

Remuneration report Siltronic AG

(Extract from the Annual Report)

Remuneration report

The following remuneration report forms part of the Group management report and the consolidated financial statements, for which an unqualified opinion has been issued.

Executive Board remuneration system

The full Supervisory Board is responsible for determining the individual remuneration of the members of the Executive Board of Siltronic AG on the basis of preparatory work conducted by the Executive Committee.

The main components of the Executive Board remuneration system are:

Fixed annual salary

The fixed annual salary is paid in equal monthly installments.

Variable salary (success and performance-related bonus)

The amount of the variable bonus, which is paid annually in retrospect, depends on achievement of the standardized targets set by the Supervisory Board for all members of the Executive Board. These targets are based on four KPIs. These KPIs and the basis of measurement were amended during the year in connection with the IPO.

Arrangements until June 10, 2015

Up to and including June 10, 2015, the bonus was based on the following KPIs:

- EBITDA margin of the Siltronic Group
- Net operating cash flow of the Siltronic Group
- Business value contribution of the Siltronic Group
- Return on capital employed (ROCE) of the Wacker Chemie Group

Historical trends, planning information and competitors' performance are used to calculate a specific EBITDA margin target. This KPI is oriented to Siltronic's long-term performance. Our medium-term goal is an EBITDA margin of 20 percent. The target achievement rate depends on the extent to which the EBITDA margin target is attained.

Net operating cash flow is a KPI similar to free cash flow. Free cash flow is defined as cash flow from operating activities less cash flow from investing activities (capital expenditure on property, plant and equipment and on non-current intangible assets), but excluding acquisitions of companies. It shows whether the day-to-day business and required capital expenditure can be financed from the Company's own operating activities. The Siltronic Group's goal is to achieve a positive free cash flow. Besides profitability, the main influences on free cash flow and net operating cash flow are effective management of receivables and inventories and the level of capital expenditure. The target achievement rate depends on the deviation from the budgeted figure.

The 'business value contribution' KPI takes account of the cost of capital employed. To calculate this metric, depreciation/amortization and the cost of capital are deducted from EBITDA. The business value contribution is heavily dependent on changes in EBITDA and the amount of capital employed. The target achievement rate depends on the deviation from the budgeted figure. Cost of capital and depreciation/amortization should only deviate slightly from the budgeted figures.

Return on capital employed (ROCE) represents the return on the capital used. ROCE indicates how profitably the capital required to run the business is being used. Apart from profitability, the other influence on ROCE is capital intensity in relation to non-current assets and working capital. Our medium-term target for ROCE is 11 percent. ROCE is an important criterion in managing the capital expenditure budget. Like the EBITDA margin, ROCE is oriented to the company's long-term performance. The target achievement rate depends on the extent to which the ROCE target is attained.

The theoretical target bonus in the event of 100 percent target achievement in the measurement period was 50 percent of the average annual base salary in the measurement period. The bonus for Executive Board members was capped at 100 percent of the average annual base salary in the measurement period. The measurement period was the financial year. The Supervisory Board decides on a factor of between 0.8 and 1.2 to reflect the individual performance of each Executive Board member. The calculated variable remuneration was multiplied by this factor. A minimum bonus agreement of 25 percent applied to Dr. von Plotho.

Arrangements since June 11, 2015

The Supervisory Board amended the variable remuneration system for the Executive Board due to the IPO of Siltronic AG on June 11, 2015. Since June 11, 2015, the bonus has been based on the following KPIs:

- EBITDA margin of the Siltronic Group
- Net operating cash flow of the Siltronic Group
- Business value contribution of the Siltronic Group
- Return on capital employed (ROCE) of the Siltronic Group

The EBITDA margin, net operating cash flow, and business value contribution KPIs are the same as they were before the IPO. The ROCE KPI now relates to the Siltronic Group rather than to the Wacker Chemie Group.

In addition, the measurement period for variable remuneration has been extended to three years. The bonus is calculated on the basis of the average of the rate of target achievement for the past financial year and the total rate of target achievement for the two preceding financial years. The theoretical target bonus in the event of 100 percent target achievement in the measurement period is 100 percent of the average gross annual base salary in the final year of the measurement period. The bonus for Executive Board members is capped at 200 percent of the average annual base salary in the final year of the measurement period. A target achievement rate of 100 percent was set for 2013 and 2014.

The Supervisory Board has the option of increasing or decreasing the calculated theoretical bonus by up to 30 percent in order to take all circumstances and individual performance into account.

The amount of bonus for a particular year is determined by the Company's Supervisory Board in March of the following year.

Of this bonus, 85 percent is paid with the next fixed salary payment; the remaining 15 percent is paid in the form of Company shares that Siltronic purchases on the stock market in the name of and for the Executive Board member. These shares are subject to a two-year holding period.

Dr. Christoph von Plotho's minimum bonus agreement no longer applies.

In 2015, Dr. Christoph von Plotho and Mr. Rainer Irle received a special bonus of EUR 120,000 (Dr. Christoph von Plotho) and EUR 84,000 (Mr. Rainer Irle) in recognition of Siltronic AG's successful IPO. Of these amounts, 50 percent was paid in shares. These shares are also subject to a two-year holding period.

