2018 at our sites in Burghausen, Freiberg and Munich.

Management of waste

Reuse of product packaging

In order to reduce packaging waste we have been using a system of reuseable packaging to transport our wafers to our customers since 2006. This system applies mainly to 300 mm wafers. The reuseable packaging system consists of an inner packaging with a box to carry the wafers (FOSB Front Opening Shipping Box) and a transport box (Hybox), which can contain up to 12 FOSB. As both elements of this reusable packaging system affect customer processes, customers need to accept the application of this system.

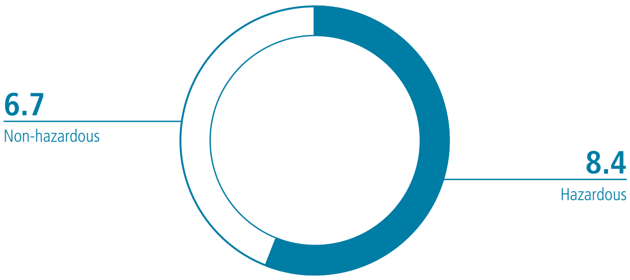
Transport box (Hybox) – In 2020, 93 percent of our 300 mm wafers were dispatched to our customers with reusable transport systems. With this reuse concept we were able to reduce transport volume in 2020 by 18,070 m³ (previous year: 17.039 m³) and avoid 1,705 tons of waste from single packaging in 2020 (previous year: 1,608 tons).

Inner packaging (FOSB) – In addition we aim to increase the rate of reuseable wafer boxes (FOSB). In 2020, we significantly exceeded our target of a reuse rate of at least 42 percent with a result of 48 percent. As these boxes are also used in cleanrooms, the technological obstacle to use reusable wafer packaging is very high. It will therefore be a continuing challenge to achieve this goal.

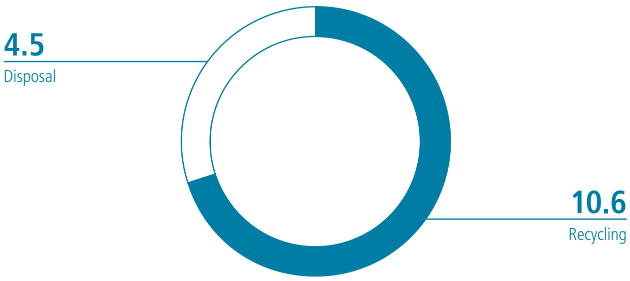
Waste recycling and waste disposal

We distinguish between waste treatment methods and waste hazardousness. Disposal of hazardous waste is particularly relevant. The composition of waste and disposal methods in the reporting year are shown in the charts below:

Composition of the waste GRI 306-2
in 1,000 t



Waste treatment types GRI 306-2
in 1,000 t



Disposal methods as well as the classification of waste into the categories ‘hazardous’ and ‘non-hazardous’ are based on local legal or quasi-legal regulations.

In 2020, a total of 15,143 tons of waste was treated or disposed of at the production sites out of which 39 percent was from the sites in Germany and 61 percent from the production sites in Singapore and the USA.

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Waste recycling ratio

in % of waste volume	2015	2018	2019	2020
Recycling ratio	**63.8**	**70.0**	**69.2**	**70.3**

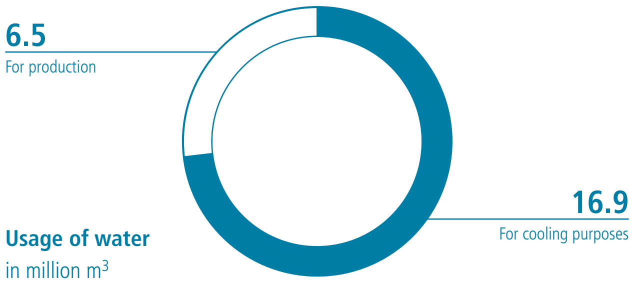
The waste recycling ratio was 70.3 percent. The strategic goal of increasing the waste recycling rate by 1.5 percent in 2020 was achieved. Since the base year 2015, the recycling rate has increased by more than 10 percent.

Through a systematic plant consolidation, we succeeded in transferring the wire sawing process with oil slurry to machines operated with glycol slurry at the Burghausen site from the beginning of 2019 to mid-2020. There has been no change in the sawing process. About 200 tons of oil slurry as well as cold cleaning waste, which is generated during machine and wafer cleaning, will be saved annually. Glycol slurry is recycled to a high percentage and the recycled liquid is used again at Siltronic after reprocessing.

Management of water

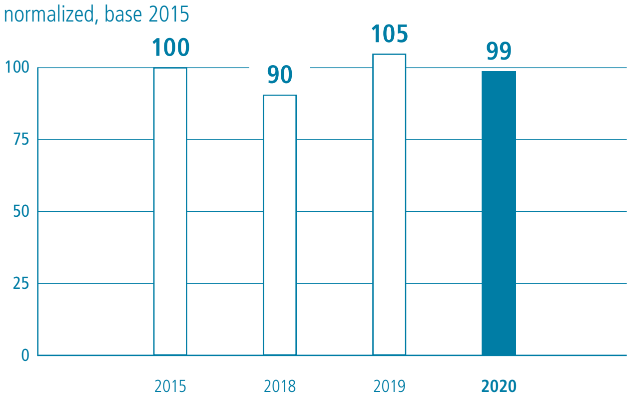
Water is primarily used in our manufacturing process for cleaning and cooling purposes. We endeavor to protect natural water resources and use them as sparingly as possible. The definition of the World Business Council for Sustainable Development and our risk assessment using the Global Water Tool® defines Singapore as a water shortage area. We are therefore obliged to use water especially carefully at our Singapore location. Water treatment projects were carried out at the Freiberg and Portland sites in 2020. At our Burghausen site, we minimized the usage of ground water by optimizing internal processes.

Usage of water



The following chart shows a multi-year development of the indicator "Water usage in production "(base year 2015, normalized):

Water usage for production (specific)
normalized, base 2015



The strategic goal to reduce the amount of water used in production processes in relation to amounts of wafers produced is 1.5 percent per year. The specific water consumption decreased by 5.4 percent in 2020 compared to the previous year, thus achieving the target.

Recycling of water

In order to use water more than once, we add water used in a production process to other processes wherever possible. In 2020, the volume of water recycled in this way amounted to 2.32 million m^3 (previous year: 2.26 million m^3).

The water recycling ratio was calculated as 35.6 percent (compared to 36.1 percent in 2019).

Water recycling ratio

in % of water volume used	2015	2018	2019	2020
Recycling ratio	**32.3**	**38.2**	**36.1**	**35.6**

Discharge of wastewater

In 2020, we discharged a total of 6.6 million m^3 (previous year: 6.6 million m^3) process wastewater (without cooling water) in external wastewater treatment plants. The German production sites accounted for about 56 percent of the process wastewater.

Air emissions

Emissions of nitrogen oxides were assessed as a relevant environmental aspect. NO_x emissions in the reporting year 2020 amounted to 92 metric tons (previous year: 85 metric tons). The increase compared to the previous year is mainly due to the increase in production volumes. To minimize our NO_x emissions, we use suitable extraction and scrubber systems at all sites. At the Burghausen site, a new NO_x scrubber system was commissioned in 2020.

Other air emissions such as NMVOCs and dust were not classified as relevant environmental aspect and continue to be monitored internally but are no longer reported.

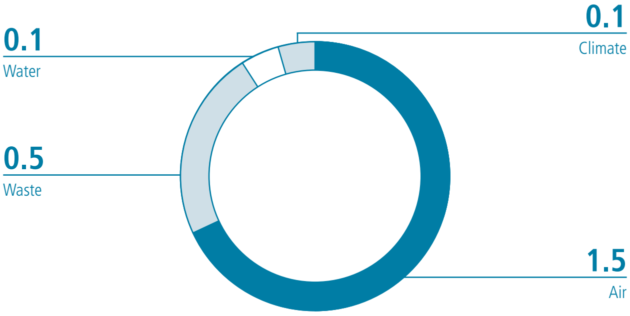
Air emissions in t	2015	2018	2019	2020
NO_x	**77**	**104**	**85**	**92**

Environmental protection measures

Environmentally related investments totaled approximately EUR 2.2 million in 2020 (previous year: EUR 5.0 million). We allocated these investments according to typical environmental aspects, of which EUR 1.5 million accounted for air (previous year: EUR 1.5 million), EUR 0.5 million for waste (previous year: EUR 0 million), EUR 0.1 million for water (previous year: EUR 1.0 million) and EUR 0.1 million for climate protection (previous year: EUR 2.5 million).

The main improvement measures implemented in 2020 at the Burghausen and Portland sites were the optimization of the NO_x scrubbers and an improvement in waste logistics at the Freiberg site.

Distribution of environmental Investments
(in EUR million)



Our site in Portland is located in an area that has been used by industry for around 100 years. Due to detected contamination in the soil and the adjacent river, authorities have imposed requirements for monitoring and eliminating environmental pollution. As the owner of a property that has been contaminated and borders the river, Siltronic has been subject to specific environmental regulations in Portland for many years. In order to fully meet these requirements, we employ an employee who is solely responsible for implementing the environmental regulations. This measure ensures that the necessary coordination with the authorities takes place, formalities are fulfilled, qualified service providers are assigned, and the remediation is coordinated.

Emission of greenhouse gases

The groupwide carbon footprint is an essential instrument for improving climate protection. In addition to direct greenhouse gas emissions in accordance with Scope 1, we also determine indirect emissions from the purchase of energy in accordance with Scope 2 and report these emissions as part of the assessment by CDP.

In 2020, Scope 3 emissions for relevant categories were calculated (for the reporting year 2019).

Greenhouse gas emissions (in t CO_2 equivalents)

Description according GHG protocol, causes and main sources (in t CO_2 equivalents)			2015	2018	2019	2020
Scope 1	Direct emission	Natural gas, fuel, climate-impacting gases	12,501	11,952	12,579	14,707
Scope 2 (location based)	Indirect emissions	Electricity, heat	282,549	268,208	242,408	248,598
Scope 2 (market based)	Indirect emissions	Electricity, heat	–	–	216,495	228,228

The methodology used for reporting is in line with the GHG Protocol reporting guidelines for Scope 1 and 2, as well as Scope 3. We use current emission factors from the IEA, DEFRA, EPA, UBA and the IPCC AR5 report to calculate greenhouse gas emissions. All Group companies were included in the calculation.

Scope 1: Direct Greenhouse gas emissions arise on our sites mainly thru combustion of fuel oil and natural gas. Further greenhouse gases account only for a minor portion of Scope 1 emissions. Nevertheless, we are continuously working on more effective use and substitution with gases, which have a lower global warming potential.

Scope 2: Indirect emissions arise with the generation and provision of energy (electricity and heat) at our energy suppliers. As of this reporting year, we are also publishing Scope 2 emissions using the "market based" approach, i.e. based on the emission factors of our energy suppliers. Previously, Scope 2 emissions were published according to the "location based" approach, i.e. based on emission factors of the respective country.

Our internal activities to reduce these emissions mainly focus on the improvement of our efficiency of energy use. In addition, the Portland site acquired wind energy certificates equivalent to 11.3 percent of its electricity consumption.

With these activities we were able to reduce CO_2 emissions (Scope 1 and 2) per produced wafer area by 2.9 percent annually (compared with base year 2015). We have been able to reduce the absolute amount of CO_2 emissions by 2.2 percent annually since 2015, or a total of 31,745 t CO_2eq.

Scope 3: These indirect emissions for all 15 categories of the GHG protocol were calculated for the year 2019. For the individual categories we applied hybrid methods, average data methods and spend based methods. As a result, the following relevant categories were determined: 3.1 Purchased goods and services, 3.10 Processing of sold products and 3.11 Use of sold products.

In addition, we motivate our employees to commute environmentally friendly to our workplaces. The company supports employees with a bike leasing offer and offers commuter buses for workers on our site in Burghausen. At our site in Portland, Oregon, USA, we grant our employees subsidies for public transport tickets, and in Singapore Siltronic offers shuttle buses from the plant to various city districts.

Influence of climate change

The demand for wafers is mainly driven by demand in the areas of mobile communication, computers and servers, data storage on local devices and in the cloud, automotive electronic components, and industry in general. We do not view our business model as being negatively impacted by climate change. On the contrary: without semiconductor components and therefore wafers, electric mobility would not be possible, the feeding in of electricity generated by solar installations and wind farms unthinkable, and a great many smart ways of reducing power consumption unfeasible. Moreover, storing data on semiconductor components consumes less electricity than other forms of electronic data storage. **GRI 201-2**

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5. Personnel aspects

Section 289c para. 2 number 2 of the German Commercial Code,
Sustainable Development Goals 3, 4, 5, 8, 10;
UN Global Compact principles 1, 2, 3, 4, 5, 6, 10
Responsible Business Alliance Code of Conduct Topic A, B

Headcount and personnel planning strategy

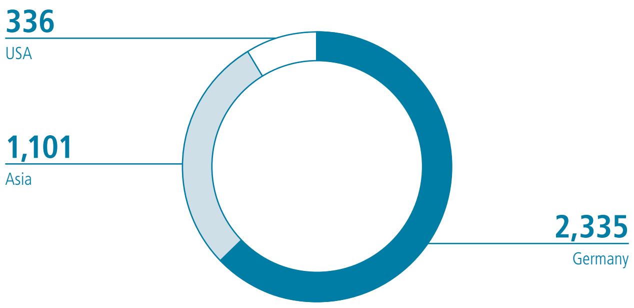
On December 31, 2020, Siltronic Group employed 3,772 people (previous year: 3,669), 62 percent of whom were employed by Siltronic AG in Germany, 29 percent in Asia, and 9 percent in the USA.

Headcount as at December 31, 2020 GRI 102-8

	Men	Women	Total	Share of total
Germany	**1,835**	**500**	**2,335**	**62 %**
Of which on permanent contracts	1,758	467	2,225	
Of which on temporary contracts	77	33	110	
Singapore and other Asian countries	**796**	**305**	**1,101**	**29 %**
Of which on permanent contracts	770	298	1,068	
Of which on temporary contracts	26	7	33	
USA	**235**	**101**	**336**	**9 %**
Of which on permanent contracts	235	101	336	
Of which on temporary contracts	0	–	–	
Employees in the Group	**2,866**	**906**	**3,772**	**100 %**

A total of 3,334 employees worked full-time (previous year: 3,190) and 438 employees worked part-time (previous year: 479). Of the part-time workers, 52 percent were women (previous year: 48 percent), and 98 percent of the part-time workers were in permanent employment (previous year: 99 percent). GRI 102-8

Breakdown of employees by region (excluding temporary workers)
Number



As demand in the semiconductor industry has historically shown considerable ups and downs and as we are required to cope with these changes, we pursue a flexible strategy in our personnel planning. The strategy includes covering a certain percentage of our personnel requirements in production with temporary staff, which also protects the core workforce. If a pronounced upturn in demand leads to production peaks, we employ temporary staff. Conversely, if personnel cost cuts become necessary due to a market downturn, we initially reduce the number of temporary workers. If that measure proves to be insufficient we stop renewing fixed-term contracts, as a second stage. In a third step, we consider introducing reduced working hours for staff in areas particularly impacted by a downturn.

In order to respond promptly to any significant changes in demand, the personnel requirements resulting from incoming orders are continuously compared with current and future staff levels. Any measures planned to substantially increase or reduce the number of employees are discussed by employer and employee representatives in a structured process.

On December 31, 2020, Siltronic employed a total of 330 temporary workers (previous year: 283), of which 247 were men and 83 were women (previous year: 209 men and 74 women). The last time Siltronic needed to reduce working hours was in 2012. GRI 102-8

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Relationship with employee representatives and employees' rights

Siltronic Group cooperates with employee representatives in a spirit of goodwill, while regular meetings between employer and employee representatives are convened.

Our workforce has always been highly unionized, particularly in Germany. Since employees are not required to report union membership, and as it is inadmissible for employers to ask, we do not know how many of our employees are union members. Some 62 percent of employees in Germany work in units covered by collective agreements. **GRI 102-41**

If an employer's collective bargaining agreement is in place, Siltronic is obliged by the employment contract to treat employees as if the respective collective bargaining agreement were applicable – regardless of their membership in a trade union. At sites that do not have an established employee representation, there are employees who act as contacts for employee issues.

In addition to remuneration and working time, essential employee rights in Germany include the right to parental leave or maternity leave. Naturally, German Siltronic employees make use of this right: As of December 31, 2020, 16 employees were on parental leave (previous year:13), of which 12 were women (previous year:12), and 4 were men (previous year: 1).

As of December 31, 2020, we employed in total 539 foreign employees (previous year: 537) mainly from Malaysia (278), mainland China (152) and India (69) at our production site in Singapore.

In accordance with the industry initiative Responsible Business Alliance (RBA) we apply rules on working hours and fees, that go far beyond legal requirements. We committed ourselves to cover relevant expenses incurred by foreign workers, especially travel expenses, expenses for medical examinations or visa fees.

Siltronic regularly informs the workforce about current developments that could have an impact on the business performance. Employees are comprehensively informed of any significant operational changes in a timely manner. Siltronic hereby complies with the respective national and international information requirements.

Diversity and equal opportunity

Siltronic operates in Europe, North America, and Asia and therefore in a culturally diverse environment. In 2020, Siltronic AG, the largest of the Group's companies, employed people of 32 different nationalities (previous year: 30).

One focus of our efforts is to leverage the existing diversity of modern society and, with this in mind, Siltronic AG has appointed a woman as Diversity Officer. The diversity of the workforce and its wide range of skills and talents also provides an opportunity for innovative and creative solutions. Among other factors, diversity includes gender, nationality, ethnic origins, religion and disability. The combined management report comprises information to employees with disabilities.

We reject discrimination or degradation on the basis of gender, race or ethnic origin, religion or belief, disability, sexual orientation or age. These principles apply throughout the Group and are set out in writing as part of our corporate culture. Employees can report potential discrimination to their managers, to the compliance officers, the works council, the personnel department, or to an external ombudsman. The complaint will be reviewed and the complainant informed of the outcome.

All employees at the German locations are required to familiarize themselves with the General Equal Treatment Act (AGG) through e-learning training. The training course is applicable to all hierarchy levels.

Our long-term goal is to raise the level of diversity in Siltronic's workforce, also by increasing the percentage of women in management positions. At the end of 2020, 2 of 15 positions (previous year 2 of 15) one level below the Executive Board and 4 of 33 positions (previous year 3 of 35) in the second management level were represented by women. The Report on Corporate Governance provides more information on the proportion of women.

The following table shows the percentage of men and women at management level at Siltronic AG:

Gender distribution (as of December 31, 2020)

	Men	Women	Total
Employees in the Group at management level	42	6	**48**
In percent	*88*	*13*	***100***
Of which first level below Executive Board	13	2	**15**
In percent	*87*	*13*	***100***
Of which second level below Executive Board	29	4	**33**
In percent	*88*	*12*	***100***

We have defined mid-term goals for the percentage of women for the first and second level below the Executive Board. By the end of June 2023, the percentage of women should be at least 21.4 percent in the first level of management and at least 11.4 percent in the second level.

Following the Diversity Charter (2018), Siltronic AG has also signed the IGBCE Equality Charter (2019). By signing this Charta, Siltronic commits itself to actively implement and promote equal opportunity. A corporate culture is maintained, which is shaped by mutual respect and trust. In 2020, all planned activities were suspended due to the pandemic.

Advanced training and demographic trends in Germany

Competent employees keep the company both innovative and competitive. We encourage our employees to learn throughout their lives and retain a flexible attitude towards change, as we believe that we all need to be prepared for longer working lives in order to cope with the demographic change. To enable employees to make the most of their potential, Siltronic offers a wide range of opportunities for further development. The training measures relate to personality, management, and social competence as well as technical expertise.

On our sites in Burghausen and Freiberg eight young persons started their apprenticeship within Siltronic in 2020 with a focus on mechatronics, automation engineering or logistics. For new employees we offer onboarding trainings to become familiar with the company and its culture.

Employees and their managers discuss development measures at least once a year in a performance review, regardless of hierarchy level, gender or location.

In 2020 one classroom seminar on employee appraisals was held in January. This was attended by 48 employees. All mandatory training was completed in the form of online training or procedural instructions in the Learning Tool. As an example, Siltronic used online training for the introduction of the new purchasing tool. Due to the corona pandemic, it was no longer possible to conduct presence training sessions from March onwards. Since Q3 2020, HR Development has been offering hybrid seminars, started in 2020 as virtual seminars and continuing in 2021 as face-to-face sessions, as far as possible due to the pandemic situation.

At the end of 2020, the average age of the typical employee was 44.3 years. The following table shows the age structure of Siltronic employees worldwide.

Age structure (as of December 31, 2020)

	Male	Female	Total
Up to 30 years of age	16 %	16 %	**16 %**
31 to 50 years of age	47 %	52 %	**48 %**
Over 50 years of age	37 %	32 %	**36 %**
Total	**100 %**	**100 %**	**100 %**

Remuneration and equal pay

In order to attract new employees and retain existing ones, both of which we require in order to ensure a successful future, we need to offer competitive levels of remuneration. In addition to their basic salary with vacation and Christmas bonuses, employees in Germany receive variable remuneration if the company achieves certain defined financial targets. This voluntary benefit is available to employees covered by collective agreements and non-pay-scale agreements. There are also variable remuneration components for those employed by foreign subsidiaries.

In addition to the fixed salary and the variable pay, remuneration includes various other benefits that extend beyond the statutory minimum requirements, regardless of whether an employee works full-time or part-time. In Germany, the most important company benefits include in particular the company pension scheme, partial retirement programs, bus subsidies, anniversary bonuses, canteen subsidies, and preventive health care programs. Since 2020, there has also been a collectively agreed amount for employees at the German sites, which is available for company pensions, leave of absence or payment. Non-tariff employees have also received the amount in the form of a pay increase as a voluntary benefit from the company. Company pension plans and health insurance are provided in the USA.

The notes to the group financial statements comprise information on personnel cost and retirement benefits.

Employee satisfaction and reputation

We evaluate the fluctuation rate as a key figure of how well we succeed in retaining employees and being attractive to new employees.

