WAFER

Innovation &
Growth

Annual Report 2021

siltronic

Siltronic Group key figures

Statement of profit or loss

In EUR million		2021	2020
Sales		1,405.4	1,207.0
Gross profit		441.2	339.5
Gross margin	%	31.4	28.1
EBITDA		466.4	332.0
EBITDA margin	%	33.2	27.5
EBIT		316.9	192.2
EBIT margin	%	22.5	15.9
Financial result		1.5	−3.0
Income taxes		−28.7	−2.4
Result for the period		289.6	186.8
Earnings per share	EUR	8.44	5.36

Capital expenditure and net cash flow

In EUR million	2021	2020
Capital expenditure in property, plant and equipment, and intangible assets	425.6	187.6
Net cash flow	1.7	77.4

Statement of financial position

In EUR million		Dec. 31, 2021	Dec. 31, 2020
Total assets		2,455.4	1,919.4
Equity		1,318.8	871.8
Equity ratio	%	53.7	45.4
Net financial assets		572.9	499.2

Non-financial performance indicators

		2021	2020
Efficiency of the use of silicon (100 percent corresponds to the 2015 base)	%	99	99
Energy use per wafer area (100 percent corresponds to 2015 base)	%	89	99
Waste recycling ratio	%	72	70
Water usage for production per wafer area (100 percent corresponds to 2015 base)	%	90	99
Occupational accidents at work per million working hours	Number	4,4	2,1
Occupational accidents (per working days) with chemicals per year (number of affected employees)		2	0

	2021	2020
Employees (excluding temporary employees)	**4,117**	**3,772**

Success with wafers

As one of the leading wafer manufacturers, Siltronic is globally oriented and operates production facilities in Asia, Europe and the USA. Silicon wafers are the foundation of the modern semiconductor industry and the basis for chips in all electronic applications – from computers and smartphones to electric cars and wind turbines. The international company is highly customer-oriented and focused on quality, precision, innovation and growth.

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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Figures and Facts

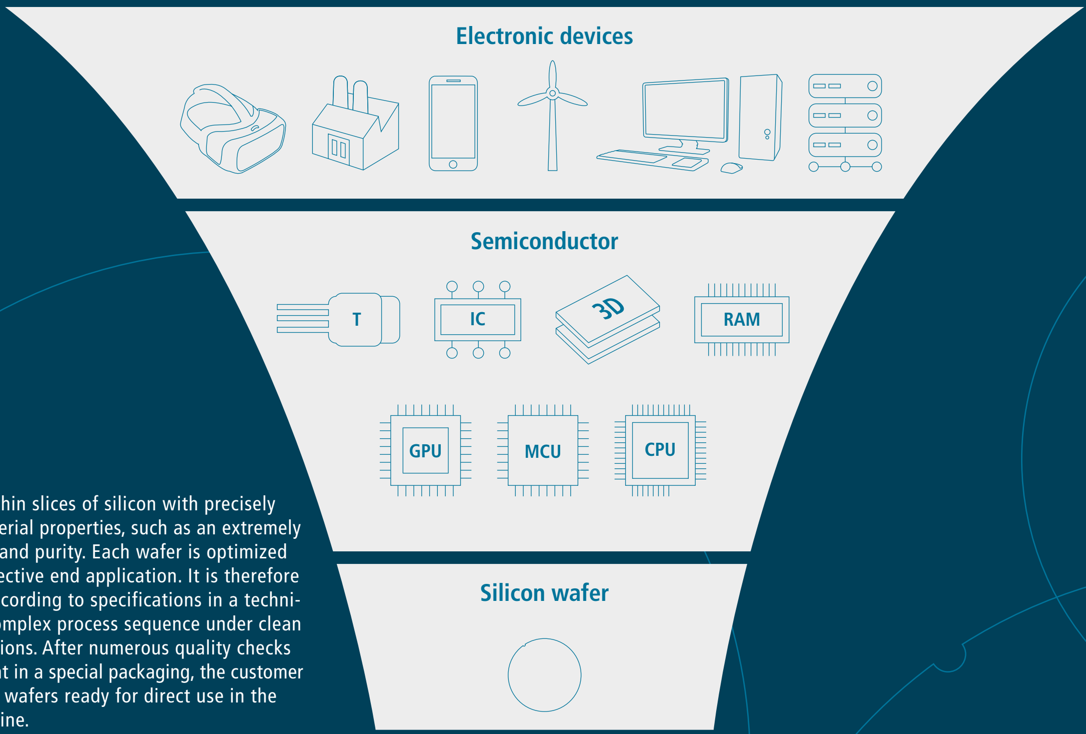
As one of the leading wafer manufacturers, Siltronic is globally oriented and operates production facilities in Asia, Europe and the USA. Silicon wafers are the foundation of the modern semiconductor industry and the basis for chips in all electronic applications – from computers and smartphones to electric cars and wind turbines. The international company is highly customer-oriented and focused on quality, precision, innovation and growth.

Our sites

Germany – Munich (Headquarters), Burghausen, Freiberg
France
Italy
USA
Singapore
Taiwan
South Korea
Japan
China

Our value chain

Silicon wafers are the basis for most semiconductor devices that drive innovation in various end applications.



Wafers are thin slices of silicon with precisely defined material properties, such as an extremely flat surface and purity. Each wafer is optimized for the respective end application. It is therefore produced according to specifications in a technically very complex process sequence under clean room conditions. After numerous quality checks and shipment in a special packaging, the customer receives the wafers ready for direct use in the production line.

Fit for the future with wafers

Wafers made of hyperpure silicon are so widely used that we all come into contact with them every day. Siltronic's technology is used in smartphones, PCs and laptops, as well as in industrial applications and cars. The demand for wafers increases with every technological advancement – which offers great opportunities for our business. Our business has developed just as dynamically as the challenging market environment in which we operate ever since the foundation of our company more than 50 years ago. Thanks to our unique combination of innovative strength and precision, we can create the preconditions for devices and applications to become ever more powerful and faster. Technological innovation and consistent focus on improving efficiency are the foundations for increasing the future value of our company.

Volume of data and information is rising worldwide

2015 2020 2025

This data is processed and stored – on chips made of silicon.

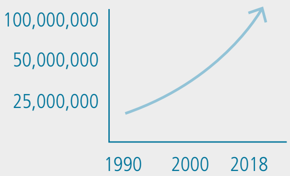
The performance of the chips improves every year without changing the average chip size

Chip size in cm^2 of Si per chip

0.08

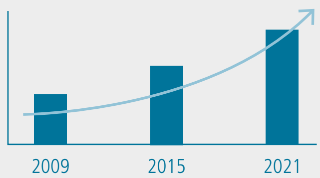
2021

performance by the number of transistors 1 mm^2



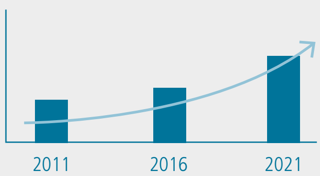
There are new electronic applications for electronics every day. Content and unit numbers are increasing faster than miniaturization is progressing. This is driving growth.

Number of semiconductor units sold, million per month



Strongly growing wafer market with focus on 300 mm. More and better wafers are continuously required as a foundation. This requires the highest level of precision and innovation.

Number of 300mm wafers per month



Our way to success

- **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
- **2021** → Groundbreaking for FabNext in Singapore and the expansion of the crystal pulling hall in Freiberg

Interview with the Executive Board

Innovation and growth – the basis for sustainable success

What were the highlights of 2021?
Dr. Christoph von Plotho: In the past year, there were many highlights for Siltronic. We were able to report a significant increase in sales and earnings in 2021. This excellent development is primarily based on the increase in production and sales volumes. We were able to take advantage of strong demand to grow our market share. This has been made possible by the tireless efforts and performance of our employees. We are proud of this and would like to express our sincere gratitude to our employees.

Another highlight was the kick-off for the largest investment in Siltronic's history – our new state-of-the-art and highly cost-efficient factory in Singapore (FabNext).

We also broke ground for the expansion of the crystal pulling hall at our Freiberg site. This investment in Germany will help us to stay at the forefront of technology in the future.

Rainer Irle: There was also a real highlight in the area of sustainability: As part of our newly adopted climate strategy, Siltronic has set a target of reducing greenhouse gas emissions by 50 percent by 2030. By doing so, we want to help limit global warming in line with the Paris climate agreement.

What did Siltronic do particularly well last year?
Dr. Christoph von Plotho: We managed to successfully master all challenges that the past year brought with it. Thanks to the active support of our workforce and extensive hygiene regulations, we were able to counter the ongoing Corona pandemic without any pandemic-related restrictions on production.

We have been running at full capacity since the middle of the year, which means a high workload, and we are very aware of this. Nevertheless, we succeeded in attracting almost 1,000 new employees to Siltronic in 2021. That is not a given either and we would like to thank our recruiting teams for that. Finally, we successfully handled the challenges of the Corona pandemic on the supply chains without any impact on our production. This was made possible by many years of experience and our long-standing relationships with customers and suppliers.

The tender offer by GlobalWafers did not succeed. Why not and how do you evaluate this?
Dr. Christoph von Plotho: For the merger with GlobalWafers, all regulatory approvals should have been obtained by January 31, 2022. However, as no non-objection certificate under the German foreign trade law had been received by the deadline, the transaction could not be completed. The merger would have created a company on a par with the market leader, and with Siltronic technology as a key pillar. We regret that this was not possible, but now we have to look ahead with confidence.

What impact will the failure of the merger have on Siltronic?
Dr. Christoph von Plotho: It is important that the back and forth on the merger has not hurt us. Our employees handled the unclear situation professionally and we did not lose any key personnel. With the decision made for FabNext, we have set the course for a successful future for Siltronic. This investment in state-of-the-art and cost-efficient production capacity also would have been needed in a merged company. Now it will secure Siltronic's growth for years to come. We are very well positioned as an independent company. The support of our most important customers shows that we are seen as a technology leader. That is vital.

Was the timing of the FabNext decision right?
Dr. Christoph von Plotho: Yes, absolutely. It was a matter of responding to increasing customer demand. The existing capacities are no longer sufficient for this. That's why we need a new production facility. However, it takes more than three years from initial planning until the first wafers are produced. An investment of a good EUR 2 billion is not easy to handle, even for a successful company of our size. It requires sound planning and excellent implementation. But this is something we are good at – and the construction of the new fab is already in full swing. We are also grateful to the Supervisory Board for their support.

Dr. Christoph von Plotho,
Chief Executive Officer

Rainer Irle,
Chief Financial Officer

Why is FabNext so important for Siltronic?
Dr. Christoph von Plotho: There are several reasons why the new factory is important for us. As mentioned, the growing demand from our customers cannot be satisfied with our current production capacities. We therefore have to respond to this early in order to grow with the market. Furthermore, the new factory will be equipped with the latest production technology and it will therefore have a positive impact on our profitability. With this state-of-the-art production infrastructure, we will be able to support our customers' latest technological developments as equal partners.

We are proud that the construction of FabNext is supported by long-term purchase agreements (LTAs) and prepayments from several leading customers. This shows the appreciation our customers have for our technologically distinguished products. We are the first wafer manufacturer to announce an investment in a new fab. This means that we will also be the first to benefit from the additional production capacity. The first wafers from the new plant will be delivered to our customers in early 2024. We are already looking forward to this.

Are there any other investments besides FabNext?
Dr. Christoph von Plotho: Yes, in Freiberg we are building a new production hall for crystals and we are installing new epitaxy reactors so that we can continue to manufacture the most advanced wafers there. There is also a modest expansion at our site in Portland. A lot of groundwork for the FabNext project is also being done at our research and development site in Burghausen, so a lot of new things are happening there too.

What are the key elements of the new climate strategy?
Rainer Irle: The careful use of resources has always been of great importance to us as an energy-intensive manufacturing company. We want to improve continuously in order to honor our social responsibility. This is why we act now and will not wait for political requirements to be imposed. In November 2021, we decided to reduce our direct greenhouse gas emissions by 50 percent until 2030. This is equivalent to an annual reduction of more than 5 percent. We participate in the Science Based Targets Initiative (SBTI) to provide the necessary transparency on the results achieved.

"We have set the course for sustainable growth in the coming years by building our new factory in Singapore."

“We will cut our CO_2 emissions in half by 2030. In so doing, we will be taking stronger account of our social responsibility. We want our children to inherit an environment worth living in, and we want to contribute to this.“

What was the operating result in 2021?
Rainer Irle: We achieved an excellent result and exceeded our original expectations considerably. Group sales increased by a good 16 percent to EUR 1405.4 million. This was driven by strong demand for wafers. EBITDA of EUR 466.4 million was almost 41 percent up year on year, and EBIT of EUR 316.9 million was even 65 percent higher. Earnings per share increased from EUR 5.36 in the prior year to EUR 8.44 in 2021. The Management Board and Supervisory Board will propose a dividend of EUR 3 at the Annual General Meeting on May 5, 2022.

What are the main reasons for this good result?
Rainer Irle: The foundation for this was built in the previous years with the brownfield expansion of our existing factories. This allowed us to utilize these capacities in 2021. Another factor is that we are able to fulfill customer orders smoothly, even in times of supply bottlenecks. It is a great achievement of our employees to run production at full capacity despite all the COVID challenges. Growth is driven by the end markets, which benefit from continued investment in digitization. Semiconductor components made out of wafers are found in more and more novel applications, and at the same time the electronics content in each end device is growing. We are optimistic that megatrends such as 5G, cloud services, artificial intelligence, electromobility and digitalization will remain the growth drivers for our business.

What are the priorities for 2022?
Dr. Christoph von Plotho: We are working on the completion of FabNext in Singapore at maximum speed. There are some key milestones to be completed in 2022, and new staff has to be recruited and trained. The expansion in Freiberg is set to be completed by the end of 2022. Our engineers and scientists are collaborating very closely with technology leading customers on the development of wafers for the most advanced design rules. The rate of innovation remains high and we continue to support our customers in the design of new technologies, as we have always done. We also keep working on process improvements, which are important for all products. Another focus is on optimizing our cost structure and the successful implementation of continuous cost saving programs.

What do you expect for 2022?
Rainer Irle: We start the new year confidently. Semiconductor demand is expected to continue its growth. Demand from our customers exceeds our supply capabilities for most of our products. Further volume growth in 2022 will be limited without new factories. We expect significant price increases for our wafers, but also significantly rising costs due to inflation, e.g. for energy, supplies and labor. Nevertheless, we are confident that we can further improve not only sales but also margins.

What is the impact of the crisis in Ukraine on Siltronic?
Rainer Irle: The escalation of the situation in Ukraine is terrifying. Our empathy goes out to all those in the region who are directly affected. The crisis has caused considerable uncertainty in the markets over the past few weeks. However, we do not expect any direct impact on our business, as we have no important customers or suppliers in Ukraine. Nevertheless, we are not immune to indirect effects on the global economy, such as rising energy prices in Europe.

Coming back to FabNext, how is it funded?
Rainer Irle: We take a conservative approach to financing FabNext. The majority of the investments will be financed by existing liquidity, future cash flows and prepayments from key customers. Furthermore, we consider a moderate amount of debt financing, there will be no capital increase in 2022.

What long-term development do you expect for Siltronic and the industry?
Dr. Christoph von Plotho: We are optimistic for our business in the short, medium and long term because there is a sustained demand increase for the end applications of wafers. Obviously, this does not mean that there will never be any weaker phases. There are many growth drivers for semiconductors, especially for 300 mm wafers. We expect an average growth rate of 6 percent per year over the next few years. Siltronic will participate in this growth thanks to the capacities of the new greenfield fab. Our first wafers from the new factory will be available in early 2024. We are very much looking forward to this, and so are our customers.

Dr. Christoph von Plotho, R.I.: We as the Executive Board of Siltronic are aware that we are asking a lot of our staff in times of the corona pandemic with production running at maximum capacity. We are grateful to them once again and we are counting on them to successfully master all the challenges that 2022 will bring. We would also like to thank our business partners – suppliers as well as customers – for the trusting partnerships.

We would sincerely like to thank you, our shareholders, for the trust you have vested in us. And we would like to assure you that your company - Siltronic AG - is well equipped for a successful future.

Sincerely

Dr. Christoph von Plotho
CEO

Rainer Irle
CFO

Supervisory Board report

Dear shareholders,

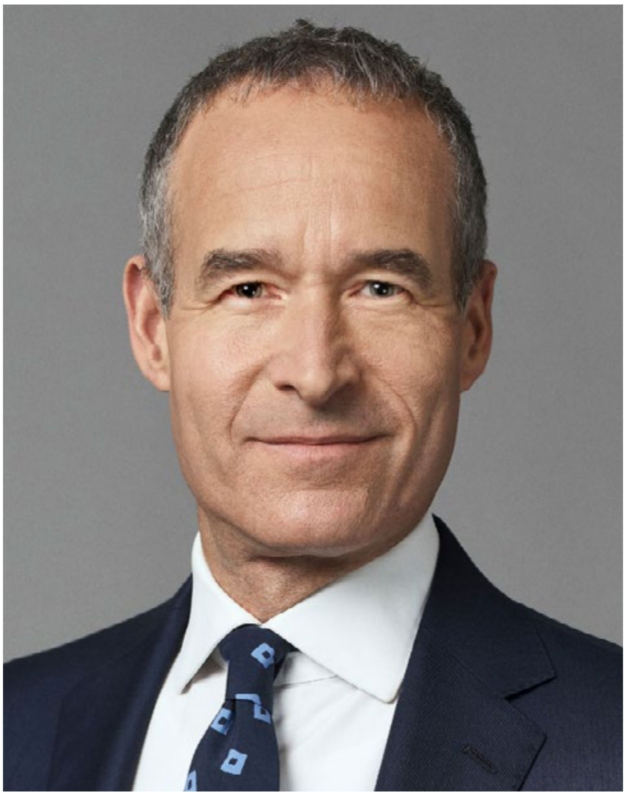
Siltronic was able to close the fiscal year 2021 with very good results. The demand for semiconductors has developed very dynamically. The Company is operating at its maximum capacity since the second half of the year.

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 3.00 per no-par value share entitled to dividend.

Continuous dialogue with the Executive Board

Throughout the fiscal year 2021, 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.



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

Public tender offer by GlobalWafers fails due to outstanding approval from the German Federal Ministry of Economic Affairs and Climate Action

The Supervisory Board also closely followed the ultimately failed public tender offer process. In every meeting it dealt intensively with the status of the regulatory approvals which formed the conditions for the completion of the voluntary public tender offer by GlobalWafers GmbH, Munich, the bidder company of GlobalWafers Co., Ltd, Hsinchu, Taiwan (hereinafter referred to as "GlobalWafers") from December 2020. As one closing condition for the transaction was missing at the long stop date of January 31, 2022, namely the issuance of a clearance certificate by the Federal Ministry of Economic Affairs and Climate Action or the expiry of a corresponding review period, the merger could not be completed. The Supervisory Board regrets this development and is convinced that the intended transaction would have represented significant added value for customers, employees and shareholders. The merger of Siltronic and GlobalWafers would have created a leading wafer manufacturer with a comprehensive product portfolio, so that customers would have benefited from high technological competence, greater manufacturing capacity and expanded sales activities. Nevertheless, we believe that Siltronic is well positioned to meet the challenges of the demanding semiconductor market on a stand-alone basis.

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 one extraordinary plenary meeting in January. Due to the special circumstances of the COVID pandemic and depending on the events surrounding the infection, meetings of the Supervisory Board and its committees were partially again held as video conferences.

At an extraordinary Supervisory Board meeting on January 27, 2021, we dealt with an amendment to the voluntary public tender offer by the bidder and resolved to supplement the reasoned statement of the Executive Board and the Supervisory Board on the bidder's public tender offer.

At the meeting of the Supervisory Board to approve the financial statements held on March 1, 2021 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, 2020 and the combined management report and approved them. The Supervisory Board determined the variable compensation of the Executive Board for the fiscal year 2020 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 2021.

Within the internal control procedure for Related Party Transactions that was adopted by in the previous year, the Executive Board reported about the business transactions with Wacker Chemie AG. 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 about the implementation of the control procedure 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 on April 29, 2021. Due to the developments of the COVID pandemic, this was again held as a virtual Annual General Meeting without the physical presence of the shareholders. In addition, the Executive Board reported on the business performance during the fiscal year 2020 and the start of the fiscal year 2021.

On May 6, 2021, the Supervisory Board dealt, among other things, with the course of business of the Company, in particular with the effects of the COVID pandemic on the business. The Executive Board also reported on the Company's patent strategy and the measures to protect know-how. In addition, the Supervisory Board dealt with the status of merger control and foreign trade approvals in connection with the completion of the public tender offer by GlobalWafers.

At the Supervisory Board meeting on July 27, 2021, we dealt with the Executive Board's report on the business performance and the effects of the COVID pandemic. Another focus of the discussions was the project FabNext. After detailed discussions, we approved the Executive Board's proposal to build a second 300 mm factory at our group site in Singapore. With this project, the Company is responding to the strong market demand and the expansion projects of important customers. The Supervisory Board also approved investments at Siltronic's German sites in Freiberg and Burghausen. In connection with the planned capacity expansions, we approved an increase in the current year's investment budget. We also received a report on the status of the ongoing regulatory proceedings to review the planned merger with GlobalWafers.

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. Finally, the Supervisory Board addressed the requirements of the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz – FISG) for the corporate governance of the Company and resolved to amend the rules of procedure for the Supervisory Board.

At its meeting on November 25, 2021, the Supervisory Board discussed the Executive Board's report on the course of business, Siltronic Group's planning for the fiscal year 2022, and long-term planning for the fiscal years up to and including 2028. The 2022 budget presented by the Executive Board, including financial and investment planning, was discussed in detail and approved. The Executive Board reported on the adopted action program for climate protection. With its climate strategy, the Company aims to halve its CO_2 emissions (Scope 1 and Scope 2, i.e. from its own production and for purchased electricity) by the fiscal year 2030 and participate in the Science Based Target Initiative. In this context, we decided to establish a separate department for Corporate Responsibility on the Executive Board and assign it to Rainer Irle. Another focus of the deliberations was the report by the Executive Board on the status of the merger control and foreign trade approvals for the completion of the tender offer by GlobalWafers. As communicated to the capital market by ad hoc announcement on October 22, 2021, the Executive Board explained to us that it was unlikely that the transaction could be completed in the fiscal year 2021.

Supervisory Board committees

In order to perform its duties efficiently, the Supervisory Board has set up four permanent committees: an Executive Committee, an Audit 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. The Special Committee of the Supervisory Board that had been established in connection with the voluntary public tender offer in December 2020 was dissolved effective midnight February 10, 2021, the expiration of the acceptance period for the tender offer of GlobalWafers.

The Executive Committee met once during the reporting year. It dealt with the personnel matters of the Executive Board and its compensation. In this context it 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 Audit Committee held four meetings in the fiscal year 2021. 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 2021 Annual General Meeting for election as auditor. The Audit Committee issued the audit engagement letter to the auditor for the fiscal year 2021, 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 2021.

The Special Committee formed by the Supervisory Board in connection with the voluntary public tender offer did not meet again before its dissolution took effect midnight February 10, 2021.

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. This took place for the new Supervisory Board members in April and November. Volker Stapfer, who became a member of the Supervisory Board with effect from January 1, 2022 as a substitute member for the employee representative Gebhard Fraunhofer, who left the Supervisory Board, also completed an external training course. This course on the rights and duties of Supervisory Board members took place in November 2021 and lasted several days.

Individualized disclosure of attendance of Supervisory Board members in 2021

Supervisory Board member	Supervisory Board plenum		Executive Committee		Audit Committee	
	Number	in %	Number	in %	Number	in %
Dr. Tobias Ohler (Chairman)	5 of 5	100	1 of 1	100	4 of 4	100
Johann Hautz (Deputy Chairman)	5 of 5	100	1 of 1	100		
Mandy Breyer	5 of 5	100				
Prof. Dr. Gabi Dreo	5 of 5	100				
Klaus Estermaier	5 of 5	100				
Sieglinde Feist	5 of 5	100				
Gebhard Fraunhofer	5 of 5	100			4 of 4	100
Dr. Hermann Gerlinger	5 of 5	100	1 of 1	100		
Michael Hankel	5 of 5	100	1 of 1	100		
Markus Hautmann	5 of 5	100			4 of 4	100
Bernd Jonas	5 of 5	100				
Lina Ohltmann	5 of 5	100				

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 2021, the consolidated financial statement and the combined management report on the individual and consolidated financial statements (balance sheet date December 31, 2021) 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, 2022. The final version was subsequently discussed and examined in great detail at the Supervisory Board's meeting to approve the financial statements on March 8, 2022. 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 8, 2022, the Supervisory Board, taking into account the recommendation of the Audit Committee, adopted the resolution proposal to be made to the 2022 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.

Due to changes of the in regulatory conditions, the compensation report was also prepared jointly by the Executive Board and Supervisory Board and approved by both on March 8, 2022.

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, 2021, 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 3.00 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 25, 2021, 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, 2022 and the Supervisory Board at its meeting on March 8, 2022 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

Gebhard Fraunhofer resigned from the Supervisory Board at the end of December 31, 2021. We thanked him for his many years of trusting cooperation and his great commitment. Volker Stapfer has succeeded him as an employee representative on the Supervisory Board of Siltronic AG with effect from January 1, 2022.

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

Munich, March 8, 2022
The Supervisory Board

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

Siltronic on the stock exchange

Stock markets boosted by rising profits in 2021

Stock markets, especially the indices of the leading industrialized countries, had to deal with numerous challenges in 2021, such as supply chain disruptions, China's regulatory reforms, the ongoing Covid pandemic, and notably rising inflation. Despite this, they recorded strong growth. In addition to a continuous high level of public spending and the unchanged loose monetary policy of the central banks, corporate fundamentals were a key driver for the development of share prices in the past year. Analysts expect aggregate corporate earnings in 2021 to rise by around 50 percent. This development was accelerated by catch-up and by base effects. At the same time, companies were able to pass on emerging cost pressure to consumers. This led to a historically high aggregate 12-month profit margin of a good 10 percent. Driven by these underlying conditions, the DAX rose by almost 17 percent in 2021.

Siltronic share price moves sideways after increased tender offer

Siltronic's share price performance last year was shaped by the voluntary tender offer by GlobalWafers. On the first trading day of the new year, the share price was EUR 131.10, which remained the low for the whole year. The share price then rose to its annual high of EUR 145.20 on January 22, 2022 – in anticipation of an increase in the offer price, which followed in two steps to EUR 140 and finally to EUR 145. Subsequently, the share price moved sideways within a narrow range of approximately EUR 134.00 to EUR 138.00 for the rest of the year. In the last trading week 2021 the share price recorded a small increase again. At the end of the year, the Siltronic share closed at EUR 141.45, which corresponded to an annual increase of 10.4 percent. The share thus nearly reached the SDAX performance, with an increase of just above 11 percent. The technology indices TecDAX, which grew by 22 percent, and the international benchmark Philadelphia Semiconductor Index, which grew by almost 42 percent, performed substantially better.

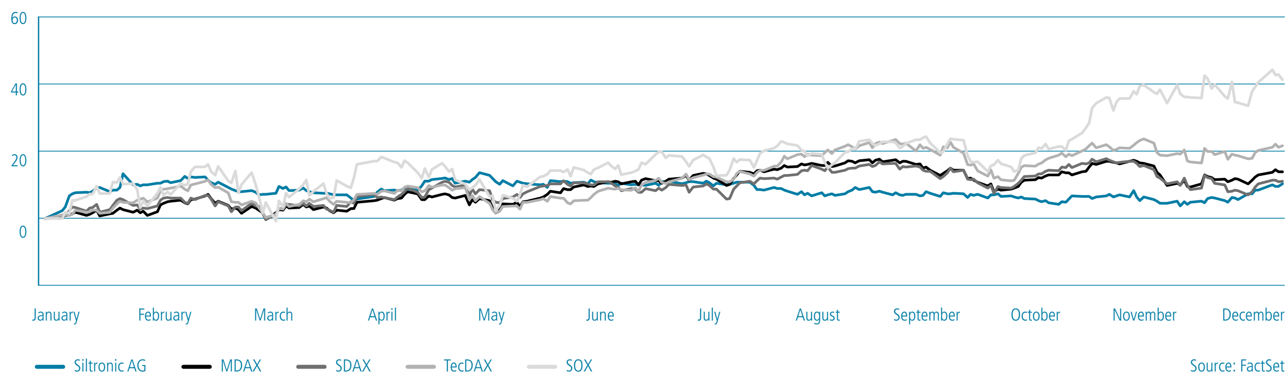
After GlobalWafers acquired 13.67 percent and another 56.60 percent of Siltronic shareholders accepted the voluntary tender offer, Siltronic share turnover fell significantly. Tendered shares were transferred to a new share identification number in the shareholders' deposit accounts and started to be traded on the Xetra platform on January 22, 2021. As a result of the planned acquisition by GlobalWafers, the free float fell below the required minimum level. As a result, the shares of Siltronic AG moved from the MDAX to the SDAX (Small-Cap-Dax, selection index for 70 smaller companies) on June 21, 2021. Siltronic AG remains listed on the TecDAX. The average daily trading volume of Siltronic shares in Xetra in 2021 was 38,761 shares (excluding turnover in tendered shares). The market capitalization on December 30, 2021, based on the Xetra closing price, was around EUR 4.2 billion.

At the end of 2021, the Siltronic share ranked 20th in the SDAX and 27th in the TecDAX. Selection by the index operator is now only based on market capitalization; trading volume no longer plays a role.

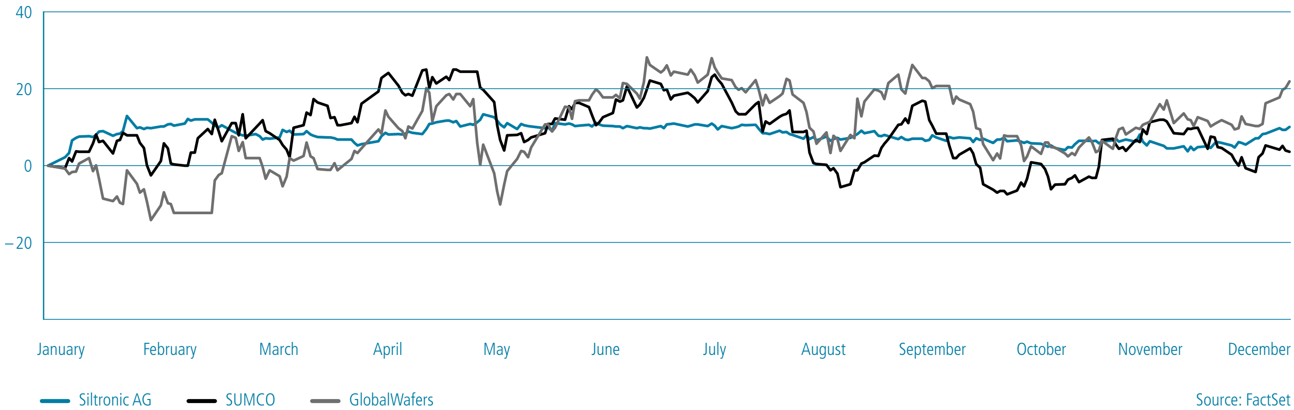
Dividend proposal of EUR 3.00

The proposed dividend for 2021 is EUR 3.00 per share. With a total payout of EUR 90 million, this corresponds to a payout ratio of around 40.0 percent and thus is in line with the general dividend policy of Siltronic AG.

Performance of Siltronic shares vs. indices 2021
in %



Performance of Siltronic shares vs. competitors 2021
in %



Shareholder structure

Wacker Chemie AG was Siltronic AG's largest shareholder as of December 31, 2021, with 30.83 percent of the voting rights. GlobalWafers' parent company, Sino-American Silicon Products acquired 13.67 percent as part of the tender offer. According to voting rights notifications, the largest institutional investors as of December 31, 2021, holding more than 3 percent of the voting rights were Goldman Sachs (8.67 percent), JP Morgan Chase (6.50 percent), UBS Group (4.18 percent), Bank of America (4.07 percent), BlackRock (3.85 percent). Magnetar (3.85 percent) and Morgan Stanley (3.57 percent).

Excluding Wacker Chemie's share of 30.83 percent and Sino-American Silicon Products (13.67 percent), just above 19 percent each (as of November 12, 2021) was held in Germany and Europe, around 30 percent in the UK and slightly below 26 percent in the USA. As of December 31, 2021, the Executive Board and Supervisory Board held less than 1 percent of the shares.

Investor relations activities

Our investor relations activities aim to provide comprehensive information and to contribute to an appropriate valuation of the shares. We communicate openly with our investors and analysts in order to create transparency. As in the previous year, in 2021 we took part in virtual conferences or roadshows organized by investment brokers. In 2021, we participated in 14 capital market conferences and roadshows organized by banks, focusing on investors and analysts in Germany, Europe, the U.S. and Asia. In total, we held more than 180 individual and group meetings with investors and analysts. Our capital market communications focused on our business performance in 2021, development of demand, progress with the necessary regulatory approvals for the tender offer by GlobalWafers and our investment in a new fab in Singapore, as well as our sustainability performance.

Analyst coverage

At the end of 2021, the Siltronic share was covered by 8 financial analysts, compared to 13 in 2020. The main reasons for the decline were general internal restructuring measures of the respective banks. Commerzbank, Bankhaus Lampe and NordLB, for example, discontinued their equity research. At Credit Suisse and Kepler Cheuvreux, analysis was temporarily discontinued as the respective analyst left the institution. As of December 31, 2021, all 8 analysts recommended holding the Siltronic share. The analysts' average target price was EUR 146.25 in December 2021.

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	SDAX, TecDAX
ISIN	DE000WAF3001 DE000WAF3019
Ticker symbol	WAF300 WAF301
Free float in % as of December 30, 2021[2]	29.7
Number of shares	30,000,000
High of 2021[1]	EUR 145.20
Low of 2021[1]	EUR 131.10
2021 closing price[1]	EUR 141.45
Market capitalization as of December 30, 2021	EUR 4.2 billion

[1] Xetra closing price
[2] According to DAX index rules

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 leading manufacturers of 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 stands for leading technology, expertise, customer-specific solutions, and global product availability, as well as assured quality and delivery reliability. The global presence enables us to maintain close relationships with customers in all regions and to respond quickly to their requests. This combination is the basis for our high level of customer satisfaction and it is the foundation for the sustained success of our business. Our aim is to supply high-quality wafers with specifications that fulfill our customers' requirements. This requires continuous improvement of product quality and a high level of innovation.

Silicon wafers are the basis for modern microelectronics and nano-electronics and are therefore a key component of many electronic applications, such as computers, smartphones, industrial equipment, and navigation systems.

Our mission is to remain one of the leading suppliers for the most advanced applications in 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 2021, the Company held direct or indirect equity investments in seven companies and one special fund.

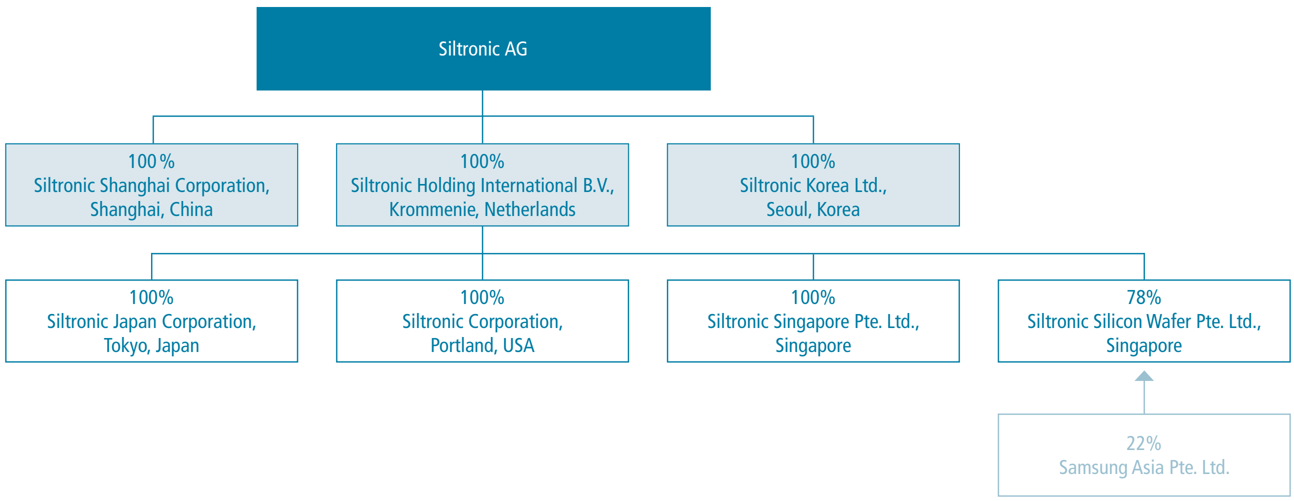
Management and control

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 2021. 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 Report on Corporate Governance on p. 65.

Allocation of responsibilities on the Executive Board

Dr. Christoph von Plotho (CEO)	Rainer Irle (CFO)
• Application Technology • Investor Relations & Communications • Corporate Development • Supply Chain & Operations • Quality Management & EHS • Legal & Compliance • Site Management Burghausen & Freiberg • Engineering & Technology • Marketing & Sales • Siltronic Singapore	• Accounting & Tax • Controlling • Corporate Responsibility • Strategic Procurement • Information Technology • Human Resources • Corporate Auditing & Risk Management • Siltronic USA

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. 75.

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. 65. 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/de/investoren/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 the foundation for the entire global electronics industry.

The performance of semiconductor components is constantly increasing, and more and more functions are being integrated. Today, the smallest structures, so-called "nodes" or "design rules" are just a few nanometers in size. The rapid technological development is reflected in the requirements for our silicon wafers. Their material properties are optimized and continuously improved for each of the highly complex applications. Volume production of wafers with diameters of up to 300 mm is then carried out according to specifications that define many different parameters and production processes.

Siltronic produces polished wafers for memory chips, epitaxial wafers for highly integrated microprocessors, low-resistance wafers for power applications and a variety of other wafer types for applications in automotive electronics, telecommunications, high-voltage applications or network technology.

We act as a strategic development partner for our industrial customers and 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. With our four production facilities and nine sales offices in Europe, the USA, and Asia we are close to our customers worldwide. In 2021, our five largest customers were (in alphabetical order) Infineon Technologies, Intel, Samsung Electronics, ST Microelectronics and Taiwan Semiconductor Manufacturing Company (TSMC). Our local sales approach and our global production network enable us to offer high-quality customer service with optimal utilization of our resources.

By working closely with our customers, we help them to continuously improve and update their products and solutions. At the same time, this gives us important feedback on our products, which we use to steer technology development.

We manufacture specified polished and epitaxial wafers in accordance with the latest design rules and for all volume applications.

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, as well as GlobalWafers from Taiwan and SK Siltron from Korea. In terms of sales, Siltronic had a market share of around 13 percent in 2021.

Together, the five largest manufacturers meet roughly 90 percent of global demand. Customers are working 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 may vary 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 three-quarters of our sales in US dollars but we incur the bulk of our costs in euros. We are trying to reduce the effect of changes in foreign exchange rates by increasing the production in Singapore, with its currency linked closer 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 in our manufacturing processes, e.g. slurries and sawing wire. 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. We use ongoing cost-reduction programs, in order to proactively identify and unlock potential for improvement. As part of these programs, we systematically record projects to increase efficiency.

Regular Steering Committee meetings are used to prioritize new ideas and to monitor implementation.

As 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 Covid pandemic pose a challenge. In the context of the spread of the Corona virus, we immediately initiated our global pandemic protection plans and we are continuously re-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. 49.

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 invest strongly in technology and quality. Furthermore, we continue our programs for operational excellence and cost reductions, and we increase our capacities according to market growth. We also focus on a high level of profitability and stable cash flow. If needed, we adjust our strategy and our operating activities to the respective market conditions. It was not necessary to change Siltronic's strategic focus significantly 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. The Internet of Things (IoT), for example, leads to more and more "smart" devices coming to the market. Everyday objects are fitted with processors, sensors and networking capabilities, with a wide range of applications from app-controlled wearables to smart factories. The steady improvements in functionality and energy efficiency are based on semiconductor manufacturers' continuous improvements to the components used in these applications, for example in smartphones, driver assistance systems in motor vehicles, and industrial automation. These developments typically go along with increasing performance requirements to the raw materials used. For example, smaller design rules for components are only possible if the silicon wafers used 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 we have built state-of-the-art production facilities for the volume production of these wafers at our German sites in Freiberg (Saxony) and Burghausen (Bavaria) as well as in Singapore. Standardized processes and largely identical machinery ensure knowledge transfer between our production sites. This enables us to improve processes quickly and easily, and to simplify the qualification process at our customers.

Our success factors: global presence and innovative strength

We want to offer solutions with enhanced product capabilities and quality that can be used in our customers' 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 to grow ingots for the production of wafers with diameters of up to 200 mm (see the chapter on production on p. 45). We continuously improve our innovative strength and give 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 to 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 requirements 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 2021 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 prepayments received and supplier prepayment made). Our goal is to achieve a positive cash flow. 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 deviations 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. 89).[1]

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

Business report

Macroeconomic situation and industry trends

According to analyses by the International Monetary Fund (IMF), global economic growth recovered notably in 2021, after a significant decline in 2020 due to the Corona pandemic. However, the recovery was burdened by global supply chain disruptions and by increasing inflation and a repeated rise of infection numbers. According to the latest forecast as of January 25, 2022, global gross domestic product in 2021 has increased by 5.9 percent, after declining by 3.1 percent in the previous year.

While significantly decreasing by 6.4 percent in 2020, the economy in the euro area recovered and grew by 5.2 percent in 2021. This significant growth is based on catch-up effects, increased optimism among consumers and companies due to temporary alleviation of the Corona pandemic, and extensive monetary and fiscal policy measures.

The German economy grew by 2.7 percent in 2021, following a decline of 4.6 percent in 2020. The relatively moderate growth reflects challenges resulting from supply chain disruptions.

According to the IMF, the US economy recovered and increased by 6.0 percent in 2021 (2020: minus 3.4 percent).

The negative development of Japan's economy with 4.5 percent downturn in 2020, was followed by an increase of 1.6 percent in 2021. At 8.1 percent, China's gross domestic product in 2021 was significantly higher than in 2020 (plus 2.3 percent).

Growing 14.2 percent in 2021 (2020: 5 percent), the market for silicon wafers for the semiconductor industry – measured in terms of wafer area sold worldwide – could significantly outperform the growth of the overall economic development in 2021.

Sources:
IMF (World Economic Outlook update, January 25, 2022),
SEMI SMG (press release February 8, 2022)

Significant events

Corona pandemic

In 2021, 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. We explain the effects on business performance in detail in the chapter financial position and financial performance.

Projects to expand production capacities

On July 27, 2021 we decided to build a second 300 mm fab at the Siltronic site in Singapore to support market demand and expansion projects of important customers. Based on current planning Siltronic expects capex for this project to be around EUR 2 billion until the end of 2024. The project will be financed in particular by existing liquidity and free cash flow as well as customer prepayments, and debt.

Furthermore, we decided to expand the crystal pulling hall at theSiltronic site in Freiberg, Germany, to increase the pulling and epitaxy capacities. The groundbreaking ceremony for the extension, which will be equipped with crystal pulling equipment for 300 mm monocrystals, took place on August 6, 2021. The extension is planned to be completed in 2022.

The investments resolved will also further strengthen the Research & Development site in Burghausen, which will provide technological support for the planned expansions.

Effects of the investments on cash flow statement and on the opportunities and risks as well as the forecast
The effects are explained separately in the corresponding chapters.

Tender offer of GlobalWafers

On December 9, 2020, Siltronic and GlobalWafers from Taiwan concluded a Business Combination Agreement (BCA), on the basis of which GlobalWafers submitted a voluntary public tender offer to Siltronic shareholders, which was accepted by 56,60 percent of the shareholders. By January 31, 2022, the required certificate of non-objection had not been issued by the German Federal Ministry of Economic Affairs and Climate Action (BMWK). Thus, the deadline for the fulfillment of the foreign trade conditions expired. Therefore, the tender offer will not be closed, but has expired.

Comparison of actual and forecast business performance

Business performance in 2021 exceeded our forecast provided in the Annual Report 2020 on March 1. After a successful Q1, the forecast for sales, EBITDA and net cash flow was raised by ad hoc announcement on April 20, 2021. Also, a significant increase in earnings per share was now expected. This was due to a sharp increase of demand for wafer area year-on-year. At the end of 2021, Siltronic was operating at full capacity on all lines.

In the ad hoc notice (July 27, 2021) announcing the construction of a new 300 mm factory at Siltronic's site in Singapore, the forecast for net cash flow and capital expenditures was further amended. Most recently, investments of EUR 400 million were expected for additional Epi capacities, capabilities, the expansion of the crystal pulling building in Freiberg and initial investments for the construction of the new 300 mm fab in Singapore. Net cash flow for 2021 is expected to be slightly positive and significantly below the previous year.

In Q3 the forecast was substantiated, expecting an increase in sales of a good 15 percent and an EBITDA margin of approximately 32 percent.

EBIT was expected to increase significantly, and depreciation will be at around EUR 155 million to EUR 160 million. A tax rate of well below 10 percent was assumed.

With sales of EUR 1405.4 million, the year-on-year increase of 16.4 percent was within the adjusted forecast range. The EBITDA margin in 2021 was 33.2 percent, which is slightly above the communicated range. In line with the forecast, EBIT of EUR 316.9 million was significantly above the previous year.

Due to the burden of the extensive investments Q4, net cash flow of EUR 1.7 million was significantly below the level of the previous year and thus in line with expectations.

Investments in tangible and intangible assets (capex) were slightly above forecast. In 2021, EUR 425.6 million were invested (forecast approximately EUR 400 million). This was primarily caused by initial investments for the new 300 mm factory in Singapore and the expansion of the crystal pulling hall in Freiberg.

Depreciation was somewhat lower than forecasted due to appreciation of a production building in Freiberg amounting EUR 7 million.

Comparison of actual and forecast business performance

	2020 actual	Forecast Annual as of March 1, 2021 (Annual Report)	Forecast as of April 20, 2021 (ad-hoc)	Forecast as of July 27, 2021 (ad-hoc)	Forecast as of October 26, 2021 (Q3 2021)	2021 actual
Sales in EUR million	1,207.0	mid to high single-digit percent in-crease	increase of at least 10 percent	increase of at least 10 percent	a good 15 percent	1,405.4
EBITDA margin in %	27.5	slight increase	30 to 32 percent	30 to 32 percent	approximately 32 percent	33.2
Net cash flow in EUR million	77.4	slight improvement	significant impro-vement	slightly positive, but significantly below prior year	slightly positive, but significantly below prior year	1.7
EBIT in EUR million	192.2	significant increase	significant increase	significant increase	significant increase	316.9
Depreciation in EUR million	139.8	around EUR 155 million to EUR 160 million	around EUR 155 million to EUR 160 million	around EUR 155 million to EUR 160 million	around EUR 155 million to EUR 160 million	149.5
Tax rate in %	1	significantly below 10 percent	significantly below 10 percent	significantly below 10 percent	significantly below 10 percent	9
Capex in EUR million	187.6	around EUR 250 million, mainly in epi-reactors, capa-bilities and expan-sion of crystal pulling hall to replace older equipment	around EUR 250 million, mainly in epi-reactors, capa-bilities and expan-sion of crystal pulling hall to replace older equipment	around EUR 400 million for epi capacity, first inves-tments in new 300 mm fab, capabilities and expansion of crystal pul-ling hall	around EUR 400 million for epi capacity, first inves-tments in new 300 mm fab, capabilities and expansion of crystal pul-ling hall	425.6
Earnings per share in EUR	5.36	slight increase	significant increase	significant increase	significant increase	8.44

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

In 2021, Siltronic AG's sales and earnings increased significantly. This is mainly based on the increase of wafer area sold. According to the forecast of the International Monetary Fund (IMF), global gross domestic product in 2021 recovered significantly compared to the previous year. This was consequently favorable for our earnings. Catch-up effects continued high investment in digitization and an increasing use of semiconductor components in more new and existing applications led to strong demand for our products. This again ensured full capacity utilization at all sites in H2 2021 onwards.

At EUR 1,405.4 million, Siltronic AG's sales in 2021 were a good 16 percent above 2020 (EUR 1,207.0 million). At around EUR 1.7 million, net cash flow in 2021 was slightly positive and thus in line with expectations. Net financial assets increased to EUR 572.9 million (2020: EUR 499.2 million) despite the investments in capacity expansion projects and the dividend payment of EUR 60 million. This was due to a strong core business, which was supplemented by customer and supplier prepayments of EUR 106.9 million.

In the past fiscal year, Siltronic invested EUR 425.6 million. The largest investment is related to the construction of the new 300 mm factory in Singapore. Also included are investments in epitaxy capacities, capabilities and the expansion of the crystal pulling hall in Freiberg.

Siltronic's economic situation remains solid. This assessment is based on the results of the consolidated financial statements and the separate financial statements 2021 and takes into account the course of business up to the time of preparation of the combined management report for 2021.

The outlook for the wafer market is good at the beginning of 2022. Siltronic AG started the new year well with high capacity utilization. The continuing growth drivers of the semiconductor industry let the Company continue to assume increasing demand in the medium to long term. However, external influences, such as the current disruptions in global supply chains, geopolitical risks in Eastern Europe and Asia, unresolved trade conflicts between U.S.A. and China, and the ongoing Corona pandemic, may also lead to certain fluctuations.

Rising prices are expected to boost sales and earnings. Inflation-related cost increases could also have a negative impact on earnings.

Financial position and financial performance

Financial performance and financial position

Increase in wafer area sold drives sales revenues to EUR 1.4 billion

								Change	
		2021	**2020**	Change	**Q4 2021[1]**	Q3 2021[1]	Q4 2020[1]	Q4 to Q3	Q4 to Q4
Sales	**in EUR milion**	**1,405.4**	**1,207.0**	**198.4**	**376.6**	**371.6**	**284.5**	**5.0**	**92.1**
	in %			16.4				1.3	32.4

We closed the financial year 2021 with consolidated sales of EUR 1,405.4 million, 16.4 percent above the previous year (EUR 1,207.0 million). This increase was driven by a very strong increase in wafer area sold.

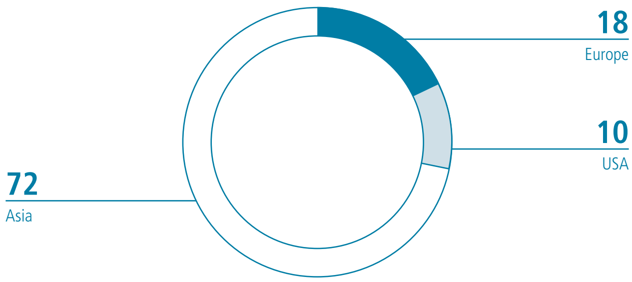
The high increase in wafer area was able to clearly overcompensate the burden from the appreciation of the euro against the US dollar. Since Siltronic generates most of its sales in US dollars, the exchange rate is relevant. The exchange rate averaged 1.21 in Q1 and Q2, fell to 1.18 in Q3 and to 1.14 in Q4. This resulted in an average exchange rate of 1.18 for 2021 after 1.14 in 2020. Due to the weaker US dollar, the average revenue per wafer area (ASP) expressed in euros fell by 3.7 per cent year-on-year.

The development of the ASP in billing currency was subordinate compared to the development of wafer area and the development of the US dollar.

Sales in Q4 2021 increased by EUR 5.0 million compared to Q3 2021, primarily due to the development of the euro against the US dollar in this period.

The regional breakdown of sales shows that Asia, the largest region, accounted for 72 percent of sales (previous year: 72 percent), followed by Europe with 18 percent (previous year: 17 percent) and the USA with 10 percent (previous year: 11 percent).

Sales by region
in %



[1] Quarterly figures are unaudited values

Despite higher scheduled depreciation, gross profit increases by 30 percent to EUR 441 million in 2021

								Change	
		2021	2020	Change	Q4 2021[1]	Q3 2021[1]	Q4 2020[1]	Q4 to Q3	Q4 to Q4
Cost of sales	in EUR million	964.2	867.5	96.7	248.2	252.6	211.7	−4.4	36.5
	in %			11.2				−1.7	17.2
Gross profit	**in EUR million**	**441.2**	**339.5**	**101.7**	**128.4**	**119.0**	**72.8**	**9.4**	**55.6**
	in %			**30.0**				**7.9**	**76.4**
Gross margin	in %	31.4	28.1		34.1	32.0	25.6		

In 2021, the cost of sales amounted to EUR 964.2 million. The increase of EUR 96.7 million or 11.2 percent compared to 2020 is primarily volume-related and secondly caused by higher scheduled depreciation of around EUR 17 million. In addition, electricity prices have risen since Q3 and the weakening euro had a negative impact. Cost reduction programs were able to limit cost increases. Despite increased depreciation, cost of sales per wafer area decreased significantly.

The increase in cost of sales of 11.2 percent compared to the previous year was offset by an increase in revenue of 16.4 percent. Consequently, sales increased more strongly than the cost of sales, although cost of sales included the higher scheduled depreciation. The main reason for the increase in cost of sales as well as in sales is the increase in wafer area sold.

As a result, the gross profit increased by 30.0 percent to EUR 441.2 million and the gross margin rose from 28.1 percent in 2020 to 31.4 percent in 2021.

The gross profit for Q4 2021 increased by EUR 9.4 million compared to Q3. This is mainly attributable to the development of the euro against the US dollar.

Administration expenses in 2021 no longer burdened by tender offer from GlobalWafers

							Change	
In EUR million	2021	2020	Change	Q4 2021[1]	Q3 2021[1]	Q4 2020[1]	Q4 to Q3	Q4 to Q4
Selling expenses	34.9	31.6	3.3	8.9	8.8	7.3	0.1	1.6
R&D expenses	80.4	72.6	7.8	21.2	19.7	18.0	1.5	3.2
Administration expenses	32.5	39.9	−7.4	4.7	8.3	18.3	−3.6	−13.6
Total	**147.8**	**144.1**	**3.7**	**34.8**	**36.9**	**43.6**	**−2.1**	**−8.8**
In % of sales	10.5	11.9		9.2	9.9	15.3		

The increase in selling expenses was mostly driven by higher wafer area sold.

The higher research and development (R&D) expenses are due to generally higher activities in this area.

As a result of the tender offer by GlobalWafers, additional expenses for external capital market and legal advice were incurred in 2020 and 2021. Administrative costs of EUR 12.1 million were charged in 2020 and EUR 3.6 million in 2021.

By the end of 2020 Siltronic concluded contracts, the impact of which on our income statement depends on whether all necessary approvals for the acquisition by GlobalWafers are granted. The contracts had a significant impact on the development of administrative expenses in 2021.

In Q1 to Q3 2021, we assumed that the tender offer would be completed. Based on value-increasing information, it had to be taken into account when preparing the annual financial statements that the tender offer could not be completed.

Due to the tender offer administrative expenses were burdened by EUR 2.1 million in Q1 2021, by EUR 2.7 million in Q2 and by EUR 1.3 million in Q3. In Q4 2021, administrative expenses were reduced by EUR 2.5 million.

Disregarding the effects of the tender offer, the selling expenses, R&D and administration in total accounted for 10 percent of turnover in 2021 compared to 11 percent in 2020.

[1] Quarterly figures are unaudited values.

Q4 2021 includes EUR 17 million positive special effects in other operating income

In EUR million	2021	2020	Change	Q4 2021[1]	Q3 2021[1]	Q4 2020[1]	Change Q4 to Q3	Change Q4 to Q4
Balance of exchange rate effects	9.5	−3.7	13.2	−0.4	2.0	−1.3	−2.4	0.9
Sundry other operating income and expenses	13.9	0.5	13.4	15.9	−0.4	0.5	16.3	15.4
thereof income from take over	*9.9*	–	*9.9*	*9.9*	–	–	*9.9*	*9.9*
thereof income from reversal production building	*7.3*	–	*7.3*	*7.3*	–	–	*7.3*	*7.3*
Balance of other operating income and expenses	**23.4**	**−3.2**	**26.6**	**15.5**	**1.6**	**−0.8**	**13.9**	**16.3**

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

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

In 2021, the stronger euro compared to 2020 had a negative impact on sales and gross margin. In 2021, the currency hedges included in the sbE and sbA resulted in a net income.

The tender offer had an impact on the other income/other expense for the first time in Q4 2021. Based on the contracts explained under administrative expenses, the other income of EUR 9.9 million resulted in Q4 2021 (no impact on other operating expenses).

A second special effect in Q4 2021 was the write-up of a production building. This is explained by the use of building parts in the course of the investment projects started in 2021, which had been written off in previous years because of vacancies. The write-up amounted to EUR 7.3 million.

EBITDA and EBITDA margin pick up strongly due to increased wafer area

		2021	2020	Change	Q4 2021[1]	Q3 2021[1]	Q4 2020[1]	Change Q4 to Q3	Change Q4 to Q4
EBITDA	**in EUR milion**	**466.4**	**332.0**	**134.4**	**143.7**	**122.9**	**67.2**	**20.8**	**76.5**
	in %			**40.5**				**16.9**	**113.8**
EBITDA margin	**in %**	**33.2**	**27.5**		**38.2**	33.1	**23.6**		
Depreciation, amortization and impairment less reversals thereof	in EUR million	**−149.5**	−139.8	−9.7	**−34.5**	−39.0	−38.8	4.5	4.3
EBIT	in EUR million	**316.9**	192.2	124.7	**109.2**	83.9	28.4	25.3	80.8
	in %			64.9				30.2	284.5
EBIT-Marge	in %	22.5	15.9		29.0	22.6	10.0		

EBITDA 2021 amounted to EUR 466.4 million, 40.5 percent above previous year (EUR 332.0 million).

The main reasons for the increase in EBITDA were the significant increase in wafer area sold and reduced cost of sales per wafer area (excluding depreciation).

The EBITDA margin increased from 27.5 percent in 2020 to 33.2 percent in 2021.

The EBITDA 2021 was relieved by the tender offer in the amount of EUR 6.3 million, while the EBITDA 2020 was burdened by EUR 12.1 million. The effect of the tender offer is shown in the following table:

[1] Quarterly figures are unaudited values

Effect of the tender offer on EBITDA and EBITDA margin

In EUR million		2021	Q4 2021[1]	Q3 2021[1]	Q2 2021[1]	Q1 2021[1]	2020
EBITDA	**In EUR million**	**466.4**	**143.7**	**122.9**	**108.1**	**91.7**	**332.0**
EBITDA-Marge	in %	33.2	38.2	33.1	31.7	29.0	27.5
impact due to take-over offer	In EUR million	−6.3	−12.4	1.3	2.7	2.1	12.1
EBITDA without take-over offer	**In EUR million**	**460.1**	**131.3**	**124.2**	**110.8**	**93.8**	**344.1**
EBITDA-Margin without take-over offer	in %	32.7	34.9	33.4	32.5	29.7	28.5
difference in EBITDA-Margin	*in % points*	*−0.4*	−3.3	*0.3*	*0.8*	*0.7*	*1.0*

At EUR 143.7 million, EBITDA in Q4 was significantly higher than in Q3. The increase of EUR 20.8 million was caused by the improved gross profit amounting EUR 9.1 million and the tender offer amounting EUR 12.4 million. Without the influence of the tender, the EBITDA margin would have been 34.9 percent.

While EBITDA increased by EUR 134.4 million year-on-year, EBIT rose by EUR 124.7 million. The difference of EUR 10.0 million is composed of higher depreciation and the write-up on a production building included in other operating income.