In 2020, 508 employees (previous year: 271) were hired, of whom 144 (previous year: 89) in Germany and 364 (previous year: 182) abroad. These hires accounted for 13 percent of the workforce as of December 31, 2020. Some 320 (previous year: 391) employees left the company. This corresponds to 8 percent of the workforce as of December 31, 2020. Germany was affected in 32 (previous year: 38) cases and other countries in 288 (previous year: 353) cases. Fluctuation was low in Germany and the USA in a regional comparison and higher in Asia, as is typical for the region.

In 2020, employees at all sites were honored for up to 40 years of service in the company. At the Singapore site, 25 employees were honored for their 20-year service anniversary. A total of 258 employees have been with Siltronic Singapore for more than 10 years. At the Portland site, six employees were honored for their 40th anniversary; a total of 56 employees at this site have already worked for Siltronic for more than 20 years.

We regard it as important to treat temporary workers fairly. We pay at a minimum the wage defined under the collective agreement on industry surcharges for temporary employment in the chemical industry (TV BZ Chemie). In addition, there are workplace, shift, and other voluntary allowances, which can vary according to business and location. In addition, Siltronic meets the requirements for an equivalent wage in accordance with the German Temporary Employment Act (AÜG). Temporary workers have received a variable pay equal to the employees of Siltronic AG in Germany in 2020 for the year 2019. The payment was based on the financial performance of the company.

In 2020, Siltronic AG was rated and awarded the title of "Company with Top Career Opportunities 2020," "Best Employer for Women 2020" and "Best Trainer in Germany 2020" as part of market surveys in Germany.

Occupational safety, plant safety and health

Occupational safety

Responsibility towards the entire workforce in the area of occupational health and safety plays a major role at Siltronic and is primarily reflected in extensive preventive measures. In addition, the Executive Board receives regular reports on the development of accident figures, which are a non-financial indicator, as well as on any relevant occupational accidents and related corrective measures. Special attention is given to injuries involving chemicals. The target figure for injuries involving chemicals is 0.

With our safety program, we work continuously to improve safety standards within the working environment. Key measures include the appointment of safety officers, safety inspection tours, training courses, talks with operating staff, and emergency drills, all aimed at identifying and avoiding unsafe activities – whether when operating equipment, handling chemicals, in the workplace, in the office, or on the way to work. Despite these measures, accidents still occur. The occupational health and safety standard OHSAS 18001 was defined as a group-wide standard and certified. In 2020, all sites were converted to the new ISO 45001 standard.

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The following table shows the development of accident figures, which the Executive Board has defined as a strategic goal, and on which it receives regular reports.

Working accidents

	2017	2018	2019	2020
Injury frequency rate (LTIF) [1]	1.9	1.9	2.5	2.1
Injuries involving chemicals [2] Number of employees affected	1	–	5	–

[1] Injury frequency: number of injuries (employees and temporary workers) with lost time per 1 million working hours.
[2] Number of injuries (employees and temporary workers) with lost time involving chemicals.

The targets for 2020 was 2.0 for the injury frequency rate (LTIF) and 0 for injuries involving chemicals.

For working injuries we did not reach our goal in 2020. Fifteen accidents with loss days occurred, which results in a frequency rate of 2.1. No fatal incidents occurred in the last few years. No occupational accidents involving chemicals and lost workdays occurred.

The number of accidents has decreased compared to 2019. Our internal analyses show that the main causes of accidents are still behavior based. We have therefore introduced initiatives to address these causes in particular and support our employees in preventing accidents. These initiatives include awareness-raising campaigns around the topic Slip, Trip, Fall and programs for reporting safety-critical situations and measures during the induction of new employees, as our internal reporting for this group indicate a higher accident for this group in the first few months.

The “Safety Officer Workshop” implemented at the German sites in 2019 could only be held once in 2020 due to the pandemic. The focus of this workshop was on the health topics of preventive medical checkups and addiction, which were discussed with the plant physician.

In 2020, operating units at the Burghausen and Freiberg production sites received awards for accident-free working hours for up to 30 years.

To further reduce the frequency of accidents, we have set up a global system for reporting near-miss incidents. By systematically processing these events, we aim to further reduce the number of actual workplace accidents. In 2020, 1,415 near misses (previous year: 1,314) were recorded and analyzed.

Plant safety

The safe operation of our production facilities is an essential element of our EHS management system. Despite high diligence, plant incidents cannot be excluded. We have set a target of a maximum of two safety-relevant plant incidents (“PSI- Process Safety Incident” according to CEFIC and ICCA definition). We achieved this target in 2020. No event was classified as an incident or subject to notification in the sense of the Hazardous Incident Ordinance.

Safety-relevant plant events

	2015	2018	2019	2020
Number of events	–	1	1	2

Our Management of Change process ensures that safety requirements are met, and the relevant safety experts are involved in all new installations or modifications to existing plants. We use systematic safety analyses to determine risks. Among other things, we analyze the influence that possible individual errors can have on a chain of events leading up to a malfunction or accident and define protective measures.

Health protection

The company supports programs for health prevention of our employees. On all German sites the company offers the prevention program “Fit on the job” or the participation in offsite “Health weeks”. Unfortunately, due to the corona pandemic, most of these offers had to be reduced or cancelled altogether in 2020.

Impact of the pandemic

We faced major challenges worldwide as a result of the corona pandemic in 2020. We introduced hygiene measures at all sites, considering local requirements. These include the obligation to wear masks, new or adapted shift models, home office and web conferencing to avoid contacts, as well as to avoid business travels also between Siltronic sites. Thanks to the consistent implementation of these measures and the flexibility of our employees, our product volumes were not affected by the pandemic.

6. Supply chain

Sustainable Development Goals 7, 8, 9
UN Global Compact principles 1-10
Responsible Business Alliance Code of Conduct Topic E.12

Supplier relationship

In 2020, our purchasing volume was EUR 724 million (previous year: EUR 845 million). We cooperate with more than 3,800 suppliers worldwide, nearly 350 of whom constitute some 90 percent of our purchasing volume. Our global procurement volume is spread across roughly two-thirds of Europe/North America and one-third Asia. The most important supplier is Wacker Chemie AG, which not only supplies the raw material polysilicon, but also provides a variety of on-site services at our plant in Burghausen under the terms of a service agreement. Furthermore, suppliers of electricity and equipment are particularly important. **GRI 102-9**

We strive to ensure that our suppliers act responsibly with regard to working conditions, ethical standards, safety standards, and the management of local resources. Already in 2019, we joined Responsible Business Alliance (RBA) as a member, the world's largest industry association with the aim of promoting and embedding social responsibility in the global supply chains.

In our Code of Conduct, we document our expectations of suppliers with regard to the careful treatment of their employees and the environment and oblige them to comply with the principles of the UN Global Compact and Responsible Care® initiatives as well as RBA through our purchasing conditions. As part of our supplier management processes, we analyze and evaluate our supply chain with regard to risks and compliance with our commitments. Corrective or improvement measures are worked out with the suppliers.

Siltronic communicates its sustainability and corporate responsibility goals and measures, including at Regular Supplier days, and explains them in detail to its global partners.

Conflict minerals

In 2020, Siltronic AG did not purchase any conflict minerals (gold, tantalum, tungsten, tin) from mines in relevant conflict regions (§ 1502 DoddFrankAct, in conjunction with EU Regulation 2017/821). Siltronic confirms this to its external partners with the current report template for conflict minerals (CMRT 6.01) of the Responsible Business Alliance (RBA).

Siltronic limbers up to be "Fit for the NAP" and a supply chain law

The company participated in the qualification offensive of the Global Compact Network Germany as part of the National Action Plan for Business and Human Rights (NAP) and prepared for the implementation of the NAP.

The company was selected to participate in the representative survey of the German government in 2020. The response to the questionnaire according to the "comply or explain" mechanism did not reveal any relevant deviations; an individual audit report was not provided to us.

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Sustainability with regard to customers

In addition to memory chips and processors a large proportion of our customers are involved in the field of electricity control. Either these customers are directly involved in the development and commercialization of sustainable products (electric generators, wind power plants) or aim at active power saving for e.g. industrial production. All these fields are related to the level of end applications.

At the same time, technical progress and innovation in the interaction between Siltronic and many of its customers is of great significance, due to the fact that technical progress in the semiconductor industry is advancing quicker than in many other industries. The technical advancement that semiconductor manufacturers are achieving is above all evident in the fact that electronic circuits are becoming more compact. Smaller circuits make semiconductors more efficient with basically the same power consumption or the same performance with decreasing power consumption. This development can only be maintained if wafers meet more sophisticated physical and chemical specifications. Our customers set the pace of development. The timing refers not only to wafer specifications, but also to sustainable framework conditions such as ensuring climate targets and sustainable raw material supply at our company, but also through reviews at our suppliers. In order to fully meet customer expectations in this area, we have spent between five to six percent of our sales on research and development in recent years.

Our customers are increasingly focusing on improving the sustainability performance of their suppliers. To this end, we are working with two of our customers on CDP assessments for climate change and water security and are participating in a multi-year sustainability program with one customer. In annual supplier assessments by our customers, we received several awards for outstanding performance in 2020.

7. Social responsibility and social aspects

Section 289c para. 2 numbers 3/4/5 of the German Commercial Code
Sustainable Development Goals 16, 17
UN Global Compact principles 1-5, 10
Responsible Business Alliance Code of Conduct Topic D

For Siltronic, sustainability also means transparency and openness in the sense of corporate citizenship. This begins with a good relationship with our neighbors and speaking openly about what happens within the plant, as well as addressing questions posed by the public worldwide. This is the only way to create the spirit of social trust that companies need in order to be economically successful. With these points in mind, Siltronic assumes social responsibility, particularly in the regions near its various locations. Our concepts in this respect extend beyond the above-mentioned global initiatives RBA and the United Nations Global Compact:

Combating legal violations, particularly corruption and bribery

According to the Corruption Perception Index of Transparency International (CPI), Siltronic operates predominantly in countries with a medium to low risk of corruption.

We resolutely oppose any form of transgression or violation of the law. Irrespective of the national probabilities of occurrence, our compliance system described above is designed to avoid, prevent, identify and sanction compliance violations in the form of corruption, fraud, infringements of competition rules, and other manifestations of white-collar crime, in every market in which we operate.

Employees are required to report any violations they observe to their managers, compliance officers, the works council, or the responsible members of staff in the personnel department. Moreover, both employees and third parties can anonymously report violations of legal regulations to an external ombudsman, who has been appointed by Siltronic. The Company investigates every reasonable suspicion, examines the case and defines measures to remedy any weaknesses identified. It also takes any disciplinary measures deemed necessary. The Chief Compliance Officer reports to the Executive Board of Siltronic AG on a monthly and ad-hoc basis. In 2020, no cases were reported to the Chief Compliance Officer **GRI 102-17**

Employees who have contact with business partners are required to complete an e-learning course on compliance. Furthermore, all employees in sales and marketing are required to undergo online training courses on antitrust law. **GRI 102-17**

Human rights

Our four production sites are located in highly developed industrialized countries, where there is a low risk of human rights violations compared to less developed nations. A certain degree of risk, however, does remain. Since we want to actively fight human rights violations within our company as well as in the upstream and downstream supply chain, we have taken measures to identify possible contraventions.

Via our Code of Conduct, we explicitly endorse the ten principles of the United Nations Global Compact initiative. The first two principles of the Global Compact deal with upholding human rights and the exclusion of human rights abuses. Based on the first principle of the Global Compact "support for human rights" and the second principle "exclusion of human rights abuses", Siltronic implements the following measures in particular:

- As part of our general purchasing conditions we expect that our suppliers to comply with our Code of Conduct, which includes human rights aspects.
- We train our employees at specific seminars to ensure compliance with internationally proclaimed human rights.
- If we become aware of potentially critical aspects with regard to human rights, we analyze them. Should a situation turn out to be critical in the face of analysis, we act.
- We commit ourselves in our Code of Conduct and in dealings with customers to uphold human rights and to exclude any abuses thereof.

Non-profit purposes and "corporate volunteering"

In 2020, Siltronic supported overall 34 activities in Germany, Singapore and in the USA. Total donations amounted to EUR 142,000. A particular focus was on protective equipment in connection with the corona pandemic, which accounted for around two-thirds of the total donation.

The main focus of the voluntary support activities in the context of the pandemic response was on donations of personal protective equipment and disinfectants to local authorities, hospitals and schools.

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Employees within Germany participate in the cent donation program organized by the Wacker Relief Fund in which employees consent to having their monthly salary rounded downwards to the next lower amount in euros. These remaining amount (cents) are then donated.

Every year, Siltronic employees at the Freiberg site take part in the Nepal run in autumn. Due to the corona pandemic, this charity run was held as a virtual event so that Siltronic employees worldwide could participate in this campaign. The charity run that is organized from a school close to Freiberg collects money to fund the construction of schools in the Gati region of Nepal.

At our Portland, USA location, our employees have been supporting needy families in the region for more than 20 years. In 2020, Siltronic supported additional initiatives in the area of environmental protection at its Portland site.

In 2020, our Singapore site supported 21 students at two schools with a school grant.

Relationships with associations and with politics

We are committed to responsible behavior towards political parties and non-governmental organizations. We represent our political interests in accordance with the standpoints that we have publicly expressed. Our approach to politics is based on factual considerations, and we are open to dialog with all democratic parties. Any donations made to political parties require the approval of the Executive Board of Siltronic AG.

We do not hold special positions in any association or organization of which we are a member. Siltronic has not participated in legislative procedures. GRI 415-1

Dialog at regional levels

At all locations, we maintain regular exchanges with the authorities in the field of environmental protection.

Our production site in Portland, Oregon, USA was awarded the "Gold level for Sustainability at work" and the "Gold award for No pretreatment violations" by the authorities of the City of Portland, Oregon in 2020.

At the Freiberg site (Germany) employees are committed to a cosmopolitan attitude ("Weltoffenheit") and joined the initiative economy for a cosmopolitan Saxony ("Wirtschaft für ein weltoffenes Sachsen") in March 2019. This network initiative aims to actively assist the integration process of migrants in order to enhance the economic power of Saxony.

Partnerships and membership in associations and initiatives

We have taken part in the following initiatives:

CDP Climate change, water security (investor, supply chain)
In 2020, we participated for the third time in the rating initiatives of CDP on Climate Change and Water Security.

Program	2019	2020
CDP climate change	B	B
CDP water security	B-	B

UN Global Compact
Siltronic AG has been participating in the UN Global Compact since 2017 and published an up-to-date progress report in 2020. In addition, the company has participated in a local program of the German Global Compact Network (Peer-Learning Group Climate Strategy)

Responsible Business Alliance (RBA)
Siltronic AG has been a member of the Responsible Business Alliance initiative since April 2019 and has participated in network meetings on relevant topics of the initiative.

Taxes

Information on tax strategy, tax compliance and the respective monitoring system GRI 207-1, -2, -3

Siltronic AG has a tax strategy that is set out in writing as part of the tax policy. The policy is addressed to the managers and employees of all departments and entities that perform tax-related tasks. The tax policy is not public. The purpose of the tax policy is to define responsibility for tax issues within Siltronic Group and to communicate the corporate culture with regard to taxes. This should ensure that the Group meets its tax obligations. In terms of content, this corresponds to Siltronic's Code of Conduct, which also addresses Siltronic's tax integrity. The tax policy is discussed with the Chief Financial Officer of Siltronic AG at least once a year.

Siltronic's tax strategy is based on its corporate strategy. Corporate decisions are made on the basis of economic factors. Siltronic does not pursue any arrangements that, according to prevailing opinion, are aggressively aimed at eroding or avoiding taxes. Siltronic pursues an open and proactive communication style with tax authorities. When dealing with tax-related issues, Siltronic also draws on the opinion of outside experts.

Responsibility for the implementation and monitoring of tax compliance lies with the tax department of Siltronic AG, to which those responsible for taxes within the Group report. Siltronic AG's tax department reports to the Chief Financial Officer.

Siltronic AG has implemented a tax compliance management system that cares of the fulfilment of tax requirements relevant to Siltronic. The components of this tax CMS are an analysis of tax risks, the implementation of processes, control measures and reporting channels. As part of the tax compliance management system, group entities report violations of tax obligations to Siltronic AG's tax department.

In addition, as part of the general compliance system, there is the option of contacting the Compliance Officer or the external Om-budsman in case of violations against tax rules.

The Tax CMS is critically reviewed and updated once a year to assess the effectiveness and efficiency of the system and the controls implemented. The critical review is performed by the tax department, which discusses the results with the Chief Financial Officer. An external auditor is currently reviewing the adequacy of Siltronic AG's Tax CMS.

Country specific information GRI 207-4

The following table summarizes the Group entities by tax jurisdiction: Germany accounts for the part of Siltronic AG located in Germany, Singapore for Siltronic Singapore Pte. Ltd., Siltronic Silicon Wafer Pte. Ltd. and a permanent establishment of Siltronic AG located in Singapore, the USA for Siltronic Corp., Taiwan for a permanent establishment of Siltronic AG located there, Japan for Siltronic Japan Corp., Korea for Siltronic Korea Ltd. and mainland China for Siltronic Shanghai Corporation. In addition, there is a sales entity in the form of a permanent establishment of Siltronic AG in each Italy and France. One employee is employed at each of the permanent establishments. For reasons of materiality, these two units are not included in the table.

In Singapore, the income tax expense is lower compared to the amount calculated with the local tax rate. The reason for this is that one taxable entity is still exempted from income tax due to the high level of investment in its production plant. The loss carryforwards exceed the accumulated profits.

In the USA, a tax income is reported although the application of the local tax rate results in an expense. The reason for this is that IFRS and tax law require business transactions to be recognized in different years. The variance is due to a period shift.

Numerical discrepancies between individual items and totals in the following table are due to rounding.

Tax jurisdiction Financial year 2020	Employees[1]	Tangible assets without liquidity[2] EUR million	Sales with third parties EUR million	Sales with group entities[3] EUR million	Result before income taxes[4] EUR million	Expense for/ income from (+) income taxes[5] EUR million	Cash out for/ cash in from income taxes EUR million
Production							
Germany	2,333	1,266	344	531	–10	3	–3
Singapore	1,045	1,039	458	281	184	–11	–10
US	336	128	127	79	6	7	3
Subtotal	**3,714**	**2,433**	**929**	**891**	**180**	**–1**	**–10**
Sales							
Taiwan	15	34	185	1	1	–1	–1
Japan	17	15	93	0	1	0	0
Other[6]	26	1	0	3	1	0	0
Subtotal	**58**	**50**	**278**	**4**	**3**	**–1**	**–1**
Holding	0	488	0	0	0	0	1
Total	**3,772**	**2,971**	**1,207**	**895**	**183**	**–2**	**–10**
Consolidation		–1,541		–895	6		
Group	**3,772**	**1,430**	**1,207**	**0**	**189**	**–2**	**–10**

[1] As of year-end, calculated as in section 5 "Personnel matters".
[2] Balance sheet total (in accordance with IFRS) of the entities less intangible assets, deferred taxes and 'liquidity'. Liquidity comprises cash, cash equivalents, sort-term securities and short-term fixed-term deposits. The variance to the balance sheet amount in the Group financials is due to intragroup transactions, which must be recognized in accordance with GRI 207. In IFRS consolidated financials, intercompany transactions are to be eliminated.
[3] In addition to sales (according to IFRS) with Group entities, intra-Group sales within the same tax jurisdiction are excluded in accordance with GRI 207.
[4] To increase transparency and avoid multiple counting of profits, dividends within Siltronic Group are not included.
[5] Amount as reported in the income statement (according to IFRS) of the entities. This considers deferrals and deferred taxes. Deferred taxes reflect tax advantages or disadvantages expected in future years on the basis of accounting rules.
[6] Includes small sales offices in Korea, (mainland) China, France and Italy. These entities have paid tax expense and also taxes, the figure shown in the table is 0 only due to rounding.

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United Nations Global Compact – Communication on Progress 2020

Siltronic has been participating in the UN Global Compact since 2017 and hereby reports on its progress. This overview gives details of the ten principles of the UN Global Compact with reference to the progress on the individual topics of this report in the year 2020. GRI 102-12

Ten principles of the UN Global Compact	Relevant headings in this report	Selected measures and progress in the reporting year 2020
Human rights **Principle 1** Support of human rights **Principle 2** Exclusion of human rights abuses	• Corporate ethics at Siltronic • The impact of ethical principles on the organization of Siltronic • Human rights • Partnerships	• Materiality: Siltronic has systematically enhanced and updated the materiality analysis. • Training: We have trained our employees in general and according to their duties so that they can observe global human rights. • Supply chain: Siltronic purchases substances, goods and services from suppliers and contractors, which comply with human rights requirements. These are an integral part of our purchasing principles. We do not purchase or use any conflict minerals. • Customers: In its dealings with customers Siltronic is committed to respecting human rights and preventing any violations of such rights. • Complaint mechanism: Siltronic has put in place processes where employees or affected business partners are able to report to internal or external functions any case of violations against labor standards related to corruption. In addition to the direct supervisor, such cases can be reported to compliance officers at every site, works council, human resources department or an external ombudsman. • NAP Monitoring: We participated in the monitoring process National Action Plan for Business and Human Rights (NAP) carried out by the German Federal Government. • RBA: Siltronic continues to serve as a member of the industry initiative Responsible Business Alliance (RBA) and has conducted self-assessments on its production sites.
Labor standards **Principle 3** Uphold freedom of association **Principle 4** Eliminate all forms of forced and compulsory labor **Principle 5** Abolition of child labor **Principle 6** Elimination of discrimination	• Determine content of report • Relationship with employee representatives and employees' rights • Diversity • Sustainability with regard to customers • Human rights • Partnerships	• Materiality: Siltronic has systematically enhanced and updated the materiality analysis. • Human rights: A large number of employees work at production sites with independent employee representatives. • Employee diversity: Siltronic has participated in the "Charta of Diversity" and the "Charta of Equality" and determined targets to increase the share of women by 2023. • Customers: In its dealings with customers Siltronic is committed to ensuring freedom of association, abolition of all types of forced labor and child labor and eliminating discrimination. • Complaint mechanism: Siltronic has put in place processes where employees or affected business partners are able to report to internal or external functions any case of violations against labor standards related to corruption. In addition to the direct supervisor, such cases can be reported to compliance officers at every site, works council, human resources department or an external ombudsman. • RBA: Siltronic continues to serve as a member of the industry initiative Responsible Business Alliance (RBA) and has conducted self-assessments on its production sites.
Environmental protection **Principle 7** Precautionary environmental protection **Principle 8** Initiatives for improved environmental responsibility **Principle 9** Development and diffusion of environmentally friendly technologies	• Determine content of report • Environmental protection measures • The impact of ethical principles on the organization of Siltronic • Dialog at regional levels • Influence of climate change	• Materiality: Siltronic has systematically enhanced and updated the materiality analysis und also updated the evaluation of environmental aspects. • Measures: Relevant investments to improve corporate environmental protection were implemented with regard to the aspects of air, water and climate change. Siltronic has also implemented energy-efficient programs, which lead to a permanent reduction in energy consumption. • Management system, targets: The Siltronic management system is certified globally according to the standards ISO 9001/ISO TS 16949 for Quality, ISO 14001 for Environment, OSHAS 18001 for Safety; and ISO 50001 für Energy at the German sites. Non-financial targets are implemented to reduce the specific use of raw materials, energy requirements and water consumption, and to increase the recycling rate of waste. • Dialog: The annual sustainability report was prepared and verified by external auditors (non-financial report). Siltronic participated in a peer-learning group of the German Global Compact Netzwerk. • Climate change: By researching and developing new technologies, Siltronic has created the foundation for manufacturing smaller and more energy-efficient components which contribute towards preserving resources and protecting the environment.
Anticorruption **Principle 10** Measures to fight corruption	• Corporate ethics at Siltronic • Combating legal violations, particularly corruption and bribery	• Training: We have trained our employees in general and according to their specific duties so that they can observe and comply with anti-corruption policies. • Complaint mechanism: Siltronic has put in place processes where employees or affected business partners are able to report to internal or external functions any case of violations against labor standards related to corruption to internal or external functions. In addition to the direct supervisor, such cases can be reported to compliance officers at every site, works council, human resources department or an external ombudsman.