[1] Quarterly figures are unaudited values

Strong financial result despite low interest rate environment

In EUR million	2021	2020	Change	Q4 2021[1]	Q3 2021[1]	Q4 2020[1]	Change Q4 to Q3	Change Q4 to Q4
Interest expenses for pension provisions	−4.3	−6.4	2.1	−1.1	−1.1	−1.6	–	0.5
Net result of financial invest-ments	8.1	6.4	1.7	2.2	1.3	3.0	0.9	−0.8
Other financial result, net	−2.2	−3.0	0.8	−1.7	−0.2	–	−1.5	−1.7
Financial result	**1.5**	**−3.0**	**4.5**	**−0.6**	**–**	**1.4**	**−0.6**	**−2.0**

[1] Quarterly figures are unaudited values

In 2021, Siltronic was able to overcompensate for the expense from the compounding of pensions through income from cash investments. Cash investments include interest-bearing and non-interest-bearing investments, especially securities and time deposits.

Net profit of EUR 290 million

		2021	2020	Change	Q4 2021[1]	Q3 2021[1]	Q4 2020[1]	Change	
								Q4 to Q3	Q4 to Q4
Result before income tax	in EUR million	318.3	189.2	129.1	108.6	83.9	29.8	24.7	78.8
Income taxes	in EUR million	−28.7	−2.4	−26.3	−14.9	−10.3	11.1	−4.6	−26.0
Tax rate	in %	9	1		14	12	−37		
Result for the period	**in EUR million**	*289.6*	**186.8**	**102.8**	**93.7**	**73.6**	**40.9**	**20.1**	**52.8**
thereof Siltronic shareholders		*253.3*	*160.8*		*83.8*	*64.5*	*35.0*		
thereof other shareholders		*36.3*	*26.0*		*9.9*	*9.1*	*5.9*		
Earnings per share	in EUR million	8.44	5.36	3.08	2.79	2.15	1.17	0.64	1.63

In 2021, income taxes amounted to EUR 28.7 million (previous year: EUR 2.4 million). The tax rate for the group was 9 percent in 2021 after 1 percent in 2020.

In 2020 and 2021, Siltronic benefited from government programs to promote investment in property, plant and equipment and the creation of skilled jobs, which are accompanied by tax advantages. In 2020, the tax rate was particularly low because Siltronic implemented measures to strengthen the company pension scheme for employees. These measures, which primarily benefit employees in Germany, have a time-distorting effect on the tax rate.

Profit increased from EUR 186.8 million in 2020 to EUR 289.6 million in 2021. Of this amount, EUR 253.3 million is attributable to Siltronic AG shareholders (previous year: EUR 160.8 million).

Earnings per share resulted in EUR 8.44 , compared to EUR 5.36 in 2020.

[1] Quarterly figures are unaudited values

Assets and liabilities

The Group's total assets significantly increased to EUR 2,455.4 million on December 31, 2021 (2020: EUR 1,919.4 million).

Non-current assets increased significantly due to investments

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Change
Intangible assets	23.0	23.5	−0.5
Property, plant and equipment	1,275.8	961.7	314.1
Right-of-use assets	103.5	51.2	52.3
Financial investments	22.2	46.7	−24.5
Other assets	36.3	12.2	24.1
Non-current assets	**1,460.8**	**1,095.3**	**365.5**

Non-current assets amounted to EUR 1,460.8 million at the end of 2021, or around 59 percent of total assets (previous year: 57 percent). Compared with the end of 2020 (EUR 1,095.3 million), they increased by EUR 365.5 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 425.6 million (previous year: EUR 187.6 million) mostly related to investment in epitaxie capacity, capability (more demanding technical specifications require new equipment), the expansion of the crystal pulling hall and the construction of the new 300 mm wafer fab in Singapore. A long-term lease agreement was entered into for this plant in 2021. The present value of the expected lease payments is included at around EUR 49.2 million in the balance sheet items "Rights of use" and included in the "Lease liabilities" at around EUR 49.9 million.

Depreciation and amortization minus writ-up amounted to EUR 149.5 million in 2021 (previous year: EUR 139.8 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 prepayments on inventories and deferred taxes. The increase in this item was driven by prepayments on inventories, while deferred taxes increased only slightly.

Demand-driven increase in inventories and trade receivables; cash and cash equivalents used for investments

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Change
Inventories	211.8	163.0	48.8
Trade receivables	182.7	156.6	26.1
Other assets	47.3	50.2	−2.9
Cash and cash equivalents and fixed-term deposits	552.8	454.3	98.5
Current assets	**994.6**	**824.1**	**170.5**

Current assets amounted to EUR 994.6 million as of December 31, 2021, up EUR 170.5 million on previous year (EUR 824.1 million). They accounted for around 41 percent of total assets (previous year: around 43 percent).

The demand and production of wafer area sold in 2021 and in Q4 2021 were significantly higher than in 2020.This led to an increase in inventories and trade receivables (taking into account the offsetting of advance payments received) and contract assets compared to the previous year.

Other current assets mainly include tax receivables, fair values of derivatives and prepaid expenses.

Net current assets amounted to EUR 230.2 million as of 31 December 2021 (previous year: EUR 200.8 million). The amount consists of inventories, trade receivables and contract assets less trade payables. Customer prepayments are not included in net current assets.

The main reason for the increase in cash and cash equivalents was the high inflow from cash flow from operating activities in the amount of EUR 501.1 million, which includes a cash inflow from customer prepayments amounting of EUR 106.9 million. This made it possible to finance high payments for investments amounting to EUR 392.5 million. Free cash flow amounted to EUR 108.6 million.

Customer prepayments increased non-current liabilities

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Change
Equity	**1,318.8**	**871.8**	**447.0**
Pension provision	404.8	566.5	−161.7
Customer prepayments	254.2	137.4	116.8
Lease liabilities	99.5	48.4	51.1
Other liabilities	70.7	76.1	−5.4
Non-current liabilities	**829.2**	**828.4**	**0.8**

Equity amounted to EUR 1,318.8 million as of December 31, 2021 (previous year: EUR 871.8 million). The equity ratio was thus 53.7 percent compared to 45.4 percent as of 31 December 2020.

The development of equity is shown in the following table:

In EUR million	
Equity December 31, 2020	**871.8**
Net income	289.6
Dividend	−60.0
Other comprehensive income: remeasurement of DBO, mainly due to increase in interest rate	165.2
Other comprehensive income: foreign currency valuation	67.9
Other comprehensive income: changes of derivative financial instruments	−15.7
Equity December 31, 2021	**1,318.8**

Non-current liabilities amounted to EUR 829.2 million as of December 31, 2021 (previous year: EUR 828.4 million); they account for around 34 percent (previous year: around 43 percent) of total liabilities and equity. Although the decrease of EUR 0.8 million is significant, there were three significant developments:

On the one hand, pension liabilities have decreased, which is primarily due to rising interest rates: In the USA, the interest rate for pensions rose from 2.07 percent at the end of 2020 to 2.51 percent at the end of 2021, and in Germany from 0.69 percent to 1.23 percent in the same period.

The decrease in pension obligations is offset by a similar increase in customer prepayments. These increased by EUR 116.8 million. The increase is related to the construction of the new 300 mm factory in Singapore.

Thirdly, the lease liabilities have increased. We refer to the explanations under non-current assets.

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.

Higher trade liabilities due to investments

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Change
Trade liabilities	164.3	118.8	45.5
Customer prepayments	33.1	23.6	9.5
Lease liabilities	6.3	4.0	2.3
Other provisions and liabilities	103.7	72.8	30.9
Current liabilities	**307.4**	**219.2**	**88.2**

Current liabilities totaled EUR 307.4 million as of December 31, 2021. They were thus EUR 88.2 million above previous year (31 December 2020: EUR 219.2 million). Current liabilities account for around 13 percent of total assets (previous year: around 11 percent).

Trade payables have increased as investment activities in the months before the balance sheet date were much higher than in the same period in 2020.

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

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 the 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.

Positive net cash flow despite extremely high investments

In EUR million	2021	2020	Change
Cash flow from operating activities	501.1	236.7	264.4
Proceeds / payments for capital expenditure including intangible assets	−392.5	−204.7	−187.8
Free cash flow	**108.6**	**32.0**	**76.6**
Increase / decrease of prepayments received (customer prepayments)	−106.9	45.4	−152.3
Net cash flow	**1.7**	**77.4**	**−75.7**
Proceeds / payments for capital expenditure including tangible assets	−392.5	−204.7	−187.8
Proceeds / payments from financial investments (fixed-term deposits, securities)	70.3	168.3	−98.0
Cash flow from investing activities	**−322.2**	**−36.4**	**−285.8**

We generated a net cash inflow from operating activities of EUR 501.1 million in 2021, compared to EUR 236.7 million in the previous year. These amounts are influenced by prepayments, which only represent a period shift. The impact of such payments was different in 2021 and 2020: In the reporting year, the cash flow was positively influenced in the amount of EUR 106.9 million, and negatively in the amount of EUR 45.4 million in 2020. Apart from the influence of advance payments received, cash flow from operating activities developed very similarly to EBITDA less financial result and income taxes.

Cash outflows for investments in property, plant and equipment and intangible assets almost doubled from EUR 204.7 million in 2020 to EUR 392.5 million in 2021

As in previous years, high payments for investments in property, plant and equipment and intangible assets in 2021 could be easily financed from operating activities: The free cash flow (cash inflow from operating activities after deduction of investments in tangible and intangible assets) was clearly positive at EUR 108.6 million (previous year: EUR 32.0 million).

Net cash flow significantly reduced due to high investments
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 time lags between inflow and repayment caused by advance payments are not taken into account. Advance payments from customers impair the meaningfulness of the free cash flow due to the amount and irregularity of the inflows.

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 1.7 million were generated in 2021. As expected, the value is clearly below the previous year.

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 2021, net cash inflows due to cash investments had a volume of EUR 70.3 million (previous year: net inflows of EUR 168.3 million). After these net cash inflows, the Group had EUR 148.5 million in cash investments as of December 31, 2021. This amount was owned in addition to cash and cash equivalents of EUR 424.3 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 572.8 million

Despite the high investments of EUR 392.7 million in 2021 and the dividend of EUR 60.0 million paid to shareholders, net financial assets increased by EUR 73.6 million. Siltronic showed net financial assets of EUR 572.8 million as of December 31, 2021 (December 31, 2020:EUR 499.2 million).

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Change
Cash and cash equivalents	424.3	294.6	129.7
Financial investments	148.5	204.6	−56.1
Net financial assets	**572.8**	**499.2**	**73.6**

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 572.8 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 the operating cash flow in existing plants and in a new plant in Singapore. Beyond capacity expansions, our investment projects focus on the following: automation, increasing yields, epi-reactors and 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

In EUR million	2021	2020	Change Amount	Change in %
Sales	**1,124.6**	**914.2**	**210.4**	**23.0**
Changes in inventories and other own work capitalized	17.8	8.8	9.0	102.3
Total operating output	**1,142.4**	**923.0**	**219.4**	**23.8**
Cost of materials	−561.9	−462.9	−99.0	21.4
Labor costs	−257.9	−238.5	−19.4	8.1
Depreciation, amortization, and impairment	−81.6	−72.6	−9.0	12.4
Other net operating expenses and income	−165.9	−157.9	−8.0	5.1
Result before dividend income from subsidiaries	75.1	−8.9	84.0	−943.8
Dividend income from subsidiaries	44.9	102.0	−57.1	−56.0
EBIT	**120.0**	**93.1**	**26.9**	**28.9**
EBITDA	**194.3**	**165.7**	**28.6**	**17.3**
Interest income/expenses	−11.5	−15.0	3.5	−23.3
Result before income taxes	**108.5**	**78.1**	**30.4**	**38.9**
Income taxes	−12.4	−3.1	−9.3	300.0
Retained earnings	**96.1**	**75.0**	**21.1**	

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 year-on-year increase of EUR 210.4 million in Siltronic AG's sales revenues is attributable both to the company's own production of wafers and rods and to the trading business with wafers.

The driver for the increase in sales of wafers produced in-house was the strong increase in wafer area sold. The increase in area was so high that the negative impact of the appreciation of the euro against the US dollar was more than compensated for. Since wafers produced in-house are mostly invoiced in US dollars, the US dollar plays an important role. The average exchange rate of the US dollar to the euro in the reporting year was 1.18 after 1.14 in the previous year.

Sales of (self-produced) rods increased compared to the previous year due to significantly higher volumes and prices.

Siltronic AG generated 65 percent of its total sales with customers located in Asia (previous year: 63 percent). The second most important region was Europe, where 23 percent (previous year: 24 percent) of customers were based, followed by the Americas with 12 percent (previous year: 13 percent).

The increase in the cost of materials is due on the one hand to the increased in-house production of wafer area and rod material and on the other hand to the increase in the trading business. In in-house production, the cost of materials increased at a significantly lower rate than sales, which was a decisive reason for the improvement in the company's EBIT and EBITDA. In the trading business, on the other hand, the increases in turnover and cost of materials were proportional; the positive effect on EBIT and EBITDA, as mentioned above, was not significant.

The 8.1 percent increase in personnel expenses reflects the expansion of the workforce as well as the variable compensation, which increased as a result of the improved earnings situation. Almost all employees of Siltronic AG participate in the variable remuneration.

The higher depreciation is mainly due to the increase in investments in machinery in the reporting year and the previous year.

A reversal of EUR 7.3 million also had a positive effect. The reversal is related to a production building that was partially written down in previous years. In addition, the tender offer from GlobalWafers had an impact on other expenses and income (net). While this item was burdened with EUR 12.1 million in the previous year due to external consulting expenses, it was relieved by EUR 9.9 million in the reporting year due to the release of provisions.

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 the fiscal year 2021, Siltronic AG received EUR 44.9 million in dividends, compared with EUR 102.0 million in the previous year. The decline is due to the fact that Siltronic Holding International B.V. did not make one distribution in the previous year as usual, but two (EUR 60.0 million and EUR 42.0 million).

In relation to the relevant sales and disregarding the second dividend payment in the previous year, Siltronic AG's EBIT and EBITDA developed in line with the Group. The EBIT margin and EBITDA margin of Siltronic AG both increased by seven percentage points, which is very close to the increase in the Group. The improvements at Siltronic AG and the Group were driven by in-house production. The development of net cash flow at Siltronic AG and the Group is also similar. At Siltronic AG, as in the Group, the figure fell by a high double-digit million amount, and in both cases the causes were the same: the sharp rise in high cash inflows from the sale of self-manufactured products was used to finance investments in property, plant and equipment.

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

Two aspects must be taken into account in the development of income taxes. On the one hand, the investment income is largely tax-free because the profits behind the investment income have already been taxed at the foreign producing companies. Without the extensive tax exemption, the profits would be taxed twice. Secondly, losses were incurred in the previous year, which reduced the tax-relevant profit in the reporting year.

Net assets of Siltronic AG in accordance with HGB

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Change Amount	Change in %
Fixed assets				
Intangible Assets	1.9	2.5	−0.6	−24.0
Property, plant and equipment	554.3	433.3	121.0	27.9
Investments in affiliated companies	129.9	129.9	–	–
Financial assets	128.7	124.9	3.8	3.0
	814.8	**690.6**	**124.2**	**18.0**
Current assets				
Inventories	400.7	243.4	157.3	64.6
Trade receivables from third parties	94.5	79.0	15.5	19.6
Receivables from affiliated companies	140.6	122.4	18.2	14.9
Other assets, excluding time deposits	36.8	22.2	14.6	65.8
Cash and cash equivalents, including time deposits	58.7	174.6	−115.9	−66.4
	731.3	**641.6**	**89.7**	**14.0**
Total assets	**1,546.1**	**1,332.2**	**213.9**	**16.1**

As investments in property, plant and equipment exceeded depreciation, the book value increased by EUR 121.0 million. In the financial year 2021, additions to property, plant and equipment amounted to EUR 195.1 million.

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

Inventories include advance payments of EUR 292.9 million, a significant increase on the previous year (EUR 162.6 million). Siltronic AG has passed on a significant portion of the advance payments to a manufacturing subsidiary. Siltronic AG sells the wafers produced by the subsidiary in the trading business. No loan was required to finance the advance payments made because Siltronic AG received advance payments in the same amount from customers outside the Group.

The item receivables from affiliated companies contains two opposing effects. On the one hand, the previous year's item included a dividend receivable from Siltronic Holding International B.V. in the amount of EUR 42.0 million, which was settled in 2021. On the other hand, trade receivables from subsidiaries increased by EUR 60.9 million compared to the previous year due to the higher business volumes.

The reason for the decrease in cash and cash equivalents is mainly the payments for investments in property, plant and equipment as well as for the dividend in the amount of EUR 60.0 million.

Financial position of Siltronic AG in accordance with HGB

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Change Amount	Change in %
Equity	**665.2**	**629.1**	**36.1**	**5.7**
Provisions				
Pension provisions	126.8	115.6	11.2	9.7
Other provisions	134.5	120.3	14.2	11.8
	261.3	**235.9**	**25.4**	**10.8**
Liabilities				
– Trade payables to third parties	52.0	40.7	11.3	27.8
– To affiliated companies	275.3	255.1	20.2	7.9
Other liabilities	292.2	171.4	120.8	70.5
	619.5	**467.2**	**152.3**	**32.6**
Total equity and liabilities	**1,546.0**	**1.332.2**	**213.8**	**16.0**

As of the balance sheet date, 43 percent of the assets are financed by equity and 57 percent by debt.

The pension provisions have increased compared to the end of 2020, which is mainly due to the fact that the discount rate has decreased in the 2021 financial year. The increase in other provisions is mainly due to the higher tax provision compared to the previous year.

The main reason for the increase in liabilities to affiliated companies by EUR 20.2 million is the increase in trade payables to subsidiaries.

The EUR 120.8 million increase in other liabilities is due in particular to advance payments received by Siltronic AG from customers outside the Group for future wafer deliveries. The advance payments were passed on to a manufacturing subsidiary in almost the same amount.

Net financial assets were negative at EUR 24.2 million as of 31 December 2021, compared to a positive value of EUR 86.7 million in the previous year. The reduction of EUR 110.9 million is mainly due to two reasons: Cash flow from operating activities amounted to EUR 143.2 million in the past year. This was offset by payments for property, plant and equipment and intangible assets of EUR 190.9 million. In addition, a dividend of EUR 60.0 million was paid to shareholders.

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 2021 is essentially identical to the outlook of the Siltronic Group, which is described in detail in the forecast report of the Group.

Other non-financial aspects

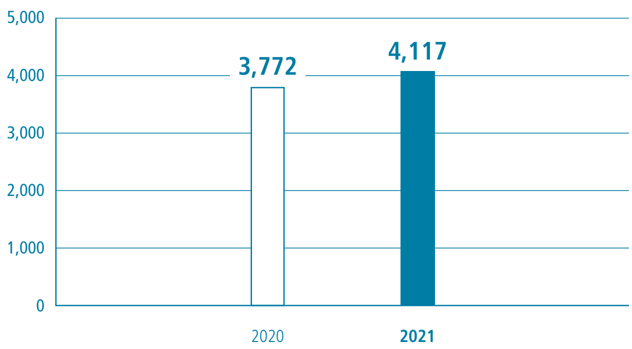
Employees

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, 2021, some 4,119 people were employed at Siltronic. The number of employees has thus increased by 347 employees or a good 9 percent compared with the previous year (3,772 employees). In addition, 351 temporary workers were employed worldwide as of December 31, 2021 (previous year: 330).

As a manufacturing company, we have a high proportion of direct personnel. This was around 64 percent in 2021.

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, the learning management and the internationally oriented organization form the cross-site framework. Global support for secondments and delegations as well as cooperation in the area of recruiting connected the sites. 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 195 severely disabled people with equal rights worked in 2021 (2020: 205)[1], which corresponds to an employment rate of around 7 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 workshops.

An evenly distributed age structure enables teamwork across different generations.

In Singapore, we have an orientation program for new employees that includes the basic principles of the Code of Conduct, which covers topics such as valuing diversity of people, treating colleagues fairly, respectfully and openly, and not discriminating on the basis of gender, race, ethnicity, religion, belief, disability, sexual orientation or age. We have a diverse mix of ethnic groups (Chinese, Indians, Thais, Myanmese, Filipinos, Malays, etc.).

Portland has a Diversity Officer who leads the Diversity, Equity and Inclusion (DEI) effort at our site. We recently updated our corporate holiday calendar, replacing President's Day with Martin Luther King, Jr. Day. Finally, in 2021, we established a donation committee formed by a group of employees who approve corporate donations while ensuring we focus on donations to organizations that support various issues.

[1] unaudited values

We support a good work-life balance
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.

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

At the German sites, sabbaticals of up to 12 months can be arranged flexibly.

Relief time and age-related time off can be taken by employees above a certain age to reduce their workload.

Home office enables flexible working
Since 2020, we concluded a company agreement that allows employees at our German sites to work from home 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, employees usually receive a variable remuneration based on the success of the company.

The compensation of our senior executives is also based on the company's performance and additionally on defined non-financial performance indicators (including ESG criteria) and the assigned compensation band. The criteria are defined annually.

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.

Future amount and employer-financed long-term care insurance
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. However, it is also possible to pay out the amount. Employees can choose a combination that suits them best and adapt it to their individual needs over the course of their career.

Since July 2021, we have been offering employer-funded supplementary long-term care insurance "CareFlex Chemie" to all employees covered by collective agreements in Germany. This supplements the statutory long-term care insurance.

Employee development and retention 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. Individual development paths also promote loyalty of the employees towards the company. 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.

Our training and workshop program also supports our employees in technical topics as well as in the further development of their leadership and social skills.

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

Since March 2021, our newly designed careers webpage has been available on our website. In addition to comprehensive information about different entry opportunities, benefits at the various locations and our corporate values, our Siltronic-ambassadors provide information about their career paths at Siltronic. In addition to the career webpage, cooperation with Social Media platforms also enables us to win a wider audience for our varied jobs. We also present Siltronic as an employer brand at various recruiting fairs, and in 2021 mainly at online events. We not only want to be perceived as an attractive employer by applicants. Internal employer branding is also of great importance for Siltronic.

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 2021, 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 37 apprentices. In addition, since 2021 we offer dual study programs at the Baden-Württemberg Cooperative State University to cover a part of 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[1] 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.

Company pension scheme

The company offers a range of social benefits. We would like to highlight our pension fund. The statutory pension is often not sufficient to secure the standard of living in old age. Supplementing the statutory pension with a company pension is therefore becoming increasingly important. We support our employees with employer-funded contributions.

[1] unaudited values

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.

FKey figures for R&D

	2021	2020	2019	2018
R&D expenditure (EUR million)	80.4	72.6	68.4	68.1
R&D expenditure as a percentage of sales	5.7	6.0	5.4	4.7
R&D grants and subsidies received (EUR million)	0.7	0.9	0.7	0.5

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 a considerable number of engineers in research and development at all production sites, with Burghausen being the most important location. Research is only carried out in Burghausen. 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 1,870 pending and active patents and patent applications in almost 360 patent families underpins our high innovative strength and secures our technology position as one of the leaders in the global market.

Our research and development (R&D) expenses amounted to EUR 80.4 million in 2020 (previous year: EUR 72.6 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 floatzone 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 2021

In 2021, we started the construction of a new fab for the production of 300 mm wafers and ingots at our existing production site in Singapore. We are currently expanding our existing crystal production at the Freiberg site. Additional wafer capacities from the new fab under construction in Singapore are not expected before 2024. The debottlenecking of our existing lines was continued, potentials beyond 2021 exist only to a very limited extent and mostly relate to the optimization of our product mix. In addition, we are continuously working on renewal and optimization projects to improve our cost position and capabilities.

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.

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.

Supply Chains and Corona

In 2021, the supply chain disruptions created challenges for Siltronic. Our management systems, many years of experience and established relationships with external service providers and suppliers, ensured that there was no substantial impact on our production or output at our sites. Corona: Due to the clean room conditions, our production sites are operating under increased hygiene standards. In addition, together with the site medical services and safety officers, we established specific hygiene regulations far beyond the legal requirements in order to exclude infection chains within the sites. As a result of the high incidence rates in some areas, as far as possible we are temporarily planning for higher sickness rates.

Purchasing and supplier management

- Continuous improvement of procurement costs and quality of supplies and services
- Reduction and elimination of procurement risks
- Developing and qualifying alternative suppliers
- Promoting sustainability and corporate responsibility in the 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 2021, 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 on an international level. Especially in the past two years, during the ongoing global pandemic, this has enabled us to ensure production and high capacity utilization at our production sites.

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[1] 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 responsibility (CR). In doing so, we are guided by the standards of the Responsible Business Alliance (RBA) and systematically implement the process of risk analysis and improvement measures at suppliers with RBA and through our supplier management. 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.

The purchasing order volume of around EUR 1,011 million[1] in 2021 was higher than in the previous year (2020: around EUR 724 million) due to larger investments. Our suppliers met the agreed delivery qualities, quantities and deadlines at a high level. Siltronic placed a total of around 62,400 orders worldwide[1]. 8 percent of our suppliers cover approximately 90 percent of our purchasing volume[1].

Variation in material price movements
The price development of the materials and raw materials most important to us was slightly rising in 2021 due to increased problems in global supply chains, strong demand from the semiconductor industry and rising global inflation in raw material, energy and personnel costs, with a stronger increase towards the end of the year. Currency effects from acquisitions in US-dollar and Japanese yen had an increasingly positive impact on procurement in 2021 compared to previous year.

Security from long-term agreements
We renewed the global polysilicon supply contract with Wacker Chemie AG. The contract is effective until at least 2026 and guarantees security of supply within defined volume corridors. Prices were partly fixed for the minimum term and may fluctuate within narrow corridors depending on market prices. Alternative procurement sources are also available as part of our multi-supplier strategy.

Efficient and robust processes and systems
We increasingly use of electronic procurement and collaboration tools with our suppliers. Therefore we examine on the one hand the entire operative purchasing process, from the inquiry at the supplier to the payment of the invoice. An important metric is the number of automated purchase orders created. Worldwide, more than 109,000 purchase order items[1] were triggered in 2021 (previous year: around 97,000 purchase order items). Of these, we created or shipped around 76 percent[1] (35 percent via eCatalog) automatically at our German sites in 2021. In 2021, we started to replace our SRM ERP system solution and will complete this project in 2022.

We work with over 3,900 suppliers worldwide[1] (previous year: 3,800). The share of Asian suppliers rose further to 30 percent and the share of the US suppliers is at 6 percent[1]. Our goal is to continue to expand our procurement globally. Smart procurement strategies and global supply concepts are increasingly contributing to lowering costs and reducing supply risks and environmental impacts. In the coming years, we will continue to focus on this area in order to achieve improvements together with our suppliers and reduce the carbon footprint of our procurement.

Sales and marketing

Siltronic offers the market a broad range of silicon products while striving for close and long-term cooperation with customers spread across more than 25 countries[1]. These close relationships also include joint development project support with many of our customers. For more information, please refer to the chapter "Research & Development" starting on p. 45.

[1] unaudited values

Siltronic has Sales and Application Technology specialists in seven regions including USA, Europe, Japan, China, Taiwan, Korea and other Asia-Pacific to ensure competent and prompt on-site support for our customers. Our Sales coverage and support is even more broad spread with local presents in the USA, France, Italy, Germany, Korea, Japan, China, Taiwan and Singapore where we sell our products almost exclusively and direct to customers.

Key account teams, consisting of employees from Sales, Application Technology, Process Technology, Quality and from our Supply Chain Center, maintain close relationships with customers. This enables us to provide full-service support with experts from all key departments and react quicker to changing customer requirements.

Supply contracts with customers have varying durations from approximately three months to many years. Despite the pandemic complicating the 2021 market environment, it also brought many opportunities to Siltronic as customers struggle to rebuild inventories and achieve a higher level of supply security. This had an increasing influence on Siltronic increasing its multi-year contract exposure for 300 mm wafers to support FabNext's ramp and as well as securing a higher level of volumes for our existing capacities. This was not only limited to 300mm, but other products as well.

To better understand our customers' needs and demand, we constantly evaluate end market trends which can give us a clearer and hopefully a more advanced view of their potential demand for silicon and any upcoming new emerging products from new applications.

Our long-term customer partnerships are heavily based on a high level of trust and cooperation which also helps to impact our overall performance. Best of class performance is acknowledged by customers with supplier performance awards. We are proud that we have earned this type of recognition on numerous occasions over the years. For example, in 2021, we received Intel's most prestigious 2020 Supplier Continuous Quality Improvement (SCQI) Award. Siltronic earned this recognition by providing world class Technology, Availability, and Quality support. This was Siltronic's eleventh consecutive award from Intel and second SCQI. A remarkable achievement. Other supplier awards recognizing outstanding performance by Siltronic which we received in 2021 included Best Supplier Front End 2021 by Nexperia.

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.