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Limited Assurance Report of the Independent Auditor regarding the combined separate non-financial report[1]

To the Supervisory Board of Siltronic AG, Munich

We have performed an independent limited assurance engagement on the non-financial report of the Siltronic AG, Munich (further "Company" or "Siltronic AG") according to § 315b of the German Commercial Code (HGB), that is combined with the non-financial report of the parent company in accordance with § 289b HGB, (further "non-financial report") for the period from January 1 to December 31, 2020.

Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the non-financial report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the non-financial report that is free of – intended or unintended – material misstatements.

Practitioner's Responsibility

It is our responsibility to express a conclusion on the non-financial report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the non-financial report of the Company for the period from January 1 to December 31, 2020 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Siltronic AG
- A risk analysis, including media research, to identify relevant information on Siltronic AG's sustainability performance in the reporting period
- Reviewing the suitability of internally developed Reporting Criteria
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the site in Portland, USA
- Assessment of the overall presentation of the disclosures

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

[1] Our engagement applied to the German version of the combined separate non-financial report 2020. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Siltronic AG for the period from January 1 to December 31, 2020 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Restriction of Use / General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of Siltronic AG, Munich only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Siltronic AG, Munich, and professional liability as descriped above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (*https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf*). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Munich, March 1, 2021
KPMG AG Wirtschaftsprüfungsgesellschaft

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Consolidated financial statements

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Consolidated statement of profit or loss

from January 1 to December 31, 2020

In EUR million	Note	2020	2019
Sales	01	1,207.0	1,270.4
Cost of sales	01	–867.5	–812.8
Gross profit		**339.5**	**457.6**
Selling expenses		–31.6	–36.9
Research and development expenses		–72.6	–68.4
General administration expenses		–39.9	–27.9
Other operating income	01	59.1	40.3
Other operating expenses	01	–62.3	–66.4
Operating result		**192.2**	**298.3**
Interest income	02	6.0	8.6
Interest expenses	02	–2.3	–2.2
Other financial result	02	–6.7	–2.0
Financial result		**–3.0**	**4.4**
Result before income tax		189.2	302.7
Income taxes	03	–2.4	–41.7
Result for the period		**186.8**	**261.0**
of which			
attributable to Siltronic AG shareholders		*160.8*	*225.6*
attributable to non-controlling interests		*26.0*	*35.4*
Result per common share in EUR (basic/diluted)	15	5.36	7.52

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Consolidated statement of financial position

as of December 31, 2020

In EUR million	Note	Dec. 31, 2020	Dec. 31, 2019
Intangible assets	04	23.5	22.7
Property, plant and equipment	05	961.7	951.4
Right-of-use assets	06	51.2	48.7
Securities and fixed-term deposits	09	46.7	52.1
Other financial assets	08	0.1	0.1
Other non-financial assets	08	2.0	0.7
Deferred tax assets	03	10.1	4.6
Non-current assets		**1,095.3**	**1,080.3**
Inventories	07	163.0	152.8
Trade receivables	08	144.5	127.7
Contract assets	08	12.1	14.6
Securities and fixed-term deposits	09	159.7	337.8
Other financial assets	08	17.3	2.7
Other non-financial assets	08	27.7	20.8
Income tax receivables	08	5.2	7.6
Cash and cash equivalents	09	294.6	200.7
Current assets		**824.1**	**864.7**
Total assets		**1,919.4**	**1,945.0**

In EUR million	Note	Dec. 31, 2020	Dec. 31, 2019
Subscribed capital		120.0	120.0
Capital reserves		974.6	974.6
Retained earnings and net Group result		179.8	109.0
Other equity items		−488.3	−338.6
Equity attributable to Siltronic AG shareholders		**786.1**	**865.0**
Equity attributable to non-controlling interests		85.7	65.2
Equity	**10**	**871.8**	**930.2**
Pension provisions	11	566.5	491.5
Other provisions	12	62.3	68.2
Income tax liabilities	13	10.7	10.2
Deferred tax liabilities	03	3.1	3.4
Customer prepayments	13	137.4	152.5
Lease liabilities	06	48.4	45.5
Non-current liabilities		**828.4**	**771.3**
Other provisions	12	7.3	16.2
Income tax liabilities	13	16.8	19.5
Trade liabilities	13	118.8	126.8
Customer prepayments	13	23.6	28.6
Lease liabilities	06	4.0	3.8
Other financial liabilities	13	3.9	3.8
Other non-financial liabilities	13	44.8	44.8
Current liabilities		**219.2**	**243.5**
Total liabilities		1,047.6	1,014.8
Total equity and liabilities		**1,919.4**	**1,945.0**

Consolidated statement of cash flows

from January 1 to December 31, 2020

In EUR million	Note	2020	2019
Result for the period		186.8	261.0
Depreciation/amortization of non-current assets, including impairment losses and reversals thereof		139.8	110.4
Other non-cash expenses and income		−14.6	−9.4
Result from disposal of non-current assets		1.7	1.6
Interest income		−3.7	−6.4
Interest paid		−1.8	−1.6
Interest received		6.9	7.3
Tax expense		2.4	41.7
Taxes paid		−10.0	−36.3
Changes in inventories		−16.6	−1.6
Changes in trade receivables		−8.1	27.4
Changes in contract assets		2.0	5.1
Changes in other assets		−9.6	45.2
Changes in provisions		−21.7	−14.2
Changes in trade liabilities		27.6	10.4
Changes in other liabilities		1.0	−10.4
Changes in customer prepayments		−45.4	−44.9
Cash flow from operating activities		**236.7**	**385.3**
Payments for capital expenditures (including intangible assets)		−204.8	−349.0
Proceeds from the disposal of property, plant and equipment and intangible assets		0.1	0.1
Payments for the acquisition of fixed-term deposits and securities		−159.1	−495.5
Proceeds from fixed-term deposits and securities		327.4	550.5
Cash flow from financing activities		**−36.4**	**−293.9**
Dividends		−90.0	−150.0
Principal portion of lease payments		−5.3	−3.5
Cash flow from financing activities		−95.3	**−153.5**
Changes due to exchange-rate fluctuations		−11.1	5.3
Changes in cash and cash equivalents	**09**	**93.9**	**−56.8**
at the beginning of the period		200.7	257.5
at the end of the period		**294.6**	**200.7**

Additional financial information (not part of the group financial statements and not audited)

In EUR million	2020	2019
Cash flow from operating activities	236.7	385.3
Cash-effective changes in customer prepayments	45.4	44.9
Cash flow from investing activities	−204.7	−348.9
Net cash flow	**77.4**	**81.3**

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Consolidated statement of comprehensive income

from January 1 to December 31, 2020

In EUR million	2020	2019
Result for the period	186.8	261.0
Items not reclassified to profit or loss:		
Remeasurement of defined benefit plans	−94.2	−130.0
Items reclassified to profit or loss:		
Difference from foreign currency translation adjustments	−69.7	24.8
Changes in market values of derivative financial instruments (cash flow hedge)	8.7	8.7
thereof recognized in profit or loss	0.3	15.8
thereof tax effect	*−3.1*	*−3.0*
Total of items reclassified to profit or loss	**−61.0**	**33.5**
Other comprehensive income/loss	−155.2	−96.5
Total comprehensive income/loss	**31.6**	**164.5**
of which		
attributable to Siltronic AG shareholders	*11.1*	*127.8*
attributable to non-controlling interests	*20.5*	*36.7*

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Consolidated statement of changes in equity

as of December 31, 2020

In EUR million	Subscribed capital	Capital reserves	Variance from foreign currency valuation	Impact of net investments in foreign operations	Changes in market values of derivative financial instruments (cash flow hedge)	Remea-surement of defined benefit plans	Retained earnings / net Group result	**Total**	Non-controlling interests	**Total equity**
Balance as of January 1, 2019	**120.0**	**974.6**	**5.6**	**−7.1**	**−8.4**	**−230.9**	**33.4**	**887.2**	**28.5**	**915.7**
Result for the period	–	–	–	–	–	–	225.6	225.6	35.4	261.0
Other comprehensive income and loss	–	–	23.5	–	8.7	−130.0	–	−97.8	1.3	−96.5
Total comprehensive income and loss	**–**	**–**	**23.5**	**–**	**8.7**	**−130.0**	**225.6**	**127.8**	**36.7**	**164.5**
Dividends	–	–	–	–	–	–	−150.0	−150.0	–	−150.0
Balance as of December 31, 2019	**120.0**	**974.6**	**29.1**	**−7.1**	**0.3**	**−360.9**	**109.0**	**865.0**	**65.2**	**930.2**
Balance as of January 1, 2020	**120.0**	**974.6**	**29.1**	**−7.1**	**0.3**	**−360.9**	**109.0**	**865.0**	**65.2**	**930.2**
Result for the period	–	–	–	–	–	–	160.8	160.8	26.0	186.8
Other comprehensive income and loss	–	–	−64.2	–	8.7	−94.2	–	−149.7	−5.5	−155.2
Total comprehensive income and loss	**–**	**–**	**−64.2**	**–**	**8.7**	**−94.2**	**160.8**	**11.1**	**20.5**	**31.6**
Dividends	–	–	–	–	–	–	−90.0	−90.0	–	−90.0
Balance as of December 31, 2020	**120.0**	**974.6**	**−35.1**	**−7.1**	**9.0**	**−455.1**	**179.8**	**786.1**	**85.7**	**871.8**

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Notes to the consolidated financial statements of Siltronic AG and subsidiaries

General information to the consolidated financial statements

Nature of operations

Siltronic AG (the ‘Company’), together with its subsidiaries (the ‘Group’) is a manufacturer of semiconductor silicon wafers made from hyperpure silicon whose customers comprise all major semiconductor companies worldwide. Silicon constitutes the base substrate for most semiconductor devices, and silicon wafers are components of everyday electronics including smartphones, tablets, PCs, flat screens, and sensors. The Group operates wafer facilities one each in Burghausen and in Freiberg, Germany, two wafer facilities in Singapore, and one wafer facility in Portland, Oregon, USA.

The Company’s shares are listed in the Prime Standard of the Frankfurt Stock Exchange and are included in the MDAX and TecDAX.

Siltronic AG is registered in the commercial register of Munich under number HRB 150884. The head office of the company is located at Einsteinstraße 172, Munich, Germany.

Basis of presentation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations issued by the IFRS Interpretations Committee (IFRIC). The consolidated financial statements comply with IFRS as adopted by the EU. The Group has applied all standards and interpretations that were effective as of December 31, 2020 and endorsed by the EU.

The fiscal year corresponds to the calendar year. Assets and liabilities are reported in the statement of financial position in line with their maturities. The Group classifies assets and liabilities as current if it expects to realize or settle them within 12 months. The statement of profit or loss is prepared using the cost of sales method.

The consolidated financial information is presented in euros, which is the Company’s functional currency and the Group’s reporting currency. All amounts are shown in millions of euros (EUR million) unless otherwise stated.

The Executive Board of Siltronic AG approved the consolidated financial statements on March 1, 2021.

The declaration in relation to the German Corporate Governance Code, as prescribed in Section 161 of the German Stock Corporation Act has been issued and was made available to the public on *https://www.siltronic.com/en/investors/corporate-governance.html*.

Impact of the Corona pandemic

In the first and second quarters of 2020, Siltronic was not significantly affected by the pandemic spread of the coronavirus. Declines in demand in individual end markets (especially smartphones, vehicles, industrial machinery) were offset by increases in other end markets (especially servers, network equipment, home office). In the third and fourth quarters of 2020, there were shifts in the end markets (mainly automotive industry) due to the Corona pandemic, which had a negative impact on the product mix.

Production, sales, research and development, and administration were not significantly affected by the pandemic. The Group benefited to a small extent from measures initiated by governments to mitigate the economic consequences of the pandemic in the form of tax deferrals and wage subsidies. The relief was offset by pandemic-related cost increases in a small number of areas, which were also not material.

There were no triggering events for impairment tests or significant changes in assumptions and estimates.

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Financial reporting prinicples applied for the first time in 2020

The application of the following new standards, interpretations, and changes to existing standards is mandatory for the period starting on January 1, 2020. The Group continuously evaluates new standards, interpretations, and changes to existing standards to determine their impact on the consolidated financial statements.

Financial reporting principles applied for the first time

Standard/amendment/interpretation		Effective date	Impact on Siltronic
Framework	Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	immaterial
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8 (Definition of Material)	January 1, 2020	immaterial
IFRS 3	Amendments to IFRS 3 (Definition of a Business)	January 1, 2020	immaterial
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform)	January 1, 2020	immaterial

Financial reporting standards and interpretations not yet applied

The application of the following new standards, interpretations, and changes to existing standards is not yet mandatory for the period under review. The Group does not apply any of these earlier than required. Currently the Group expects the following impact:

Standard/amendment/interpretation – endorsed by EU		Effective date	Expected impact on Siltronic
IFRS 4	Amendments to IFRS 4 (Extension of the Temporary Exemption from Applying IFRS 9)	January 1, 2021	immaterial
IFRS 9, IAS 39, IFRS 7 and IFRS 16	Amendments IFRS 9, IAS 39, IFRS 7 and IFRS 16 (Interest Rate Benchmark Reform - Phase 2)	January 1, 2021	immaterial
IFRS 16	Amendments to IFRS 16 (Covid-19-Related Rent Concessions)	June 1, 2020	immaterial

Standard/amendment/interpretation – not yet endorsed by EU		Effective date	Expected impact on Siltronic
IFRS 17	Insurance contracts	January 1, 2023	Analysis not yet done
IFRS 3	Amendments to IFRS 3 (References to the Conceptual Frameworkt)	January 1, 2022	immaterial
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	still pending	immaterial
IAS 1	Amendments to IAS 1 (Classification of Liabilities as Current or Non-current)	January 1, 2023	immaterial
IAS 16	Amendments to IAS 16 (Property, Plant and Equipment – Proceeds before Intended Use)	January 1, 2022	immaterial
IAS 37	Amendments to IAS 37 (Onerous Contracts – Cost of Fulfilling a Contract)	January 1, 2022	immaterial
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Improvements to IFRS (2018 – 2020)	January 1, 2022	immaterial

Scope of consolidation

As in the previous year, the consolidated entities as of the reporting date comprised seven subsidiaries as well as one structured entity.

Subsidiaries are defined as companies in which the Company directly or indirectly holds a voting majority or has, in any other way, the power to govern the financial and business policies of an entity in order to benefit from its activities. In assessing control, the Company takes into account potential voting rights that are currently exercisable or convertible. The subsidiaries are included in the consolidated financial statements from the date when the possibility to control commences until the date that such possibility ceases to exist. Structured entities are consolidated in the manner described in IFRS 10 if the economic substance of the relationship indicates the existence of control. Siltronic includes a special fund (fund SILA) as a structured entity in its consolidated financial statements. This fund was set up exclusively for Siltronic and all shares in the fund are held by Siltronic.

The table below shows the subsidiaries and structured entities reflected in the scope of consolidation as of December 31 of the respective year. The percentages noted refer to the interest Siltronic has directly or indirectly in the respective companies and funds:

Composition of the Group

in %	Dec. 31, 2020	Dec. 31, 2019
Europe		
Siltronic Holding International B.V., Rotterdam / The Netherlands	100.0	100.0
Structured Entity: Special Fund, Frankfurt	100.0	100.0
North America		
Siltronic Corp., Portland, Oregon, USA	100.0	100.0
Asia		
Siltronic Singapore Pte. Ltd., Singapore	100.0	100.0
Siltronic Silicon Wafer Pte. Ltd., Singapore	77.7	77.7
Siltronic Japan Corporation, Tokyo/Japan	100.0	100.0
Siltronic Korea Ltd., Seoul / Korea	100.0	100.0
Siltronic Shanghai Co. Ltd., Shanghai/China	100.0	100.0

Consolidation methods

The consolidated financial statements are based on the individual financial statements of the Company and its consolidated subsidiaries as well as the structured entity for the calendar year.

Intra-group balances and transactions and any related unrealized income and expenses are eliminated.

Acquisitions

The Group accounts for its business combinations using the acquisition method when control is transferred to the Group. The consideration transferred is measured at fair value and allocated to the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit and loss immediately. Transaction costs are expensed as incurred. The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss.

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Foreign currency translation

The financial statements of consolidated companies are prepared using the currency of the primary economic environment in which the entity operates (the functional currency) and translated on the basis of the functional currency principle using the modified closing rate method, in which balances are translated from the functional currency to the reporting currency using the spot rates prevailing at the period end, while amounts in the statement of profit or loss are translated using the period's average exchange rates.

The Company and its subsidiaries conduct their business in the respective functional currency, which is the local currency. Any net gains or losses arising from the translation of equity are recognized directly in other comprehensive income. Translation differences on monetary assets and liabilities resulting from fluctuating exchange rates are recorded in the statement of profit or loss. If a Group company is removed from consolidation, any translation difference is reclassified from equity to profit or loss.

Exchange rates

The table below includes the exchange rates between the most significant currencies reported in these consolidated financial statements and the Euro for the reporting periods.

		Spot rate on December 31		Average for the year	
	ISO-Code	2020	2019	2020	2019
US dollar	USD	1.23	1.12	1.14	1.12
Japanese yen	JPY	127	122	122	122
Singapore dollar	SGD	1.63	1.51	1.57	1.53

Estimates and assumptions used in preparing the consolidated financial statements

The preparation of the consolidated financial statements in compliance with IFRS requires management to make assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Changes in accounting estimates are recognized as soon as they become apparent and affect the net results for the period in which the estimates have changed and in any future periods affected.

Despite the fact that the assumptions and estimates are made to the best of management's knowledge based on current events and measures, actual results may differ from these estimates.

The following areas include significant estimates and assumptions and are therefore most likely to be affected if actual results differ from estimates:

- Recognition and recoverability of deferred tax assets:
  Assumptions regarding planned taxable income and the consideration of positive and negative factors for the assessment of tax benefits (see Note 03)
- Recoverability of property, plant and equipment and goodwill:
  Assumptions used in the impairment test to determine the recoverable amount (see Notes 04 and 05)
- Valuation of right-of-use assets and lease liabilities:
  Assumptions when using extension options (see Note 06)
- Recognition and valuation of provisions and contingent liabilities:
  Assumptions and estimates regarding the probability of occurrence, timing and amount of the benefit outflow (see Note 12)
- Determination of the fair value of financial instruments:
  Estimates related to non-observable input parameters (see Note 16)
- Valuation of defined benefit obligations:
  Actuarial assumptions (see Note 11)

Accounting policies

The Company and its subsidiaries apply uniform methods for the recognition and valuation of assets, liabilities, income and expenses.

Assets and liabilities of the consolidated financial statements are reported based on their historical cost, with the exception of the items reported at fair value. In particular, derivative financial instruments and plan assets used to cover future pension obligations are recorded at fair value. The accounting policies have been applied consistently.

Intangible assets

Intangible assets acquired are measured at cost and, if their useful lives can be determined, are amortized on a straight-line basis. The useful life is reviewed annually and, if necessary, revised to correspond to new expectations.

Amortization of intangible assets (apart from goodwill) is allocated to the functional areas that use the assets. Intangible assets with indefinite useful lives are subject to an annual impairment test. In the year 2014, a goodwill was recorded as a result of the step acquisition of Siltronic Silicon Wafer Pte. Ltd.

Internally generated intangible assets are capitalized if it is probable that a future economic benefit can be associated with the use of the asset and the costs of the asset can be determined reliably. Such assets are recognized at cost and amortized on a straight-line basis. Their stated useful lives correspond to those of the intangible assets acquired against payment. The capitalization of development costs does not play a role for the Group because development costs refer to existing products and processes respectively.

Property, plant and equipment

Property, plant and equipment is capitalized at cost and depreciated on a straight-line basis over its expected economic life. The useful life is reviewed annually and, if necessary, revised to correspond to new expectations. In addition to the purchase price, acquisition costs include incidental acquisition costs as well as any obligation incurred for the demolition and removing of the asset from its location. Property, plant and equipment is not revalued on the basis of the regulations in IAS 16. Day-to-day maintenance and repair costs are expensed as incurred. Costs for replacing parts or carrying out major overhauls of property, plant and equipment are capitalized if future economic benefits are likely to accrue to the Group and if the costs can be measured reliably.

If property, plant and equipment is permanently shut down, sold or given up, the acquisition or production costs are derecognized, along with the corresponding accumulated depreciation. Any resulting gain or loss from the sale of an asset is recognized under other operating income or expenses.

Financing costs that were incurred in connection with particular qualifying assets and which can be attributed directly or indirectly to them are capitalized as part of acquisition or production costs until the assets are used for the first time. No borrowing costs were capitalized in the periods presented.

Depreciation and amortization

Depreciation and amortization are recognized using the straight-line method and based on the following useful lives:

Useful lives

	Years
Intangible assets	3 to 7
Production buildings	20 to 30
Other buildings	8 to 30
Machinery and equipment	4 to 10
Factory and office equipment	3 to 10

If, having been measured in accordance with the above principles, the carrying amounts of intangible assets or items of property, plant and equipment that were amortized or depreciated are higher than their recoverable amounts as of the reporting date, corresponding impairment losses are recognized as an expense.

The Group reviews regularly the residual value and the useful life of assets.

At the end of every reporting date, the Group checks whether there are triggering events for recognizing (or reversing) impairments. An impairment loss is then recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher amount of the fair value less costs to sell, and the value in use. The value in use is the present value of estimated future cash flows that are discounted using risk-adjusted pre-tax interest rates. For the purpose of determining cash flows, assets are summarized at the lowest level for which cash flows can be separately identified (so-called cash-generating units). If the reasons for impairment no longer exist, reversals of impairment losses are recognized if necessary. The reversal is limited to the carrying amount that would have resulted without impairment. Impairment losses are reported as other operating expenses, reversals thereof as other operating income.

Government grants

Government grants that relate to the acquisition of an asset reduce acquisition and production costs and are recognized in profit and loss as the asset is depreciated or amortized. Unless otherwise indicated, these grants (investment incentives) are provided by government bodies.

Grants that are compensation for expenses or losses already incurred are recognized as separate assets if the company is of the opinion that all material obligations have been fulfilled and the necessary application form has been or will be submitted. Such grants are recognized as other operating income.

Inventories

Inventories are measured at cost using the average cost method. Lower net realizable values or prices are taken into account by means of write-downs to fair value less costs to sell. Cost of sales includes directly attributable costs as well as appropriate portions of indirect material and labor costs, administrative expenses, and depreciation. Due to the short-term production processes, financing costs are not included as part of acquisition or production costs. The overhead cost allocations are determined on the basis of a specific capacity utilization.

Write-downs are recognized for inventory risks resulting from obsolescence or reduced usability or to reflect other reductions in the recoverable amount.

Unfinished and finished goods are combined for disclosure purposes due to the nature of the wafer production process. The position raw materials and supplies also includes spare parts for the ongoing maintenance of production facilities. They are valued on the basis of their storage period and inventory turnover rate.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset at one party and a financial liability or equity instrument at another party.

Trade receivables are recognized at the time they arise. All other financial assets and liabilities are initially recognized on the trade date when the entity becomes party to the contract under the terms of the instrument.

Except for trade receivables a financial asset or financial liability is initially measured at fair value. For an item that is not measured at fair value through profit or loss, the transaction costs directly attributable to its acquisition or issue are added. Trade receivables without significant financing components are initially measured at the transaction price. The fair value of financial instruments corresponds to the amount that the Group would receive or pay if an exchange or settlement of the financial instruments took place. If available, quoted market values for financial instruments are used. Otherwise, the fair values are calculated on the basis of the market conditions prevailing on the valuation date, normally interest rates and exchange rates. The fair value is determined using financial mathematical methods, e.g. by discounting the future cash flows at the market interest rate or using generally accepted option pricing models.

The Group's financial assets comprise cash and cash equivalents, trade receivables, other financial receivables, fixed-term deposits, securities and primary and derivative financial assets. Financial assets must generally be settled in cash or for another asset. This includes trade liabilities and derivative financial liabilities.

For the subsequent measurement of financial assets, the Group is required to assess the objectives of the business model in which the financial asset is held. This is done at a portfolio level as it best reflects the way the business is managed, and information is given to management. According to the business model, financial assets are measured at amortized cost (AC), at fair value with changes in profit or loss (FVTPL) or at fair value with changes in other comprehensive income (FVOCI).

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is valued at amortized cost if it (i) is not designated as FVTPL and is held as part of a business model whose objective is to hold financial assets for the collection of the contractual cash flows, and (ii) the contractual terms of the financial asset lead to cash flows at defined points in time that solely represent the repayment of principal and interest payments on outstanding amounts. Subsequent valuation is made using the effective interest method. Amortized costs are reduced through impairment losses. Interest income, foreign exchange gains and losses and impairment are reported through profit or loss. A gain or loss arising from the derecognition of an item is reported through profit or loss.

A debt instrument is designated as FVOCI if it is not designated as FVTPL and is held as part of a business model whose objective is (i) to hold financial assets for the collection of the contractual cash flows as well as to sell financial assets, and (ii) the contractual terms lead to cash flows at set points in time that solely represent the repayment of principal and interest on the outstanding amount. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized through profit and loss. Other net gains or losses are reported under other comprehensive income. Upon derecognition, accumulated other comprehensive income is reclassified to profit or loss.

When an equity investment not held for trading is recognized for the first time, the Group can irrevocably choose to report subsequent changes in the fair value of the investment in other comprehensive income. This decision is taken for each investment on a case-by-case basis. Dividends are recognized as income in profit or loss. Other net gains or losses are reported in other comprehensive income and never reclassified to profit or loss.

All financial instruments not measured at amortized cost or as FVOCI are recognized as FVTPL. This also comprises all derivative financial assets. Net gains and losses, including any interest or dividend income, are recognized through profit and loss.

Financial assets and financial liabilities are generally not offset. A net amount is presented only if the Group currently has a right to offset the recognized amounts and intends to settle on a net basis.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset have expired or the rights to collect the cash flows are assigned in a transaction in which all material risks and opportunities associated with ownership of the financial asset are transferred.

A financial liability is derecognized when the contractual obligations are fulfilled, canceled or have expired.

For further information see Note 16 Financial Instruments.

Impairment of financial assets

For financial assets measured at amortized cost or at fair value with changes in other comprehensive income, Siltronic determines allowances for expected credit losses using the expected credit loss (ECL) model in accordance with IFRS 9.

The ECL model is mainly used for cash and cash equivalents, time deposits, securities measured at amortized cost, trade receivables, contract assets and other financial assets. The expected credit losses are adjusted at the respective closing date to reflect changes in credit risk since initial recognition. Further information are given in Notes 08 and 09.

Derivative financial instruments

Derivative financial instruments are generally measured at fair value, regardless of the purpose or intention for which they were entered into. Positive market values result in the recognition of a receivable, negative market values in the recognition of a liability. Derivative financial instruments are used primarily for hedging purposes in order to reduce the Group's exposure to foreign currency exchange rates. Contracts concluded in order to receive or deliver non-financial goods for the Group's own use are not accounted for as derivatives but are treated as pending transactions.

Where derivative financial instruments are used to hedge risks from future cash flows, the Group applies hedge accounting in accordance with the requirements of IAS 39 where possible. Changes in the market value of derivatives used to hedge the risk of fluctuating cash flows denominated in a foreign currency ("cash flow hedge") were recognized in other comprehensive income, taking deferred taxes into account. The accumulated amount of other comprehensive income of the hedging instrument was not released in the statement of profit or loss until the hedge item was realized. Currency hedges of planned sales are reported in other operating income, while hedges of selected intragroup transactions are reported in other financial income. If a corresponding derivative is sold or if the conditions for a hedging relationship are no longer met, the change in value of the derivative remains in other comprehensive income until the underlying transaction occurs.

Receivables and other assets, contract assets, fixed-term deposits and cash and cash equivalents

Trade receivables and other assets (including tax receivables) except for financial derivatives, cash and cash equivalents and fixed-term deposits are generally recognized at cost. Contract assets are recognized if Siltronic has fulfilled its contractual obligations with customers and an unconditional right to receive consideration from the customer does not yet exist. Contract assets are recognized at the transaction price.

Risks are accounted for by appropriate write-downs, which are recorded as value adjustments. Please refer to Notes 08 and 09 for further information on the recognition of valuation allowances. Non-current receivables which are non-interest-bearing or low-interest-bearing are discounted.

Generally, cash and cash equivalents comprise cash in hand, demand deposits, and financial assets that can be converted into cash at any time and are only subject to an insignificant risk of changes in value.

Income Taxes

Income taxes include all domestic and foreign taxes based on the taxable result. They include both current income taxes and deferred taxes. The current income taxes are based on the respective national tax results and regulations of the year. Also included are adjustments for any subsequent tax payments or refunds from outstanding tax returns from previous years and from tax audits.

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Liabilities for taxes are accounted in the event that amounts recognized in the tax returns may not be realized (uncertain tax positions). The amount is determined from the best estimate of the expected tax payment (expected value or most likely value of the tax uncertainty). Tax receivables from uncertain tax positions are recognized if it is probable that they can be realized.

Deferred tax assets and liabilities are recognized for temporary differences between tax bases and carrying amounts. The deferred tax assets include existing loss carryforwards, the realization of which is assured with sufficient probability. Deferred taxes are determined on the basis of the tax rates which, under current law, are applicable or anticipated in the individual countries when they are realized. Deferred tax assets and liabilities are offset only to the extent possible under the same tax authority. The change of deferred tax assets and liabilities is recognized in the statement of profit or loss. In cases where profits or losses are recognized in other comprehensive income, the deferred tax effect is likewise posted under other comprehensive income.

Deferred tax assets from deductible temporary differences and tax loss carryforwards which exceed deferred tax liabilities from taxable temporary differences are only recognized to the extent that it is probable that the respective Group company will generate sufficient taxable income to realize the corresponding benefit. The Group reviews deferred tax assets for impairment at each Group reporting date.

Provision for pensions – defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually using the projected unit credit method. When the calculation results in an asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest income), and the effect of the asset ceiling (if any), are recognized immediately in other comprehensive income. Actuarial gains and losses are arising from the difference between the estimate at the start of the period and actual outcome at the end of the period in relation to mortality rates, pension and salary trends, and discount rates.

The Group determines net interest expenses on the net defined liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability applicable at that date, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expenses and other expenses to defined benefit plans are recognized in profit and loss.

If the present value of a defined benefit obligation changes due to a plan modification or curtailment, the Group recognizes the effect as a past service cost. This is immediately recognized in profit or loss when it occurs. The profits and losses resulting from settlement are also recognized immediately in the statement of profit or loss when settlement takes place. Administrative expenses that are not related to the management of plan assets are likewise recognized in profit or loss when incurred. The expense incurred in funding the pension provisions (service cost) is allocated to the costs of the functional areas concerned. The interest cost is reported under other financial result.

Provision for pension – defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Provisions for early retirement and anniversaries

Provisions for early retirement and anniversaries are measured in accordance with actuarial appraisals and belong to other long-term employee benefits. The Group's net liability is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Provisions for early retirement are linked to the rendering of future service.

The provisions are recognized on a pro rata basis over the service period during the work phase. The part of the salary that employees forgo during the work phase is secured with plan assets against default. The provision for early retirement represents the Group's net liability, i.e. after the plan assets have been offset against the total obligation. The additional compensation granted is not completely earned until the required work has been rendered in full by the employees.

Other provisions

Provisions are recognized in the statement of financial position for present legal or constructive obligations toward third parties if an outflow of resources to settle these obligations is probable and its amount can be reliably estimated. The amounts recognized are based on what will be required to cover the Group's future payment obligations, identifiable risks and contingencies. As a rule, cost components that are capitalized under inventories are included in the measurement of other provisions. Significant future price increases are taken into account in the measurement.

Non-current provisions are measured at the discounted present value as of the reporting date. The discount rate applied is the current market interest rate for risk-free investments with terms corresponding to the residual term of the obligation to be settled. Expected refunds, provided that they are sufficiently certain or legally enforceable, are not offset against provisions. Instead, they are capitalized as separate assets.

Provisions for restructuring costs are recognized if a detailed formal plan for restructuring has been drawn up and conveyed to the affected parties. Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

Provisions for contingent losses arising from onerous contracts are recognized if the expected benefits to be derived from a contract are lower than the unavoid-able costs of meeting the contractual obligations. Provisions for environmental protection are recognized if the future cash outflows for complying with envi-ronmental legislation or for cleanup measures are likely, the costs can be estimated with sufficient accuracy and no future acquired benefit can be expected from the measures.

If an amended estimate results in a reversal of a provision, the impact is presented in the same line item of the statement of profit or loss as the original estimate. If the original estimate has been presented in other operating expense the reversal would be presented in other operating income.

Liabilities and customer prepayments

Trade liabilities, customer prepayments and other liabilities (including tax liabilities) are measured at amortized cost using the effective interest method.

Right-of-use assets of leases and lease liabilities

As of January 1, 2019, leases will be accounted for in accordance with IFRS 16. The Group assesses whether the contract contains a lease. This is the case if the agreement entitles the Group to control the use of an identified asset for a specified period of time against consideration. If an agreement contains both leasing and non-leasing components, the Group allocates the contractually agreed remuneration based on the relative individual sales prices, where possible and practicable.

On the date of allocation, the Group recognizes an asset for the right of use granted and a lease liability. The lease liability is recognized as a liability at the present value of the lease payments not yet paid. Lease payments include fixed payments as well as variable payments linked to an index or interest rate, residual value guarantees and purchase, termination and extension options if the Group is sufficiently certain that it will be able to exercise them. The present value of the lease payments is determined using the interest rate underlying the lease. If this cannot be determined easily, the Group's incremental borrowing rate is used. This considers the nature of the asset and the lease terms.

The lease liability is valued at amortized cost using the effective interest method. A revaluation is carried out if there is a change in future lease payments or new information and estimates regarding residual value guarantees and the exercise of purchase options, termination or extension options exist.

The right-of-use asset is recognized at cost, which corresponds to the initial valuation of the leasing liability. Payments made before the allocation date, lease incentives received, initial direct costs and estimated costs for dismantling or restoring the asset are taken into account.

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Subsequently, the right-of-use asset is depreciated on a straight-line basis from the date of allocation until the end of the lease period. If the exercise of a purchase option is deemed sufficiently certain, the asset is depreciated over its entire useful life. In addition, the right of use is adjusted for impairment losses where necessary and adjusted if the lease liability is revalued.

The Group has decided not to recognize right-of-use assets and lease liabilities for low-value leases and for short-term leases. As a result, the payments relating to these leases are expensed on a straight-line basis over the term of the lease. Furthermore, the Group does not apply IFRS 16 to leases of intangible assets.

Sales recognition

Siltronic generates revenues primarily from the sale of high-purity silicon wafers. The decisive factor for the realization of sales is the date on which control is transferred to the customer. At which point-in-time control has passed to the customer is assessed on the basis of the following criteria:

- Transfer of risks and rewards to the customer
- Right to payment for Siltronic
- Acquisition of ownership by the customer

Revenue from services is recognized as soon as the service has been rendered.

Sales comprise the fair value of the consideration received for the sale of goods and services in the ordinary course of business. They are reported net of value-added tax and other taxes incurred in connection with sales.

Cost of sales

Cost of sales comprise the manufacturing costs for products, the purchase price for trade products, the costs incurred for services rendered to a customer. In addition to directly attributable costs such as raw materials and supplies, direct labor and energy costs, cost of sales includes depreciation/amortization, appropriate overhead costs allocated to manufacturing activities, and inventory write-downs.

Selling expenses, research and development costs, and general administration expenses

Selling expenses include costs incurred by the sales organization and the cost of market research, application support on customers' premises and commission expenses.

Research and development expenses cover costs incurred in the development of products and processes. Research costs in the narrow sense are recognized as expenses when they are incurred, i.e. not capitalized. Development costs are capitalized only if all the prescribed recognition criteria have been met, i.e. the research phase can be separated clearly from the development phase, and the costs incurred can be allocated to the individual project phases without any overlaps. Additionally, there must be sufficient certainty that future cash inflows will be realized.

General administration expenses include the pro rata payroll and material costs of corporate control functions, human resources, and accounting and information technology, unless they have been charged as an internal service to other functional areas.

Timing of recognition of income and expenses

Operating expenses are reported as expenses when the service is utilized and interest income is accrued using the effective interest rate.

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Notes to the statement of profit or loss

01 Sales, cost of sales, other operating income, and other operating expenses

In EUR million	2020	2019
Sales	**1,207.0**	**1,270.40**
thereof sales of contracts with customers	*1,207.0*	*1,270.40*
Cost of sales	**−867.5**	**−812.8**
thereof inventory valuation allowance	*−6.1*	*−12.3*
thereof reversal of valuation allowance	*2.1*	*0.6*
Other operating income		
Currency transactions	54.2	33.1
Grants for research	0.9	0.7
Reversal of provisions and liabilities	2.8	4.0
Gains from disposal of property, plant and equipment	0.1	0.1
Reversal of valuation allowances for receivables	0.1	0.1
Other	1.0	2.3
Total	**59.1**	**40.3**
Other operating expenses		
Currency transactions	−57.9	−60.1
Impairment of property, plant and equipment	−1.2	−4.3
Losses from disposal of property, plant and equipment	−2.4	−1.6
Other	−0.8	−0.4
Total	**−62.3**	**−66.4**

Sales are generated almost entirely (EUR 1,206.1 million, prior year: EUR 1,269.3 million) by the sale of wafers. A breakdown of revenues by region can be found in Note 17.

Depreciation and amortization, personnel expenses, cost of materials

Depreciation and amortization expenses amount to EUR 139.8 million in 2020 (prior year: EUR 110.4 million).

Personnel expenses amount to EUR 311.9 million (prior year: EUR 311.8 million), of which EUR 245.5 million was attributable to salaries (prior year: EUR 247.7 million), EUR 22.0 million to social security (prior year: EUR 23.1 million), and EUR 44.4 million to pensions (prior year: EUR 41.0 million). The cost of materials came to EUR 395.5 million (prior year: EUR 352.0 million).

02 Interest income and expenses, other financial result

In EUR million	2020	2019
Net interest income		
Interest income	6.0	8.6
Interest expenses	−2.3	−2.2
Total	**3.7**	**6.4**
Other financial result		
Interest cost on provisions	−8.0	−8.5
Other financial income	8.3	7.3
Other financial expenses	−7.0	−0.8
Total	**−6.7**	**−2.0**

Interest income was generated mostly by financial investments and interest-bearing securities.

Other finance result

The interest cost on provisions mainly refers to pensions and includes net interest on the net defined benefit liability.

Other financial income and expenses mainly relate to the special fund.

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03 Income taxes

Income taxes are calculated on the basis of applicable or anticipated tax rates according to the tax laws in the individual countries as of the realization date. These tax rates are generally based on the legal statutes valid or adopted as of the reporting date.

In Germany, prevailing tax rates include a corporate income tax, a solidarity surcharge on corporate income tax, and a trade income tax that varies depending on the municipality in which a company is located.

Tax rates in Germany

in %	2020	2019
Weighted average trade income tax rate	13.2	12.1
Corporate income tax rate	15.0	15.0
Solidarity surcharge on corporate income tax	5.5	5.5
Income tax rate for Siltronic AG in Germany	29.0	27.9

Profits generated by foreign subsidiaries are taxed in the respective countries at the relevant local and national tax rates. The income tax rates for the foreign subsidiaries are within a range of 0 percent to 31 percent.

Deferred taxes on undistributed profits of subsidiaries are recognized only if distribution is planned. The amount of EUR 359.8 million (prior year: EUR 459.8 million) is available for distribution. For temporary differences amounting to EUR 18.0 million (prior year: EUR 23.0 million), no deferred tax liabilities were recognized on future non-deductible operating expenses, as the Group can determine the dividend policy of the subsidiaries.

The tax expenses reported for 2020 were EUR 2.4 million (prior year: EUR 41.7 million). Applying the German tax rate on the result before tax would result in tax expense of EUR 54.9 million (prior year: EUR 84.6 million). The difference between the expected tax expense and the actual tax expense of EUR 52.5 million (prior year: EUR 42.9 million) in the year under review, as in the previous year, is primarily caused by variances in tax rates and changes in valuation allowances on deferred tax assets.

The amount of valuation allowances applicable to deferred tax assets depend on the expected realization of potential tax benefits in the future. Given the development of the earnings situation, particularly at Siltronic AG and Siltronic Corp, the valuation allowances on deferred tax assets increased in the previous year and declined in the current year. Income due to the reversal valuation allowances on deferred tax assets amounted to EUR 15.7 million throughout the Group in the current year (prior year: EUR 7.3 million expenses). In 2020, temporary differences resulted in expenses of EUR 7.7 million (prior year: EUR 12.5 million). Deferred tax income due to changes in tax rates amounted to EUR 1.4 million in in the reporting year (prior year: expense of EUR 0.0 million).

Income tax comprises current income taxes for prior years with an amount of EUR 3.6 million (prior year: EUR 7.2 million) and current tax expenses for prior years of EUR 0.4 million (prior year: EUR 1.6 million).

Tax expense

In EUR million	2020	2019
Current taxes, Germany	−3.1	−9.9
Current taxes, foreign	−8.7	−12.0
Total current taxes	**−11.8**	**−21.9**
Deferred taxes, Germany	5.8	−8.7
Deferred taxes, foreign	3.6	−11.1
Total deferred taxes	**9.4**	**−19.8**
Total income taxes	**−2.4**	**−41.7**
Reconciliation of effective tax rate		
Result before taxes	189.2	302.7
Expected income tax rate for Siltronic AG in %	29.0	27.9
Expected tax expense (–)/benefit (+)	**−54.9**	**−84.6**
Variance in tax rate	42.3	53.8
Effect of non-deductible expenses	−2.0	−0.8
Effect of tax-free income	0.4	0.5
Taxes relating to other periods (current earnings)	3.1	3.4
Effect due to unrecognized deferred tax assets	10.1	−14.1
Other variances	−1.4	0.1
Total income taxes	**−2.4**	**−41.7**
Effective tax rate in %	**1.3**	**13.8**

Due to the utilization of previously unrecognized tax losses from prior periods, the actual income tax expense in the current fiscal year decreased by EUR 3.8 million (prior year: EUR 0.1 million). The increase compared to the prior year is due to a change in tax legislation in the United States which allows for an extended loss carryback into prior years.