Risk and opportunity report

Risk strategy and risk policy

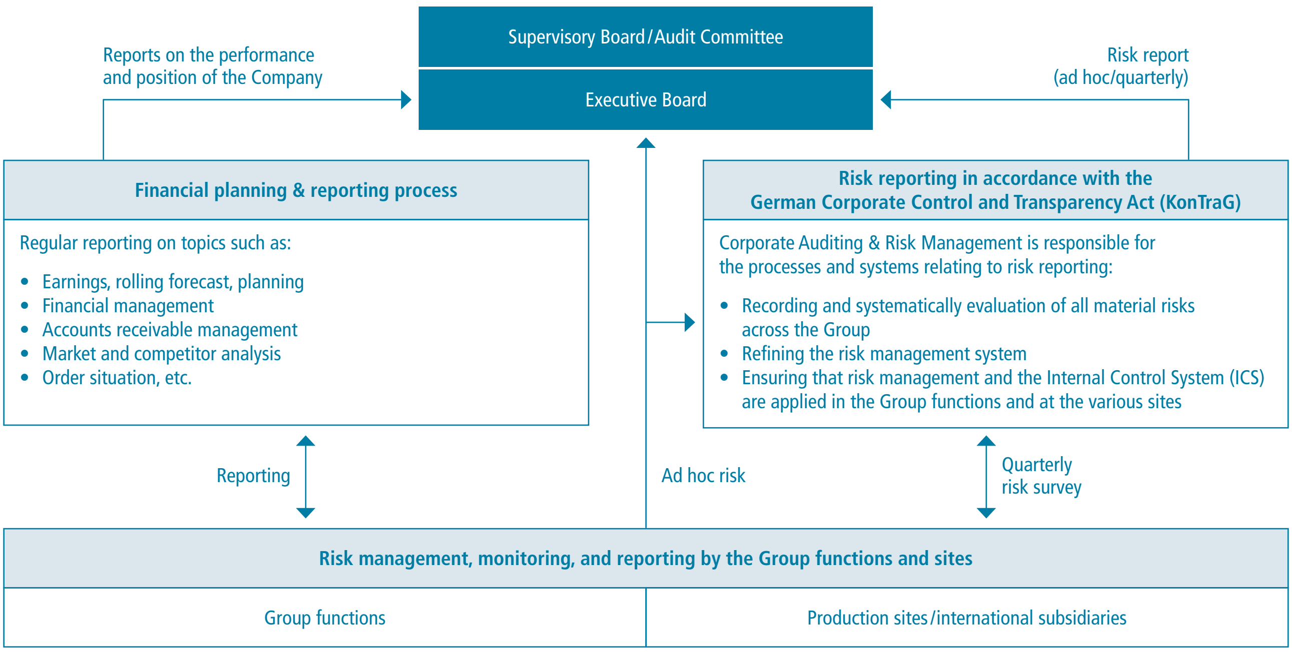
We believe an effective opportunity and risk management is an important element of corporate governance for us as a global company. It is also part of our wider process of opportunity and risk management aimed at unlocking existing and future potential for success. We define risks as internal and external 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 and strategic corporate planning. 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. Our risk management system is regularly audited by independent auditors. In fiscal year 2021, the risk management system was audited by our external co-sourcing partner for internal audit services. 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. Changes were made to the risk management system for the risk classification in the new fiscal year. We have increased the internally defined threshold values for risk classification for the fiscal year 2022 due to the stable development of the Company's earnings. 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 expired tender offer by GlobalWafers on opportunities and risks

Due to the failure to obtain investment approvals for the completion of the public tender offer from the German Federal Ministry of Economic Affairs and Climate Action (BMWK) by January 31, 2022, the tender offer of GlobalWafers could not be completed. As a result, GlobalWafers may now be tempted to expand its own production capacities earlier or more than previously planned. Shareholders of Siltronic, who have so far been counting on a successful takeover, may want to sell their shareholdings on the capital market. This could temporarily burden Siltronic's share price.

In the Business Combination Agreement, it was agreed that Siltronic would be entitled to a termination fee in the amount of EUR 50 million if certain regulatory approvals and clearances were not granted in time. As a result of the failure to obtain the certificate of non-objection, this termination fee became due.

Material risks

The following overview reflects our assessment of material risks that could have a negative impact on our business, net assets, financial position, profit, and reputation. 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 risk 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 negatively impacted more than expected by, among other things, an escalation of political tensions in Eastern Europe, possible interest rate increases by central banks to curb inflationary developments, continuing difficulties in global supply chains, trade and customs disputes, or the effects of the Corona pandemic. 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 particular, the health protection of our employees and the prevention of corona spread is of great importance. If we are unable to keep the incidence among our workforce low through vaccination, testing and hygiene measures, we must expect restrictions on production or deliveries to our customers. We are keeping a particularly close eye on the logistics chains, the procurement of production resources and the sales markets. Government requirements to contain the pandemic could lead to supply and production restrictions and delays in investment projects if, for example, employees or service providers are no longer able to reach our sites or production at our suppliers', our own or our customers' sites has to be reduced or interrupted. 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. These include, among other things, the protection of our employees through defined workplace hygiene concepts, work from home arrangements, offers of vaccination, regular meetings of the crisis response team as well as site-specific response plans and close communication with suppliers.

Political crises, wars and trade tensions

Political crises, wars and trade conflicts in certain countries or regions in which we operate pose a potential risk to our business and production processes and the sale of our products. At present, the Ukraine conflict and further escalations in the trade conflict between the US and China in particular could lead to trade restrictions. We do not expect the military conflicts in Eastern Europe to have any direct impact on our business. However, depending on the course and duration of the military conflicts, energy supply and energy price developments, which are important for us, may impact our production and costs. A protectionist trade policy could also have a negative impact on our business. 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. Due to potential fluctuations, the forecasts of sales volumes and prices can be subject to major uncertainty because of change in demand. 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. Increased investments lead to greater outflows of funds and, in the future, to higher depreciation charges recognized in profit or loss from operations. 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.

The new 300 mm fab in Singapore is an important contribution to support the strong growth and expansion projects of our customers. The current dynamic supply, price and demand situation for important construction materials, equipment and construction services may lead to unexpectedly higher investment costs. Unplanned expenditure increases will impact our liquidity and future operating earnings through higher depreciation expense. Delayed ramp-ups, caused for example by the Corona pandemic or currently strained supply chains, harbor the risk that we may not be able to fulfill supply contracts already agreed and record declines in sales and earnings. Possible misinvestments lead to idle capacity costs or impairment losses on investments with negative effects on earnings. The market assumptions on which the investment decision was based may not be achieved and lead to negative effects on earnings, finances and assets.

With our experience in project planning for new production sites, in erection and site supervision, in project controlling and in commissioning, we ensure that projects are completed on time and on budget as far as possible. We have a wide range of measures in place to counter investment and liquidity risks. We release investments only in partial stages. Intensive project controlling serves to minimize or exclude time delays. We reduce our investment risk through long-term purchase and financing commitments with our customers.

Product development
The semiconductor industry is characterized by ongoing technological change and tightening or even new requirements for our manufacturing processes and products. 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 high demand for semiconductor products is leading to price increases and supply problems at our suppliers. In our opinion, the strong market price movements for energy are likely to continue. There is a risk that we will not be able to pass on the full impact of price increases to our customers. Delays and interruptions in the global supply chain as a result of economic and geopolitical developments, the Corona pandemic, extreme weather events, or cyber incidents, in addition to quality issues, supplier failures, and unexpected price increases, may lead to negative impacts on production, sales, and earnings, and 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. In addition, we conduct risk-oriented audits of our suppliers. 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) 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 risks
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 patent, anti-trust, trade, 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 departments. 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.

Tax risks
In 2021, risks for Siltronic emerged as a result of the concretization of international plans for global minimum taxation. In particular, as a result of the agreement signed by 136 countries on October 8, 2021, on the introduction of new taxation concepts for corporate groups, income taxes for international groups are to be adjusted in important respects in almost all countries by the end of 2023. In the case of investments, tax relief is to take effect to a much lesser extent than before. Due to Siltronic's high level of investment activity, we receive tax benefits. If the tax benefits decrease significantly, our tax rate will rise and lead to negative earnings and financial effects.

We operate in various countries and are therefore subject to different tax systems. Tax risks arise in particular from divergent interpretations by tax authorities in the case of cross-border transactions (so called transfer prices). This may result in additional tax expense due to penalties and interest payments.

Tax risks are identified, regularly monitored and assessed by the tax department and necessary measures are taken.

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 mentioned above. In addition, there are claims against other insurance companies.

Regulatory risks
Semiconductor manufacturing is a water- and energy-intensive industry. More restrictive regulation with regard to water and energy supply can therefore affect our production or increase the expense. The regulatory environment has been characterized by repeated legislative adjustments in recent years. We therefore believe it is possible that there may be further burdens in the future.

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 for this is the IT baseline protection approach from the German Federal Office for Information Security (BSI). 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, which will impact our cash position.

For further information relating to pension risks, please refer to Note 11 Provisions for pensions and similar obligations.

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 derivative financial instruments held at the balance sheet date and supplementary descriptions of the management of financial risks are provided in Note 16 to the consolidated financial statements.

Liquidity and financing risk

For investments such as the new 300 mm fab, we require substantial financing. In the current dynamic supply, price and demand environment for key construction materials, equipment and construction services, unexpectedly higher capital expenditures may occur. Unplanned increases in expenditure may place a considerable strain on our liquidity.

We have reduced our financing and liquidity risk through long-term purchase and advance payment commitments with our customers. We plan to further improve our liquidity through additional financing measures. Liquidity risk is managed centrally by means of rolling liquidity planning and efficient cash management systems. Siltronic prevents financing risk by holding liquidity in reserve.

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

Transformation through climate change

We do not see our business model negatively affected by climate change. In order to achieve the global CO_2 targets, semiconductors are an important contribution to the efficient production of renewable energy sources and to increasing energy efficiency. For example, semiconductors optimize the generation and distribution of renewable energies, reduce power consumption in technical devices and support the transformation to electric cars. Efficient use is forcing industry to develop ever smaller and more powerful components.

Growth in Asia

The increasing prosperity in the Asian region and in emerging markets in other regions is driving demand for higher-value products in which semiconductors are used. The focus region for us remains Asia in order to secure our profitability in the long term and to grow further.

Accelerated digitization due to the pandemic

The coronavirus pandemic has accelerated the trend toward digitization and is permeating more and more areas of our lives. The focus is particularly on the automotive industry, industrial applications, smartphones, digitization and consumer electronics. We want to support this growth with innovative products. In addition to the rising volume of data, the increasingly complex and diverse requirements placed on electronic components and the resulting increase in area requirements per component are a key growth driver. 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 specifications for our wafers are increasing.

Higher sales prices and customer prepayments as well as long-term supply contracts

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 generally increasing consumption of wafer area. Due to the high demand, we are able to increase our sales prices and to agree down payments and longer delivery commitments with our customers. This enables us to finance the decided investment in Singapore and to secure the planned additional production.

Favorable exchange rates

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 and high capital expenditures

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. The new 300 mm fab is an important contribution to support the strong growth and expansion projects of our customers. The capacity expansion enables us to continue to grow with the market and to maintain or further improve our cost position. With the decision for Singapore, our factory is close to a large number of customers. Together with our two very modern and cost-efficient factories in Singapore, we can achieve further economies of scale through synergies.

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 increase 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 2022

	Risk Assessment			
Risk	Low	Medium	High	Change compared to previous year
Overall environment				
Economic downturn		•		↓
Corona pandemic		•		↓
Political crises, wars and trade tensions		•		→
Industry and market risk				
Competition, demand controlled by customers, cycles in the wafer market			•	→
Investments			•	↑
Product development risk		•		→
Procurement risk		•		→
Production risk and product liability risk		•		→
Legal and regulatory risk				
General legal risk	•			↓
Tax 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:

		Probability of occurrence		
Risk assessment		< 25 percent	25 – 75 percent	> 75 percent
Effects on the development of the Group's net assets, financial position and result of operations	< EUR 10 mn	Low	Low	Medium
	EUR 10 – 50 mn	Low	Medium	High
	> EUR 50 mn	Medium	High	High

Outlook

Expected macroeconomic trends

The International Monetary Fund (IMF) forecast for global growth of 4.4 percent in 2022 is significantly lower than for 2021 (2021: 5.9 percent expected). After a far-reaching recovery of the global economy from the effects of the Corona pandemic in 2021, the IMF now expects moderate growth in its latest report of January 25, 2022. Growth of 4.8 percent is forecasted for the emerging and developing economies in 2022 (2021: plus 6.5 percent). For the established economies a more moderate growth of 3.9 percentage points is forecast after the significant recovery in 2021 (plus 5 percent). The IMF sees the greatest risks in the continuing uncertainties about the humanitarian and economic impact of the Corona pandemic, as well as in the impact of supply chain problems and rising inflation rates.

In the euro area, growth of 3.9 percent is expected for 2022 (2021: 5.2 per cent).

For Germany, the IMF is forecasting a significant growth of 3.8 percent in 2022 and a noticeable recovery compared to the previous year (2021: 2.7 percent expected). Thus, the economic recovery from the effects of the Corona pandemic in Germany will occur later than, for example, in the USA. According to the IMF, the US economy is expected to grow by 4.0 percent in 2022, which is more moderate than 2021 (5.6 percent). For Japan, the IMF predicts a year-on-year growth rate of 3.3 percent in 2022 (2021: 1.6 percent expected). For China, the IMF forecasts significantly weaker growth of 4.8 percent than in the previous year (2021: 8.1 percent).

Based on the SEMI SMG forecast, Siltronic expects the market for silicon wafers for the semiconductor industry to grow by around 6 percent in 2022, based on wafer area sold worldwide.

Sources:
IMF (World Economic Outlook update, January 25, 2022)
SEMI SMG (Press release, October 18, 2021)

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 continues to make it more difficult to issue a forecast for Siltronic, as the associated macroeconomic effects are difficult to assess.

We currently expect only a slight increase in sales volumes for 2022, while average selling prices in invoicing currency are expected to rise significantly. At the same time, however, we also anticipate significant cost increases in 2022 due to inflation, which cannot be offset by cost-saving programs.

The Executive Board expects that 2022 will develop as follows:

Effect of the GlobalWafers tender offer on the forecast
As a result of the tender offer by GlobalWafers, a termination fee of EUR 50 million is due to be paid to Siltronic.

Sales
We expect a slight increase in wafer area sold of less than 4 percent compared to 2021. Assuming significantly rising average selling prices in invoicing currency, we expect an increase in sales by 15 percent to 22 percent compared to the previous year.

The EUR/USD exchange rate in 2021 averaged 1.18.

Excluding currency hedging transactions, a deviation of 1 USD cent in the EUR/USD exchange rate from last year's rate results in a change in sales of around +/- EUR 8.5 million and a change in EBITDA of around +/- EUR 7 million in 2022.

EBITDA margin
Due to rising unit costs of around EUR 120 million, in particular for electricity and supplies, and significantly rising prices, an increase in the EBITDA margin to between 34 percent to 37 percent is expected in 2022.

Depreciation
Due to our investments, depreciation in 2022 will increase to approximately EUR 185 million.

EBIT
Despite higher depreciation, we expect EBIT to increase significantly in 2022.

Tax rate
The tax rate is expected to be between 10 percent and 15 percent.

Investments
We are planning investments of around EUR 1,100 million for 2022, of which around two thirds are allocated to the construction of the new factory in Singapore. Further investments will focus on the expansion of the crystal pulling hall and the expansion of the epi capacity in Freiberg as well as measures to improve the capability for new design rules.

Net cash flow
Due to the high level of capital expenditure, net cash flow will be significantly negative.

Earnings per share
We expect earnings per share to increase significantly.

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 2021, the Executive Board expects Siltronic to continue to operate successfully in the market in 2022.

Possible negative factors for 2022 continue to include geopolitical and global economic developments as well as the ongoing Corona pandemic.

Based on the strong demand for wafers of all diameters since mid-2021, customer inventories have not increased. Megatrends such as 5G, artificial intelligence, electromobility and digitalization remain growth drivers for the semiconductor industry. Our customers are expecting rising demand and are working on extensive expansion plans for the years to come.

Demand for wafer area and capacity utilization are very high. Therefore, in 2022 we currently expect demand for wafer area to further exceed the production capacity of suppliers, especially for 300 mm wafers.

Siltronic has concluded further long-term agreements with customers in 2021, some of which with a term of more than five years. For 300 mm wafers, supply contracts have been concluded that include around 80 percent of the future production volume from the new fab in Singapore. As a result, prices were renegotiated only to a limited extent. The long-term agreements concluded have an increasing effect on the future average selling price.

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 2022

Sales	15 to 22 percent increase
EBITDA margin	34 to 37 percent
Depreciation	around EUR 185 million
EBIT	significant increase
Tax rate	10 to 15 percent
Capital expenditure	around EUR 1,100 million (2/3 for FabNext)
Net cash flow	significantly negative
Earnings per share	significant increase

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"). As a result, the restrictions affecting these shares ceased to apply after the balance sheet date.

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. As the tender offer was not completed after the balance sheet date, the existing rules on the Share Ownership Commitment 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

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) (together hereinafter also referred to as "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 EUR 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 of the German Stock Corporation Act (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 of the German Stock Corporation Act (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 3,000,000 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 takeover bid (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 takeover bid.

Compensation agreements in the event of a takeover bid (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 takeover bid.

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, 315d 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 July 27, 2021, 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/fileadmin/investorrelations/corporate_governance/21070727_Declaration_of_Conformity_July_2021_01.pdf)*:

"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"):

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 issuing its last declaration of conformity on September 24, 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.

Munich, July 27, 2021
Siltronic AG

Executive Board 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 Siltronic compliance management system was developed on the basis of a compliance risk analysis that examines company- and industry-specific risks. This 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.

Siltronic has issued an internationally applicable corporate policy that defines responsibilities, value limits and reporting channels. Particular emphasis is placed on preventing corruption, bribery and anti-competitive behavior. A risk-oriented "Know Your Business Partner" process has been defined for the screening of business partners.

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. In addition, the Chief Compliance Officer reports to the Supervisory Board during the Audit Committee meetings.

As a protected reporting channel, Siltronic has appointed an external ombudsman to whom employees and third parties can anonymously report violations of statutory regulations.

In the fiscal year 2022, a digital whistleblower system will be installed that will allow whistleblowers to submit reports on violations of the law and (imminent) human rights abuses anonymously via a secure electronic mailbox.

Retaliation of any kind against persons who report compliance incidents in good faith is prohibited. The contact details of the ombudsman as well as the link to the digital whistleblower system, once established, are/will be published on our homepage.

In September 2021, the Executive Board also appointed a Human Rights Officer who defines measures to ensure compliance with human rights and environmental due diligence obligations. The Human Rights Officer identifies the human rights and environmental risks faced by Siltronic and its direct suppliers. Based on the risk analysis, he supports the development of the Company's human rights strategy. In the future, the digital whistleblower system installed in the fiscal year 2022 will also enable individuals to report violations of relevant human rights or environmental risks that have arisen as a result of the economic activities of the Company or a direct supplier.

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/*.

Furthermore, Siltronic has joined the Science Based Targets Initiative (SBTi). SBTi drives ambitious climate action in the private sector by enabling companies to set science-based targets to reduce emissions. SBTi is a partnership between CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Siltronic has set itself the goal of halving its Scope 1 and Scope 2 CO_2 emissions by 2030. Explanations on SBTi are published on the internet: *https://sciencebasedtargets.org/*.

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 percent 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 then 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. 179. 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."

In view of the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz - FISG), which came into force in the fiscal year 2021, the Supervisory Board additionally resolved on July 27, 2021 that the Audit Committee must include at least one member of the Supervisory Board with expertise in the field of accounting and at least one other member with expertise in the field of auditing.

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 2021, 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. Dr. Ohler has expertise in the field of accounting and Mr. Jonas has expertise in the field of auditing.

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). This committee was dissolved effective midnight February 10, 2021, the expiry of the acceptance period for the GlobalWafers tender offer.

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 (until December 31, 2021)
Johann Hautz (since January 1, 2022)

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 and at least one member with expertise in the field of auditing; 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 including 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 expertise in the field of auditing and a further member has expertise in the field of accounting.

Conciliation Committee

Chair:
Dr. Tobias Ohler

Members:
Gebhard Fraunhofer (until December 31, 2021)
Johann Hautz
Sieglinde Feist
Volker Stapfer (since January 17, 2022)

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 (until February 10, 2021)

Members:
Mandy Breyer
Michael Hankel
Johann Hautz
Dr. Tobias Ohler

Responsibilities:
The Special Committee consisted 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. This committee was dissolved effective midnight February 10, 2021, the expiry of the acceptance period for the GlobalWafers tender offer.

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:

	Starting base as of June 30, 2020	New target by June 30, 2023
Supervisory Board	Statutory 30 %-quota, therefore no target necessary	
Executive Board	0 % (0 / 2)	50 % (1 / 2)
1st management level	14.3 % (2 / 14)	min. 21.45 % (3 / 14)
2nd management level	8.6 % (3 / 35)	min. 11.4 % (4 / 35)

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 2021 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 the 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 2021, 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 are continuously developed and adapted to changing conditions. Details are available in the Risk and opportunity report on p. 49.

Financial reporting and auditing of financial statements

Siltronic's consolidated financial statements for 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The 2021 financial statements of Siltronic AG were prepared in accordance with the provisions of the German Commercial Code (HGB). The accounts for 2021 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-evaluation

At its meeting on July 27, 2021, 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.

Related party transactions

With the approval of the Supervisory Board, the Company has established an internal procedure pursuant to section 111a (2) sentence 2 of the German Stock Corporation Act (AktG) that applies to the evaluation of related party transactions and implemented corresponding processes. Only Supervisory Board members who are not concerned about a conflict of interest due to their relationship with the related party participate in the resolution on the approval of related party transactions in accordance with section 111b of the German Stock Corporation Act (AktG). Further information on related party transactions is published on p. 169.

Compensation report

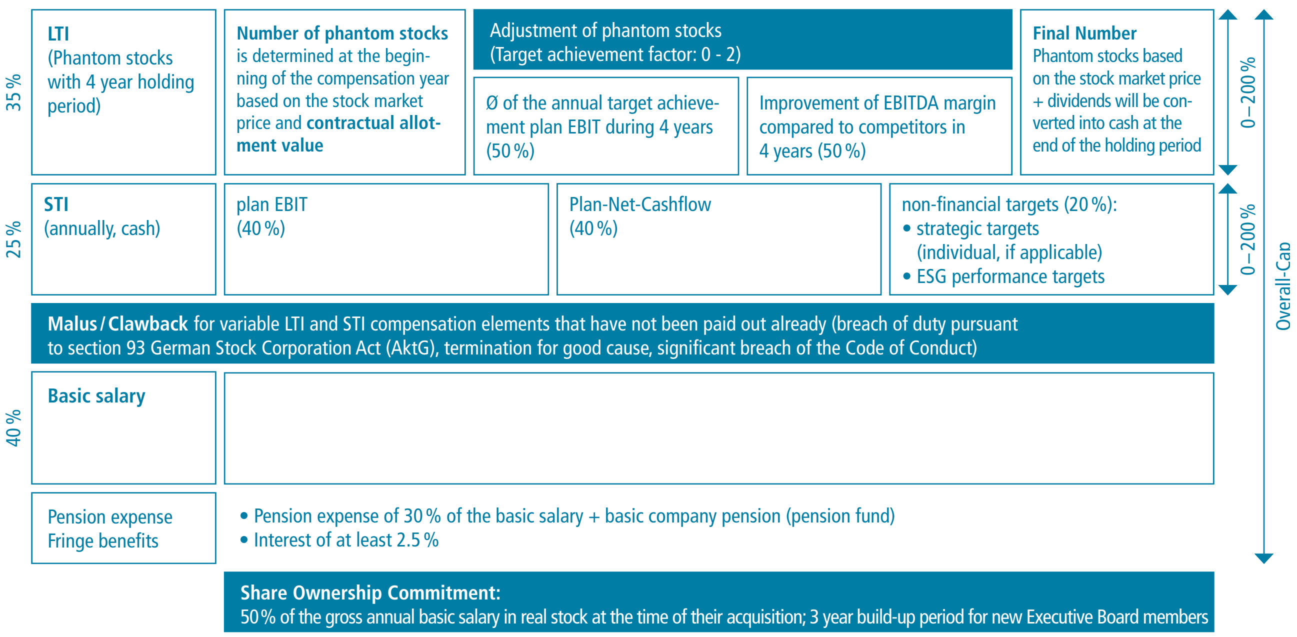
The following compensation report complies with the requirements of Section 162 of the German Stock Corporation Act (AktG) as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II). Due to the changed regulatory conditions, the compensation report was prepared jointly by the Executive Board and Supervisory Board and adopted by both bodies on March 8, 2022. The unqualified report on the audit is printed at the end of the compensation report. This compensation report will be submitted to the Annual General Meeting on May 5, 2022 for approval.

Overview of Executive Board compensation system

A full description of the compensation system can be found in the invitation to the 2020 Annual General Meeting, which is available on our corporate website.

The compensation system contributes to furthering Siltronic AG's business strategy of sustainably consolidating its position as one of the leading manufacturers of semiconductor wafers by defending its technology position, expanding its capacity in line with market growth, and thereby generating profit and cash flow across all market cycles by continuously improving its cost position.

Model compensation system



Compensation 2021

Important events in the compensation year 2021

Effective with the fiscal year 2021, the Supervisory Board had increased the basic salary of Rainer Irle from EUR 360,000 to EUR 390,000.

Against the background 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, so that the members of the Executive Board have the option to tender the shares held by them under the share ownership commitment in the context of the tender offer. The Executive Board members made use of this option. However, they were obliged to continue to hold the shares in accordance with the previous rules until completion of the offer. As the tender offer was not completed by the long stop date of January 31, 2022 due to the lack of approval under foreign trade law from the German Federal Ministry for Economic Affairs and Climate Action, the existing rule on the shareholding obligation for the Executive Board members will continue to apply unchanged.

The following graphic provides an overview of the main components of the compensation system, the targets set and their strategic relevance in the fiscal year 2021.

Main components of the compensation system

Component	Strategic Reference	Implementation
Remuneration not linked to performance		
Annual basic salary	Attraction/retention of qualified management personnel	• CEO Dr. Christoph von Plotho: 550,000 EUR • CFO Rainer Irle: 390,000 EUR • fixed salary in 12 monthly instalments
Fringe benefits	Granting of compensation at market rates and assumption of costs in connection with Executive Board activities	• Commitment to assume costs or non-cash benefits, including for company car, D&O insurance, criminal law protection and accident insurance, health care, legal fees and subsidies to build up a private pension plan
Pension benefit	Adequate beefit as part of competitive remuneration	• 30 % of the basic salary is added to a fictitious capital account and bears interest at 2.5 % to a maximum of 5 % + basic company pension (pension fund) • Pension cap: 50 % of the last monthly basic salary received before the insured even
Remuneration linked to performance		
Annual bonus STI	Focusing on profitability and generating positive cash flow. Supporting the strategic development of the Company, which also includes social and environmental aspects.	**Financial KPIs:** • plan EBIT (40 %) • Plan-Net-Cashflow (40 %) **Non-financial KPIs** • strategic target (10 %): project FabNext • ESG (10 %): • work safety, silicon yield, energy consumption, water consumption, recycling **Cap: 200 %**

Long-term share-based compensation LTI	Strengthening the long-term sustainability and sustainable development of the Company	• 4 year performance period for phantom stocks (stock market price + dividends)
		• KPIs for multiplication of the phantom stocks:
		  • Ø of the plan EBIT target achievement (50%)
		  • EBITDA margin of the Company compared to the competitor market (50%)
		• Cap: 200 %

Benefits in case of termination		
Mutual termination	Avoidance of unreasonably high severance payments	• Cap: compensation payment limited to remaining term, max. 2 years' compensation (in accordance with GCGC)
Post-contractual non-competition clause	Knowhow protection, competitiveness	• Compensation for waiting: 12 months in the amount of basic annual salary
Further regulations of the compensation system		
Share Ownership	Alignment of interests of the Executive Board and shareholders	• Shareholding obligation in the amount of 50 % of the annual basic salary (gross amount) in shares • Relevant date for current Executive Board members: Sept. 14, 2017

Malus/Clawback	Sanctions/incentives against compliance violations	• Payment amount for STI/LTI may be withheld:
		  • good cause pursuant to section 93 of the German Stock Corporation Act (AktG)
		  • significant breach of the Code of Conduct

Max. remuneration	Avoidance of unreasonably high payouts	• CEO EUR 2,450,000 • Executive Board member EUR 1,810,000

Determination of the target compensation and maximum compensation for 2021

Based on the compensation system, the Supervisory Board has set the following specific target compensation for the fiscal year 2021 upon recommendation of the Executive Committee of the Supervisory Board.

	Dr. Christoph von Plotho, CEO				Rainer Irle, CFO			
	2021				2021			
	Target	in %	Minimum	Maximum	Target	in %	Minimum	Maximum
Basic salary	**550,000**	**37%**	**550,000**	**550,000**	**390,000**	**33%**	**390,000**	**390,000**
Short term variable compensation								
STI for 2021	343,750	23	0	687,500	243,750	20	0	487,500
Long term variable compensation								
LTI 2021-2024	481,250	33	0	962,500	341,250	28	0	682,500
Target compensation	1,375,000	93		2,200,000	975,000	81		1,560,000
Fringe benefits	30,000	2			30,000	3		
Pension expense (service cost)	68,111	5			194,455	16		
Total target compensation	1,473,111	100		2,450,000	1,199,455	100		1,810,000

In addition to the caps for the individual variable compensation components (STI: 200 percent, LTI: 200 percent), the Supervisory Board has, in accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG), set a binding maximum compensation in the compensation system that comprises all compensation amounts paid for a given fiscal year (annual basic salary, variable compensation components, pension expenses or service costs, and fringe benefits). The maximum compensation for the fiscal year 2021 for the CEO Dr. Christoph von Plotho is EUR 2,450,000 and for the CFO Rainer Irle is EUR 1,810,000. The final inflow for the fiscal year 2021 can only be determined after the expiry of the four year holding period for the phantom stocks of the LTI at the beginning of the fiscal year 2025. If the total compensation determined thereafter for the fiscal year 2021 exceeds the defined maximum compensation, the cash settlement of the LTI for the fiscal year 2021 will be reduced accordingly.

Procedures for establishing, implementing and reviewing the appropriateness of the compensation system

Based on a proposal by the Executive Committee of the Supervisory Board, the Supervisory Board determines the system and the amount of the Executive Board compensation, including the maximum compensation. The Supervisory Board submits the resolved compensation system to the Annual General Meeting for approval.

The Supervisory Board regularly reviews the system and the level of the Executive Board compensation for appropriateness. To this end, it conducts an annual vertical comparison of the Executive Board compensation. In doing so, it considers the basic and target compensation in relation to the comparative groups of management and other employees. Secondly, the level and structure of the 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 (horizontal comparison). For the formation of this peer group, it was not possible to draw on the wafer 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 case of significant changes, but at least every four years, the compensation system is again submitted to the Annual General Meeting for approval.