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The following table shows the allocation of deferred taxes to the assets and liabilities:

Allocation of deferred taxes

In EUR million	As of December 31, 2020 Deferred tax assets	As of December 31, 2020 Deferred tax liabilities	As of December 31, 2019 Deferred tax assets	As of December 31, 2019 Deferred tax liabilities
Intangible assets	–	–	–	–
Property, plant and equipment	2.3	1.9	1.8	2.8
Right-of-use assets	–	6.1	–	5.2
Current assets	9.2	7.4	4.0	3.7
Provision for pensions	–	–	–	–
Other provisions	0.4	0.4	1.0	0.3
Liabilities	7.5	–	6.3	–
Loss carryforwards	3.4	–	0.1	–
Total	**22.8**	**15.8**	**13.2**	**12.0**
Netting	–12.7	–12.7	–8.6	–8.6
Deferred taxes reported in the statement of financial position	**10.1**	**3.1**	**4.6**	**3.4**

Deferred tax assets and deferred tax liabilities are netted only when future benefits and obligations relate to the same taxable entity and to the same tax authority.

Changes in deferred tax assets and liabilities in the amount of EUR 9.4 million were recognized as income (prior year: expenses of EUR 19.8 million) were fully taken to profit or loss, while EUR 3.1 million (prior year: EUR 2.9 million expenses) were recognized as expenses directly in other comprehensive income. The changes in other comprehensive income relate to derivatives (cash flow hedges).

Tax loss carryforwards not utilized amount to EUR 120.9 million (prior year: EUR 110.6 million). Thereof, the tax loss carryforwards expire with an amount of EUR 101.6 million in the following years as shown below:

Tax loss carryforwards

In EUR million	2020	2019
Within 1 year	37.7	0.1
Within 2 years	9.7	39.8
Within 3 years	9.4	10.1
Within 4 years	3.8	9.8
Within 5 years or later	41.0	50.8
Total	**101.6**	**110.6**

The expiring loss carryforwards relate to the subsidiary Siltronic Japan Corporation, Tokyo, Japan. It is highly probable that only a very small portion of the loss carryforwards can be utilized, which is why only deferred tax assets on loss carryforwards of EUR 0.5 million (prior year: EUR 0.2 million) have been recognized.

If deferred taxes had been recognized on the valuation allowances for loss carryforwards, the amount would have been EUR 36.7 million (prior year: EUR 33.7 million).

Due to the positive earnings expectations of Siltronic AG in Germany, deferred tax assets on loss carryforwards amounting to EUR 2.9 million were capitalized, although negative taxable income was generated in the fiscal year.

As of December 31, 2020, no deferred tax assets were recognized for deductible temporary differences in the amount of EUR 615.1 million (prior year: EUR 572.8 million).

Notes to the statement of financial position

04 Development of intangible assets

In EUR million	2020 Goodwill	2020 Customer relationship	2020 Other	2020 Total
Cost				
January 1	20.5	11.1	47.3	78.9
Additions	–	–	2.0	2.0
Disposals	–	–	–	–
Transfers	–	–	1.0	1.0
Effect of movements in exchange rates	–	−0.8	−1.7	−2.5
December 31	**20.5**	**10.3**	**48.6**	**79.4**
Amortization				
January 1	–	11.1	45.1	56.2
Additions	–	–	2.0	2.0
Disposals	–	–	–	–
Transfers	–	–	−0.1	−0.1
Effect of movements in exchange rates	–	−0.8	−1.4	−2.2
December 31	**–**	**10.3**	**45.6**	**55.9**
Carrying amount as of December 31	**20.5**	**0.0**	**3.0**	**23.5**

In EUR million	2019 Goodwill	2019 Customer relationship	2019 Other	2019 Total
Cost				
January 1	20.5	10.8	45.2	76.5
Additions	–	–	1.6	1.6
Disposals	–	–	−0.1	−0.1
Transfers	–	–	0.2	0.2
Effect of movements in exchange rates	–	0.3	0.5	0.8
December 31	**20.5**	**11.1**	**47.4**	**79.0**
Amortization				
January 1	–	10.6	43.7	54.3
Additions	–	0.2	1.1	1.3
Effect of movements in exchange rates	–	0.3	0.4	0.7
December 31	**–**	**11.1**	**45.2**	**56.3**
Carrying amount as of December 31	**20.5**	**0.0**	**2.2**	**22.7**

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Goodwill and customer relationship acquired through business combinations result from the consolidation of SSW in the year 2014.

The customer relationship is amortized on a straight-line basis based on management's expectation of the term of the relationship. Other intangible assets primarily comprise industrial property rights and similar rights acquired at cost from third parties, e.g. software licenses.

Amortization of intangible assets are included in cost of sales.

For the purpose of impairment testing, goodwill has been allocated to the Group's Cash Generating Unit (CGU) '300 mm'. The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The present value of the CGU exceeds the EUR 20.5 million with which the goodwill is accounted for plus the book value of the property, plant and equipment of the CGU by more than half a billion euros.

The key assumptions used for the calculation of the present value are a remaining useful life of the leading asset of the CGU, a long-term EBITDA number, necessary investments and a discount rate.

The remaining useful life of the asset dominating the CGU is derived from buildings specifically designed for the production of wafers. The 21-year remaining useful life reflects historically achieved average useful lives.

Long-term EBITDA is determined on the basis of the production capacities taking into account investments that have already been triggered, actual utilization rates of production capacities achieved over six years and lower prices. The long-term EBITDA thus estimated following the three-year medium-term plan is intended to reflect the cyclical fluctuations in our business. No growth rate was applied. External sources of information on EBITDA are only available for some components of EBITDA.

Necessary investments are derived from historical numbers and the discount rate was determined from an after-tax indicator based on the historical industry average of the weighted cost of capital. The present value was calculated using a discount rate of close to 11 percent.

Due to the long remaining useful life, Siltronic's three-year medium-term plan is not decisive for calculating the recoverability of goodwill (the drivers for the cash flows in the medium-term plan are EBITDA and investments).

The following analyses describe the sensitivity of the result to EBITDA and the discount rate: It is possible that EBITDA will be higher or lower due to over-/undercapacity in our industry or due to significant changes in exchange rates. If EBITDA were to be continuously 28 percent lower than in the reporting year until the end of the useful life, this would result in an impairment loss. A change in discount rate leads to an impairment if 27 percent was used instead of 11 percent.

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05 Development of property, plant and equipment

In EUR million	Land, buildings and similar rights	Machinery and technical equipment	Other equipment, factory and office equipment	Assets under construction and advanced payments	Total
	2020				
Cost					
January 1	622.8	2,832.5	133.1	262.0	3,850.4
Additions	4.8	91.5	3.3	86.0	185.6
Disposals	−0.1	−28.8	−2.0	–	−30.9
Transfers	34.8	179.9	5.7	−221.4	−1.0
Effect of movements in exchange rates	−29.3	−98.8	−1.6	−7.2	−136.9
December 31	**633.0**	**2,976.3**	**138.5**	**119.4**	**3,867.2**
Depreciation and impairment losses					
January 1	412.7	2,365.1	120.7	0.6	2,899.1
Additions	15.2	110.3	5.1	–	130.6
Impairment loss	0.1	0.4	–	0.7	1.2
Disposals	−0.1	−27.0	−2.0	–	−29.1
Transfers	–	0.1	–	–	0.1
Effect of movements in exchange rates	−17.5	−77.4	−1.5	–	−96.4
December 31	**410.4**	**2,371.5**	**122.3**	**1.3**	**2,905.5**
Carrying amount as of December 31	**222.6**	**604.8**	**16.2**	**118.1**	**961.7**

In EUR million	Land, buildings and similar rights	Machinery and technical equipment	Other equipment, factory and office equipment	Assets under construction and advanced payments	Total
	2019				
Cost					
January 1	592.8	2,560.4	129.8	208.1	3,491.1
Additions	12.1	163.0	4.1	182.1	361.3
Disposals	−0.1	−40.8	−4.9	–	−45.8
Transfers	9.4	120.3	3.5	−133.4	−0.2
Effect of movements in exchange rates	8.6	29.6	0.6	5.2	44.0
December 31	**622.8**	**2,832.5**	**133.1**	**262.0**	**3,850.4**
Depreciation and impairment losses					
January 1	394.1	2,293.1	120.0	–	2,807.2
Additions	13.9	81.8	5.0	–	100.7
Impairment loss	0.1	3.7	–	0.5	4.3
Disposals	−0.1	−39.2	−4.9	–	−44.2
Transfers	–	–	–	–	–
Effect of movements in exchange rates	4.7	25.7	0.6	–	31.0
December 31	**412.7**	**2,365.1**	**120.7**	**0.5**	**2,899.0**
Carrying amount as of December 31	**210.1**	**467.4**	**12.4**	**261.5**	**951.4**

06 Right-of-use assets and lease liabilities

Siltronic enters into leasing agreements mainly for land, buildings, machinery as well as technical and IT equipment. The leasing contracts vary greatly in terms of their term and some of them have extension and termination options. In addition, many contracts are subject to an annual indexation. Such contractual terms are used to ensure maximum operational flexibility for Siltronic. When determining the term of leasing agreements, Siltronic considers all facts and circumstances that provide an economic incentive to exercise renewal and termination options. Options are considered if they are only available to Siltronic and their exercise is deemed sufficiently certain.

Lease agreements for office space (reported under buildings) and IT equipment usually have fixed terms of less than five years. One exception is the leasing of the new head office in Munich, which began in the fiscal year. Technical equipment and machinery are leased over a term of up to ten years. In addition, there are four long-term agreements for leasing of land, for which the right-of-use assets are depreciated over a period of more than twenty years. Part of Siltronic's production and administration buildings are located on these land plots. For three of these contracts, the Executive Board has determined that a 30-year extension option is sufficiently certain.

The development of the carrying amounts of the right-of-use assets for leases recognized for the first time in the year 2020 is shown below:

Development of right-of-use assets

	2020					
In EUR million	Land	Buildings	Machinery and technical equipment	Cars	IT and other equipment	**Total**
Carrying amount as of January 1	35.7	1.8	8.5	0.6	2.1	48.7
Additions	–	5.3	5.0	0.3	0.7	11.3
Depreciation	−0.8	−1.8	−2.1	−0.4	−0.9	−6.0
Effect of movements in exchange rates	−2.4	–	−0.4	–	–	−2.8
Carrying amount as of December 31	**32.5**	**5.3**	**11.0**	**0.5**	**1.9**	**51.2**

	2019					
In EUR million	Land	Buildings	Machinery and technical equipment	Cars	IT and other equipment	Total
Carrying amount as of January 1	35.7	2.1	6.9	0.6	0.2	45.5
Additions	–	0.9	2.8	0.3	2.2	6.2
Depreciation	−0.9	−1.3	−1.3	−0.3	−0.3	−4.1
Effect of movements in exchange rates	0.9	0.1	0.1	–	–	1.1
Carrying amount as of December 31	**35.7**	**1.8**	**8.5**	**0.6**	**2.1**	**48.7**

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The following leasing expenses were recognized in the statement of profit and loss:

Leasing expenses

In EUR million	2020	2019
Interest expenses for leasing liabilities	1.7	1.6
Expenses for short-term leases	1.1	1.8
Leasing expenses for low value leases that are not short-term leases	0.6	0.7

Leasing agreements with a term of less than 12 months are classified as short-term leases. Assets of low value at Siltronic include for instance computers and bicycles.

Income from the subleasing of right-of-use assets and expenses for variable lease payments, which were not included in the measurement of the lease liability, exist only to a very limited extent.

Total lease payments in 2020 have amounted EUR 7.0 million (prior year: EUR 5.1 million).

The breakdown of lease liabilities by maturity is shown below:

Maturity of leasing liabilities

	As of December 31, 2020		As of December 31, 2019	
In EUR million	short-term	long-term	short-term	long-term
Lease liability	4.0	48.4	3.8	45.5
of which > 5 years	*–*	*37.1*	*–*	*36.4*

07 Inventories

In EUR million	2020	2019
Raw materials and supplies	87.4	87.3
Finished and unfinished products	75.6	65.5
Total	**163.0**	**152.8**
of which recorded at net realizable value	*0.0*	*0.0*

As of December 31, 2020, unfinished products amounted to EUR 44.0 million (prior year: EUR 38.7 million). The cost of sales were largely attributable to expenses related to inventories.

08 Trade receivables, contract assets, other financial and non-financial assets as well as income tax receivables

In EUR million	As of December 31, 2020 Total	of which non-current	of which current	As of December 31, 2019 Total	of which non-current	of which current
Trade receivables	**144.5**	–	**144.5**	**127.7**	–	**127.7**
Contract assets	**12.1**	–	**12.1**	**14.6**	–	**14.6**
Derivative financial instruments	16.0	0.1	15.9	2.2	0.1	2.1
Other	1.4	–	1.4	0.6	–	0.6
Other financial assets	**17.4**	**0.1**	**17.3**	**2.8**	**0.1**	**2.7**
Prepaid expenses	6.6	2.0	4.6	5.7	0.7	5.0
Other tax receivables	12.9	–	12.9	9.1	–	9.1
Other	10.2	–	10.2	6.7	–	6.7
Other non-financial assets	**29.7**	**2.0**	**27.7**	**21.5**	**0.7**	**20.8**
Other financial and non-financial assets	**47.1**	**2.1**	**45.0**	**24.3**	**0.8**	**23.5**
of which maturity > 5 years	*1.3*	*1.3*	–	*0.5*	*0.5*	–
Income tax receivables	**5.2**	–	**5.2**	**7.6**	–	**7.6**
of which maturity > 5 years	–	–	–	–	–	–

Contract assets

Contract assets relate to the revenue recognition for customers with whom Siltronic maintains a consignment stock. The amount of contract assets as of December 31, 2020 was affected by an impairment of less than EUR 0.1 million (prior year: less than EUR 0.1 million). Due to immateriality, the impairment loss was not presented separately in the profit and loss statement.

Contract assets are reclassified to trade receivables when an invoice is issued to the customer. The terms of payment of the invoices correspond to the customary national and industry-specific payment terms (no financing components, no variable consideration). Customers are not granted any rights of return, reimbursement or similar rights if the delivered product complies with the contractual terms. In addition, the customer is not entitled to any material warranty or guarantee claims apart from the statutory claims.

Valuation allowances

The Group has established a receivables management system under which each customer is granted payment terms, based on a credit analysis. This analysis takes into account, where available, published ratings, financial statements, information from credit agencies and internal information. An internal rating (1–6) and a credit limit are defined for each customer, which are regularly reviewed in the same way as outstanding exposures. Overdue payments and overruns of credit limits may result in the customer receiving changed payment terms, being reminded and/or deliveries being stopped.

The Group determines the allowance in accordance with IFRS 9 using the expected credit loss (ECL) model. The ECL model is applied to contract assets as well as to all financial assets measured at amortized cost (see Note 16). Valuation allowances for trade receivables, other financial assets and contract assets are measured at the expected credit loss over the term of the contract.

In estimating expected credit losses, the Group considers information that is relevant and available without inappropriate expense. This includes quantitative and qualitative information, which is based on past experience of the Group and on estimates for the future. The Group assumes that the default risk of a financial asset has increased if it is more than 30 days past due and there is no objective reason such as a complaint.

If it is unlikely that a debtor will fully meet its payment obligations, Siltronic considers a financial asset to be impaired. Collateral is included in the analysis.

The 20 largest customers account for roughly 90 percent (prior year: more than 90 percent) of Siltronic's sales and a very large proportion of these customers are listed on the stock exchange. The following table shows the breakdown of trade receivables (EUR 144.5 million), other financial assets (EUR 1.4 million) and contract assets (EUR 12.1 million) measured at amortized cost by risk class in fiscal year 2020:

Overdues of receivables

in EUR million	As of December 31, 2020					
Risk assessment	Corresponds to external rating	Internal rating by Siltronic	Loss rate (weighted average) in percent	Gross carrying amount	Valuation allowance	Impaired creditworthiness
Low	AAA to BBB –	1 to 3	0 %	148.8	0.0	No
Medium	BB – to BB +	4	0 %	9.6	0.4	No
High	C to D	5 to 6	0 %	0.0	0.0	Yes
Total			0 %	158.4	0.4	

in EUR million	As of December 31, 2019					
Risk assessment	Corresponds to external rating	Internal rating by Siltronic	Loss rate (weighted average) in percent	Gross carrying amount	Valuation allowance	Impaired creditworthiness
Low	AAA to BBB –	1 to 3	0 %	141.6	0.0	No
Medium	BB – to BB +	4	0 %	1.3	0.0	No
High	C to D	5 to 6	0 %	0.0	0.0	Yes
Total			**0 %**	**142.9**	**0.0**	

Loss rates are calculated based on actual credit losses over the last five years. These rates have been multiplied by scaling factors to reflect the differences between the economic conditions at the time the historical data was collected, the current conditions and the Group's view of the economic conditions over the expected life of the receivables. The maximum exposure to credit risk is the amount of the carrying amount of receivables not covered by credit insurance.

In the course of the Corona pandemic, the scaling factors for a few selected customers were adjusted to the risk rating.

The valuation allowances as of December 31, 2019 amounted to less than EUR 0.1 million. In fiscal year 2020, the valuation allowance increased to EUR 0.4 million. At the end of the fiscal year 2020, the valuation allowance amounted to EUR 0.4 million.

09 Cash and cash equivalents, fixed-term deposits and securities

Cash and cash equivalents comprise cash in hand and bank balances with a maturity of three months or less.

Siltronic has fixed-term deposits of EUR 77.2 million and cash and cash equivalents of EUR 294.6 million, which are measured at amortized cost. These are deposited with banks and financial institutions that have a rating of A to BBB, based on the S&P Global Ratings rating.

The estimated valuation allowance for cash and cash equivalents and fixed-term deposits was calculated on the basis of expected losses over the entire remaining term. The Group assumes that its cash and cash equivalents have a low default risk based on the external ratings of banks and financial institutions, which are based on industry default probabilities.

The valuation allowance amounts to EUR 0.1 million as of December 31, 2020 (prior year: EUR 0.1 million)

Siltronic manages its securities under two different business models. A large portion of the securities with the amount of EUR 83.7 million (prior year: EUR 82.8 million) is classified in the special fund as at fair value through profit or loss, as the management and measurement of the special fund's performance is based on fair value. In addition, in the current and prior year, securities were acquired whose business model consists of collecting contractual interest and principal payments. These securities with the amount of EUR 45.5 million (prior year: EUR 31.7 million) are measured at amortized cost.

10 Equity

The individual items of equity and its development are shown in the consolidated statement of changes in equity.

Subscribed capital

The subscribed capital of Siltronic AG amounts to EUR 120 million and is divided into 30 million no-par-value shares, each with an imputed share of the capital amounting to EUR 4. The shares are registered shares. All the shares are of the same type; each share has the same rights attached to it and allows one vote at the Annual General Meeting.

Capital reserve

The capital reserve amounts to EUR 974.6 million and comprises a premium on the issuance of shares, non-cash capital contributions, and transactions with shareholders.

Retained earnings and net result

This item comprises the Group's cumulative net result of prior periods, net of dividend payouts.

Management of capital

The capital management of the Siltronic Group pursues the objective of ensuring a going concern on a sustainable basis and of generating an appropriate return for the shareholders. Instruments of capital management include, amongst others, dividend payments. In managing its capital, Siltronic AG complies with the legal stipulations on capital maintenance. The Company's Articles of Association do not stipulate any capital requirements. Special terms for capital are not used.

There is a conditional capital and authorized capital: the Company's share capital may be increased by issuing up to 3,000,000 new no-par-value registered shares, whereby the share capital may increase by up to EUR 12 million (conditional capital). Furthermore, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase subscribed capital until June 25, 2025, by up to a total amount of EUR 36 million through the issue of new no-par-value bearer shares on one or more occasions (Authorized Capital).

11 Provision for pensions

There are various post-employment pension plans for Group employees, which depend on the legal, economic and fiscal conditions prevailing in the relevant countries. These pension plans generally take into account employees' service term and salary levels.

The Group operates both defined contribution and defined benefit plans. Defined contribution plans lead to no further obligation for the company beyond paying contributions into special-purpose funds. The Group has both defined contribution and defined benefits plans, which are partly financed through the Pensionskasse der Wacker Chemie VVaG (pension fund) or (fiduciary) funds. Pension obligations result from defined benefit plans in the form of entitlements to pension benefits for eligible

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active and former employees of the Siltronic Group and their surviving dependents. In essence, the various pension plans guarantee employees lifelong pensions based on the average salary (career average plan) during employment at Siltronic, or capital payments.

The Group has the following pension plans:

Plans supplied by pension fund

For employees in Germany, a basic pension is provided through the legally independent pension fund. This is financed by members' and company contributions. The promised benefits include retirement, disability, and survivors' benefits.

The Pension Fund is a small mutual insurance company within the meaning of § 210 of the Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG) and is regulated by § 230 (1) VAG. It is thus subject to the regulations for German insurers and is supervised by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). There are legal minimum financing requirements.

For employees who joined the pension fund up to 2004, the basic pension is subject to a fixed benefit obligation, which must be taken into account when valuing the pension obligations. The pension level is independent of the age of the contribution payment and also irrespective of the asset interest rate achieved. For employees who entered the Company after 2004, new rates apply to the basic pension. The benefits are based on guaranteed interest rates and the level of benefits depends on the age of the contribution payment. Annual surplus participation may increase future benefits. In addition, employees in Germany can make contributions to the pension fund in respect of the voluntary supplementary pension scheme PK+. Above all, the contributions under the pension scheme regulated by collective agreement are paid into the voluntary higher insurance on the basis of collective bargaining agreements on single payments and old-age pensions, and on working life and demography

Benefits by direct commitments

In addition to the pension fund commitments, employees in Germany receive direct commitments in the form of an additional pension. The additional pension insures salary elements above and beyond the pension insurance contribution assessment ceiling. For employees who joined the company before the end of 2004, a pension is granted and depends on the average salary earned during the period of employment with the Group (career average plan). For employees who joined the plan from 2005 onwards, the pension is based on a certain percentage of the salary above the pension insurance contribution assessment ceiling. The resulting capital will bear interest. The benefits may be drawn as a life-long pension or, in the case of commitments from 2005 onwards, as a lump sum. Employees and their surviving dependents are eligible to receive benefits. The employees' entitlements are included in the calculation of the pension obligations. This applies both to employees who joined up to 2004 and to employees who joined from 2005 onwards.

'Deferred Compensation' plan

Non-tariff employees in Germany may contribute part of their salary to an employee-financed commitment plan ('Deferred Compensation'). This plan enables employees to waive their portions of their future salary claims into pension benefits. Depending on the date of conclusion of the agreement to participate in the benefit plan (commitment), the pension capital will bear interest at 7 percent (1996–2001), 6 percent (2002–2010) or 5 percent (2011–2013). Plans bearing 7 percent or 6 percent interest may be drawn in the form of either a pension or a lump sum. Plans bearing 5 percent interest are paid out exclusively in lump-sum form. From 2015, senior executives can pay parts of their salary into an employee-financed benefit plan at a variable interest rate. The variable interest rate is dependent on the current yield of domestic five-year bearer bonds and is at least 2.5 percent and at most 5 percent. The payout is solely in capital form. Commitments made up to December 31, 2000 are valued at the m/n-tel net present value (in accordance with the Projected Unit Credit method). Commitments made on or after January 1, 2001, are valued at the present value of the acquired expectancy or the acquired capital.

To partially secure the pension obligations from direct commitments, deferred compensation and the pension adjustments of the basic pension (previously unfunded defined benefit obligations cash is held in a fiduciary fund. The fund is financed through a Contractual Trust Arrangement (CTA). The cash transferred is administrated by an external trustee and serves exclusively to finance domestic pension obligations.

The pension entitlements in Germany are protected against insolvency by the Mutual Pension Assurance Association (Pensionssicherungsverein a.G.). The insolvency insurance has an upper limit. There are no legal minimum funding requirements.

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United States

Various pension plans are available for employees of foreign subsidiaries, subject to the statutory provisions applicable in the respective countries. Except for the US pension plans, these pension plans are not significant to the Group.

In the United States, defined benefit plans exist for employees of Siltronic Corporation, Portland who entered the company before end of 2003. Both plans were closed for new entrants after December 31, 2003. The defined benefit obligations are only continued for old commitments. Retirement benefits are paid monthly starting at age 65 and are based on the last average salary paid. Special provisions apply to early retirement at age 55 depending on the employee's years of service. Post-retirement health care and severance benefits are also provided to eligible employees due to the related character. Hires in the United States after 2003 only receive defined contribution benefits.

The present value of defined benefit obligations reconciles with the provisions recognized on the statement of financial position as follows:

Net liability of defined benefit obligations

	As of December 31, 2020			As of December 31, 2019		
In EUR million	Germany	Foreign	Total	Germany	Foreign	Total
Present value of the at least partially fund-financed defined benefit obligations	1,135.8	133.0	1,268.8	1,022.6	136.2	1,158.8
Fair value of plan assets	603.6	107.7	711.3	559.2	116.6	675.8
Funded status	**532.2**	**25.3**	**557.5**	**463.4**	**19.6**	**483.0**
Present value of unfunded defined benefit obligations	–	9.0	9.0	–	8.5	8.5
Provisions for pensions and similar obligations	**532.2**	**34.3**	**566.5**	**463.4**	**28.1**	**491.5**

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Development of the net liability of defined benefit obligations

In EUR million	2020 Projected benefit plan obligation	2020 Fair value of plan assets	2020 Difference
As of January 1	**1,167.3**	**675.8**	**491.5**
Current service cost	25.8	–	25.8
Interest expenses and interest income	16.3	9.9	6.4
Administrative cost paid out of plan assets	–	–0.3	0.3
Past service cost	–1.0	–	–1.0
Remeasurements			
Gains (–)/losses (+) from plan assets. excluding amounts recognized in interest income	–	12.1	–12.1
Gains (–)/losses (+) from changes in demographic assumptions	–1.7	–	–1.7
Gains (–)/losses (+) from changes in financial assumptions	117.0	–	117.0
Gains (–)/losses (+) from changes in experience-based assumptions	–8.8	–	–8.8
Effects of exchange-rate differences	–16.2	–11.3	–4.9
Contributions by			
the Employer to the German pension fund	–	22.4	–22.4
the Employer to the foreign pension assets	–	4.1	–4.1
the Employer to the CTA	–	15.0	–15.0
Pension plan beneficiaries	5.1	5.1	–
Pension payments	–26.0	–21.5	–4.5
As of December 31	**1,277.8**	**711.3**	**566.5**

In EUR million	2019 Projected benefit plan obligation	2019 Fair value of plan assets	2019 Difference
As of January 1	**973.6**	**611.3**	**362.3**
Current service cost	21.3	–	21.3
Interest expenses and interest income	21.5	14.1	7.4
Administrative cost paid out of plan assets	–	–0.3	0.3
Past service cost	0.1	–	0.1
Effects of settlements	–	–	–
Remeasurements			
Gains (–)/losses (+) from plan assets. excluding amounts recognized in interest income	–	32.4	–32.4
Gains (–)/losses (+) from changes in demographic assumptions	–0.9	–	–0.9
Gains (–)/losses (+) from changes in financial assumptions	164.8	–	164.8
Gains (–)/losses (+) from changes in experience-based assumptions	–1.5	–	–1.5
Effects of exchange-rate differences	2.5	1.9	0.6
Contributions by			
the Employer to the German pension fund	–	9.0	–9.0
the Employer to the foreign pension assets	–	17.8	–17.8
Pension plan beneficiaries	5.0	5.0	–
Pension payments	–19.1	–15.4	–3.7
Transfers	–	–	–
As of December 31	**1,167.3**	**675.8**	**491.5**

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Assumptions

The pension obligations are calculated by taking into account company-specific and country-specific biometric calculation principles and parameters. The calculations are based on actuarial valuations that factor in the following parameters:

Assumptions

	2020		2019	
in %	Germany	USA	Germany	USA
Discount rate	0.69	2.07	1.24	2.98
Salary growth rate	2.50	2.50	2.50	3.00
Pension growth rate				
Basic and additional pension plan [1)]	1.6/1.0	–	1.8/1.0	–
Deferred compensation [1)]	2.5/1.0	–	2.5/1.0	–

[1)] Varies according to the date the employees enter the company or according to the date of conclusion of the various tariff generations.

In the fiscal year. the pension growth ratefür the basic and additional pension plan was reduced from 1.8 to 1.6 percent due to the ongoing low inflation expectations. This resulted in a reduction in the present value of pension obligations of EUR 27.4 million.

In Germany Siltronic uses the ‘2018G mortality tables’ by Prof. Dr. Klaus Heubeck. In the United States. the mortality table ‘RP-2017’ is applied.

The discount rates and increases in salaries taken into account in the calculation of the pension obligation were derived in accordance with the respective economic framework conditions and according to uniform principles. The discount rate is based on a yield curve which is derived from high-grade fixed-income corporate bonds with matching maturities issued by the respective country concerned. It takes into account the Siltronic-specific. expected future cash flows of the obligations.

Sensitivity analysis

The following sensitivity analysis involves an adjustment of only one assumption with the other assumptions remaining unchanged so that the sensitivity of each individual assumption can be observed in isolation. It follows that possible correlation effects between the individual assumptions are not taken into account.

The following table shows the estimated changes in the present value of pension obligations resulting from changes in the respective actuarial assumptions:

Sensitivity analysis

	As of December 31. 2020		As of December 31. 2019	
	Effect on defined benefit obligation		Effect on defined benefit obligation	
	Defined benefit obligation in EUR millions	Change in %	Defined benefit obligation in EUR millions	Change in %
Present value of pension obligations as of the reporting date	**1,278**		**1,167**	
Present value of all pension obligations if				
the discount rate increases by 0.5 %	1,154	−9.7	1,057	−9.5
the discount rate decreases by 0.5 %	1,421	11.2	1,296	11.0
salaries increase by 0.5 %	1,286	0.6	1,176	0.7
salaries decrease by 0.5 %	1,270	−0.6	1,160	−0.7
future pension increases are 0.25 % higher	1,318	3.1	1,203	3.1
future pension increases are 0.25 % lower	1,240	−3.0	1,133	−2.9
life expectancy increases by one year	1,324	3.6	1,207	3.4

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Composition of plan assets

In Germany, the plan assets are comprised of insurance policies issued by the Pension Fund. The Pension Fund invests most of the assets in equities, pension funds, bonded loans as well as real estate. The investment strategy follows the investment guideline provided by the executive board of the pension fund.

The funds managed by an external trustee, which are invested in the form of a Contractual Trust Arrangement (CTA), invest exclusively in shares and funds and serve above all to partially fund domestic direct commitments, deferred compensation and the pension adjustment of the basic pension. The cash is invested on the capital market in accordance with the investment principles laid down in the trust agreement and the investment guidelines. Investment decisions are not made by the trustee but by an investment committee.

The plan assets of pension funds in the United States are generally invested in equities and funds in accordance with the applicable investment guidelines. The composition of plan assets for the Group is:

Composition of plan assets

	As of December 31, 2020			As of December 31, 2019		
In EUR million	Market price quoted in an active market	No market price quoted in an active market	Total	Market price quoted in an active market	No market price quoted in an active market	Total
Real estate	–	107.8	107.8	–	96.8	96.8
Loans and fixed-income securities	223.3	83.1	306.4	219.5	85.4	304.9
Equities / equity funds / private equity	166.4	100.4	266.8	148.1	94.1	242.2
Cash and cash equivalents	–	30.3	30.3	–	31.9	31.9
Total plan assets	**389.7**	**321.6**	**711.3**	**367.6**	**308.2**	**675.8**
thereof own-used real estate		*–*	*–*		*0.6*	*0.6*

The Group was utilizing in the previous year EUR 0.6 million of plan assets for its own purposes. The assets in question comprised the real estate used by Siltronic AG for its headquarters in Munich. In fiscal year 2020, the head office moved, and there is no longer any use of plan assets for own purposes.

Risks

In addition to the actuarial risks, the risk connected with the defined benefit obligation relates in particular to financial risks connected with plan assets. In Germany, substantial amounts of the defined benefit obligation are covered by plan assets managed by the pension fund. The current and future relationship between the asset allocation in its portfolio and our pension obligations are analyzed and projected as part of an annual asset-liability study to determine the long-term return on plan assets. The long-term yield requirement of the pension fund is calculated as a result. Based on this, the pension fund defines a strategic target portfolio. The yield requirement, the company contribution of the sponsoring companies, and the strategic asset allocation are thus reviewed annually and harmonized.

All capital investments are exposed to market price fluctuation risks. These risks may comprise changes in interest rates, equity prices, or exchange rates.

The plan assets managed by the pension fund are subject to a so-called overlay management that aims to limit losses to a predefined level. Derivatives are partially used for hedging purposes.

Due to the investment of plan assets in equities and funds, the defined benefits plans in the United States and the plan assets of the CTA are not only subject to actuarial risks, but also to market price risks.

Depending on the legal and company statutory provisions, Siltronic is under a duty to reduce any shortfall in the pension plans by providing liquid funds.

Risks arise in particular from the life expectancy of the beneficiaries, the interest rate guarantee risk and also from salary and pension increases. The interest rate guarantee risk is regularly monitored as part of the risk management process. The determination of the long-term interest rate requirement and the ability to meet it is one of the focus areas of the pension fund. Risks from the interest rate guarantee also apply to the 'Deferred Compensation'.

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Financing of the pension plan

In the year 2020, benefits in the amount of EUR 14.8 million (prior year: EUR 13.0 million) were paid into pension plans in Germany, and EUR 11.2 million (prior year: EUR 6.1 million) into pension plans outside of Germany. For the 2021 financial year, the employer's contributions are expected to amount to EUR 8.6 million. The expected term of pension obligations as of December 31, 2020 was 22.0 years (prior year: 21.8 years) in Germany and 17.2 years (prior year: 16.9 years) in the United States.

The following table shows the pensions benefits that the Group expects to pay from 2021 to 2025:

Projected payment periods for pension benefits

In EUR million	2021	2022	2023	2024	2025
	24.0	27.3	29.4	31.1	33.1

Composition of pension expenses by pension plan

In EUR million	2020	2019
Current service cost due to defined benefit plans	25.8	21.3
Past service cost/effects of settlements/ transfers	–1.0	0.1
Administrative cost paid out of plan assets	0.3	0.3
Net interest expenses due to defined benefit plans	6.4	7.4
Expenses due to defined contribution plans	0.9	1.0
Other pension expenses	0.4	0.2
Contributions to public pension schemes	18.0	18.1
Total retirement benefits	**50.8**	**48.4**

12 Other provisions and income tax liabilities

	As of December 31, 2020			As of December 31, 2019		
In EUR million	Total	of which non-current	of which current	Total	of which non-current	of which current
Personnel	35.3	33.1	2.2	35.3	32.9	2.4
Environmental protection	32.4	29.0	3.4	39.5	34.9	4.6
Onerous contracts	0.1	–	0.1	6.9	0.2	6.7
Other	1.8	0.2	1.6	2.7	0.2	2.5
Total	**69.6**	**62.3**	**7.3**	**84.4**	**68.2**	**16.2**

Provisions for personnel

The provisions for personnel primarily represent obligations for anniversary payments and early retirement. The provisions for early retirement plans will be completely paid out in six years. The outflow takes place on a continuous basis. The Group owns bonds and securities that serve as plan assets for early retirement benefits and have been offset against the obligations resulting from early retirement.

Provisions for onerous contracts

The provisions include expected costs for obligations arising from the termination of long-term contracts.

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Provision for environmental protection

The provision for environmental protection covers expected burdens due to contamination on the plant site and the neighbouring river at Portland, Oregon, USA. In the year 2018, Siltronic agreed with insurance companies on a compensation payment of EUR 44.1 million. In return, the company has entered into economic obligations in connection with the contaminated river. These obligations were valued at EUR 43.5 million. The provision amounted to EUR 32.4 million as of December 31, 2020. The outflow is expected to occur in 2021 through 2025.

There are additional, probably sufficient insurance covers for all further environmental risks in Portland. As in the previous year, the amount of these additional environmental risks cannot be reliably estimated. The reason for this is the lack of indications from the responsible environmental authorities regarding the amount and timing of possible environmental protection measures. Accordingly, no obligation is recognized in this respect.

The following table shows the development of other provisions for the year 2020:

Development of other provisions

In EUR million	Jan. 1, 2020	Utilization	Reversal	Addition	Transfer to liabilities	Interest and exchange rate	Dec. 31, 2020
Personnel	35.3	−20.9	–	21.8	−0.9	–	35.3
Environmental protection	39.5	−2.7	−2.5	–	–	−1.9	32.4
Onerous Contracts	6.9	−5.1	−1.9	0.2	–	–	0.1
Other	2.7	−2.1	–	1.2	–	–	1.8
Total	**84.4**	**−30.8**	**−4.4**	**23.2**	**−0.9**	**−1.9**	**69.6**

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13 Trade liabilities, customer prepayments, other financial and non financial liabilities

In EUR million	As of December 31, 2020 Total	of which non-current	of which current	As of December 31, 2019 Total	of which non-current	of which current
Trade liabilities	**118.8**	**–**	**118.8**	**126.8**	**–**	**126.8**
Customer prepayments	161.0	137.4	23.6	181.1	152.5	28.6
of which > 5 years	*39.0*	*39.0*	–	*29.9*	*29.9*	–
Other liabilities						
Derivative financial instruments	3.5	–	3.5	3.5	–	3.5
Other	0.4	–	0.4	0.3	–	0.3
Total	**3.9**	**–**	**3.9**	**3.8**	**–**	**3.8**
of which > 5 years	–	–	–	–	–	–
Other non-financial liabilities						
Other tax liabilities	7.4	–	7.4	2.3	–	2.3
Social security	1.4	–	1.4	2.1	–	2.1
Payroll	1.8	–	1.8	1.1	–	1.1
Profit-sharing and bonuses	26.2	–	26.2	33.6	–	33.6
Other personnel liabilities	7.9	–	7.9	5.7	–	5.7
Other	0.1	–	0.1	–	–	–
Total	**44.8**	**–**	**44.8**	**44.8**	**–**	**44.8**
of which > 5 years	–	–	–	–	–	–
Income tax liabilities	**27.5**	**10.7**	**16.8**	**29.7**	**10.2**	**19.5**
of which > 5 years	–	–	–	–	–	–

The customer prepayments are equivalent to the contract liabilities from contracts with customers in accordance with IFRS 15. The amount of EUR 30.0 million (prior year: EUR 69.5 million) reported under contract liabilities at the beginning of the period was recognized as sales in the current year. There were no notable sales from performance obligations fulfilled in previous periods.

The total amount of expected revenues from unfulfilled or partially unfulfilled performance obligations is estimated at over EUR 1.9 billion, of which 30 percent is expected in 2021. The remaining 70 percent are expected to be realized between 2022 and 2027. As permitted by IFRS 15, no information is provided on the remaining performance obligations as of December 31, 2020 that have an expected original term of up to one year.

Liabilities relating to social security refer in particular to amounts withheld that have not been paid.

The other personnel liabilities include primarily vacation and flextime credits. The liability from derivative financial instruments corresponds to the negative fair value of these instruments.

Income tax liabilities include obligations from current income taxes of all domestic and foreign entities.

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14 Other financial obligations and contingencies

Other financial obligations
As of December 31, 2020, obligations from purchase commitments amounted to EUR 78.3 million (prior year: EUR 141.1 million); the commitments primarily related to property, plant and equipment.

The Group enters into long-term purchase agreements with minimum commitments. These minimum purchasing obligations amounted to EUR 84.8 million (prior year: EUR 83.6 million) as of December 31, 2020.

Contingent Liabilities
Contingent liabilities of almost EUR 4 million may arise from a service agreement.

For environmental risks located in Portland, Oregon, USA, further obligations could arise that exceed the existing insurance coverage. As in the previous year, a reliable estimate of these contingent liabilities cannot be made. For further information see Note 12.

Contingent liabilities may arise in the future as a result of leases that are subject to annual indexation (see Note 06).

Other disclosures

15 Earnings per share

	2020	2019
Net result attributable to Siltronic AG shareholders (in EUR million)	160.8	225.6
Average number of outstanding common shares	30,000,000	30,000,000
Number of common shares outstanding at the end of the year	30,000,000	30,000,000
Earnings per common share (in EUR) (average)	5.36	7.52
Dividend payment per common share (in EUR) for the prior year	3.0	5.0

For the financial year 2020, the Management Board and Supervisory Board propose to distribute a dividend of EUR 2.00 per share in the year 2021. The approval or rejection of this proposal is the responsibility of the Annual General Meeting of Siltronic AG. Subject to this approval a total amount of EUR 60 million will be distributed for the total number of 30,000,000 no-par value shares.

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16 Financial instruments

The following tables show financial assets and liabilities by measurement categories and classes for the years 2020 and 2019, respectively. Also presented are liabilities from derivatives for which hedge accounting is used, even though they do not belong to any of the measurement categories.

The fair value of financial instruments measured at amortized cost is determined based on discounting, taking into account customary market interest rates that are adequate to the specific risk and correspond to the relevant maturity. The carrying amount of current items recognized in the statement of financial position approximate fair value. The categories in accordance with IFRS 9 differ between assets and liabilities measured at amortized costs and those measured at fair value as shown in the table below. These categories are sufficient to reflect the classes in accordance with IFRS 7 which distinguish at minimum financial instruments measured at amortized cost from financial instruments measured at fair value. Those financial instruments which show specific risks are derivative financial instruments only pertaining to foreign currency derivatives, which are presented separately in the table below.

Financial assets and liabilities by measurement categories according to IFRS 9

In EUR million	Carrying amount as of Dec. 31, 2020	Measurement according to IFRS 9 Amortized cost (AC)	Measurement according to IFRS 9 Fair value through profit and loss (FVTPL)	Fair value through other comprehensive income (hedge Accounting)	Fair Value as of Dec. 31, 2020
Securities	129.2	45.5	83.7	–	131.5
Trade receivables	144.5	144.5	–	–	144.9
Fixed-term deposits	77.2	77.2	–	–	77.3
Other financial assets	17.4	1.4	4.0	12.0	17.4
Other		1.4			
Derivatives for which hedge accounting is not used (FVTPL)			4.0		
Derivatives for which hedge accounting is used (hedge accounting according to IAS 39)				12.0	
Cash and cash equivalents	294.6				294.6
Total financial assets	**662.9**				**665.7**
Trade liabilities	118.8	118.8			118.8
Other financial liabilities	3.9	0.4	3.5	–	3.9
Other		0.4			
Derivatives for which hedge accounting is not used (FVTPL)			3.5		
Total financial liabilities	**122.7**				**122.7**

In EUR million	Carrying amount as of Dec. 31, 2019	Measurement according to IFRS 9 Amortized cost (AC)	Fair value through profit and loss (FVTPL	Fair value through other comprehensive income (hedge Accounting	Fair Value as of Dec. 31, 2019
Securities	114.5	31.7	82.8	–	115.0
Trade receivables	127.7	127.7	–	–	127.7
Fixed-term deposits	275.4	275.4	–	–	275.5
Other financial assets	2.8	0.6	0.9	1.3	2.8
Other		0.6			
Derivatives for which hedge accounting is not used (FVTPL)			0.9		
Derivatives for which hedge accounting is used (Hedge accounting according to IAS 39)				1.3	
Cash and cash equivalents	200.7	–	–	–	200.7
Total financial assets	**721.1**	–	–	–	**721.7**
Trade liabilities	126.8	126.8	–	–	126.8
Other financial liabilities	3.8	0.3	2.4	1.1	3.8
Other		0.3	–	–	
Derivatives for which hedge accounting is not used (FVTPL)		–	2.4	–	
Derivatives for which hedge accounting is used (Hedge accounting according to IAS 39)		–	–	1.1	
Total financial liabilities	**130.6**				**130.6**

Cash and cash equivalents in foreign currency are measured at the exchange rate on the reporting date.

The fixed-term deposits will mature in October 2021. The fair value for these financial instruments also approximates their carrying amount.

The carrying amounts of trade liabilities and current other liabilities are equal to their fair values.

The following table shows the net gains and losses from financial instruments by measurement categories according to IFRS 9. The impacts on earnings due to derivatives that qualify for cashflow hedge accounting are not shown in the table because they do not belong to any of the IFRS 9 measurement categories.

Net result by measurement category

In EUR million	2020	2019
Assets/liabilities classified as at fair value through profit or loss	−5.1	3.8
Financial assets recognized at amortized cost	1.8	11.4
Financial liabilities recognized at amortized cost	1.3	−3.7
Total	**−2.0**	**11.5**

The net result of financial assets measured at amortized cost was primarily due to net losses and gains from currency translation, interest income from securities and fixed-term deposits and cash in banks.

Gains and losses from changes in the fair value of foreign exchange derivatives not qualifying for hedge accounting under IAS 39 and of securities are included in the category "Fair value through profit or loss" category. Dividend income and interest income/expenses from interest-bearing securities are also reported in the net result of this category. Dividend income is not recognized until there is a legal claim to payment.