The system and the level of the Executive Board compensation are determined by the full Supervisory Board on the basis of a proposal by the Executive Committee of the Supervisory Board and regularly reviewed for appropriateness. The compensation system for the Executive Board was last adjusted for the fiscal year 2020. It was approved by the Annual General Meeting on June 26, 2020 with 98.84 percent of the votes cast.

Fixed compensation components

Basic annual salary

The basic annual salary is a fixed cash payment for the entire year, based on the respective Executive Board member's area of responsibility. In 2021, Dr. Christoph von Plotho received a basic annual salary of EUR 550,000 and Rainer Irle received a basic annual salary of EUR 390,000, each of which was paid in twelve monthly installments.

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 as follows:

The agreed basic annual salary is regarded as pensionable income. The benefits from this supplementary company pension plan consist of retirement pensions, early retirement pensions, disability pensions and surviving dependents' pensions. The pension expense for a fiscal year is 15 percent (above 150 percent of the applicable contribution assessment ceiling for statutory pension insurance) or 12.25 percent of the basic annual salary (between 100 and 150 percent of the contribution assessment ceiling). The pension expense forms the assessment basis for the amount of the pension benefit. The pension benefit payable annually after the occurrence of the insured event amounts to 18 percent of the total pension expense provided by the Company up to that point. Entitlement to a pension arises when the service contract is terminated, but not before the employee reaches the age of 65, or if the employee becomes incapacitated for work.

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.

The following overview shows the pension expense and the present value of the defined benefit obligations for fiscal year 2021.

	Benefit obligations		Pension expense	
EUR	**2021**	2020	**2021**	2020
Dr. Christoph von Plotho	2,985,634	2,905,485	89,838	94,590
Rainer Irle	2,596,909	2,681,427	237,133	190,098

As of December 31, 2021, the pension obligations for former members of the Executive Board and their surviving dependents amounted to EUR 7,291,057 and received remuneration of EUR 287,436.

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. 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.

Insurance

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.

Variable compensation components

Performance related bonus

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 criteria further the long-term development of the Company as follows:

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, inflows and outflows of customer and supplier prepayments are not considered, unless they relate to investments in property, plant and equipment and intangible assets.

The non-financial targets relate to strategic targets (10 percent as well as targets related to environment, social and prudent corporate management (governance) – so called ESG targets – (10 percent in total).

STI 2021

Various milestones for the FabNext project were agreed as strategic goals, which include a feasibility study and project planning for a second factory at the Group site in Singapore. The Supervisory Board approved the project at its meeting on July 27, 2021. The Supervisory Board waived individualization of the strategic objective for the Executive Board members, which is possible under the compensation system, in order to take account of the collective responsibility of the Executive Board as a body for the important FabNext project.

The quantitative ESG targets set by the Supervisory Board (10 percent) comprise key figures for the avoidance of occupational accidents (measured on the basis of lost-time accidents per million hours worked), the efficient use of silicon in wafer production (measured on the basis of silicon yields), the reduction of consumption of energy and water (per cm2 of wafer area), and the recycling rate, which add up to an ESG performance index.

In line with the compensation system, the targets set and the levels of target achievement are published ex-post, provided they do not contain any confidential or competition-relevant information, in order to further increase the transparency of Executive Board compensation. The target setting and target achievement in the bonus (STI) applicable for fiscal year 2021 are shown in the table below. The targets for the financial performance criteria were significantly exceeded. For the measurement of the target achievement, the respective unplanned and earnings-increasing effects from the (not completed) public tender offer by GlobalWafers GmbH and from the write-up of a building are not taken into account. This reduces the actual value for the relevant

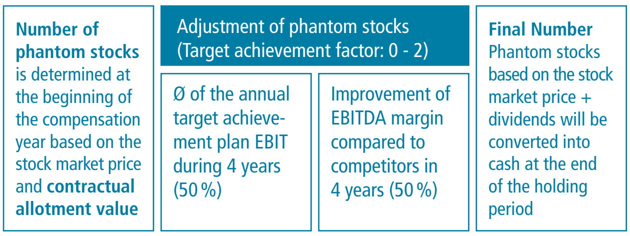
EBIT target by EUR 20 million compared to the reported value. In the target measurement of the performance category net cash flow, the unplanned liquidity-improving effect of the non-completed tender offer on cash flow was reduced on the one hand; on the other hand, the target measurement did not take into account payments for invoices relating to investments in property, plant and equipment and intangible assets that were not included in the planned value. The background to this is the decision taken in July 2021 to build a further 300mm fab at the Group site in Singapore and investments in Freiberg. In total, this will increase net cash flow by EUR 161 million compared with the reported figure.

	Target value	Zielkorridor	Ist-Wert	Target achievement	Weighting
	in EUR million	in EUR million	in EUR million	in percent	in percent
Financial targets					
plan EBIT	213	117 – 306	297	1.90	40
Plan-Net-Cashflow	90	11 – 169	163	1.92	40
Non-financial targets					
Strategic target (project FabNext)	Contains competition-relevant information (confidential)			1.77	10
ESG performance index				0.53	10
Total STI				**1.76**	**100**

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.

LTI share-based compensation



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.

The performance targets for the LTI 2021 relate to the performance categories EBITDA margin improvement/deterioration compared with competitors over the performance period and average of the Company's annual planned EBIT target achievement over the four-year performance period and promote the Company's long-term development as follows:

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 important wafer manufacturers (currently ShinEtsu Electronic Materials, SUMCO, GlobalWafers and SK Siltron). 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. To determine the EBITDA development, 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 setting of the target and the measurement of target achievement follow the STI's plan EBIT target. This indicator takes into account depreciation and amortization and – against the background of the capital intensity of the semiconductor sector – only promotes investments that generate an appropriate return on capital employed.

EUR	Target (100%)	Weighted Share price	number of phantom shares (preliminary)
Dr. Christoph von Plotho	481,250	121.61	3,957
Rainer Irle	341,250	121.61	2,806

The specific targets and target achievement (including the final number of phantom stocks) for the LTI tranche 2021 will be published in the Annual Report 2025 after the end of the four-year performance period.

Review of the maximum amounts for total compensation in 2019

In March 2022, the LTI 2018/2019, which was granted until the end of the fiscal year 2021 under the compensation system in place until 2019, was fixed. Under the old compensation system, 51 percent of the bonus base linked to a two-year assessment basis was converted into phantom stocks and paid out in cash after a two-year holding period without performance factor. The relevant weighted average Xetra price of the Siltronic share on the last 30 trading days of the fiscal year 2021 was EUR 135.97 plus the dividends paid in 2020 and 2021 totaling EUR 5 per share.

Against the background of the 2018/2019 – 2021 LTI tranche, a review was also carried out regarding the compliance with the maximum compensation limits for the fiscal year 2019 in which the tranche was committed. The maximum amounts were not exceeded for any Executive Board member. The final amount is shown in the overview below:

Payment	Tranche	Number of phantom stocks	Xetra price last 30 days 2021 in EUR	Dividends (2020 + 2021)	Payment tranche 2018/2019 – 2021
Dr. Christoph von Plotho	2018/2019 – 2021	3,809	135.97	5.00	536,955
Rainer Irle	2018/2019 – 2021	2,493	135.97	5.00	351,438

Additional disclosures on share-based compensation instruments in the fiscal year 2021

The following overview shows the development of the portfolio of phantom stocks of the tranches not yet disbursed.

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) 31.12.2021	**Value on the reporting date 31.12.2021 in EUR**
Dr. Christoph von Plotho	2020 – 2023	481,250	5,887	6,816	773,609
	2021 – 2024	481,250	3,957	4,262	519,815
Rainer Irle	2020 – 2023	315,000	3,853	4,461	506,319
	2021 – 2024	341,250	2,806	3,022	368,579

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.

In the fiscal year 2021, the Supervisory Board did not make use of the option to reduce variable compensation.

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. The members of the Executive Board made use of this option. However, there was an obligation to continue to hold the shares in accordance with the previous rules until the offer is completed. As the tender offer was not completed by the long stop date of January 31, 2022 due to the lack of approval under foreign trade law from the German Federal Ministry of Economic Affairs and Climate Action, the existing shareholding obligation provision will continue to apply unchanged.

Loans and advances

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

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

In the event of premature termination of the service agreement, any payments to be agreed, including fringe benefits, may not exceed the value of two years' compensation and may not exceed the value of the compensation for the remaining term of the service agreement within the meaning of recommendation G.13 of the German Corporate Governance Code (GCGC) (severance payment cap). In the event of premature termination by the Company for good cause, severance pay 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.

Compensation granted and owed in 2021

The following table shows the compensation granted and owed individually to members of the Executive Board in accordance with Section 162 (1) sentence 1 of the German Stock Corporation (AktG). According to the pronouncements of the IDW, it is permissible and appropriate for the disclosure pursuant to Section 162 (1) sentence 2 of the German Stock Corporation (AktG) to disclose the compensation components in the fiscal year in which the activity on which the compensation is based (one or more years) was fully performed, even if the actual payment or inflow does not occur until after the end of the fiscal year. Accordingly, the table contains all amounts that were earned in the reporting period ("vesting principle"). Accordingly, the variable compensation to be reported for the fiscal year includes, in addition to the fixed compensation components paid out in the fiscal year (basic salary and fringe benefits), the variable compensation STI earned for the fiscal year 2021 and the LTI tranche 2021 - 2024. However, in accordance with IDW pronouncements, the addition to provisions for the pension obligation is not recognized as compensation granted and owed but is recognized separately as pension expense in section 'company pension scheme.

Current Executive Board Members	Fixed Components			Variable Components			Total Compensation	Fixed	Variable
	Fixed Salary in EUR	Fringe Benefits in EUR	**Total in EUR**	STI 2021 in EUR	LTI 2021 – 2024 in EUR	**Total in EUR**	**in EUR**	in %	in %
Dr. Christoph von Plotho, CEO	550,000	35,557	**585,557**	605,000	519,815	**1,124,815**	1,710,372	34	66
Rainer Irle, CFO	390,000	30,506	**420,506**	429,000	368,579	**797,579**	1,218,085	35	65

No compensation within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation (AktG) was granted or owed to former members of the Executive Board in the fiscal year 2021. In accordance with Section 162 (5) of the German Stock Corporation (AktG), personal details are not disclosed for former members of the Executive Board who left the Executive Board before December 31, 2011. A total of EUR 287,436 in benefits (pensions/ retirement pay) which exclusively contains fixed components was paid to former members of the Executive Board who left before this date or their surviving dependents in the fiscal year 2021.

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 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 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.

The presentation of Supervisory Board compensation also follows the vesting principle.

Supervisory Board compensation in the fiscal year 2021

Supervisory Board member	Attendance fee 2021 in EUR	variable in %	Annual remuneration for 2021 in EUR3)	fixed in %	Total remuneration in EUR
Mandy Breyer[2)]	7,500	19%	31,684	81%	39,184
Prof. Dr. Gabi Dreo	7,500	20%	30,000	80%	37,500
Klaus-Peter Estermaier[1)]	7,500	20%	30,000	80%	37,500
Sieglinde Feist	7,500	20%	30,000	80%	37,500
Gebhard Fraunhofer[2)]	15,000	25%	45,000	75%	60,000
Dr. Hermann Gerlinger	8,750	13%	60,000	87%	68,750
Michael Hankel	8,750	16%	45,000	84%	53,750
Markus Hautmann[2)]	7,500	20%	30,000	80%	37,500
Johann Hautz[2)]	8,750	13%	60,000	87%	68,750
Bernd Jonas	15,000	20%	60,000	80%	75,000
Dr. Tobias Ohler	16,250	15%	90,000	85%	106,250
Lina Ohltmann[2)]	7,500	20%	30,000	80%	37,500

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.

Multi-year overview

Comparative presentation of compensation and earnings development

Pursuant to Section 162 (1) sentence 2 no. 2 of the German Stock Corporation Act (AktG), the following comparative presentation shows the annual change in the compensation granted and owed to current and former members of the Company's executive bodies, the Company's earnings performance and the average compensation of employees on a full-time equivalent basis. It is based on the average wages and salaries of Siltronic AG employees in Germany who were in active employment during the fiscal year (including persons in the active phase of partial retirement) and takes into account all collectively agreed and non-tariff salary levels up to senior management level. Employees who left the Company during the fiscal year were included on a pro rata basis. In addition to fixed elements (salary, collectively agreed and job-related bonuses, top-up amounts for partial retirement, overtime and standby allowances), the compensation includes fringe benefits (company car allowance and other non-cash benefits) and variable components (bonuses, profit-sharing schemes, special payments, one-time payments, annual payments, inventor's bonus, paid leave, etc.) to improve comparability with the compensation of the Executive Board. The accrual value was used for variable compensation that relates to the compensation year but is not paid out until after the end of the fiscal year. Temporary employees are not included in the population, as they are not employed by Siltronic AG under labor law. Persons who work for us during their training or studies (e.g. interns, doctoral students, trainees, working students, diploma students, etc.) are also excluded accordingly.

Earnings performance

EUR million	2017	2018	Change in %	2019	Change in %	2020	Change in %	2021	Change in %
Revenue	1,177.3	1,456.7	23.7	1,270.4	–12.8	1,207.0	–5.0	1,405.4	16
EBITDA	353.1	589.3	66.9	408.7	–30.6	332.0	–18.8	466.4	40
Net income pursuant to the German Commercial Code (HGB)	138.1	169.5	22.7	58.5	–65.5	75.0	28.2	96.1	28

Average compensation employees

EUR									
Employees in Germany	n.a.	n.a.	n.a.	n.a.	n.a.	75.575	n.a.	78.133	3

Compensation Executive Board

EUR									
Dr. Christoph von Plotho	1,302,784	1,653,206	26,9	1,333,241	–19,4	1,679,382	26,0	1,710,372	2
Rainer Irle	901,789	1,071,786	18,9	881,654	–17,7	1,108,536	25,7	1,218,085	10

Compensation Supervisory Board

EUR **Current Supervisory Board members**									
Mandy Breyer[2)] (since 04/2018)	n.a.	31,123	n.a.	40,000	29	38,750	–3	39,184	1
Prof. Dr. Gabi Dreo (since 04/2018)	n.a.	31,123	n.a.	40,000	29	38,750	–3	37,500	–3
Klaus-Peter Estermaier[1)] (since 04/2018)	n.a.	31,123	n.a.	40,000	29	41,250	3	37,500	–9
Sieglinde Feist (since 12/2014)	15,000	42,500	183	40,000	–6	41,250	3	37,500	–9
Gebhard Fraunhofer[2)] (since 01/2016)	40,000	60,562	51	65,000	7	63,750	–2	60,000	–6
Dr. Hermann Gerlinger (since 03/2011)	55,000	62,500	14	56,250	–10	73,750	31	68,750	–7
Michael Hankel (since 04/2018)	n.a.	31,123	n.a.	37,500	20	60,000	60	53,750	–10
Markus Hautmann (since 01/2021)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	37,500	n.a
Johann Hautz[2)] (since 04/2003)	80,000	71,250	–11	73,500	3	75,000	2	68,750	–8
Bernd Jonas (since 05/2015)	77,500	82,500	6	80,000	–3	78,500	–2	75,000	–4
Dr. Tobias Ohler (since 02/2013)	40,000	118,750	197	112,500	–5	111,250	–1	106,250	–4
Lina Ohltmann (since 01/2021)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	37,500	n.a

Former Executive Board members

EUR									
Pension for former Executive Board members (retired before 2011)	213,317	217,617	2	221,253	2	262,373	19	287,436	10

In accordance with the transitional rule in Section 26j (2) sentence 2 of the Introductory Act to the Stock Corporation Act (EGAktG), the average compensation of employees cannot be calculated retrospectively for previous years, which is why it is only stated from 2020. For the fiscal years 2017 – 2019, the granting value pursuant to DRS 17 was used to determine the Executive Board compensation.

Outlook for the fiscal year 2022

On November 22, 2021, Siltronic adopted a new climate strategy and joined the Science Based Targets Initiative. In this context, Siltronic has adopted climate targets based on the fiscal year 2021, according to which CO_2 emissions (Scope 1 and Scope 2) are to be reduced by 50 percent by 2030. It is planned to take the climate strategy into account in the ESG targets for Executive Board compensation in the target for the fiscal year 2022.

As part of the contract extension of Dr. Christoph von Plotho, the Supervisory Board resolved to increase his basic salary from EUR 550,000 to EUR 600,000 per year with effect from January 1, 2022. At the same time, the maximum compensation for the CEO is to be increased from EUR 2,450,000 gross to EUR 2,650,000 gross, subject to approval by the 2022 Annual General Meeting. Furthermore, the company pension scheme for Dr. Christoph von Plotho will be changed as described above.

Munich, March 8, 2022

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

Dr. Christoph von Plotho
CEO

Rainer Irle
CFO

Auditor's Report

To Siltronic AG, Munich,
We have audited the accompanying compensation report of Siltronic AG, Munich, for the fiscal year from January 1, 2021 to December 31, 2021, including the related disclosures, which was prepared to comply with section 162 of the German Stock Corporation Act (AktG).

Responsibility of the legal representatives and the Supervisory Board
The legal representatives and the Supervisory Board of Siltronic AG are responsible for the preparation of the compensation report, including the related disclosures, which complies with the requirements of section 162 of the German Stock Corporation Act (AktG). Management and the Supervisory Board are also responsible for the internal controls as they deem necessary to enable the preparation of the compensation report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor
Our responsibility is to express an opinion on this compensation report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the compensation report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. This includes the assessment of the risks of material misstatement, whether due to fraud or error, in the remuneration report and related disclosures. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the compensation report and related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the accounting principles used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
In our opinion, based on the findings of our audit, the compensation report for the fiscal year from January1, 2021 to December 31, 2021, including the related disclosures, complies in all material respects with the accounting provisions of section 162 of the German Stock Corporation Act (AktG).

Other matters – formal audit of the compensation report
The substantive audit of the compensation report described in this audit opinion comprises the formal audit of the compensation report required by section 162 (3) of the German Stock Corporation Act (AktG), including the issuance of an opinion on this audit. As we express an unqualified opinion on the content of the compensation report, this opinion includes the conclusion that the disclosures pursuant to section 162 (1) and (2) 3 of the German Stock Corporation Act (AktG) have been made in all material respects in the compensation report.

Note on limitation of liability
The engagement, in the performance of which we have rendered the aforementioned services for Siltronic AG, was based on the General Engagement Terms for German Public Auditors and Public Audit Firms as amended on January 1, 2017. By taking note of and using the information contained in this auditor's report, each recipient acknowledges having taken note of the provisions made therein (including the limitation of liability to EUR 4 million for negligence in clause 9 of the AAB) and recognizes their validity in relation to us.

Munich, March 8, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hanshen	Ratkovic
Auditor	Auditor

Non-financial report 2021 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)

Interview with the Management Board

GRI 102-14

„We will cut our CO_2 emissions in half by 2030. In so doing, we will be taking stronger account of our social responsibility. We want our children to inherit an environment worth living in, and we want to contribute to this.“
Rainer Irle CFO

What were the main achievements for Siltronic in 2021?
Dr. Christoph von Plotho: Our business activities in 2021 were strongly impacted by the challenges of the COVID pandemic. We have learned to cope with the restrictions and managed to consistently maintain production with very high capacity utilization at our sites.

Rainer Irle: The production of wafers requires quite a lot of energy and therefore we also contribute to global warming. In order to combat the climate crisis, Siltronic decided to establish climate targets that will contribute to contain global warming in line with the Paris Climate Agreement. We have joined the Science Based Target Initiative and will cut our directly attributable greenhouse gas emissions (Scope 1+2) by half by 2030.

We have appointed a human rights officer who reports directly to the Management Board to oversee the due diligence process for human rights and to give greater priority to the issue within the company.

What does responsibility mean for the company?
Dr. Christoph von Plotho: We take our corporate responsibility very serious and we combine business success with responsible actions. This is reflected in our efficient production processes, in the procurement and use of resources, and in the trusting way we treat our employees. We regularly evaluate our opportunities and risks - in partnership with our stakeholders – and we are committed to managing them proactively and autonomously going forward.

Our employees around the world face the daily challenge of making our processes better, safer, simpler, more eco-friendly and thus 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.

How does Siltronic’s business model work?
Dr. Christoph von Plotho: We are a leading manufacturer of hyperpure silicon wafers and we supply to all major consumers of silicon wafers in the semiconductor industry. Silicon wafers are part of almost all electronic products that make our lives more digital and thereby simpler, safer and more environmentally friendly. Our technologies enable the production of smaller and more energy-efficient components in modern electronics. In this way, we can help to conserve valuable resources and to reduce global carbon dioxide emissions.

We are continuously working on improving our production processes in order to reduce the use of raw materials and energy consumption and to increase the share of recycled consumables in our production. For environmentally friendly deliveries to our customers, we bundle shipments and employ reusable packaging.

How do you assume your social responsibility?
Rainer Irle: Our employees are our most valuable asset and the basis of our success. We cultivate respectful, honest and open cooperation, and we see the diversity of people as an enrichment. We aim to become even more diverse and, in particular, to bring even more women and employees with diverse cultural backgrounds into middle and senior management positions. Through various measures, we support the work-life balance for our employees' families. Occupational health and safety are deeply anchored in our business processes.

Protecting our workforce while maintaining production during the pandemic is of the highest priority for us as a company. This is our responsibility to our workforce as well as to our customers and business partners. With this in mind, we offer our employees the option of mobile working wherever possible.

How do you stand on initiatives such as the Global Compact and Responsible Business Alliance?
Dr. Christoph von Plotho: Siltronic implements the ten principles of the United Nations Global Compact initiative on the protection of human rights, social and environmental standards and the fight against corruption. We respect the internationally declared human rights and promote their upholding within our sphere of influence. As a supplier to the electronics industry, we observe the principles of the Responsible Business Alliance (RBA) initiative, which we have been actively supporting as a member since May 2019.

Dr. Christoph von Plotho
CEO

Rainer Irle
CFO

1. The framework for this non-financial report 2021

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 2021 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 2021”). 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**

2. The Siltronic business model and our ethical principles

Section 289c para. 1 of the German Commercial Code

The Siltronic business model

We are a global manufacturer of hyperpure silicon wafers. Since wafers form the basis for semiconductors almost 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 Europe, mainland China, Israel, Japan, Korea, Malaysia, Singapore, Taiwan and the USA. 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. 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). Siltronic has also joined the Science Based Targets Initiative (SBTi). SBTi drives ambitious climate protection actions in the private sector by enabling companies to set science-based targets to reduce emissions. **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 with a new management position and a direct reporting line to the Executive Board (c) the coordination of EHS topics through a separate department for environmental protection, occupational health and safety, and plant process safety, and (d) 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, ISO 45001:2018 for occupational health and safety, ISO 50001:2011 for energy management at our sites in Germany, and IATF 16949:2016 for quality management systems.

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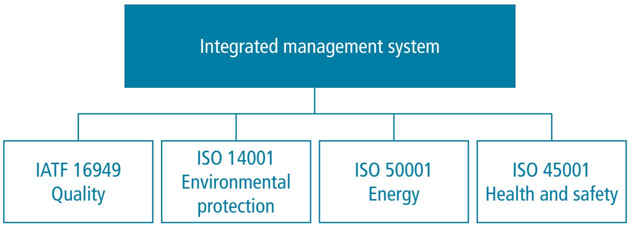
Group management system



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 2021 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 104 (specific per wafer quantity; normalized to base year 2015). With a result of 99.0 the target was not achieved in 2021.
- Goal 2 | Management of energy (climate change)
  The specific energy consumption (per wafer area; normalized to base year 2015). is reduced by an average of 1.5 percent per year and amounts to a maximum of 91.3 in 2021. With a result of 88.9 the target was achieved in 2021.
- Goal 3 | Management of waste
  The waste recycling rate is increased by an average of 1.5 percent (base year 2015) and is at least 109.3 in 2021. With a result of 113.4 the target was achieved in 2021.
- Goal 4 | Management of water
  The specific water withdrawal used for production processes (specific per wafer area; base year 2015) was reduced by an average of 1.5 percent to a maximum of 91.3 in 2021. With a result of 89.7 the target was achieved in 2021.
- 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). With a result of 4.4 the target was not achieved.
- Goal 6 | Occupational safety
  No injuries with loss time with chemicals shall occur. With a result of 2 the target was not achieved.

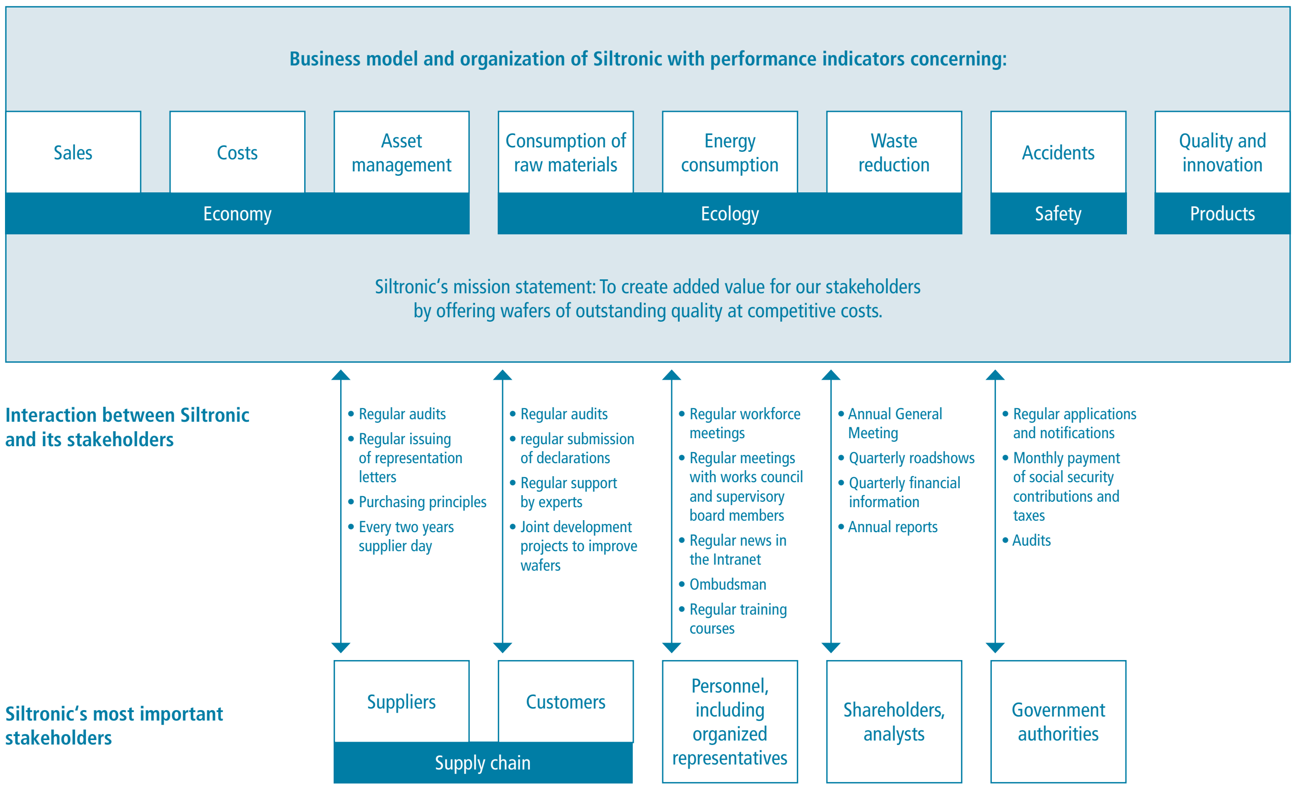
These non-financial performance indicators are monitored and reported continuously. In the case of negative variances, the cause for the development is analyzed in order to introduce improvement measures.

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**



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 – Corporate Citizenship	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 – Environmental Compliance	S7 – Responsible Minerals	G7 – Data Security
E8 – Plant Safety	S8 – Human Resources	G8 – Fair Business Partner
E9 – Natural Resources	S9 – Customer Sustainability	G9 – Risk Management

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 assessments
- 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. These assessment results will continue to apply for the reporting year 2021. **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

EU-Taxonomy

In order to counter global warming, the EU has analyzed the activities of the economy for their greenhouse gas emissions in an extensive project. The analysis covered activities that account for about 90 percent of greenhouse gas emissions to the environment. The EU then generated a list of about 90 activities that defined "taxonomy eligible" economic activities. Then the EU generated a list of around 90 activities that defined "taxonomy eligible" economic activities. The EU summarized these activities and its considerations in a regulation, which was known simply as the "EU taxonomy".

Out of the approximately 90 activities, only 17 relate to the manufacturing of physical goods. The other activities refer to the energy sector (25 activities), transportation (17 activities), utilities (12 activities), real estate (7 activities), forestry/environmental protection and information/services.

A taxonomy eligible activity in the area of physical goods manufacturing does not necessarily mean that the resulting products are "environmentally sustainable." Simply put, a taxonomy eligible economic activity means that the manufacturing has a relevant significance for greenhouse gas emissions from an EU perspective. The relevance can be the avoidance of greenhouse gases or the potential for a large reduction.

Therefore, not only the production of electric vehicles or solar systems or particularly heat-insulating windows is taxonomy-eligible, but also the extremely energy-intensive and thus greenhouse gas-relevant production of cement, aluminum, iron/steel or basic chemicals. Of the 17 taxonomy-compliant activities mentioned above that are eligible for the production of physical goods, eight are related to extremely energy-intensive and thus greenhouse gas-relevant manufacturing. The fact that these products are taxonomy eligible has nothing to do with the notion that they are climate friendly – on the contrary. They are taxonomy eligible because the EU sees a potential for very greenhouse gas-intensive products to be converted over time into less greenhouse gas-intensive ones.