The net gains (prior year: losses) in the category 'Financial liabilities recognized at amortized cost' primarily include effects resulting from valuations with different foreign exchange rates.

The interest income from financial assets which are not recognized at fair value through profit or loss amounts to EUR 5.3 million in 2020 (prior year: EUR 7.7 million). This interest income relates to cash and cash equivalents and fixed-term deposits and from securities.

The application of the effective interest method to financial assets measured at amortized cost resulted in interest expense of EUR 0.2 million (prior year: EUR 0.1 million) and interest income of EUR 0.1 million (prior year: EUR 0.0 million).

The interest expenses from financial liabilities which are not recognized at fair value through profit or loss were EUR 0.0 million in 2020 (prior year: EUR 0.1 million).

The financial assets and liabilities measured at fair value in the statement of financial position were allocated to one of three categories in accordance with the fair value hierarchy described in IFRS 13.

The levels of the hierarchy are as follows:

Level I: Financial instruments measured using quoted prices in active markets (markets showing appropriate liquidity) which are representative to the financial instrument being measured.

Level II: Financial instruments measured using valuation methods based on observable market data, the fair value of which can be determined using similar financial instruments traded in active markets or using valuation methods all of whose parameters are observable. These include hedging and non-hedging derivative financial instruments and loans.

Level III: Financial instruments measured using valuation methods not based on observable parameters, the fair value of which cannot be determined using observable market data and which require application of different valuation methods (typically applied for over-the-counter derivatives and unquoted equity instruments).

The following tables show the categories in the fair value hierarchy to which the financial assets and liabilities measured at fair value in the statement of financial position are allocated:

Fair value hierarchy

	As of December 31, 2020			
In EUR million	Level I	Level II	Level III	Total
Financial assets, measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used	–	4.0	–	4.0
Securities	83.7	–	–	83.7
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used	–	12.0	–	12.0
Total	**83.7**	**16.0**	**–**	**99.7**
Financial liabilities, measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used	–	3.5	–	–
Total	**–**	**3.5**	**–**	**3.5**

	As of December 31, 2019			
In EUR million	Level I	Level II	Level III	Total
Financial assets, measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used	–	0.9	–	0.9
Securities	82.8	–	–	82.8
Fair value through other comprehensive income				–
Derivatives for which hedge accounting is used	–	1.3	–	1.3
Total	**82.8**	**2.2**	**–**	**85.0**
Financial liabilities, measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used	–	2.4	–	2.4
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used	–	1.1	–	1.1
Total	**–**	**3.5**	**–**	**3.5**

Market values are calculated using information available on the reporting date and based on counterparties' quoted prices or via appropriate valuation methods (currency forward exchange contracts and currency foreign exchange swaps: discounted cash-flow or well-established actuarial methodologies, such as the par method; currency option contracts: Black-Scholes-model).

For all securities of the Company, quoted prices are available on an active market at the end of the fiscal year. For this reason, all securities are assigned to hierarchy level I.

Derivative financial instruments are recognized at fair value and are thus subject to a recurring fair value assessment. They are categorized as Level II fair values. The fair value of a derivative financial instrument is calculated based on market data such as exchange rates or yield curves in accordance with market-specific valuation methods. The calculation of the fair value reflects our and the counterparty's default risk, using maturity-matching and market-observable CDS values.

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Disclosures on derivative financial instruments

In cases where the Group hedges against foreign currency risks, it uses derivative financial instruments which comprise currency forward exchange contracts, currency option contracts, and currency foreign exchange swaps. Derivatives are used only if they are offset by scheduled transactions arising from operations (underlying transactions). The derivatives relate to three areas which are called ‘strategic hedging’, ‘operational hedging’ and ‘hedging of specific intra-group matters’.

Strategic hedging comprises expected sales transactions in foreign currency which are not yet invoiced. The time horizon for strategic hedging is between two and a maximum of 15 months. The hedged cash flows influence the statement of profit or loss at the time when sales are realized. The cash inflows are usually recorded one to two months afterwards. In strategic hedging, currency forward exchange contracts and currency option contracts (prior year: currency forward exchange contracts and stop/loss orders deposited with the bank) are primarily used.

Operational hedging relates to recognized trade receivables and trade liabilities and generally covers time horizons of between one and two months. Hedges are executed with currency forward exchange contracts. Hedging of specific intra-group matters, especially intra-group loans, are usually covered by currency swap contracts. Foreign exchange hedging is carried out mainly for the US dollar, Japanese yen and Singapore dollar.

The market values refer to the repurchase values (redemption values) of the financial derivatives and are calculated using recognized actuarial methods.

The derivatives are recognized at their market values, irrespective of their stated purpose. They are reported in the statement of financial position under other assets or other liabilities. Where eligible, cash flow hedge accounting is applied for the strategic hedging of currency exchange risks of future foreign exchange cash flows from currency forward exchange contracts. In such cases, changes in the market values of foreign exchange contracts are recognized in other comprehensive income until the underlying transaction takes place, insofar as the hedge is effective. When future transactions are realized, the effects accumulated in other equity items are restated through profit and loss to the operating result (other operating income/other operating expenses). As part of the strategic hedging using currency options, cash flow hedge accounting has been applied to the intrinsic value of the options since the 2020 financial year, provided they are combination options and the requirements for hedge accounting are met. Accordingly, changes in the intrinsic value are recognized directly in equity and changes in the fair value are recognized in profit or loss.

The reconciliation of the cumulative effects recognized in other comprehensive income (before tax) for the 2020 and 2019 financial years are as follows:

In EUR million	2020	2019
Accumulated effects from derivative financial instruments (cash flow hedge) before taxes as of January 1	0.4	−11.3
Changes in market values	11.5	−9.2
Reclassification to the profit and loss statement (other operating income and expenses)	0.4	20.9
Accumulated effects from derivative financial instruments (cash flow hedge) before taxes as of December 31	**12.3**	**0.4**

For strategic hedging, fixed hedging ratios of 26 percent are used for the expected net exposure in US dollars (where appropriate, taking into account currencies showing a high correlation with the U.S. dollar), and graduated hedging ratios of around 30 percent to 40 percent are used for the yen exposure. The expected net exposure in yen for 2021 is hedged at around 33 percent.

Siltronic determines the effectiveness of the hedging relationship between the hedged item and the hedging instrument based on maturities, currencies and nominal values, whereby the hedging ratio between the hedging instrument and the hedged item in hedge accounting is generally 100 percent. The Company assesses whether the designated derivatives effectively hedge the cash flows of the hedged item using the hypothetical derivative method. The credit risk of the counterparties as well as changes in the timing of the hedged highly probable future transactions represent possible sources of ineffectiveness. No ineffectiveness was reported in the result for the period, as the hedging relationships were almost completely effective and the changes in value of the hedging instruments were therefore approximately opposite to those of the underlying transactions.

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Nominal values and market values

The following tables compare the fair values of derivative financial instruments with their nominal values:

In EUR million	As of December 31, 2020 Nominal values	As of December 31, 2020 Market values	As of December 31, 2019 Nominal values	As of December 31, 2019 Market values
Other financial assets	**456.6**	**16.0**	**280.6**	**2.2**
Foreign currency derivatives	369.2	11.7	118.8	1.7
thereof for strategic hedging (with hedge accounting)	*147.3*	*9.0*	60.2	1.3
Foreign currency options	83.1	4.2	147.1	0.4
thereof for strategic hedging (with hedge accounting)	*45.6*	*3.0*	–	–
Foreign currency swaps	2.1	–	9.0	–
Other derivatives	2.2	0.1	5.7	0.1
Other financial liabilities	**272.4**	**3.5**	**230.1**	**3.5**
Foreign currency derivatives	21.7	–	69.7	2.8
thereof for strategic hedging (with hedge accounting)	*7.8*	–	28.7	1.1
Foreign currency options	90.2	–	147.1	0.7
thereof for strategic hedging (with hedge accounting)	*49.3*	–	–	–
Foreign currency swaps	160.5	3.5	13.3	–

The following table shows the breakdown of the nominal values of the currency forward exchange contracts for strategic hedging by maturity as well as the average hedging rate per currency:

In EUR million	As of December 31, 2020 current (less than 1 year)	As of December 31, 2020 non-current (more than 1 year)	As of December 31, 2019 current (less than 1 year)	As of December 31, 2019 non-current (more than 1 year)
Nominal values currency forward exchange contracts	145.6	9.5	77.5	11.4
Average hedging rate				
EUR/JPY	122	126	120	122
EUR/USD	1.12			
USD/SGD	1.41			
EUR/SGD	1.56			
Nominal values currency option contracts	42.7	–	–	–
Average hedging rate				
EUR/USD	1.15			
USD/SGD	1.40			

Apart from the currency forward exchange contracts for strategic hedging, all derivative financial instruments in the financial year and the previous year have a term of less than one year.

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The following table provides information on the netting of financial assets and liabilities in the consolidated statement of financial position. It also shows the financial effects of a possible setting off of financial instruments from netting agreements, enforceable global netting agreements, or similar agreements.

Net amount

	As of December 31, 2020					
	I	II	I – II	Related amounts not set off in the statement of financial position		
In EUR million	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial assets/ liabilities set off in the statement of financial position	Net amounts of financial assets/ liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
Derivatives with a positive market value	16.3	0.3	16.0	2.5	–	13.5
Derivatives with a negative market value	–3.8	–0.3	–3.5	–2.5	–	–1.0

	As of December 31, 2019					
	I	II	I – II	Related amounts not set off in the statement of financial position		
In EUR million	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial assets/ liabilities set off in the statement of financial position	Net amounts of financial assets/ liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
Derivatives with a positive market value	3.6	1.4	2.2	1.8	–	0.4
Derivatives with a negative market value	–4.9	–1.4	–3.5	–1.8	–	–1.7

In addition to the amounts offset under the provisions on netting pursuant to IAS 32, the table also includes those amounts that may not be netted pursuant to IAS 32.

As a part of strategic hedging of foreign currency cash flows the Group closes out forward-exchange contracts prior to maturity by offsetting transactions. The strategic forward exchange contract and the corresponding offsetting forward exchange transaction are recognized as a net amount in accordance with IAS 32. In addition, general offsetting agreements, which apply only in cases of insolvency, have been concluded with a number of banks.

The Group has not received any pledged cash security for positive market values of derivatives nor pledged any cash security for negative market values.

Management of financial risks

The following disclosures explain the management of the financial risks of the Group. Other parts of these notes include more quantitative information to financial assets and financial liabilities or contingencies.

In the normal course of business, the Group is exposed to credit, liquidity, and market risks from financial instruments. The goal of financial risk management is to limit risks from operating business and the resultant financing requirements by using certain derivative and non-derivative hedging instruments. In addition, the Group is exposed to a minor extent to market and interest rate risks from securities.

In terms of assets, liabilities and planned transactions, the Group faces risks resulting from the fluctuation of foreign exchange rates. Generally, only those risks which have an impact on the cash flow of the Group are hedged. To mitigate default risks, hedging instruments are only entered with counterparties of good credit rating.

The basic rules of financial management are determined by the Executive Board and monitored by the Supervisory Board of the Group. The Executive Board has the overall responsibility for the implementation and monitoring of the risk management of the Group. Part of this system is the management of financial risks. Among other things, the system for managing financial risks has a guideline defining the usage and the extent of derivative financial instruments and committees supervising the application of the guideline, evaluating the efficiency of the derivative financial instruments entered and defining additional risk limits when necessary.

The Group mitigates financial risks through the risk management system it has in place. This system is monitored by the Supervisory Board. The fundamental purpose of the risk management system is to identify, analyze, coordinate, monitor, and communicate risks in a timely manner. The Executive Board of the Group receives regular analyzes on the extent of those risks. The analyzes focus on market risks, in particular on the potential impact of raw-material price risks, foreign currency exchange risks, and interest rate risks on net interest income.

Foreign currency risks

Foreign currency risks generally result from investments, financing measures, and operating business. The Group hedges foreign currency risks as far as it can influence the cash flow of the Group. Foreign currencies which do not influence the cash flow of the Group result from the translation of assets and liabilities of foreign subsidiaries into Euro. Such risks are not hedged because they refer to long-term financial investments.

Since it is very common in the semiconductor industry to transact in US dollars and the proceeds for the Group from the sale of products (operating business) significantly exceed the cash outflows in US dollars (operating business and investments), the Group faces a US dollar foreign exchange risk. The Group also faces foreign currency exchange risks related to the Japanese yen and the Singapore dollar. As the Singapore dollar is showing a high correlation to the US-Dollar the risks for these currencies are viewed together.

The net exposure for foreign currency, i.e. the amount in the same foreign currencies (or currencies put together because of high correlations) remaining after eliminating cash inflows and cash outflows, is hedged according to the Group policy.

To record market risks, IFRS 7 requires sensitivity analyzes which show the results from hypothetical changes of relevant risk variables on profit or loss and on equity. The periodical changes are calculated by applying the hypothetical changes of the risk variables on all existing financial instruments as of the reporting date. The sensitivity analyzes regarding foreign currencies have the following presumptions:

The existing primary monetary financial instruments (cash and cash equivalents, fixed-term deposits receivables, securities, interest bearing, and non-interest bearing liabilities) as of the reporting date represent a normal level. Approximately two-thirds of consolidated sales are invoiced in US dollar. Payouts in foreign currency remain on the current level which is dependent on the production level. Thus, the Group is only opposed to foreign currency exchange risks coming from trade receivables not hedged and the change in fair value of existing derivative financial instruments.

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If the US dollar against the euro (taking into account currencies showing a high correlation with the US dollar) would have been up by 10 percent as of December 31, 2020, the fair value of the derivative financial instruments would have decreased by approximately EUR 11.0 million. EUR 4.2 million of the change would have been recognized in the statement of profit and loss and EUR 6.8 million in other comprehensive income. If the US dollar against the euro would have been down by 10 percent, the fair value of the derivative financial instruments would have decreased by EUR 6.3 million. Of these changes EUR 6.0 million would have been recognized in other comprehensive income and EUR 0.3 million in the statement profit or loss. The corresponding fair value changes as of December 31, 2019 would have decreased by EUR 23.7 million or increased by EUR 18.7 million. The decrease would have been recognized with an amount of EUR 17.2 million in the statement of profit and loss EUR 6.5 million in other comprehensive income. The increase would have been recognized with an amount of EUR 8.4 million in the statement of profit and loss EUR 10.3 million in other comprehensive income.

If the Japanese Yen had been up or down by 10 percent against the euro as of December 31, 2020 the fair value of the strategic derivative financial instruments would have changed by EUR 8.2 million. The change would have been fully recognized in other comprehensive income. The corresponding fair value change as of December 31, 2019 would have resulted in EUR 10.8 million, of which EUR 8.9 million would have been recognized in other comprehensive income and EUR 1.9 in statement of profit and loss.

Without taking currency hedging transactions into account, a deviation of 1 USD cent in the EUR/USD exchange rate compared to the planned exchange rate results in a change in sales of around +/- EUR 6 million and a change in EBITDA of around +/- EUR 4.5 million in the fiscal year.

Interest rate risk

As of the reporting date, the Group is not exposed to any material interest rate risks from its operating activities as it has no interest-bearing net liabilities and does not expect any material net liabilities. The Group is exposed to a low interest rate risk from fixed-income securities that are valued at amortized cost. Furthermore, the derivatives denominated in foreign currencies are not subject to any significant changes in interest rates, so that no interest rate risk arises.

The Group has securities, mainly in the special fund, which may be subject to minor interest rate risks. These risks are largely monitored and reduced by a so-called overlay management.

Other price risks

To a small extent, the Group is exposed to other market price risks from fluctuating stock market prices as a result of securities held in the special fund. These risks are monitored and reduced by an overlay management

Credit risk (risk of default)

In terms of financial instruments, the Group is exposed to a default risk should a contractual party fail to fulfill its commitments. The maximum risk is therefore the amount of the respective financial instrument's positive fair value. To limit the risk of default, transactions are conducted only within defined limits and with partners of very high credit standing. To make efficient risk management possible, the market risks within the Group are controlled centrally. The conclusion and handling of transactions comply with internal guidelines and are subject to monitoring procedures that take account of the separation of duties. As for operations, outstanding receivables and default risks are continually monitored and partly hedged against by means of trade credit insurance. Receivables from major customers are not so high as to represent an extraordinary concentration of risks. For further information on the default risk of financial assets and contract assets, see Notes 08 and 09. In the last three years, the expenses for default was on average less than 0.1 percent of sales.

Liquidity risk

A liquidity risk means that a company may not be able to meet its existing or future financial obligations because of insufficient funds. The Group ensures continuous liquidity and financial flexibility by holding enough funds as cash and cash equivalents. Financing through loans is currently of no relevance.

Liquidity risk is addressed by financial planning. During the year, rolling monthly liquidity planning is carried out for the Group and the main individual companies, covering the period up to the end of the year. In addition to the outlook, we compare the actual cash flows with the projected cash flows in order to mitigate weaknesses in the forecast. There is also a multi-year plan which shows at an early stage when and to what extent liquidity risks are to be expected.

According to the policy of the Group, guarantees are generally issued only to subsidiaries. No guarantees had been issued as of the years ended December 31, 2020 or 2019.

Market risk

Market risk describes the risk that the fair value or future cash flows of an original or derivative financial asset will change due to the volatility of the market. The securities of the special fund are also subject to this risk.

Fixed-term deposits

Fixed-term deposits are investments held at banks. They have a term until October 2021.

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17 Segment reporting

The Group has only one reportable segment, which includes the development, production, and marketing of semiconductor wafers with a wide variety of features satisfying numerous product specifications to meet customers' precise technical specifications, which are utilized in the manufacture of semiconductor devices. Based on the fact that in the wafer industry the allocation of resources is derived from a wide variety of specifications, the Group operates only in one segment. The products can differ between diameters, between polished and epitaxial wafer, between different pulling technologies and other features.

The geographical information during the reporting periods was as follows:

Segment information by region

	2020							
In EUR million	Germany	Europe excluding Germany	United States	Taiwan and (mainland) China	Korea	Asia excluding Taiwan, (mainland) China and Korea	Consolidation and others	Siltronic Group
External sales from contracts with customers by customer location	77.6	117.3	130.5	414.5	283.0	165.8	18.3	1,207.0
Additions to property, plant and equipment, and intangible assets	97.9	–	6.3	0.1	–	83.3	–	187.6
Non-current assets (December 31)	435.6	–	28.8	0.1	0.2	503.1	17.4	985.2

	2019							
In EUR million	Germany	Europe excluding Germany	United States	Taiwan and (mainland) China	Korea	Asia excluding Taiwan, (mainland) China and Korea	Consolidation and others	Siltronic Group
External sales from contracts with customers by customer location	106.4	139.2	143.0	342.9	356.4	158.8	23.7	1,270.4
Additions to property, plant and equipment, and intangible assets	147.2	–	10.0	–	–	205.8	–	363.0
Non-current assets (December 31)	411.1	–	29.0	0.1	0.2	516.0	17.7	974.1

In 2020, the Group realized sales with three customers with a share of 21 percent, 15 percent and 10 percent, respectively. In 2019, three customers constituted 21 percent, 15 percent and 13 percent of consolidated sales.

18 Transactions with related companies and persons

The disclosure requirements according to IAS 24 refer to transactions (a) with its minority shareholder Wacker Chemie AG and the ultimate controlling shareholder of Wacker Chemie AG, which is Dr. Alexander Wacker Familiengesellschaft mbH (holding more than 50 percent of the voting shares in Wacker Chemie AG), (b) with Pensionskasse (pension fund), and (c) with members of the Executive Board and Supervisory Board of the Company.

Related companies
The amounts recorded in the statement of profit or loss resulting mainly from transactions with Wacker Chemie AG:

Information on transactions with related companies

In EUR million	2020	2019
Sales	0.9	0.9
Purchased material and services (primarily cost of sales)	148.3	143.5
Lease expenses (several functional costs)	0.4	0.4

In 2020, sales include other services for EUR 0.9 million (prior year: EUR 0.9 million) to Wacker Chemie AG.

The cost of sales primarily relates to (a) the purchase of the major raw material polysilicon from Wacker Chemie AG and (b) a services framework agreement the Company has entered into with Wacker Chemie AG covering technical engineering, IT, materials management and procurement, site services at the production facility in Burghausen, and corporate administrative services.

Lease expenses relate to depreciation on right-of-use assets for buildings leased from Wacker Chemie AG in Burghausen and the pension fund in Munich. The lease agreement with the pension fund expired at the end of fiscal 2020.

The following table shows inventories, other assets, right-of-use assets and liabilities to related parties recorded in the statement of financial position for the years ending December 31, 2020 and 2019:

Inventories, other assets and liabilities to related parties

In EUR million	Dec. 31, 2020	Dec. 31, 2019
Right-of-use assets	1.6	1.7
of which Wacker Chemie	*1.6*	*1.5*
of which Pensionskasse	*–*	*0.2*
Other assets	1.9	0.5
of which Wacker Chemie	*1.9*	*0.5*
Inventories	14.3	11.8
of which Wacker Chemie	*14.3*	*11.8*
Lease liabilities	1.6	1.7
of which Wacker Chemie	*1.6*	*1.5*
of which Pensionskasse	*–*	*0.2*
Trade liabilities	13.7	6.4
of which Wacker Chemie	*13.7*	*6.4*

The inventories relate to shipments of raw materials supplied by Wacker Chemie AG.

In addition, long-term purchase agreements exist with Wacker Chemie AG, resulting in other financial obligations of EUR 71.3 million (previous year: EUR 67.4 million).

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Related persons

The following table shows the remuneration of members of the Executive Board and Supervisory Board:

Remuneration of corporate bodies

In EUR		Fixed remuneration	Variable remuneration	Share-based payments	Pensions	**Total**
Remuneration for Executive Board members	**2020**	973,485	944,618	870,074	360,376	3,148,553
	2019	963,463	494,949	567,180	335,617	2,361,209
Provisions for pensions for active Executive Board members	**2020**				5,586,912	5,586,912
	2019				6,103,844	6,103,844
Remuneration for former Executive Board members and their surviving dependents	**2020**				262,373	262,373
	2019				221,253	221,253
Provisions for pensions for former Executive Board members and their surviving dependents	**2020**				7,863,911	7,863,911
	2019				7,892,388	7,892,388
Supervisory Board remuneration	**2020**	698,445				698,445
	2019	658,369				658,369

Share-based payments with a fair value of EUR 0.6 million were granted to the members of the Executive Board on May 4, 2020.