The production of wafers is neither directly nor indirectly included in the EU list of taxonomy eligible activities. Against this background, Siltronic cannot generate taxonomy compliant revenues. Regardless of this, information on the EU taxonomy must be provided in accordance with German commercial law. Based on a comprehensive analysis of our business activities, these are as follows: Since Siltronic does not generate taxonomy eligible revenues, the share of taxonomy eligible revenues is 0 percent. Because wafers are excluded as a reference point for the taxonomy eligibility of operating expenses and capital expenditures, the taxonomy eligible share of operating expenses and capital expenditures is close to 0 percent in each case.

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 2021, 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.

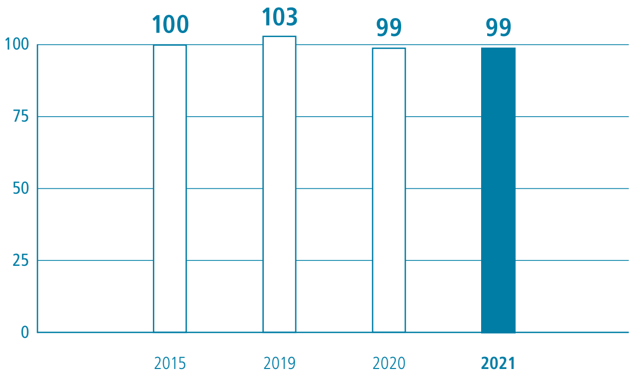
Management of raw materials and supplies

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. One reason is that our customers are producing with lower energy consumption from wafers with more demanding technical specifications. Contrary to the usual assumption, the chips with lower power requirements are not less, but 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 target value for the key performance indicator "efficiency of silicon use" was not achieved due to a change in the product mix and very high production capacity utilization. Despite the high target achievement, our efforts 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.

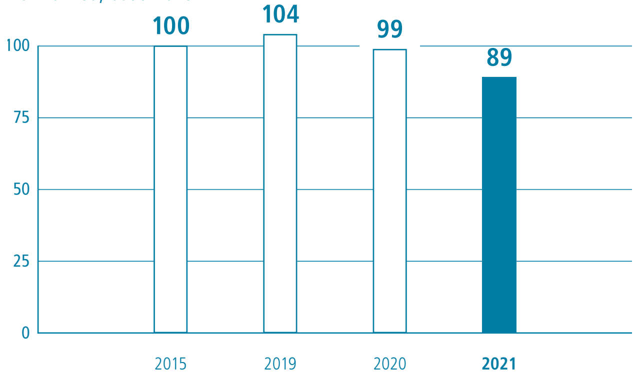
In 2021, energy consumption totaled 770 GWh and increased by 6.9 percent compared to the previous year. Electricity is by far the most important source of energy.

Energy consumption

in GWh	2015	2019	2020	**2021**
Electricity	574.0	571.0	606.1	650.0
Steam, heat	72.0	69.0	68.2	70.9
Natural gas	40.0	42.7	43.6	48.6
Fuel oil	10.0	3.7	2.5	0.7
Total	**696.0**	**686.4**	**720.4**	**770.1**

Siltronic purchases electricity from the public grid. About 51 percent of the electricity is consumed in Germany. According to the Federal Association of the Energy and Water Industry (BDEW), 42 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 (base year 2015). On this basis and using a planned production volume, we calculate absolute energy savings targets in MWh for the sites and absolute targets for the production areas.

Numerous energy efficiency measures contributed to the achievement of the 2021 target, corresponding to a sustainable reduction in energy consumption of 4.8 GWh per year and an equivalent value of EUR 2.5 million or 1,737 tons of CO_2eq. The annual target of an average reduction in energy intensity of 1.5 percent was achieved in 2021.

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 reusable packaging to transport our wafers to our customers since 2006. This system applies mainly to 300 mm wafers. The reusable 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 2021, 91 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 2021 by 21,434 m³ (previous year: 18,070 m³) and avoid 2,022 tons of waste from single packaging in 2021 (previous year: 1,705 tons).

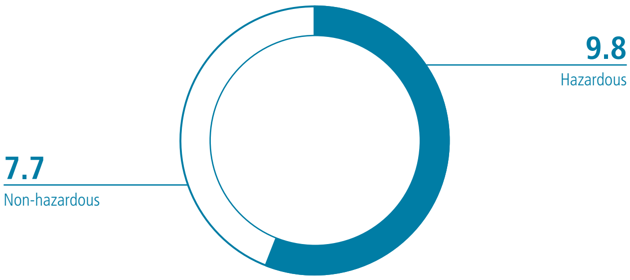
in t	Non-hazardous	Hazardous	Total
Recycling	7,186	5,465	**12,651**
Disposal	521	4,305	**4,826**
Total	**7,707**	**9,770**	**17,477**

Inner packaging (FOSB) – In addition we aim to increase the rate of reusable wafer boxes (FOSB). In 2021, we significantly exceeded our target of a reuse rate of at least 40 percent with a result of 50 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.

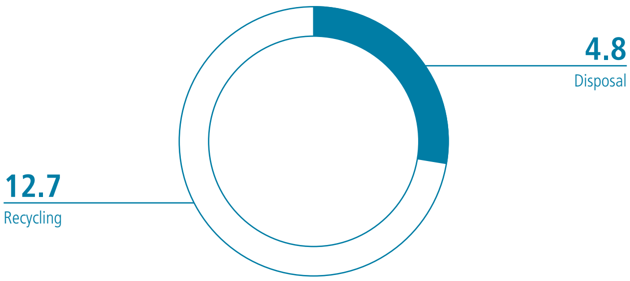
Waste recycling and waste disposal

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 (rounded)



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



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 2021, a total of 17,477 tons of waste was treated or disposed of at the production sites out of which 37 percent was from the sites in Germany and 63 percent from the production sites in Singapore and the USA.

Waste recycling ratio

in % of waste volume	2015	2019	2020	2021
Recycling ratio	**63.8**	**69.2**	**70.3**	**72.4**

The waste recycling ratio was 72.4 percent. The strategic goal of increasing the waste recycling rate by 1.5 percent in 2021 was achieved. Since the base year 2015, the recycling rate has increased by more than 13 percent, while waste intensity remained unchanged.

Management of water

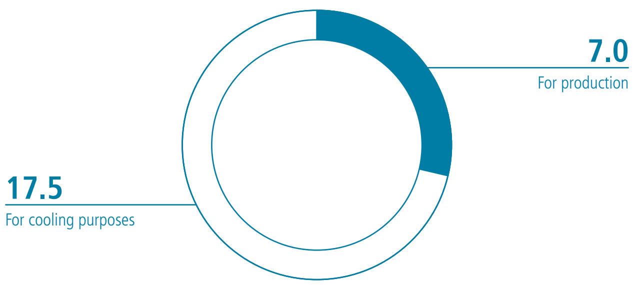
Water is primarily used in our manufacturing process for cleaning and cooling purposes. We endeavor to protect natural water resources and use them as sparingly as possible. According to the risk assessment using the Water Risk Filter (WWF) tool, no site is located in a high water risk area.

Water risk assessment per site (Water Risk Filter)	Burghausen	Freiberg	Portland	Singapur
Total risk	**Medium**	**Medium**	**Low**	**Medium**

Water treatment projects were carried out at the Burghausen, Freiberg and Singapore sites in 2021. At our Burghausen site, we minimized the usage of ground water by optimizing internal processes.

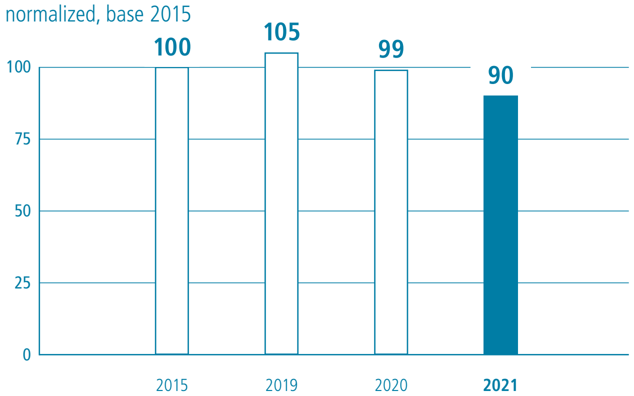
Usage of water

Usage of water
in million m³ (rounded)



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 at least 1.5 percent per year. The specific water consumption decreased by 9.7 percent in 2021 compared to the previous year. The target was achieved due to the water optimization projects and the high production capacity utilization. Since the base year 2015, the specific amount of water used in production has been reduced by more than 10 percent.

Ultrapure water as a requirement for highest product quality
For our production processes, we need ultrapure water of the highest quality to achieve the required product quality. In 2021, we used 6 million m3 of ultrapure water.

Reuse and 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 2021, the volume of water reused or recycled in this way amounted to 2.5 million m^3 (previous year: 2.3 million m^3).

The water recycling ratio was calculated as 35.6 percent in 2021 (compared to 35.6 percent in 2020).

Water recycling ratio

in % of water volume used	2015	2019	2020	2021
Recycling ratio	**32.3**	**36.1**	**35.6**	**35.6**

Discharge of wastewater
In 2021, we discharged a total of 6.3 million m^3 (previous year: 6.6 million m3) process wastewater (without cooling water) in external wastewater treatment plants. The German production sites accounted for about 53 percent of the process wastewater. We monitor chemical oxygen demand (COD) as a relevant wastewater parameter. In the reporting year 2021, COD totaled 725 tons. Compared to the base year 2015, this corresponds to an increase of 13%.

	2015	2019	2020	2021
Indirect discharge in million m^3	7.6	6.6	6.6	6.3
COD total in t	**641.4**	**714.2**	**755.1**	**724.6**

Air emissions

Emissions of nitrogen oxides were assessed as a relevant environmental aspect. Therefore, projects to reduce these air emissions have been planned and implemented.

NO_x emissions in the reporting year 2021 amounted to 92 metric tons (previous year: 92 metric tons). Despite a significant increase in production volume, NO_x emissions remained unchanged compared to the previous year. To minimize our NO_x emissions, we use suitable extraction and scrubber systems at all sites. At the Burghausen and Portland sites, NO_x scrubber systems were commissioned in the last two years.

NMVOCs and dust were not classified as relevant environmental aspect but will be continuously monitored internally. In 2021, we emitted 58 tons of NMVOCs and 2.3 tons of dust.

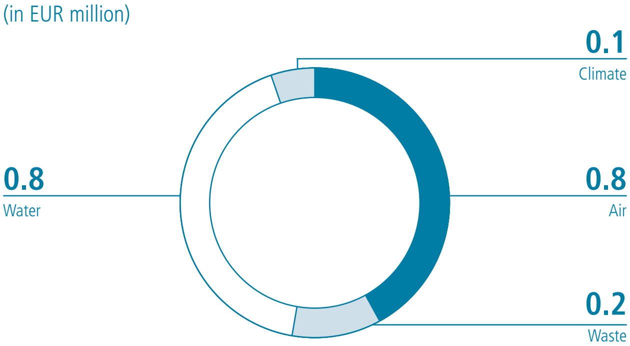
Air emissions in t	2015	2019	2020	2021
NO_x	**77**	**85**	**92**	**92**
NMVOC	**38**	**42**	**53**	**58**
Dust	**1.5**	**1.7**	**2.3**	**2.3**

Environmental protection measures

Environmentally related investments totaled approximately EUR 1.9 million in 2021 (previous year: EUR 2.2 million). We allocated these investments according to typical environmental aspects, of which EUR 0.8 million accounted for air (previous year: EUR 1.5 million), EUR 0.2 million for waste (previous year: EUR 0.5 million), EUR 0.8 million for water (previous year: EUR 0.1 million) and EUR 0.1 million for climate protection (previous year: EUR 0.1 million).

The main improvement measures implemented in 2021 at the Freiberg site were the optimization of the waste gas scrubbers in the epitaxy and at the Burghausen site a renewal of the sour water pipes. At the Portland site, an exhaust air purification system was installed to significantly reduce climate-relevant emissions of N_2O and NF_3 in the future, and at the Singapore site the tanks for water storage were expanded.

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 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 as well as emissions along the value chain (Scope 3). These emission as reported as part of the assessment by CDP.

Greenhouse gas emissions (in t CO_2 equivalents)

Description according GHG protocol, causes and main sources (in t CO_2 equivalents)			2015	2019	2020	2021
Scope 1	Direct emission	Natural gas, fuel, climate-impacting gases	12,501	12,579	14,707	13,395
Scope 2 (location based)	Indirect emissions	Electricity, heat	282,549	242,408	248,598	252,570
Scope 2 (market based)	Indirect emissions	Electricity, heat	–	216,495	228,228	225,247
Scope 3 (upstream)	Indirect emissions		–	–	1,434,373	1,758,772
Scope 3 (downstream)	Indirect emissions		–	–	1,853,718	1,732,218

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, as well as by using climate-relevant gases as cooling materials. In 2021, direct emissions were reduced by 9 percent to 13,395 tons CO_2eq. CO_2 emissions from combustion processes increased by 5 percent, while emissions of climate-relevant gases were reduced by 32 percent. 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. Previously, Scope 2 emissions were published using the "location-based" approach, i.e. based on emission factors of the respective country. Since 2020, we have also been reporting Scope 2 emissions using the "market-based" approach, i.e. based on the emission factors of our energy suppliers.

Our internal activities to reduce these emissions mainly focus on the improvement of our efficiency of energy use. In 2021, we were able to implement energy savings projects with a sustainable reduction in energy consumption of 4.8 GWh (previous year: 7.1 GWh). These measures thus contribute to a sustainable reduction of 1,737 tons of CO_2eq. (previous year: 3,428 tons CO_2eq.).

In addition, the Portland site acquired wind energy certificates equivalent to 12.7 percent of its electricity consumption (previous year: 11.3 percent).

With these activities we were able to reduce our CO_2 emissions (Scope 1 and 2) per wafer area produced by 4.6 percent annually (compared to base year 2015). We have been able to reduce the absolute amount of CO_2 emissions by 1.6 percent annually or a total of 29,084 tons CO_2eq. since 2015.

Scope 3: These indirect emissions for all 15 categories of the GHG protocol were calculated for the year 2021. For the individual categories we applied hybrid methods, average data methods and spend based as well as supplier- and customer-specific methods. Simplifying assumptions are also used for non-essential categories. We use currently available data for calculation; some of this data refers to the previous year.

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**

Influence on climate change

Siltronic has already significantly reduced its Scope 1 and 2 greenhouse gas emissions since 2015. Energy efficiency projects within the company have made a major contribution to this. In order to limit global warming to 1.5 degrees, or at least to well below 2 degrees in accordance with the Paris Climate Agreement of 2015, further reductions in CO_2 emissions are necessary in the short and medium term.

Therefore, Siltronic has decided to reduce absolute Scope 1 and 2 emissions by more than 5 percent annually and to reduce them to 50 percent of current CO_2 emissions by 2030 (base year 2021). Siltronic publishes its climate targets with the Science Based Targets Initiative and will report on its progress annually.

To achieve the CO_2 reduction targets, in addition to the energy efficiency lever, the other levers of in-house generation of renewable energy and procurement of green electricity will be evaluated and implemented from 2022.

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

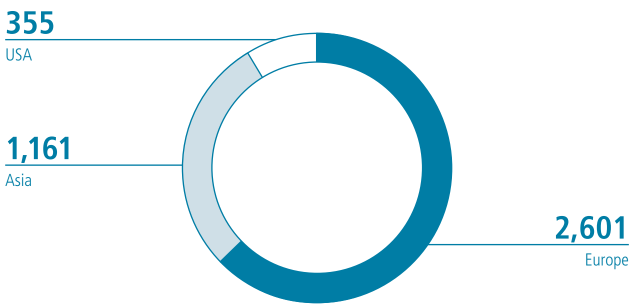
On December 31, 2021, Siltronic Group employed 4,117 people (previous year: 3,772), 63 percent of whom were employed by Siltronic AG in Germany, 28 percent in Asia, and 9 percent in the USA.

Headcount as at December 31, 2021 GRI 102-8

	Men	Women	Total	Share of total
Europe (Germany and other countries)	**2,056**	**545**	**2,601**	**63 %**
Of which on permanent contracts	1,774	465	2,239	
Of which on temporary contracts	282	80	362	
Asia (Singapore and other countries)	**837**	**324**	**1,161**	**28 %**
Of which on permanent contracts	820	322	1,142	
Of which on temporary contracts	17	2	19	
USA	**250**	**105**	**355**	**9 %**
Of which on permanent contracts	250	105	355	
Of which on temporary contracts	–	–	–	
Employees in the Group	**3,143**	**974**	**4,117**	**100 %**

A total of 3,687 employees worked full-time (previous year: 3,334) and 430 employees worked part-time (previous year: 438). Of the part-time workers, 52 percent were women (previous year: 52 percent), and 98 percent of the part-time workers were in permanent employment (previous year: 98 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, 2021, Siltronic employed a total of 355 temporary workers (previous year: 330), of which 245 were men and 110 were women (previous year: 247 men and 83 women). The last time Siltronic needed to reduce working hours was in 2012. GRI 102-8

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 63 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. German Siltronic employees make use of this right: As of December 31, 2021, 21 employees were on parental leave (previous year: 16), of which 19 were women (previous year: 12), and 2 were men (previous year: 4).

As of December 31, 2021, we employed in total 805 foreign employees mainly from Malaysia (412), mainland China (165) and India (105) at our production site in Singapore. In accordance with the industry initiative Responsible Business Alliance (RBA) we apply rules on working hours and fees, which 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, USA, and Asia and therefore in a culturally diverse environment. In 2020, Siltronic AG, the largest of the Group's companies, employed people of 39 different nationalities (previous year: 32).

One focus of our efforts is to leverage the existing diversity of modern society and, with this in mind, Siltronic AG has appointed a Diversity Officer. The diversity of the workforce and its wide range of skills and talents 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 2021, 1 of 14 positions (previous year 2 of 15) one level below the Executive Board and 3 of 30 positions (previous year 4 of 33) 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, 2021)

	Men	Women	**Total**
Employees in the Group at management level	40	4	**44**
In percent	*91*	*9*	***100***
Of which first level below Executive Board	13	1	**14**
In percent	*93*	*7*	***100***
Of which second level below Executive Board	27	3	**30**
In percent	*90*	*10*	***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 2021, 25 women from the German organization took part in a survey. The aim of this survey was to obtain feedback on assessments of the company and to derive measures from this. For example, there was a wish to offer additional female work jackets in the production area and to offer a women's seminar. The implementation of both wishes was planned in 2021 and will take place in 2022.

Advanced training

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 seven young persons started their apprenticeship within Siltronic in 2021 with a focus on mechatronics, automation engineering or industrial mechanics. We also recruited six dual students in the fields of computer science and electrical engineering. 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 2021, Siltronic AG's HR Development department created hybrid classroom seminars and virtual training sessions. These included the implementation of interview management seminars for employee reviews, leadership training for different management groups (shop floor, white-collar) as well as numerous seminars "Leading without a supervisor function" and onboarding seminars for new employees with a curriculum for our manufacturing process (silicon seminar). Due to the pandemic, Siltronic is increasingly offering e-learning.

In total, 274 employees took part in personnel development seminars at the German sites in 2021. All mandatory training was completed in the form of online training or procedural instructions in the e-learning tool for 2,698 employees.

In 2021, a total of 1,144 employees attended the training programs offered at the Singapore site. 483 employees, 50 temporary workers and 347 employees from partner companies attended the training programs offered at the Portland site. Due to fluctuation, the number of employees trained is not comparable with the number of employees as of December 31, 2021.

Demographic trends

At the end of 2021, the average age of the typical employee was 44.8 years. The following table shows the age structure of Siltronic employees worldwide.

Age structure (as of December 31, 2021)

	Male	Female	**Total**
Up to 30 years of age	17 %	16 %	**17 %**
31 to 50 years of age	47 %	53 %	**48 %**
Over 50 years of age	36 %	31 %	**35 %**
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, 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. In addition to this, there is a collectively agreed amount for employees at the German sites, which is available for company pensions, leave of absence or payment. At our site in Portland (USA), company pension benefits and health insurance are provided.

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 2021, 861 employees (previous year: 508) were hired, of whom 381 (previous year: 144) in Germany and 480 (previous year: 364) abroad. These hires accounted for 21 percent of the workforce as of December 31, 2021. Some 463 (previous year: 320) employees left the company. This corresponds to 11 percent of the workforce as of December 31, 2021. Germany was affected in 72 (previous year: 32) cases and other countries in 391 (previous year: 288) cases. Fluctuation was low in Germany and the USA in a regional comparison and higher in Asia, as is typical for the region.

In 2021, employees at all sites were honored for up to 40 years of service in the company. At the Singapore site, 6 employees were honored for their 20-year service anniversary. A total of 74 employees have been with Siltronic Singapore for more than 20 years. At the Portland site, four employees were honored for their 40th anniversary; a total of 34 employees at this site have already worked for Siltronic for more than 20 years. At Siltronic AG sites, a total of 113 employees were honored for their 25 years of service and four employees for 40 years of loyalty to the company in 2021.

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 2021 for the year 2020. The payment was based on the financial performance of the company.

In 2021, Siltronic AG was rated and awarded 19 employer awards in the categories of training and development, career opportunities, equality, reputation and trustworthiness as part of market studies 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 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 ISO 45001 was defined as a group-wide standard and certified.

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

	2015	2019	2020	2021
Injury frequency rate (LTIF) [1]	2.1	2.5	2.1	4.4
Injuries involving chemicals [2] Number of employees affected	1	5	–	2

[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 2021 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 2021. 34 accidents with loss days occurred, which results in a frequency rate of 4.4. No fatal incidents occurred in the last few years. In 2021, 2 occupational accidents involving chemicals and lost workdays occurred.

The number of accidents with lost workdays increased significantly compared to the previous year. A communication and idea management campaign for more safety at work was therefore launched at the Freiberg site. The campaign aims to raise employees' awareness of their own health. The project was triggered by an accumulation of workplace accidents in one area at the beginning of the year. In order to initiate the open dialog necessary for the campaign, the company is taking a new approach in the campaign. Employees have two options to actively participate in improving occupational health and safety in their area. Firstly, they can submit ideas and hazard warnings in an IT tool designed specifically for the company, and secondly, every employee can speak personally to their safety officer about occupational health and safety. The campaign is illustrated by a poster campaign designed to encourage employees to rethink their own risk assessment in their daily work.

The main causes of accidents are still behavior related. We are therefore continuing initiatives to address these causes in particular and support our workforce in preventing accidents. These include the Safety Plus program and the reporting of safety-critical situations and measures during the induction of new employees, as our internal statistics show a higher accident risk for this group in the first few months.

The "Safety Officer Workshop" implemented at the German sites in 2019 could not be carried out in 2021 due to the pandemic. Some elements of our established Safety Plus program, such as tours, on-site discussions with employees and TQM (Total Quality Management) rounds at the sites, could also only be implemented with restrictions.

In 2021, operating units at the Burghausen production sites received awards for accident-free working hours for over 30 years.

To prevent accidents as far as possible, 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 2021, 1,392 near misses (previous year: 1,415) 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). With two incidents we achieved this target in 2021. No event was classified as an incident or subject to notification in the sense of the Hazardous Incident Ordinance.

Safety-relevant plant events

	2015	2019	2020	2021
Number of events	3	2	2	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, again most of these offers had to be reduced or cancelled altogether in 2021.

Impact of the pandemic

We faced again major challenges worldwide as a result of the Corona pandemic in 2021. 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. We organized vaccination campaigns for our employees. At the Singapore site, a vaccination rate of almost 100 percent was achieved. 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 2021, our purchasing volume was EUR 1.011 million (previous year: EUR 724 million). We cooperate with about 3,900 suppliers worldwide, with 8 percent of our suppliers covering around 90 percent of our purchasing volume. Our global procurement volume is spread across roughly two-thirds of Europe / North America and one-third of Asia. Our most relevant suppliers and areas of procurement focus on the raw material polysilicon, specific auxiliary and operating materials for our production processes, energy, IT and logistic services as well as our suppliers of investment goods. **GRI 102-9**

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 and followed up with the suppliers. Here we cooperate closely with the Head of Corporate Responsibility of Siltronic and implement measures to improve our sustainable actions in our supply chain. Siltronic's appointed Human Rights Officer is also available to supplier employees to report actual or potential human rights violations as grievances. Initial contact can be made through local compliance officers. In 2021 no grievances were reported by employees of our contract partners.

In the business year 2022 we will implement a digital whistleblowing system, which enables individuals then also to report grievances in connection with human right or environmental risks caused by business activities of our company or a direct supplier.

In addition, we are addressing the promotion of equality and diversity in our supply chain. Our goal of further increasing purchasing from companies managed on the basis of diversity is also communicated on our internet platform, where these companies may directly access contact channels to offer their products and services. Siltronic communicates its sustainability and corporate responsibility goals and measures, including at regular Supplier days, and explains them in detail to its global partners.

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.

Siltronic has maintained a comprehensive system to manage its suppliers for several years. With these processes we aim to ensure, that our suppliers improve in the fields of quality, service, supply chain risks and costs and act responsibly in the field of sustainability with regard to working conditions, ethical standards, safety standards and with handling of local resources.

We continuously assess the performance of more than 100 suppliers globally. These suppliers represent our global purchasing volume. Therefore, we apply different rating systems to evaluate the risk potential and performance of our suppliers. We regularly conduct audits with our external partners.

Siltronic further developed its supply chain management system in 2021 and to include relevant environment, social and governance (ESG) aspects. One milestone was the creation of an international process that defines the rules for a full assessment of the ESG risks of our suppliers. Here we consider geographic location and type of business our partners as well as our business volume with our partners. Risks considered are divided into categories such as labor practices, safety and health, environment and business ethics and the maturity of the management system. In 2021 were able to assess risk potentials of suppliers covering more than 90 percent of our purchasing volume.

Based on the results of this risk analysis we determine focus suppliers for relevant and detailed investigations. In addition to suppliers with high purchasing volume or high risk potential we focus on contractors whose employees work at our production sites together with our own employees. For a detailed analysis of risks of focus suppliers, we utilize the comprehensive online self-assessment (SAQ) of Responsible Business Alliance (RBA). By the end of 2021 we have received and evaluated SAQs from two thirds of our focus suppliers, representing well over one third of our total purchasing volume. In average our suppliers scored 83 of 100 points and no supplier scored less than 66 points.

Independent of risk-based analysis of our suppliers we consider reports about human rights violations and legal changes in legislation as triggers to evaluate our supply chain and assess its compliance. In 2021, we therefore conducted analysis of our supply chain of cleanroom materials and raw materials with a focus on forced labor, amongst other things. This impact could be invalidated as audit result.

In future we will conduct specific ESG-audits of our suppliers. Depending on the relevance and risk of the supplier for Siltronic, we will conduct third-party audits with independent auditors, VAP audits of Responsible Business Alliance (RBA) or with our internal qualified auditors.

In addition, we attach importance to our suppliers achieving certificates that externally verify the suitability of their management system for social and environmental aspects as well. These certificates have a relevant impact on the supplier rating. We consider certificates from standards such as ISO 14001, ISO 45001 and ISO 50001, as well as commitment to or membership in RBA or comparable diversity initiatives and certifications, such as Women's Business Enterprise National Council (WBENC) or WEConnect. We conclude contracts with relevant suppliers we close contracts, in which the attainment and maintenance of these certificates are declared.

With these processes and measures of our supply chain management it is our goal to further improve sustainable actions in our supply chain and to reduce corresponding risks with our suppliers and partners in the coming years.

Conflict minerals

In 2021, Siltronic AG did not purchase any conflict minerals (gold, tantalum, tungsten, tin) from mines in relevant conflict regions (§1502 Dodd Frank Act, 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). In a similar way we report with the reporting template about cobalt and mica (EMRT 1.0).

Although none of our products contain these materials, responsible purchasing plays an important role. We have therefore introduced a policy which defines the handling of conflict minerals and contains clearly defined rules for their procurement. Any supplier we ask to register in our supplier system (SRM) must provide mandatory information about the purchase or usage of conflict minerals. In addition, questions about conflict minerals are part of our supplier audits.

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 multiyear sustainability program with one customer. In annual supplier assessments by our customers, we received several awards for outstanding performance in 2021.

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. Retaliation of any kind against individuals who report compliance incidents in good faith is prohibited. The Chief Compliance Officer reports to the Executive Board of Siltronic AG on a monthly and ad-hoc basis. Furthermore, the Chief Compliance Officer reports to the Supervisory Board as part of the Audit Committee meetings. In 2021, no cases related to corruption or bribery were reported to the Chief Compliance Officer **GRI 205-3**

In 2022, a digital whistleblower system will be installed that will allow whistleblowers to submit reports of violations of the law and (imminent) human rights abuses anonymously via a secure electronic mailbox.

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.

The Executive Board also appointed a Human Rights Officer in September 2021, who defines measures to ensure compliance with human rights and environmental due diligence obligations. The Human Rights Officer identifies the human rights and environmental risks of Siltronic and its direct suppliers. Based on the risk analysis, he supports the development of the company's human rights strategy. In the fiscal year 2022 we will implement a digital whistleblowing system, which enables individuals then also to report grievances in connection with human right or environmental risks caused by business activities of our company or a direct supplier.

Non-profit purposes and "corporate volunteering"

In 2021, Siltronic supported overall 50 activities in Germany, Singapore and in the USA. Total donations amounted to KEUR 542 (previous year: KEUR 142). A particular focus of the donations was to support individuals and families in need in Singapore, as well as donations for flood relief in Ahrweiler, Germany.

In Singapore, Siltronic supports the South West Community Development Council (CDC) in its "My schooling needs" and "Food connect" programs. The "My schooling needs" program has been supporting disadvantaged families and students at the start of school since 2010, and the "Food connect" campaign, founded in 2010, supports households in need with monthly food rations.

In Germany, Siltronic AG provided support to the Ahrweiler flood relief organization following the flood disaster.