Remuneration for pensions consists of service costs and interest costs. In the fiscal year, a change in the pension plan for a member of the Executive Board resulted in past service cost of EUR -1,052,779 (income). This is also the reason for the decrease in pension provisions for active Executive Board members compared to the prior year.

Moreover there were no further significant transactions between Siltronic and related parties in the 2020 fiscal year beyond the existing employment, service, or appointment relationship or the contractual remuneration.

19 Share-based compensation agreement

In the fiscal year 2020, a new compensation system for the members of the Executive Board was introduced. As in the prior year, the compensation system comprises a cash compensation in the form of phantom stocks as long-term variable compensation. Detailed information on the share-based compensation agreement can be found in the compensation report.

In the compensation year 2020, the contractual allotment value was initially converted into phantom stocks granted on the basis of the average weighted closing price of the share on the last 30 stock market trading days of 2019. The phantom stocks are held for a period of four years (performance period), starting January 1, 2020. The basis for calculating the final number of phantom stocks is the achievement of the targets set by the Supervisory Board for each performance period. A target value, a minimum value and a maximum value are determined for these targets. The phantom stocks are settled in cash. To determine the amount of the cash settlement, the final number of phantom stocks is initially calculated by multiplying the preliminary number of phantom stocks by the total target achievement factor. The cash settlement is calculated by multiplying the final number of phantom stocks with the weighted average closing price of the Company's shares on the last 30 trading days of the year 2023 plus the dividends paid out during the fiscal years 2020 to 2023. The cash settlement is limited to 200 percent of the contractual allotment value (cap).

For the prior year, the phantom stocks were calculated based on the average of the overall target achievement factors relating to each of the performance categories for the compensation year and the previous fiscal year, multiplied by the average of the contractually agreed annual basic salary in the compensation year. 51 percent of the performance-related compensation is initially converted into phantom stocks based on the average weighted closing price of the Company's share during the last 30 trading days of the compensation year. After a holding period of two years, the phantom stocks are settled in cash. Dividends that would have been paid during the holding period for real shares are added to the cash settlement. The variable compensation is limited to a maximum amount of 300 percent of the average annual basic salary.

After completion of the first year out of the four years of the performance period, the preliminary figure for the reporting year based on the target development to date is 8,815 phantom stocks. In prior years, 18,693 phantom stocks were allocated which have not yet been paid out. The average price of the Siltronic share, which is decisive for the number of phantom stocks, was EUR 121.61 (prior year: EUR 81.75). The fair value per phantom stock on the reporting date was EUR 128.10. The possibility of reaching the contractually agreed cap is taken into account using a Black-Scholes calculation and the fair value is reduced accordingly. In total, there is a provision for phantom stocks for the fiscal years 2019 and 2020 of EUR 1.7 million (prior year: EUR 1.7 million). The cash compensation for the phantom stocks from the fiscal year 2018 will be paid in the fiscal year 2021 at the average price from 2020, for which another liability of EUR 1.6 million was recognized. The personnel expenses increased in the fiscal year 2020 by EUR 1.6 million (prior year: EUR 0.9 million).

20 Other information

The following table shows the personnel employed on average during the year.

Average number of employees

	2020	2019
Germany	2,299	2,314
Singapore and other countries in Asia	1,113	1,096
United States	328	377
Total	**3,740**	**3,787**

The auditor's fees are divided into audits of financial statements, other certification services and non-audit services.

Audit fees

In EUR million	2020	2019
Audit of financial statements	0.4	0.4
Other certification services	0.1	0.1
Non-audit services	0.0	0.0
Total	**0.5**	**0.5**

Non-controlling Interests

A minority shareholder has a non-controlling interest of 22.3 percent in Siltronic Silicon Wafer Pte. Ltd. Apart from Siltronic Silicon Wafer Pte. Ltd., there are no minority shareholders in the Siltronic Group.

The following summarized financial information is in accordance with IFRS and presented before consolidation. As of December 31, 2020 non-current assets totaled EUR 486.5 million and current assets EUR 205.9 million, equity EUR 384.3 million, non-current liabilities EUR 239.1 million and current liabilities EUR 69.0 million.

In the year 2020, Siltronic Silicon Wafer Pte. Ltd. realized sales of EUR 339.3 million resulting in a net profit of EUR 116.5 million and a comprehensive income of EUR 91.8 million. In the year 2020, the balance of cash flows from operating activities less cash outflows from investing activities due to capital expenditures including intangible assets (taking proceeds into account resulting from the disposals of property, plant and equipment) resulted in an payments surplus of EUR 14.1 million.

The minority shareholder did not receive a dividend.

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The list of shareholdings in affiliated companies as of December 31, 2020 is as follows (IFRS amounts):

List of shareholdings

	2020		
	Share capital in EUR million	Net income in EUR million	Equity share in %
Siltronic Holding International B.V., Rotterdam, Netherlands [1]	358.0	108.2	100.0
Siltronic Singapore Pte. Ltd., Singapore [2]	354.7	55.8	100.0
Siltronic Silicon Wafer Pte. Ltd., Singapore [2]	384.4	116.5	77.7
Siltronic Corp., Portland, Oregon, USA [2]	48.9	13.4	100.0
Siltronic Japan Corp., Tokio, Japan [2]	−0.2	1.5	100.0
Siltronic Korea Ltd., Seoul, Korea [1]	1.4	0.5	100.0
Siltronic Shanghai Corp., Ltd., Shanghai, China [1]	0.9	0.3	100.0
Structured entity: Special Fund, Frankfurt, Germany [1]	83.0	0.8	100.0

[1] Held directly by Siltronic AG
[2] Held indirectly by Siltronic AG

21 Subsequent events

Following a voluntary public tender offer by GlobalWafers GmbH, Munich, to the shareholders of Siltronic AG, GlobalWafers GmbH announced on February 10, 2021, that it had exceeded the minimum acceptance threshold of 50 percent by the end of the acceptance period. The offer was therefore successful. The transfer of tendered shares is subject to the condition precedent that various authorities in Germany and abroad approve the acquisition. There are no noteworthy financial implications resulting from the event.

Furthermore there were no significant events after the end of the fiscal year ending December 31, 2020.

Munich, March 1, 2021
The Executive Board of Siltronic AG

Dr. Christoph von Plotho
(CEO)

Rainer Irle
(CFO)

Additional information

Independent Auditor's Report

To Siltronic AG, Munich

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Siltronic AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Siltronic AG for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
– the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of the assets of the "300 mm" cash-generating unit including goodwill

For information on the accounting policies for intangible assets and property, plant and equipment, please refer to the explanation in the sections "Intangible assets", "Property, plant and equipment" and "Depreciation and amortisation" of the accounting policies, as well as the explanatory notes on the individual statement of financial position items under "Development of intangible assets" and "Development of property, plant and equipment" in the notes to the consolidated financial statements.

The Financial Statement Risk

Investments in intangible assets and property, plant and equipment totalled EUR 187.6 million in the reporting year. In the current reporting year and in prior years, investments were predominantly made in expanding the capacities of 300 mm wafer production. In addition, there is goodwill in the amount of EUR 20.5 million attribut-able to the "300 mm" cash-generating unit (CGU).

As items of property, plant and equipment generate no cash flows that are largely independent of other assets, it is checked whether there is any indication of impairment at the level of the "300 mm" CGU. In the course of the annual impairment test, the Company determines the recoverable amount of the "300 mm" CGU as at the reporting date and compares this with the carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised. For the impairment test, the Company primarily determines the value in use.

Impairment testing of the assets of the "300 mm" CGU including goodwill is complex and based on a range of assumptions that require judgement. These include in particular forecasts of cash flows and the discount rates used.

Business in the semiconductor market is cyclical, meaning that demand for market prices has in the past fluctuated and market participants have experienced excess capacities. Uncertainties arising from the coronavirus pandemic may result in additional fluctuations in demand on both the sales and procurement side. In light of this, there is a risk that the assets of the "300 mm" CGU, including the goodwill assigned to it, could be impaired.

Our audit approach
We obtained an understanding of the Company's process for determining the recoverable amounts for the "300 mm" CGU based on explanations provided by members of the accounting department as well as an assessment of the group accounting guidelines.

With the involvement of our valuation specialists, we verified the computational accuracy of the Company's valuation model and assessed the appropriateness of the valuation method and the significant assumptions incorporated into the model. In addition, we also discussed the expected cash inflows with those responsible for planning. Reconciliations were made with other internal forecasts, e.g. for tax purposes, and with medium-term budgets prepared by the Executive Board and approved by the Supervisory Board, to ensure consistency. The appropriateness of the assumptions was assessed considering external market assessments of the future development of the semiconductor industry.

We also confirmed the accuracy of the Company's forecasts to date by comparing the budgets of previous financial years with actual profits generated at a later point in time and analysing deviations.

We compared the assumptions and parameters underlying the discount rate – in particular the risk-free interest rate, the market risk premium, the specific risk premium and the beta coefficient – with our own assumptions and publicly available data.

In order to take account of forecast uncertainty, we also investigated the impact of potential changes to the discount rate and expected EBITDA on the recoverable amount by recalculating alternative scenarios of the client and comparing these with the Company's measurement figures (sensitivity analysis).

Our observations
The approach to the impairment testing of the "300 mm" CGU, including the goodwill assigned to it, is consistent with the valuation policies. The assumptions and parameters used by the Company are appropriate.

Other information
The Executive Board and/or the Supervisory Board are/is responsible for the other information. The other information comprises:

- the non-financial statement in the form of a non-financial report, which is referred to in the group management report,
- the Group's corporate governance statement included in the section "Corporate governance statement" of the group management report, and
- information extraneous to management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate limited assurance engagement for the non-financial statement. Please refer to our assurance report dated 1 March 2021 for information on the nature, scope and findings of this assurance engagement.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Executive Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory requirements

Assurance Report in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the electronic reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") *contained in the file "Siltronic_AG_KA+KLB_ESEF-2020-12-31.zip"* and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2020 to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above.

We conducted our assessment of the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Executive Board is responsible for the internal controls it considers necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Company's Executive Board is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether tagging the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 26 June 2020. We were engaged by the Supervisory Board on 14 January 2021. We have been the group auditor of Siltronic AG without interruption since its IPO in financial year 2015.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not individually disclosed in the consolidated financial statements or in the combined management report:

We audited the annual financial statements of Siltronic AG. Audit reviews of interim financial statements were integrated into the audit. Furthermore, other assurance services were provided for statutory or contractually agreed audits, such as audits in accordance with the German Renewable Energies Act [EEG], EMIR assessments pursuant to Section 20 of the German Securities Trading Act [WpHG], certification of electricity price compensation and the limited assurance engagement for the non-financial report.

German Public Auditor Responsible for the Engagement

The GermanPublic Auditor responsible for the engagement is Johannes Hanshen.

Munich, March 1, 2021
KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Hanshen Wirtschaftsprüfer [German Public Auditor]	Ratkovic Wirtschaftsprüfer [German Public Auditor]

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the significant opportunities and risks associated with the expected development of the Group.

Munich, March 1, 2021
The Executive Board of Siltronic AG

Dr. Christoph von Plotho (CEO)	Rainer Irle (CFO)

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Further disclosures on offices held

Supervisory Board

Name	Occupation	Membership of other supervisory boards and other comparable domestic and foreign supervisory bodies of business enterprises (as of December 31, 2020)
Dr. Tobias Ohler Chairman of the Supervisory Board	Member of the Executive Board of Wacker Chemie AG, Munich, Germany	Member of the Supervisory Board – Wacker Chemie VVaG Pension Fund
Johann Hautz [1)] Deputy Chairman of the Supervisory Board	Exempted works council of Siltronic AG, Burghausen site	
Mandy Breyer [1)]	Deputy Chairwoman of the works council of Siltronic AG, Freiberg site	
Prof. Dr. Gabi Dreo Rodosek	Executive Director of the Research Institute CODE and University Professor and Chair of Communication Systems and Network Security at the University of the Federal Armed Forces in Munich	Member of the Supervisory Board – Giesecke & Devrient GmbH, Munich – BWI GmbH Member of the Advisory Board – Giesecke & Devrient GmbH, Munich
Klaus-Peter Estermaier [1)] Representative of senior executives	Head of Supply Chain Management Germany, Siltronic AG Chairman of the Joint Speaker Committee of the Senior Executives of Siltronic AG	
Sieglinde Feist	Head of the Central Division Sales and Distribution, Wacker Chemie AG, Munich	Chairperson of the Board of Directors (non-executive) – Wacker Chemicals Ltd., United Kingdom – Wacker-Kemi AB, Sweden Member of the Board of Directors (non-executive) – Wacker Chemie Italia S.r.l., Italy – Wacker Chimie S.A.S., France – Wacker Química Ibérica, S.A., Spain – Wacker Chemicals (South Asia) Pte Limited, Singapore – Wacker Chemicals Korea Inc., South Korea (all Wacker Chemie Group mandates)
Gebhard Fraunhofer [1)]	Chairman of the general works council of Siltronic AG	
Dr. Hermann Gerlinger	Managing Partner of the GeC GmbH (one-person company)	Member of the Board of Directors – VAT Group AG, Switzerland
Michael Hankel	Member of the Executive Board of ZF Friedrichshafen AG (until December 31, 2020, thereafter retired)	Member of the Supervisory Board – ZF Gusstechnologie GmbH, Nuremberg (ZF Friedrichshafen-Groupmandate)
Bernd Jonas	Independent lawyer	
Gertraud Lauber [1)] (Supervisory Board member until December 31, 2020)	Trade Union Secretary IG BCE, Economic and Energy Policy Division	Member of the Supervisory Board – Rütgers Germany GmbH, Castrop-Rauxel
Jörg Kammermann [1)] (Supervisory Board member until December 31, 2020)	District Chairman of the IG BCE, Altötting Trainer & Consultant (since October 1, 2020)	Member of the Supervisory Board – Wacker Chemie AG, Munich
Markus Hautmann [1)] (Supervisory Board member since January 1, 2021)	District Chairman of the IG BCE, Altötting	Member of the Supervisory Board – SMP Deutschland GmbH, Bötzingen – Wacker Chemie AG, Munich
Lina Ohltmann [1)] (Supervisory Board member since January 1, 2021)	Secretary IG BCE, Union Pay Policies Division	

[1)] Employee representative

Supervisory Board committees

Conciliation Committee
Dr. Tobias Ohler (Chairman)
Gebhard Fraunhofer[1)]
Johann Hautz[1)]
Sieglinde Feist

Audit Committee
Bernd Jonas (Chairman)
Gebhard Fraunhofer[1)]
Dr. Tobias Ohler

Executive Committee
Dr. Hermann Gerlinger (Chairman)
Dr. Tobias Ohler
Johann Hautz[1)]
Michael Hankel

Nominierungsausschuss
Dr. Tobias Ohler (Chairman)
Dr. Hermann Gerlinger

Special Committee for the preparation of the reasoned opinion pursuant to Section 27 of the German Securities Acquisition and Takeover Act (WpÜG) (09.12.2020 – 10.02.2021)
Mandy Breyer[1)] (after 01.01.2021)
Michael Hankel
Johann Hautz[1)]
Jörg Kammermann[1)] (until 31.12.2020)
Dr. Tobias Ohler

Executive Board

Dr. Christoph von Plotho

Chief Executive Officer
Application Technology
Engineering
Investor Relations & Communications
Corporate Development
Production
Quality Management & Sustainability
Legal & Compliance
Site Management Burghausen & Freiberg
Supply Chain Management
Technology
Sales & Marketing
Siltronic Japan
Siltronic Singapore

Member of the Board of Directors (Chairman) of the following affiliated companies
- Siltronic Silicon Wafer Pte. Ltd., Singapore
- Siltronic Singapore Pte. Ltd., Singapore
- Siltronic Corporation, USA
- Siltronic Japan Corporation, Japan

Rainer Irle

Chief Financial Officer & Labor director
Controlling & Finance
Accounting & Tax
Procurement
IT
Human Resources
Risk Management & Audit
Siltronic USA

Member of the Board of Directors of the following affiliated companies:
- Siltronic Corporation, USA
- Siltronic Japan Corporation, Japan

1) Employee representative

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Quarterly overview

		Q4 2020[1]	Q3 2020[1]	Q2 2020[1]	Q1 2020[1]
Statement of profit or loss					
Sales	In EUR million	284.5	299.3	323.1	300.1
EBITDA	In EUR million	67.2	80.1	100.4	84.2
EBITDA margin	In %	23.6	26.8	31.1	28.1
EBIT	In EUR million	28.4	43.6	66.9	53.3
EBIT margin	In %	10.0	14.6	20.7	17.8
Net profit	In EUR million	40.9	39.1	60.8	46.0
Earnings per share	In EUR	1.17	1.08	1.80	1.32
Capital expenditure and net cash flow					
Capital expenditure on property, plant and equipment, and intangible assets	In EUR million	58.2	35.1	48.3	46.0
Net cash flow	In EUR million	–18.9	28.6	26.7	40.9

Statement of financial position					
Total assets	In EUR million	1,919.4	1,905.4	1,909.0	1,954.2
Equity	In EUR million	871.8	832.6	866.5	1,031.0
Equity ratio	In %	45.4	43.7	45.4	52.8
Net financial assets	In EUR million	499.2	519.3	509.4	588.1

[1] Quarterly figures are unaudited values.

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Multi-year overview

		2020	2019	2018	2017
Statement of profit or loss					
Sales	In EUR million	1,207.0	1,270.4	1,456.7	1,177.3
Gross profit	In EUR million	339.5	457.6	631.9	370.3
Gross margin	In %	28.1	36.0	43.4	31.5
EBIT	In EUR million	192.2	298.3	497.7	235.7
EBIT margin	In %	15.9	23.5	34.2	20.0
EBITDA	In EUR million	332.0	408.7	589.3	353.1
EBITDA margin	In %	27.5	32.2	40.5	30.0
Financial result	In EUR million	–3.0	4.4	–9.3	–8.5
Income taxes	In EUR million	–2.4	–41.7	–87.8	–35.0
Net profit/loss for the period	In EUR million	186.8	261.0	400.6	192.2
Earnings per share	In EUR	5.36	7.52	12.40	6.20
Capital expenditure and net cash flow					
Capital expenditure on property, plant and equipment, and intangible assets	In EUR million	187.6	363.0	256.9	123.2
Net cash flow	In EUR million	77.4	81.3	240.4	124.8
Statement of financial position					
Total assets	In EUR million	1,919.4	1,.945.0	1,818.2	1,252.4
Equity	In EUR million	871.8	930.2	915.7	637.9
Equity ratio	%	45.4	47.8	50.4	50.9
Net financial assets	In EUR million	499.2	588.9	691.3	342.1
Employees		**3,772**	**3,669**	**3,914**	**3,730**

Glossary

ASP
Average selling prices

Capabilities
The capabilities relate to the ability of Siltronic to meet the increasing technological requirements of customers, at consistent quality.

Cash flow
A financial metric representing the net amount of cash and cash equivalents flowing into and out of a business during a period. Net cash flow is the sum of cash flow from operating activities (excluding the change in advance payments received) and cash flow from current investing activities (excluding securities but including additions from finance leases).

EBIT
Earnings before interest and taxes. This standardized metric is used by many companies, making it useful for comparing profit.

EBITDA
Earnings before interest, taxes, depreciation and amortization = EBIT + depreciation and amortization.

Equity ratio
A company's equity expressed as a percentage of its total assets. This metric provides an indication of a company's economic and financial stability.

HAP
Hazardous air pollutants

IFRS
International Financial Reporting Standards (until 2001: Internati-onal Accounting Standards, IAS). These standards are developed and published by the Interna-tional Accounting Standards Board (IASB), which is based in London, UK. Under the IAS Regulation, adoption of IFRS has been mandatory for listed companies headquartered in the European Union since 2005.

NMVOC
Non-methane volatile organic compounds

NOx
Nitrogen oxides

PM
Particulate matter

Polysilicon
Hyperpure silicon used to manufacture silicon wafers for the electronics and solar industries. Raw silicon is added to liquid trichlorosilane and extensively dis-tilled before being separated again in a hyperpure form at a temperature of 1,000 degrees Celsius.

POP
Persistent organic pollutant

ROCE
Return on capital employed. This metric is calculated from a company's profit relative to the amount of capital it has used.

Semiconductor
A substance whose electrical conductivity is much lower than that of a metal but increases rapidly as the temperature rises. Semiconductors can be changed by deliberately introducing impurities in order to adapt them for a particular purpose.

Silicon
The second most abundant element on Earth after oxygen. In nature, silicon can only be found in the form of compounds, predominantly silicon dioxide and silicates. Silicon is obtained in an energy-intensive reaction between quartz sand and carbon. It is the most important raw material for the electronics industry.

Silicon wafer
A round disk with a thickness of approximately 200 to 800 µm. Silicon wafers are used by the semiconductor industry to manufacture semiconductor compo-nents, i.e. integrated circuits and individual components (known as discrete components).

SOx
Sulfur oxides

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Financial calendar

March 9, 2021	Annual Report 2020
April 29, 2021	Annual General Meeting, Munich
May 7, 2021	Interim Reporting Q1 2021
July 28, 2021	Interim Report Q2 2021
October 26, 2021	Interim Reporting Q3 2021

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Note on the Annual Report
This Annual Report is also available in German. If there are differences between the two, the German version takes priority. The Annual Report is available as a pdf document.

Note on rounding
Please note that slight differences may arise as result of the use of rounded amounts and percentages.

Disclaimer
This annual report contains forward-looking statements based on assumptions and estimates made by Siltronic's Executive Board. Although we assume that the expectations in these forward-looking statements are realistic, we cannot guarantee they will prove to be correct. The assumptions may harbor risks and uncertainties that may cause the actual figures to differ considerably from the forward-looking statements. Factors that may cause such discrepancies include, among other things, changes in the economic and business environment, variations in exchange and interest rates, the introduction of competing products, lack of acceptance for new products or services, and changes in corporate strategy. Siltronic does not plan to update the forward-looking statements, nor does it assume the obligation to do so. Due to rounding, it is possible that individual figures in this report and other reports do not exactly add up to the total stated and that percentages shown may not exactly reflect the absolute values to which they refer.

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