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 site in Portland/OR, our employees, together with Doernbecher Children's Hospital, have been supporting needy families in the region for more than 20 years. A total of 10 families were supported in 2021 through a donation program run by our employees. In the year under review, Siltronic supported a total of 18 initiatives at its Portland site in the areas of poverty and nutrition, as well as environmental protection.

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, USA was awarded the "Gold level for Sustainability at work" by the authorities of the City of Portland/Oregon in 2020. The award is valid until 2023. In addition the site was awarded 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 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 2021, we participated for the fourth time in the rating initiatives of CDP on Climate Change and Water Security and were rated B and B (on a scale from A, best rating, to D, worst rating).

Program	2020	2021
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 2021. In addition, the company has participated in a global program of the UN Global Compact network (Climate Ambition Accelerator).

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.

Diversity Charter and Equality Charter
Following the Diversity Charter (2018), Siltronic AG has also signed IG BCE's Equality Charter (2019). By signing the charter, Siltronic commits to actively implementing and promoting equal opportunities.

Science-Based Targets Initiative (SBTi).
SBTi is a collaboration between CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) to provide a framework for ambitious climate action. Companies can publish their science-based targets here and have them validated. Siltronic participates in the Science Based Targets Initiative (SBTi) and commits to reduce CO_2-emissions Scope 1 and 2 by 50 percent until 2030 (from base year 2021). Details of SBTi are provided online in the section Ambitious corporate climate action - Science Based Targets.

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 Ombudsman 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.

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.

Tax refunds result from overpayments in the previous year. These can be caused by loss carryforwards or by estimates. In many countries, tax payments are based on estimates made before the end of the year for the year.

Numerical discrepancies between individual items and totals in the following table are due to rounding.

Tax jurisdiction Financial year 2021	Employees [1]	Tangible assets without liquidity [2] EUR million	Sales with third parties EUR million	Sales with group entities EUR million	Result before income taxes [3] EUR million	Expense for (–) / income from (+) income tax [4] EUR million	Cash out for (+) / cash in from (–) income taxes EUR million
Production							
Germany	2,584	798	436	607	75	14	–3
Singapore	1,123	945	533	384	233	12	17
US	355	71	132	102	12	3	–1
Subtotal	**4,062**	**1,814**	**1,101**	**1,093**	**320**	**29**	**13**
Sales							
Taiwan	15	28	177	1	2	1	0
Japan	16	14	89	0	2	1	0
Other [5]	24	10	38	4	2	0	0
Subtotal	**55**	**52**	**304**	**5**	**6**	**2**	**0**
Consolidation				**1,098**	**–8**	**–2**	
Group	**4,117**	**1,866**	**1,405**	**0**	**318**	**29**	**13**

[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.
[3] To increase transparency and avoid multiple counting of profits, dividends within Siltronic Group are not included.
[4] Amount as reported in the income statement (according to IFRS) of the entities. This considers deferrals and deferred taxes. Deferred taxes reflect tax benefits or disadvantages expected in future years on the basis of accounting rules. Benefits are only recorded if they are expected to realize in the next three years.
[5] 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 to full EUR million.

United Nations Global Compact – Communication on Progress 2021

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 2021. **GRI 102-12**

Ten principles of the UN Global Compact	Relevant headings in this report	Selected measures and progress in the reporting year 2021
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	• Human rights: We have appointed a human rights officer who will in future be responsible for coordinating the issue of human rights and report directly to the Executive Board. • 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. • 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	• Relationship with employee representatives and employees' rights • Diversity • Sustainability with regard to customers • Human rights • Partnerships	• Human rights: We have appointed a human rights officer who will in future be responsible for coordinating the issue of human rights and report directly to the Executive Board. • Employee rights: a majority of employees is working on sites with employees 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	• Climate change • Environmental protection measures • The impact of ethical principles on the organization of Siltronic • Dialog at regional levels • Influence of climate change	• Climate strategy: Siltronic has developed a climate strategy and set climate targets: CO_2 emissions will be reduced by 50% by 2030. We have committed to the Science-based-target Initiative to achieve the target. • Training: We participated in the Climate Ambition Accelerator training program. • 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 IATF 16949 for Quality, ISO 14001 for Environment, ISO45001 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 Network. • 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.

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 separate non-financial report of Siltronic AG, Munich (further "Company" or "Siltronic AG"), and on the non-financial statement of the parent company that is combined with it, (further "combined separate non-financial report") for the period from January 1 to December 31, 2021.

Management's Responsibility
The legal representatives of the Company are responsible for the preparation of the combined separate non-financial report in accordance with Sections 315b, 315c in conjunction with 289b to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further „EU Taxonomy Regulation") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU-Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "EU-Taxonomy" of the combined separate non-financial report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the combined separate 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 combined separate non-financial report that is free of – intended or unintended – material misstatements.

The EU-Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section "EU-Taxonomy" of the combined separate non-financial report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

[1] Our engagement applied to the German version of the combined separate non-financial report 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Practitioner's Responsibility
It is our responsibility to express a conclusion on the combined separate 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 combined separate non-financial report of the Company for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289b to 289e HGB and with the EU-Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU-Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "EU-Taxonomy" of the combined separate non-financial report. 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 taken at the site in Burghausen, Germany
- Assessment of the overall presentation of the disclosures
- Inquiries of Group level personnel in order to understand the processes for identifying relevant economic activities according to the EU-Taxonomy Regulation
- Understanding the design and implementation of systems and processes for the identification, processing and monitoring of turnover, capital expenditure and operating expense disclosures for taxonomy-eligible economic activities
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the combined separate non-financial report

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU-Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

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 combined separate non-financial report of Siltronic AG for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289b to 289e HGB and with the EU-Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section "EU-Taxonomy" of the combined separate non-financial report.

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 described 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 8, 2022
PMG AG Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Hanshen	Vogl
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Consolidated financial statements

Consolidated statement of profit or loss

from January 1 to December 31, 2021

In EUR million	Note	2021	2020
Sales	01	1,405.4	1,207.0
Cost of sales	01	−964.2	−867.5
Gross profit		**441.2**	**339.5**
Selling expenses		−34.9	−31.6
Research and development expenses		−80.4	−72.6
General administration expenses		−32.5	−39.9
Other operating income	01	88.5	59.1
Other operating expenses	01	−65.1	−62.3
Operating result		**316.9**	**192.2**
Interest income	02	3.8	6.0
Interest expenses	02	−2.8	−2.3
Other financial result	02	0.5	−6.7
Financial result		**1.5**	**−3.0**
Result before income tax		318.3	189.2
Income taxes	03	−28.7	−2.4
Result for the period		**289.6**	**186.8**
of which			
attributable to Siltronic AG shareholders		*253.3*	*160.8*
attributable to non-controlling interests		*36.3*	*26.0*
Result per common share in EUR (basic/diluted)	15	8.44	5.36

Consolidated statement of financial position

as of December 31, 2021

In EUR million	Note	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	04	23.0	23.5
Property, plant and equipment	05	1,275.8	961.7
Right-of-use assets	06	103.5	51.2
Securities and fixed-term deposits	09	22.2	46.7
Other financial assets	08	0.2	0.1
Other non-financial assets	08	21.9	2.0
Deferred tax assets	03	14.2	10.1
Non-current assets		**1,460.8**	**1,095.3**
Inventories	07	211.8	163.0
Trade receivables	08	170.0	144.5
Contract assets	08	12.7	12.1
Securities and fixed-term deposits	09	128.5	159.7
Other financial assets	08	6.8	17.3
Other non-financial assets	08	40.5	27.7
Income tax receivables	08	–	5.2
Cash and cash equivalents	09	424.3	294.6
Current assets		**994.6**	**824.1**
Total assets		**2,455.4**	**1,919.4**

In EUR million	Note	Dec. 31, 2021	Dec. 31, 2020
Subscribed capital		120.0	120.0
Capital reserves		974.6	974.6
Retained earnings and net Group result		373.1	179.8
Other equity items		−277.8	−488.3
Equity attributable to Siltronic AG shareholders		**1,189.9**	**786.1**
Equity attributable to non-controlling interests		128.9	85.7
Equity	**10**	**1,318.8**	**871.8**
Pension provisions	11	404.8	566.5
Other provisions	12	60.2	62.3
Income tax liabilities	13	8.4	10.7
Deferred tax liabilities	03	2.0	3.1
Customer prepayments	13	254.2	137.4
Lease liabilities	06	99.5	48.4
Non-current liabilities		**829.2**	**828.4**
Other provisions	12	6.4	7.3
Income tax liabilities	13	28.8	16.8
Trade liabilities	13	164.3	118.8
Customer prepayments	13	33.1	23.6
Lease liabilities	06	6.3	4.0
Other financial liabilities	13	14.6	3.9
Other non-financial liabilities	13	53.9	44.8
Current liabilities		**307.4**	**219.2**
Total liabilities		1,136.6	1,047.6
Total equity and liabilities		**2,455.4**	**1,919.4**

Consolidated statement of cash flows

from January 1 to December 31, 2021

In EUR million	Note	2021	2020
Result for the period		289.6	186.8
Depreciation / amortization of non-current assets, including impairment losses and reversals thereof		149.5	139.8
Other non-cash expenses and income		0.8	–14.6
Result from disposal of non-current assets		2.7	1.7
Interest income		–1.0	–3.7
Interest paid		–2.2	–1.8
Interest received		4.4	6.9
Tax expense		28.7	2.4
Taxes paid		–13.4	–10.0
Changes in inventories		–42.0	–16.6
Changes in trade receivables		–20.8	–8.1
Changes in contract assets		–0.2	2.0
Changes in other assets		–10.0	–9.6
Changes in provisions		4.0	–21.7
Changes in trade liabilities		–5.5	27.6
Changes in other liabilities		9.6	1.0
Changes in customer prepayments		106.9	–45.4
Cash flow from operating activities		**501.1**	**236.7**
Payments for capital expenditures (including intangible assets)		–392.7	–204.8
Proceeds from the disposal of property, plant and equipment and intangible assets		0.2	0.1
Payments for the acquisition of fixed-term deposits and securities		–306.3	–159.1
Proceeds from fixed-term deposits and securities		376.6	327.4
Cash flow from investing activities		**–322.2**	**–36.4**
Dividends		–60.0	–90.0
Principal portion of lease payments		–4.5	–5.3
Cash flow from financing activities		–64.5	**–95.3**
Changes due to exchange-rate fluctuations		15.3	–11.1
Changes in cash and cash equivalents	**09**	**129.7**	**93.9**
at the beginning of the period		294.6	200.7
at the end of the period		**424.3**	**294.6**

Additional financial information
(not part of the group financial statements and not audited)

In EUR million	2021	2020
Cash flow from operating activities	501.1	236.7
Cash-effective changes in customer prepayments	–106.9	45.4
Cash flow from investing activities	–392.5	–204.7
Net cash flow	**1.7**	**77.4**

Consolidated statement of comprehensive income

from January 1 to December 31, 2021

In EUR million	**2021**	2020
Result for the period	289.6	186.8
Items not reclassified to profit or loss:		
Remeasurement of defined benefit plans	165.2	−94.2
Items reclassified to profit or loss:		
Difference from foreign currency translation adjustments	67.9	−69.7
Changes in market values of derivative financial instruments (cash flow hedge)	−15.7	8.7
thereof recognized in profit or loss	*−7.2*	*0.3*
thereof tax effect	*5.5*	*−3.1*
Total of items reclassified to profit or loss	**52.2**	**−61.0**
Other comprehensive income / loss	217.4	−155.2
Total comprehensive income / loss	**507.0**	**31.6**
of which		
attributable to Siltronic AG shareholders	*463.8*	*11.1*
attributable to non-controlling interests	*43.2*	*20.5*

Consolidated statement of changes in equity

as of December 31, 2021

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)	Remeasurement of defined benefit plans	Retained earnings / net Group result	**Total**	Non-controlling interests	**Total equity**
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**
Balance as of January 1, 2021	**120.0**	**974.6**	**−35.1**	**−7.1**	**9.0**	**−455.1**	**179.8**	**786.1**	**85.7**	**871.8**
Result for the period	–	–	–	–	–	–	253.3	253.3	36.3	289.6
Other comprehensive income and loss	–	–	61.0	–	−15.7	165.2	–	210.5	6.9	217.4
Total comprehensive income and loss	**–**	**–**	**61.0**	**–**	**−15.7**	**165.2**	**253.3**	**463.8**	**43.2**	**507.0**
Dividends	–	–	–	–	–	–	−60.0	−60.0	–	−60.0
Balance as of December 31, 2021	**120.0**	**974.6**	**25.9**	**−7.1**	**−6.7**	**−289.9**	**373.1**	**1,189.9**	**128.9**	**1,318.8**

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 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 8, 2022.

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 half 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 second half 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. At the beginning of 2021, the pandemic-related shifts on the sales side vanished. The trend towards further digitization of the economy and private life, accelerated by the pandemic, had a positive impact on demand for wafer area.

From Siltronic Group point of view, production, sales, research and development, and administration were not significantly affected by the pandemic. The Group benefited to a small extent and in 2020 only 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 (neither in 2020 nor 2021).

Financial reporting principles applied for the first time in 2021

The application of the following new standards, interpretations, and changes to existing standards is mandatory for the period starting on January 1, 2021. 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
IFRS 16	Amendments to IFRS 16 (Covid-19-Related Rent Concessions)	June 1, 2020	none
IFRS 4	Amendments to IFRS 4 (Extension of the Temporary Exemption from Applying IFRS 9)	January 1, 2021	none
IAS 39, IFRS 7, IFRS 9 and IFRS 16	Amendments IFRS 9, IAS 39, IFRS 7 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2)	January 1, 2021	none

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 16	COVID-19-related rent reductions after June 30, 2021.	April 1, 2021	immaterial
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Improvements to IFRS (2018 – 2020)	January 1, 2022	immaterial
IFRS 3	Amendments to IFRS 3 (References to the Conceptual Framework)	January 1, 2022	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 17	Insurance contracts	January 1, 2023	Analysis not yet done

Standard / amendment / interpretation – not yet endorsed by EU		Effective date	Expected impact on Siltronic
IAS 1	Amendments to IAS 1 (Classification of Liabilities as Current or Non-current)	January 1, 2023	immaterial
IAS 1, IFRS Practice Statement 2	Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosures of accounting policies)	January 1, 2023	immaterial
IAS 8	Amendments to IAS 8 (Definition of estimates)	January 1, 2023	immaterial
IAS 12	Amendments to IAS 12 (Deferred taxes relating to assets and liabilities from a single transaction)	January 1, 2023	immaterial
IFRS 17	Amendments to IFRS 17 (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)	January 1, 2023	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

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, 2021	Dec. 31, 2020
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.

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, with the exception of equity, 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	**2021**	2020	**2021**	2020
US dollar	USD	1.13	1.23	1.18	1.14
Japanese yen	JPY	130	127	130	122
Singapore dollar	SGD	1.53	1.63	1.59	1.57

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)
- 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 on group level 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 is 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.

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 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 unavoidable costs of meeting the contractual obligations.

Provisions for environmental protection are recognized if the future cash outflows for complying with environmental 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 within a fiscal year, the impact is presented in the same line item of the statement of profit or loss as the original estimate. Otherwise the income is shown 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

In a first step, 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, 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.

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 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 analysis, cost for application technology on customer side 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, they are not capitalized. Development costs are capitalized 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.

Notes to the statement of profit or loss

01 Sales, cost of sales, other operating income, and other operating expenses

In EUR million	2021	2020
Sales	**1,405.4**	**1,207.0**
thereof sales of contracts with customers	*1,405.4*	*1,207.0*
Cost of sales	**−964.2**	**−867.5**
thereof inventory valuation allowance	*−7.9*	*−6.1*
thereof reversal of valuation allowance	*3.7*	*2.1*
Other operating income		
Currency transactions	67.7	54.2
Grants for research	0.7	0.9
Provisions and liabilities	10.1	2.8
Write-up of property, plant and equipment	7.3	–
Gains from disposal of property, plant and equipment	0.1	0.1
Reversal of valuation allowances for receivables	0.4	0.1
Other	2.2	1
Total	**88.5**	**59.1**
Other operating expenses		
Currency transactions	−58.2	−57.9
Impairment of property, plant and equipment	−0.1	−1.2
Losses from disposal of property, plant and equipment	−2.8	−2.4
Other	−4.0	−0.8
Total	**−65.1**	**−62.3**

Revenues are generated almost exclusively from the sale of wafers. A breakdown of revenues by region can be found in Note 17.

Due to the assessment as at 31 December 2021 that the takeover bid will not be successful, a liability was valued at EUR 0.0 million in the value calculation period. This liability was previously valued at EUR 9.9 million and the income is shown under provisions and liabilities.

Depreciation and amortization, personnel expenses, cost of materials

Depreciation and amortization expenses amount to EUR 156.8 million in 2021 (prior year: EUR 139.8 million). The write-up of property, plant and equipment resulted in income of EUR 7.3 million (prior year: EUR 0.0 million). This is due to the fact that, in the course of the investment projects started in the reporting year, parts of buildings are being used that were written down in previous years because they were vacant.

Personnel expenses amount to EUR 349.7 million (prior year: EUR 311.9 million), of which EUR 275.7 million was attributable to salaries (prior year: EUR 245.5 million), EUR 26.1 million to social security (prior year: EUR 22.0 million), and EUR 47.9 million to pensions (prior year: EUR 44.4 million). The cost of materials came to EUR 430.7 million (prior year: EUR 395.5 million).

02 Interest income and expenses, other financial result

In EUR million	2021	2020
Net interest income		
Interest income	3.8	6.0
Interest expenses	−2.8	−2.3
Total	**1.0**	**3.7**
Other financial result		
Interest cost on provisions	−5.8	−8.0
Other financial income	8.3	8.3
Other financial expenses	−2.0	−7.0
Total	**0.5**	**−6.7**

Interest income was generated 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.

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 %	2021	2020
Weighted average trade income tax rate	13.3	13.2
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	29.1	29.0

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 568.8 million (prior year: EUR 359.8 million) is available for distribution. For temporary differences amounting to EUR 28.4 million (prior year: EUR 18.0 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 2021 were EUR 28.7 million (prior year: EUR 2.4 million). Applying the German tax rate on the result before tax would result in tax expense of EUR 92.9 million (prior year: EUR 54.9 million). The difference between the expected tax expense and the actual tax expense of EUR 64.2 million (prior year: EUR 52.5 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 2.2 million (prior year: EUR 15.7 million expenses). In 2021, temporary differences resulted in expenses of EUR 2.2 million (prior year: EUR 7.7 million). Deferred tax income due to changes in tax rates amounted to EUR 0.1 million in the reporting year (prior year: EUR 1.4 million).

Income tax comprises current income taxes for prior years with an amount of EUR 1.8 million (prior year: EUR 3.6 million) and current tax expenses for prior years of EUR 0.3 million (prior year: EUR 0.4 million).

Tax expense

In EUR million	2021	2020
Current taxes, Germany	−12.4	−3.1
Current taxes, foreign	−15.5	−8.7
Total current taxes	**−27.9**	**−11.8**
Deferred taxes, Germany	−1.4	5.8
Deferred taxes, foreign	0.6	3.6
Total deferred taxes	**−0.8**	**9.4**
Total income taxes	**−28.7**	**−2.4**
Reconciliation of effective tax rate		
Result before taxes	318.3	189.2
Expected income tax rate for Siltronic AG in %	29.1	29.0
Expected tax expense (–)/benefit (+)	**−92.5**	**−54.9**
Variance in tax rate	54.9	42.3
Effect of non-deductible expenses	−0.3	−2.0
Effect of tax-free income	1.0	0.4
Taxes relating to other periods (current earnings)	1.5	3.1
Effect due to unrecognized deferred tax assets	6.0	10.1
Other variances	1.1	−1.4
Total income taxes	**−28.3**	**−2.4**
Effective tax rate in %	**8.9**	**1.3**

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 5.7 million (prior year: EUR 3.8 million).

The following table shows the allocation of deferred taxes to the assets and liabilities:

Allocation of deferred taxes

	As of December 31, 2021		As of December 31, 2020	
In EUR million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	–	0.4	–	–
Property, plant and equipment	0.3	2.1	2.3	1.9
Right-of-use assets	–	6.2	–	6.1
Current assets	12.6	4.6	9.2	7.4
Provision for pensions	–	–	–	–
Other provisions	2.3	0.4	0.4	0.4
Liabilities	10.2	–	7.5	–
Loss carryforwards	0.5	–	3.4	–
Total	**25.9**	**13.7**	**22.8**	**15.8**
Netting	−11.7	−11.7	−12.7	−12.7
Deferred taxes reported in the statement of financial position	**14.2**	**2.0**	**10.1**	**3.1**

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 0.8 million were recognized as expenses (prior year: income of EUR 9.4 million) were fully taken to profit or loss, while EUR 5.5 million (prior year: EUR 3.1 million expenses) were recognized as income directly in equity. The changes in equity relate to derivatives (cash flow hedges).

Tax loss carryforwards not utilized amount to EUR 63.8 million (prior year: EUR 120.9 million). Thereof, the tax loss carryforwards expire with an amount of EUR 62.3 million in the following years as shown below:

Tax loss carryforwards

In EUR million	2021	2020
Within 1 year	9.5	37.7
Within 2 years	9.1	9.7
Within 3 years	3.7	9.4
Within 4 years	3.4	3.8
Within 5 years or later	36.6	41.0
Total	**62.3**	**101.6**

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 3.4 million) have been recognized.

If deferred taxes had been recognized on the valuation allowances for loss carryforwards, the amount would have been EUR 19.3 million (prior year: EUR 36.7 million).

As of December 31, 2021, no deferred tax assets were recognized for deductible temporary differences in the amount of EUR 431.2 million (prior year: EUR 615.1 million).

Notes to the statement of financial position

04 Development of intangible assets

In EUR million	2021 Goodwill	Other	Total
Cost			
January 1	20.5	48.6	69.1
Additions	–	1.1	1.1
Disposals	–	−0.2	−0.2
Transfers	–	0.2	0.2
Effect of movements in exchange rates	–	1.4	1.4
December 31	**20.5**	**51.1**	**71.6**
Amortization			
January 1	–	45.6	45.6
Additions	–	1.9	1.9
Disposals	–	−0.2	−0.2
Transfers	–	–	–
Effect of movements in exchange rates	–	1.3	1.3
December 31	**–**	**48.6**	**48.6**
Carrying amount as of December 31	**20.5**	**2.5**	**23.0**

In EUR million	2020 Goodwill	Customer relationship	Other	Total
Cost				
January 1	20.5	11.1	47.3	78.9
Additions	–	–	2.0	2.0
Disposals	–	−10.3	–	−10.3
Transfers	–	–	1.0	1.0
Effect of movements in exchange rates	–	−0.8	−1.7	−2.5
December 31	**20.5**	**0.0**	**48.6**	**69.1**
Amortization				
January 1	–	11.1	45.1	56.2
Additions	–	–	2.0	2.0
Disposals	–	−10.3	−0.1	−10.4
Effect of movements in exchange rates	–	−0.8	−1.4	−2.2
December 31	**–**	**0.0**	**45.6**	**45.6**
Carrying amount as of December 31	**20.5**	**0.0**	**3.0**	**23.5**

The Goodwill acquired through business combinations result from the consolidation of SSW in the year 2014.

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 40-year remaining useful life reflects historically achieved average useful lives taking into account initiated investments in buildings.

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 seven-year medium-term plan is intended to reflect the cyclical fluctuations in our business. Apart from the triggered investments in capacity expansions, no growth rate was applied. External sources of information on EBITDA are only available for some components of EBITDA.

The investments assumed according to the medium-term planning 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 seven-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 40 percent lower than in the reporting year until the end of the useful life, this would result in an impairment loss. The reason for the consideration and sensitivity calculation outside the seven-year planning period are the long-term contracts already concluded, which entail a high degree of planning certainty. A change in discount rate leads to an impairment if 11 percent was used instead of 15 percent.

05 Development of property, plant and equipment

In EUR million	2021 Land, buildings and similar rights	Machinery and technical equipment	Other equipment, factory and office equipment	Assets under construction and advanced payments	Total
Cost					
January 1	632.9	2,976.3	138.5	119.4	3,867.1
Additions	0.8	51.3	3.1	369.4	424.6
Disposals	–	−19.9	−4.5	–	−24.4
Transfers	3.6	82.5	10.8	−97.1	−0.2
Effect of movements in exchange rates	26.1	91.4	1.5	3.7	122.7
December 31	**663.4**	**3,181.6**	**149.4**	**395.4**	**4,389.8**
Depreciation and impairment losses					
January 1	410.4	2,371.5	122.3	1.3	2,905.5
Additions	15.8	127.6	6.1	–	149.5
Impairment loss	–	–	–	–	–
Disposals	–	−16.9	−4.5	–	−21.4
Reversal	−7.3	–	–	–	−7.3
Transfers	–	1.3	–	−1.3	–
Effect of movements in exchange rates	16.0	70.4	1.3	–	87.7
December 31	**434.9**	**2,553.9**	**125.2**	**0.0**	**3,114.0**
Carrying amount as of December 31	**228.5**	**627.7**	**24.2**	**395.4**	**1,275.8**

In EUR million	2020 Land, buildings and similar rights	Machinery and technical equipment	Other equipment, factory and office equipment	Assets under construction and advanced payments	Total
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**

06 Right-of-use assets and lease liabilities

Siltronic enters into leasing agreements mainly for land, offices, 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 head office in Munich, which began in the prior year. This contract has term of ten years. Technical equipment and machinery are leased over a term of up to ten years. In addition, there are four long-term lease agreements for the use 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 leased properties are located in Germany and Singapore.

The development of the carrying amounts of the right-of-use assets is shown below:

Development of right-of-use assets

	2021					
In EUR million	Land	Buildings	Machinery and technical equipment	Cars	IT and other equipment	**Total**
Carrying amount as of January 1	32.5	5.3	11.0	0.5	1.9	51.2
Additions	50.5	1.2	1.8	0.4	–	53.9
Depreciation	−1.2	−1.4	−2.1	−0.3	−0.5	−5.5
Effect of movements in exchange rates	3.2	0.1	0.6	–	–	3.9
Carrying amount as of December 31	**85.0**	**5.2**	**11.3**	**0.6**	**1.4**	**103.5**

	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**

The following leasing expenses were recognized in the statement of profit and loss:

Leasing expenses

In EUR million	2021	2020
Interest expenses for leasing liabilities	2.2	1.7
Expenses for short-term leases	1.2	1.1
Leasing expenses for low value leases that are not short-term leases	0.9	0.6

Leasing agreements with a term of less than twelve 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 2021 have amounted EUR 6,7 million (prior year: EUR 7.0 million).

The breakdown of lease liabilities by maturity is shown below:

Maturity of leasing liabilities

	As of December 31, 2021		As of December 31, 2020	
In EUR million	short-term	long-term	short-term	long-term
Lease liability	6.3	99.5	4.0	48.4
of which > 5 years	–	*87.1*	–	*37.1*

07 Inventories

In EUR million	2021	2020
Raw materials and supplies	117.8	87.4
Finished and unfinished products	94.0	75.6
Total	**211.8**	**163.0**
of which recorded at net realizable value	*0.0*	*0.0*

As of December 31, 2021, unfinished products amounted to EUR 57.2 million (prior year: EUR 44.0 million). Expenses related to inventories accounted for a significant portion of the cost of sales.

08 Trade receivables, contract assets, other financial and non-financial assets as well as income tax receivables

In EUR million	As of December 31, 2021 Total	of which non-current	of which current	As of December 31, 2020 Total	of which non-current	of which current
Trade receivables	**170.0**	**–**	**170.0**	**144.5**	**–**	**144.5**
Contract assets	**12.7**	**–**	**12.7**	**12.1**	**–**	**12.1**
Derivative financial instruments	4.4	0.2	4.2	16.0	0.1	15.9
Other	2.6	–	2.6	1.4	–	1.4
Other financial assets	**7.0**	**0.2**	**6.8**	**17.4**	**0.1**	**17.3**
Prepaid expenses	26.6	21.9	4.7	6.6	2.0	4.6
Other tax receivables	31.8	–	31.8	12.9	–	12.9
Other	4.0	–	4.0	10.2	–	10.2
Other non-financial assets	**62.4**	**21.9**	**40.5**	**29.7**	**2.0**	**27.7**
Other financial and non-financial assets	**69.4**	**22.1**	**47.3**	**47.1**	**2.1**	**45.0**
of which maturity > 5 years	–	–	–	*1.3*	*1.3*	–
Income tax receivables	**–**	**–**	**–**	**5.2**	**–**	**5.2**
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, 2021 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: roughly 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 170.0 million), other financial assets (EUR 2.6 million) and contract assets (EUR 12.7 million) measured at amortized cost by risk class in fiscal year 2021:

in EUR million	As of December 31, 2021					
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 %	182.1	0.0	No
Medium	BB– to BB+	4	0 %	3.2	0.0	No
High	C to D	5 to 6	0 %	0.0	0.0	Yes
Total			0 %	185.3	0.0	

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**	

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 default risk is the carrying amount. Siltronic does not use credit default insurance coverage.

Against the background of the Corona pandemic, Siltronic applied adjusted scaling factors a few customers in 2020.

The valuation adjustments as at December 31, 2021 were below EUR 0.5 million, as they were on December 31, 2020. No nameable default losses incurred neither in the reporting year nor in the previous year.

09 Cash and cash equivalents, fixed-term deposits and securities

Cash and cash equivalents comprise cash in hand and bank balances as well as time deposits with a maturity of three months or less.

Siltronic has fixed-term deposits of EUR 12.2 million and cash and cash equivalents of EUR 424.3 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 allowances were below EUR 0.1 million on both balance sheet dates.

Siltronic manages its securities under two different business models. A large portion of the securities with the amount of EUR 89.1 million (prior year: EUR 83.7 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 49.3 million (prior year: EUR 45.5 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.

Other equity items

The change in other equity items compared to the previous year is mainly influenced by exchange rates and interest rates. The positive development resulted on the one hand from the currency translation in the context of the consolidation of subsidiaries. The weaker euro against the Singapore dollar had a particularly positive effect on equity. On the other hand, the increase in interest rates had a positive effect on the valuation of pension obligations.

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: 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 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 (Pensions sicherungsverein a.G.). The insolvency insurance has an upper limit. There are no legal minimum funding requirements.

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, 2021			As of December 31, 2020		
EUR Mio.	Germany	Foreign	Total	Germany	Foreign	Total
Present value of the at least partially fund-financed defined benefit obligations	1,069.3	133.1	1,202.4	1,135.8	133.0	1,268.8
Fair value of plan assets	684.4	122.6	807.0	603.6	107.7	711.3
Funded status	**384.9**	**10.5**	**395.4**	**532.2**	**25.3**	**557.5**
Present value of unfunded defined benefit obligations	–	9.4	9.4	–	9.0	9.0
Provisions for pensions and similar obligations	**384.9**	**19.9**	**404.8**	**532.2**	**34.3**	**566.5**

Development of the net liability of defined benefit obligations

In EUR million	2021 Projected benefit plan obligation	2021 Fair value of plan assets	2021 Difference
As of January 1	**1,277.8**	**711.3**	**566.5**
Current service cost	27.8	–	27.8
Interest expenses and interest income	10.8	6.5	4.3
Administrative cost paid out of plan assets	–	−0.3	0.3
Past service cost	–	–	–
Remeasurements			
Gains (–) -/- losses (+) from plan assets, excluding amounts recognized in interest income	–	68.7	−68.7
Gains (–) -/- losses (+) from changes in demographic assumptions	–	–	–
Gains (–) -/- losses (+) from changes in financial assumptions	−100.7	–	−100.7
Gains (–) -/- losses (+) from changes in experience-based assumptions	4.2	–	4.2
Effects of exchange-rate differences	12.1	10.0	2.1
Contributions by			
the Employer to the German pension fund	–	15.8	−15.8
the Employer to the foreign pension assets	–	–	–
the Employer to the CTA	–	10.0	−10.0
Pension plan beneficiaries	5.3	5.3	–
Pension payments	−25.5	−20.3	−5.2
As of December 31	**1,211.8**	**807.0**	**404.8**

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
Effects of settlements	–	–	–
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
Transfers	–	–	–
As of December 31	**1,277.8**	**711.3**	**566.5**

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

	2021		2020	
in %	Germany	USA	Germany	USA
Discount rate	1.23	2.51	0.69	2.07
Salary growth rate	2.50	3.00	2.50	2.50
Pension growth rate				
Basic and additional pension plan [1]	1.8 / 1.0	–	1.6 / 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 rate for the basic and additional pension plan was increased from 1.6 to 1.8 percent due to the ongoing higher inflation expectations. This resulted in an increase in the present value of pension obligations of EUR 32.4 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, 2021		As of December 31, 2020	
	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	**1,212**		**1,278**	
Present value of all pension obligations if				
the discount rate increases by 0.5%	1,101	−9.1	1,154	−9.7
the discount rate decreases by 0.5%	1,339	10.5	1,421	11.2
salaries increase by 0.5%	1,219	0.6	1,286	0.6
salaries decrease by 0.5%	1,205	−0.5	1,270	−0.6
future pension increases are 0.25% higher	1,248	3.0	1,318	3.1
future pension increases are 0.25% lower	1,177	−2.9	1,240	−3.0
life expectancy increases by one year	1,254	3.4	1,324	3.6

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

In EUR million	As of December 31, 2021 Market price quoted in an active market	As of December 31, 2021 No market price quoted in an active market	As of December 31, 2021 Total	As of December 31, 2020 Market price quoted in an active market	As of December 31, 2020 No market price quoted in an active market	As of December 31, 2020 Total
Real estate	–	117.7	117.7	–	107.8	107.8
Loans and fixed-income securities	253.8	88.9	342.7	223.3	83.1	306.4
Equities / equity funds / private equity	186.9	122.3	309.2	166.4	100.4	266.8
Cash and cash equivalents	–	37.4	37.4	–	30.3	30.3
Total plan assets	**440.7**	**366.3**	**807.0**	**389.7**	**321.6**	**711.3**
thereof own-used real estate		–	–		–	–

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 pre-defined level. Derivatives are partially used for hedging purposes.

Due to the investment of plan assets in equities and funds, the defined benefits plan 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”.

Financing of the pension plan

In the year 2021, benefits in the amount of EUR 16.7 million (prior year: EUR 14.8 million) were paid into pension plans in Germany, and EUR 8.8 million (prior year: EUR 11.2 million) into pension plans outside of Germany. For the 2022 fiscal year, the employer's contributions are expected to amount to only EUR 1.8 million. The expected term of pension obligations as of December 31, 2021 was 20.8 years (prior year: 22.0 years) in Germany and 16.4 years (prior year: 17.2 years) in the United States.

The following table shows the pensions benefits that the Group expects to pay from 2022 to 2026:

Projected payment periods for pension benefits

In EUR million	2022	2023	2024	2025	2026
	27.2	29.5	31.3	33.6	34.8

Composition of pension expenses by pension plan

In EUR million	2021	2020
Current service cost due to defined benefit plans	27.8	25.8
Past service cost / effects of settlements / transfers	0.0	−1.0
Administrative cost paid out of plan assets	0.3	0.3
Net interest expenses due to defined benefit plans	4.3	6.4
Expenses due to defined contribution plans	1.0	0.9
Other pension expenses	0.1	0.4
Contributions to public pension schemes	18.7	18.0
Total retirement benefits	**52.2**	**50.8**

12 Other provisions

	As of December 31, 2021			As of December 31, 2020		
In EUR million	Total	of which non-current	of which current	Total	of which non-current	of which current
Personnel	30.8	28.8	2.0	35.3	33.1	2.2
Environmental protection	34.5	31.3	3.2	32.4	29.0	3.4
Onerous contracts	–	–	–	0.1	–	0.1
Other	1.3	0.1	1.2	1.8	0.2	1.6
Total	**66.6**	**60.2**	**6.4**	**69.6**	**62.3**	**7.3**

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.

Provision for environmental protection

The provision for environmental protection covers expected burdens due to contamination on the plant site and the neighboring river at Portland, Oregon, United States. 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 34.5 million as of December 31, 2021. The outflow is expected to occur in 2022 through 2026.

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 2021:

Development of other provisions

In EUR million	**Jan. 1, 2021**	Utilization	Reversal	Addition	Transfer to liabilities	Interest and exchange rate	**Dec. 31, 2021**
Personnel	35.3	−19.7	–	16.1	−0.9	0.1	30.9
Environmental protection	32.4	−2.4	–	–	–	4.4	34.5
Onerous Contracts	0.1	−0.1	–	–	–	–	–
Other	1.8	−0.1	−0.8	0.4	–	–	1.3
Total	**69.6**	**−22.3**	**−0.8**	**16.5**	**−0.9**	**4.5**	**66.6**

13 Trade liabilities, customer prepayments, other financial and non-financial liabilities

In EUR million	As of December 31, 2021 Total	of which non-current	of which current	As of December 31, 2020 Total	of which non-current	of which current
Trade liabilities	**164.3**	**–**	**164.3**	**118.8**	**–**	**118.8**
Customer prepayments	287.3	254.2	33.1	161.0	137.4	23.6
of which > 5 years	*20.4*	*20.4*	–	*39.0*	*39.0*	–
Other liabilities						
Derivative financial instruments	13.0	–	13.0	3.5	–	3.5
Other	1.6	–	1.6	0.3	–	0.3
Total	**14.6**	**–**	**14.6**	**3.8**	**–**	**3.8**
of which > 5 years	–	–	–	–	–	–
Other non-financial liabilities						
Other tax liabilities	3.0	–	3.0	7.4	–	7.4
Social security	2.1	–	2.1	1.4	–	1.4
Payroll	2.0	–	2.0	1.8	–	1.8
Profit-sharing and bonuses	36.6	–	36.6	26.2	–	26.2
Other personnel liabilities	10.2	–	10.2	7.9	–	7.9
Other	–	–	–	0.1	–	0.1
Total	**53.9**	**–**	**53.9**	**44.8**	**–**	**44.8**
of which > 5 years	–	–	–	–	–	–
Income tax liabilities	**37.2**	**8.4**	**28.8**	**27.5**	**10.7**	**16.8**
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 24.1 million (prior year: EUR 30.0 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 6.6 billion, of which 14 percent is expected in 2022. The remaining 86 percent are expected to be realized between 2023 and 2030. As permitted by IFRS 15, no information is provided on the remaining performance obligations as of December 31, 2021 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 flex-time 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.

14 Other financial obligations and contingencies

Other financial obligations
As of December 31, 2021, obligations from purchase commitments amounted to EUR 1.889.6 million (prior year: EUR 78.3 million); the commitments primarily related to property, plant and equipment. The value of the commitments increased in the course of the construction of the new plant in Singapore and due to the expansion of the production plant in Freiberg.

The Group enters into long-term purchase agreements with minimum commitments. This resulted in minimum purchasing obligations for the following year of around EUR 140 million as of December 31, 2021 (December 31, 2020: around EUR 85 million). For the subsequent four years, there are annual minimum purchase commitments in a similar amount.

Contingent Liabilities
For environmental risks located in Portland, Oregon, United States, 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).

Beyond this, no significant contingent liabilities exist.

Other disclosures

15 Earnings per share

	2021	2020
Net result attributable to Siltronic AG shareholders (in EUR million)	253.3	160.8
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)	8.44	5.36
Dividend payment per common share (in EUR) for the prior year	2.00	3.00

For the fiscal year 2021, the Management Board and Supervisory Board propose to distribute a dividend of EUR 3.00 per share in the year 2022. 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 90 million will be distributed for the total number of 30,000,000 no-par value shares.

16 Financial instruments

The following tables show financial assets and liabilities by measurement categories and classes for the years 2021 and 2020, 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 amounts 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, 2021	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, 2021
Securities	138.4	49.3	89.1	–	139.1
Trade receivables	170.0	170.0			170.0
Fixed-term deposits	12.2	12.2			12.3
Other financial assets	7.0	2.6	3.5	0.9	7.0
Other		2.6			
Derivatives for which hedge accounting is not used (FVTPL)			3.5		
Derivatives for which hedge accounting is used (hedge accounting according to IAS 39)				0.9	
Cash and cash equivalents	424.3				424.3
Total financial assets	**751.9**				**752.7**
Trade liabilities	164.3	164.3			164.3
Other financial liabilities	14.7	1.6	2.9	10.2	14.7
Other		1.6			
Derivatives for which hedge accounting is not used (FVTPL)			2.9		
Derivatives for which hedge accounting is used (Hedge accounting according to IAS 39)				10.2	
Total financial liabilities	**179.0**				**179.0**

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	–	
Derivatives for which hedge accounting is used (Hedge accounting according to IAS 39)		–	–	–	
Total financial liabilities	**122.7**				**122.7**

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 2022. 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	2021	2020
Assets/liabilities classified as at fair value through profit or loss	14.1	−5.1
Financial assets recognized at amortized cost	10.8	1.8
Financial liabilities recognized at amortized cost	−12.5	1.3
Total	**12.4**	**−2.0**

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 3.1 million in 2021 (prior year: EUR 5.3 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 0.2 million) and interest income of EUR 0.1 million (prior year: EUR 0.1 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 0.0 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, 2021			
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	–	3.5	–	3.5
Securities	89.1	–	–	89.1
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used	–	0.9	–	0.9
Total	**89.1**	**4.4**	**–**	**93.5**
Financial liabilities, measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used	–	2.9	–	–
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used	–	10.2	–	10.2
Total	**–**	**13.1**	**–**	**13.1**

	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	–	3.5
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used	–	–	–	–
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.

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, 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 2021 and 2020 fiscal years are as follows:

In EUR million	2021	2020
Accumulated effects from derivative financial instruments (cash flow hedge) before taxes as of January 1	12.3	0.4
Changes in market values	−11.7	11.5
Reclassification to the profit and loss statement (other operating income and expenses)	−9.9	0.4
Accumulated effects from derivative financial instruments (cash flow hedge) before taxes as of December 31	**−9.3**	**12.3**

For strategic hedging, graded hedging ratios of around 20 per cent to 40 per cent are used in relation to the expected net exposure in US dollars (taking into account currencies that show a high correlation to the US dollar, if applicable) and for the yen exposure. The expected net exposure in US dollars and yen for 2022 is hedged at around 35 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.

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, 2021		As of December 31, 2020	
	Nominal values	Market values	Nominal values	Market values
Other financial assets	**402.8**	**4.2**	**456.6**	**16.0**
Foreign currency derivatives	244.8	1.9	369.2	11.7
thereof for strategic hedging (with hedge accounting)	*122.1*	*0.9*	147.3	9.0
Foreign currency options	21.7	0.1	83.1	4.2
thereof for strategic hedging (with hedge accounting)	*15.8*	*0.1*	45.6	3.0
Foreign currency swaps	136.3	2.2	2.1	–
Other derivatives	–	–	2.2	0.1
Other financial liabilities	**422.7**	**−13.0**	**272.4**	**3.5**
Foreign currency derivatives	378.3	−11.9	21.7	–
thereof for strategic hedging (with hedge accounting)	*276.6*	*−9.5*	7.8	–
Foreign currency options	26.9	−1.0	90.2	–
thereof for strategic hedging (with hedge accounting)	*20.5*	*−0.7*	49.3	–
Foreign currency swaps	17.5	−0.1	160.5	3.5

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, 2021		As of December 31, 2020	
	current (less than 1 year)	non-current (more than 1 year)	current (less than 1 year)	non-current (more than 1 year)
Nominal values currency forward exchange contracts	363.7	35.0	145.6	9.5
Average hedging rate				
EUR/JPY	131	131	122	126
EUR/USD	1.18	1.15	1.12	
USD/SGD	1.35	1.37	1.41	
EUR/SGD	1.61	1.57	1.56	
Nominal values currency option contracts	36.3	–	42.7	–
Average hedging rate				
EUR/USD	1.16		1.15	
USD/SGD	1.35		1.40	

Apart from the currency forward exchange contracts for strategic hedging, all derivative financial instruments in the fiscal year and the previous year have a term of less than one year.

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 offsetting of financial instruments from netting agreements, enforceable global netting agreements, or similar agreements.

Net amount

	As of December 31, 2021					
	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	4.5	0.3	4.2	3.7	–	0.5
Derivatives with a negative market value	−13.3	−0.3	−13.0	−3.7	–	−9.3

	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

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 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, particularly 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.

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, 2021, the fair value of the derivative financial instruments would have decreased by approximately EUR 29.1 million. EUR 8.2 million of the change would have been recognized in the statement of profit and loss and EUR 20.9 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 increased by EUR 21.1 million. Of these changes EUR 15.2 million would have been recognized in other comprehensive income and EUR 5.9 million in the statement profit or loss. The corresponding fair value changes as of December 31, 2020 would have decreased by EUR 11.0 million or increased by EUR 6.3 million. The decrease would have been recognized with an amount of EUR 4.2 million in the statement of profit and loss EUR 6.8million in other comprehensive income. The increase would have been recognized with an amount of EUR 0.3 million in the statement of profit and loss EUR 6.0 million in other comprehensive income.

If the Japanese Yen had been up or down by 10 percent against the euro as of December 31, 2021 the fair value of the hedging instruments would have decreased by around EUR 10.3 million or increased by 8.4 million. In the case of revaluation, EUR 2.4 million would have been recognizsed in the statement of profit or loss and EUR 7.9 million in other comprehensive income. The increase in fair value would have effect in other comprehensive of EUR 6.5 million and in the statement of profit or loss of EUR 1.9 million. The corresponding change in fair value as at December 31, 2020 would have amounted to EUR 8.2 million in each case. The change would have been fully recognized in other comprehensive income.

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 8.5 million and a change in EBITDA of around +/- EUR 7.0 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 were 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, 2021 or 2020.

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 2022.

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

	2021							
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	103.6	145.8	137.4	496.6	336.0	175.6	10.4	1,405.4
Additions to property, plant and equipment, and intangible assets	195.9	–	5.7	0.1	–	223.9	–	425.6
Non-current assets (December 31)	555.8	–	31.6	0.1	0.1	692.8	18.4	1,298.8

	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

In the fiscal year 2021, the Group realised revenue from three customers that accounted for a share of more than 10 per cent. One customer accounted for 25 per cent and two others for 12 per cent each. In the previous year, three customers accounted for 21 per cent, 15 per cent and 10 per cent.

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	2021	2020
Sales	0.8	0.9
Purchased material and services (primarily cost of sales)	174.1	143.5
Lease expenses (several functional costs)	0.2	0.4

As in the previous year, the sales for 2021 includes other services of EUR 0.8 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, 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.

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, 2021 and 2020:

Inventories, other assets and liabilities to related parties

In EUR million	Dec. 31, 2021	Dec. 31, 2020
Right-of-use assets	1.4	1.6
Other assets	21.8	1.9
Inventories	22.0	14.3
Lease liabilities	1.4	1.6
Trade liabilities	15.5	13.7

The balance sheet items relate entirely to Wacker Chemie AG.

In addition, long-term purchase agreements exist with Wacker Chemie AG, resulting in other financial obligations of EUR 121.0 million (previous year: EUR 71.3 million).

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	**2021**	1,006,063	1,034,000	1,298,261	326,971	**3,665,295**
	2020	973,485	944,618	870,074	360,376	**3,148,553**
Provisions for pensions for active Executive Board members	**2021**				5,582,543	**5,582,543**
	2020				5,586,912	**5,586,912**
Remuneration for former Executive Board members and their surviving dependents	**2021**				287,436	**287,436**
	2020				262,373	**262,373**
Provisions for pensions for former Executive Board members and their surviving dependents	**2021**				7,291,057	**7,291,057**
	2020				7,863,911	**7,863,911**
Supervisory Board remuneration	**2021**	659,184				**659,184**
	2020	698,445				**698,445**

The total remuneration of the members of the Executive Board for the fiscal year 2021, which is to be disclosed in accordance with § 314 para. 1 no. 6 of the German Commercial Code and valued in accordance with DRS 17, amounts to a total of EUR 2.7 million (previous year: EUR 2.5 million). The fair value of the share-based payment granted in the fiscal year 2021 was EUR 0.7 million (previous year: EUR 0.6 million). Provisionally 6,763 virtual shares were allocated (prior year: 9,740).

Remuneration for pensions consists the service costs.

Moreover there were no further significant transactions between Siltronic and related parties in the 2021 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 2021, 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 2020. The phantom stocks are held for a period of four years (performance period), starting January 1, 2021. 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 2024 plus the dividends paid out during the fiscal years 2021 to 2024. The cash settlement is limited to 200 percent of the contractual allotment value (cap). Due to the term of the remuneration, parallel tranches for the years 2020 and 2021 are selected as of the reporting date.

The phantom stocks from 2019 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. Fifty-one 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 18,561 phantom stocks. In the year 2019, 6,302 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 135.97 (prior year: EUR 121.61). The closing price for the calculation of the fair value per phantom stock was EUR 141.27. 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 2020 and 2021 of EUR 2.2 million (prior year: EUR 1.7 million). The cash compensation for the phantom stocks from the fiscal year 2019 will be paid in the fiscal year 2022 at the average price from 2021, for which another liability of EUR 0.9 million was recognized. The personnel expenses increased in the fiscal year 2021 by EUR 1.3 million (prior year: EUR 1.6 million).

20 Other information

The following table shows the personnel employed on average during the year.

Average number of employees

	2021	2020
Germany	2,459	2,299
Singapore and small sales companies in Asia	1,150	1,113
United States	351	328
Total	**3,960**	**3,740**

The auditor's fees are divided into audits of financial statements, other certification services and non-audit services.

Audit fees

In EUR million	2021	2020
Audit of financial statements	0.4	0.4
Other certification services	0.2	0.1
Non-audit services	0.0	0.0
Total	**0.6**	**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, 2021 non-current assets totaled EUR 726.2 million and current assets EUR 401.6 million, equity EUR 578.3 million, non-current liabilities EUR 412.9 million and current liabilities EUR 136.6 million.

In the year 2021, Siltronic Silicon Wafer Pte. Ltd. realized sales of EUR 443.0 million resulting in a net profit of EUR 162.9 million and a comprehensive income of EUR 194.0 million. In the reporting year, the balance of cash flow from operating activities less cash flow from payments for investments in property, plant and equipment and intangible assets (taking into account payments received from the disposal of property, plant and equipment) resulted in an excess of payments of EUR 30.4 million.

The minority shareholder did not receive a dividend.

The list of shareholdings in affiliated companies as of December 31, 2021 is as follows (IFRS amounts):

List of shareholdings

	2021		
	Share capital in EUR million	Net income in EUR million	Equity share in %
Siltronic Holding International B.V., Rotterdam, Netherlands [1]	400.9	87.4	100.0
Siltronic Singapore Pte. Ltd., Singapore [2]	340.8	57.1	100.0
Siltronic Silicon Wafer Pte. Ltd., Singapore [2]	578.3	162.9	77.7
Siltronic Corp., Portland (Oregon), USA [2]	84.4	10.5	100.0
Siltronic Japan Corp., Tokyo, Japan [2]	1.5	1.7	100.0
Siltronic Korea Ltd., Seoul, Korea [1]	1.9	0.5	100.0
Siltronic Shanghai Corp., Ltd., Shanghai, China [1]	1.0	0.4	100.0
Structured entity: Special Fund, Frankfurt, Germany [1]	87.5	4.5	100.0

[1] Held directly by Siltronic AG
[2] Held indirectly by Siltronic AG

21 Subsequent events

On December 9, 2020, Siltronic and GlobalWafers from Taiwan concluded a business combination agreement, on the basis of which GlobalWafers submitted a voluntary public tender offer to Siltronic shareholders. For the offer to be successful, certain regulatory approvals had to be obtained by the end of January 31, 2022. As not all regulatory approvals had been granted by this date, the offer expired. The business combination agreement was terminated. The financial impact is reflected in the financial statements.

The agreement of December 9, 2020 provides that if required regulatory approvals are not granted by the end of January 31, 2022 at the latest, GlobalWafers will owe a termination fee of EUR 50.0 million to Siltronic. Siltronic has in the meantime called the EUR 50.0 million due.

Furthermore there were no significant events after the end of the fiscal year ending December 31, 2021.

Munich, March 8, 2022
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 2021, 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 2021, 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 2021. 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 2021, 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 2021. 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.

The existence, accuracy and completeness of additions to property, plant and equipment in the "300 mm" area

For information on the accounting of property, plant and equipment, reference is made to the sections "Property, plant and equipment" and "Depreciation and amortization" of the accounting policies, as well as the explanatory notes on the individual statement of financial position items under "Development of property, plant and equipment".

The Financial Statement Risk

In the past fiscal year, the Group decided to build a second 300 mm production plant at the Singapore site and to expand the German Siltronic site in Freiberg. Accordingly, capital expenditure on property, plant and equipment was mainly attributable to capacity expansions in 300 mm wafer production. They totalled EUR 424.6 million in the past fiscal year and are essential for the Group's asset position.

Due to the high investment volume, the carrying amount of property, plant and equipment in the "300 mm" area has increased significantly. In this context, there is a fundamental risk that additions to property, plant and equipment in the "300 mm" area may not exist in the amount reported in the financial statements.

Furthermore, there is a risk that, due to the size and the complexity resulting from the large number of individual invoices, the distinction between costs that can be capitalized and those that can be expensed may not be made correctly. This could have an impact on the accuracy and completeness of the additions to property, plant and equipment in the "300 mm" area.

Our audit approach
We obtained an understanding of the Company's process for recording additions to property, plant, and equipment through explanations from accounting personnel and an assessment of the Group's accounting policy. In addition, we evaluated, in part, the effectiveness of internal controls related to the recording of additions to property, plant, and equipment with respect to invoice verification and, in particular, monitoring the progress of investment projects.

We assessed the balance of property, plant and equipment acquired in the "300 mm" area on the basis of a representatively selected sample by comparing invoices with other supporting documents such as acceptance protocols and goods receipt papers. We also performed a visual inspection of selected items of property, plant and equipment on the basis of a risk-oriented selection. In addition, on the basis of a risk selection, we verified expenses using a partially intentional and a partially representative sample to determine whether they were correctly recognized as expenses and did not have to be capitalized.

Our observations
The procedure reflect the existence, accuracy and completeness of additions to property, plant and equipment in the "300 mm" area is 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 8 March 2022 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-2021-12-31.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 2021 to 31 December 2021 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 29 April 2021. We were engaged by the Supervisory Board on 9 August 2021. We have been the group auditor of Siltronic AG without interruption since its initial public offering 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 German Public Auditor responsible for the engagement is Johannes Hanshen.

Munich, March 8, 2022
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 8, 2022
The Executive Board of Siltronic AG

Dr. Christoph von Plotho (CEO)	Rainer Irle (CFO)

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, 2021)
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 Since 1 January 2022 Chairman of the general works council Siltronic AG	
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, 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 Center & Strategic Planning, Siltronic AG Chairman of the Joint Speaker Committee of the Senior Executives of Siltronic AG	
Sieglinde Feist	Head of Sales & Distribution, Wacker Chemie AG, Munich	Chairperson of the Board of Directors (non-executive) – Wacker Chemicals Ltd., United Kingdom – Wacker-Kemi AB, Sweden – Wacker Quimica Iberica, S.A., Spain Member of the Board of Directors (non-executive) – Wacker Chemie Italia S.r.l., Italy – Wacker Chimie S.A.S., France – Wacker Chemicals Middle East, Dubai – Wacker Chemicals (South Asia) Pte Limited, Singapore – Wacker Chemicals Korea Inc., South Korea – Wacker Mexicana S.A. de C.V., Mexico (all Wacker Chemie Group mandates)
Gebhard Fraunhofer [1] (Supervisory Board member until December 31, 2021)	Chairman of the general works council 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	Supervisory Board member	
Markus Hautmann [1]	District Chairman of the IG BCE, Altötting	Member of the Supervisory Board – Wacker Chemie AG, Munich
Bernd Jonas	Independent lawyer	
Lina Ohltmann [1]	Secretary IG BCE, Union Pay Policies Division	
Volker Stapfer [1] (Supervisory Board member since January 1, 2022)	Deputy chairman of the General Works Council, Siltronic AG Fab Burghausen	

[1] Employee representative

The membership in committees of the Supervisory Board is shown on p. 70.

Executive Board

Dr. Christoph von Plotho

Chief Executive Officer

Application Technology
Investor Relations & Communications
Corporate Development
Supply Chain & Operations
Quality Management & EHS
Legal & Compliance
Site Management Burghausen & Freiberg
Engineering & Technology
Marketing & Sales
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

Accounting & Tax
Controlling
Corporate Responsibility
Strategic Procurement
Information Technology
Human Resources
Corporate Auditing & Risk Management
Siltronic USA

Member of the Board of Directors of the following affili-ated companies:

- Siltronic Corporation, USA
- Siltronic Japan Corporation, Japan

Quarterly overview

		Q4 2021[1]	Q3 2021[1]	Q2 2021[1]	Q1 2021[1]
Statement of profit or loss					
Sales	In EUR million	376.6	371.6	341.1	316.1
EBITDA	In EUR million	143.7	122.9	108.0	91.7
EBITDA margin	In %	38.2	33.1	31.7	29.0
EBIT	In EUR million	109.2	83.9	69.6	54.2
EBIT margin	In %	29.0	22.6	20.4	17.2
Net profit	In EUR million	93.7	73.6	64.0	58.4
Earnings per share	In EUR	2.79	2.15	1.83	1.67
Capital expenditure and net cash flow					
Capital expenditure on property, plant and equipment, and intangible assets	In EUR million	281.8	54.1	52.8	36.9
Net cash flow	In EUR million	−139.6	70.1	43.3	27.9

Statement of financial position					
Total assets	In EUR million	2.455.4	2.171.0	2.005.6	2.008.0
Equity	In EUR million	1.318.8	1.192.2	1.083.6	1.078.6
Equity ratio	In %	53.7	54.9	54.0	53.7
Net financial assets	In EUR million	572.9	605.3	528.4	538.1

[1] Quarterly figures are unaudited values

Multi-year overview

		2021	2020	2019	2018
Statement of profit or loss					
Sales	In EUR million	1,405.4	1,207.0	1,270.4	1,456.7
Gross profit	In EUR million	441.2	339.5	457.6	631.9
Gross margin	In %	31.4	28.1	36.0	43.4
EBIT	In EUR million	316.9	192.2	298.3	497.7
EBIT margin	In %	22.5	15.9	23.5	34.2
EBITDA	In EUR million	466.4	332.0	408.7	589.3
EBITDA margin	In %	33.2	27.5	32.2	40.5
Financial result	In EUR million	1.5	−3.0	4.4	−9.3
Income taxes	In EUR million	−28.7	−2.4	−41.7	−87.8
Net profit/loss for the period	In EUR million	289.6	186.8	261.0	400.6
Earnings per share	In EUR	8.44	5.40	7.50	12.44
Capital expenditure and net cash flow					
Capital expenditure on property, plant and equipment, and intangible assets	In EUR million	425.6	187.6	363.0	256.9
Net cash flow	In EUR million	1.7	77.4	81.3	240.4
Statement of financial position					
Total assets	In EUR million	2,455.4	1,919.4	1,945.0	1,818.2
Equity	In EUR million	1,318.8	871.8	930.2	915.7
Equity ratio	%	53.7	45.4	47.8	50.4
Net financial assets	In EUR million	572.9	499.3	588.9	691.3
Employees		**4,117**	**3,772**	**3,669**	**3,914**

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.

FabNext
New production facility for 300 mm ingots and wafers at Siltronic site in Singapore.

IFRS
International Financial Reporting Standards (until 2001: International 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.

HAP
Hazardous air pollutants

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

Financial calendar

March 9, 2022	Annual Report 2021
May 5, 2022	Annual General Meeting
May 10, 2022	Interim Reporting Q1 2022
July 29, 2022	Interim Report Q2 2022
October 28, 2022	Interim Reporting Q3 2022

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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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