Pension contributions

The existing pension entitlements via the pension fund of Wacker Chemie VVaG, which provide a basic company pension, are being continued by the Company for the members of the Executive Board. For this purpose, the Company and the Executive Board members make a monthly contribution to the pension fund in accordance with the 1972 general insurance conditions of the pension fund of Wacker Chemie VVaG.

In addition, the Executive Board members acquire entitlements from the Company in accordance with the prevailing version of the company supplementary pension scheme regulations. The pensionable income as defined by the regulations is the agreed fixed annual salary. The benefits provided under this company supplementary pension scheme consist of a retirement pension, early retirement pension, incapacity pension, and surviving dependants' pension. The pension expense amounts to 12.25 percent of pensionable annual income between 100 percent and 150 percent of the applicable annual income limit for the assessment of contributions in the German statutory pension insurance scheme and 15 percent of pensionable annual income above 150 percent of the applicable annual income limit for the assessment of contributions in the German statutory pension insurance scheme. The annual pension benefits are based on the total pension payments made by the Company until the date of the insured event, applying an annuity rate of 18 percent.

In addition, Executive Board members receive from the Company a monthly amount (gross) in the amount of the employer contribution to the statutory pension insurance scheme (currently EUR 565.68 gross per month on the basis of the social insurance legislation in force in 2015) to help them build up a private retirement pension.

Other material agreements

The Company provides the members of the Executive Board with adequate directors' and officers' liability insurance (D&O insurance), which has a deductible as required by the German Stock Corporation Act (AktG).

If they leave the Company, the members of the Executive Board are bound by a twelve-month non-compete obligation for which they receive compensation. This non-compete compensation is calculated on the basis of 50 percent of the most recent total annual pay (average for the past three years). Any retirement pension is offset against the non-compete compensation.

The Executive Board service contracts provide for a cap on severance pay that limits any compensation payable in the event of the Executive Board appointment being terminated prematurely without good cause to no more than two years' total annual remuneration.

Total remuneration of the members of the Executive Board for 2015

With effect from June 11, 2015, the fixed annual salary of Dr. Christoph von Plotho was increased from EUR 354,900 to

EUR 400,000 gross and the fixed annual salary of Mr. Rainer Irlé was increased from EUR 231,800 to EUR 280,000 gross.

In 2013, Siltronic implemented a variety of programs aimed at reducing costs and improving productivity due to the challenging financial situation. To set a good example, the Executive Board temporarily reduced its monthly fixed remuneration by 10 percent in the period from March up to and including November 2013. In 2014 and 2015, as the financial situation had improved, each member of the Executive Board received partial compensation for the temporary reduction amounting to 50 percent of the individual amount that they had waived in 2013.

The current amount of remuneration for the Executive Board members is shown in the following tables, which are based on the model tables recommended in the German Corporate Governance Code.

The following table shows the value of the benefits granted for 2015. The minimum and maximum achievable values are also shown.

Benefits granted for the reporting year

EUR	Dr. Christoph von Plotho President & Chief Executive Officer				Rainer Irlé Member of the Executive Board			
	2015 target	2015 minimum	2015 maximum	2014 target	2015 target	2015 minimum	2015 maximum	2014 target
Fixed remuneration	379,846	379,846	379,846	347,972	258,462	258,462	258,462	227,268
Payment in respect of other accounting periods ¹⁾	12,919	12,919	12,919	12,919	8,021	8,021	8,021	8,021
Fringe benefits ²⁾	41,244	41,244	41,244	40,230	36,755	36,755	36,755	37,816
Total	434,009	434,009	434,009	401,121	303,238	303,238	303,238	273,105
One-year variable remuneration ³⁾	79,400	39,700	190,400	177,500	51,900	0	124,400	115,900
IPO	120,000	0	120,000	0	84,000	0	84,000	0
Multi-year variable remuneration ⁴⁾	221,212	103,748	382,476	0	154,848	72,624	267,732	0
Total	854,621	577,457	1,126,885	578,621	593,986	375,862	779,370	389,005
Pension expenses ⁵⁾	59,320	59,320	59,320	48,849	99,899	99,899	99,899	54,231
Total remuneration	913,941	636,777	1,186,205	627,470	693,885	475,761	879,269	443,236

¹⁾ This is partial compensation for having waived salary in 2013. In 2013, the Siltronic Group implemented a variety of programs aimed at reducing costs and improving productivity due to the challenging financial situation. To set a good example, the Executive Board temporarily reduced its monthly fixed remuneration by 10 percent in the period from March up to and including November 2013. In 2014 and 2015, as the financial situation had improved, each member of the Executive Board received 50 percent of the individual amount that they had waived in 2013.

²⁾ Fringe benefits largely comprise the use of a company car and social security contributions.

³⁾ Pro-rata one-year bonus for the period from January 1 to June 10, 2015 based on the target bonus.

⁴⁾ Pro-rata multi-year remuneration for the period from June 11 to December 31, 2015. 'Multi-year' refers to the measurement basis. For 15 percent of the defined gross annual bonus, the Executive Board members receive Siltronic AG shares with a two-year holding period; the bonus determined using the three-year measurement basis is not affected by subsequent developments once it has been calculated. The minimum and maximum values were calculated on the basis of 100 percent target achievement for 2013 and 2014 and on the basis of a minimum rate of 0 percent and a maximum rate of 200 percent for 2015. The amounts shown for the theoretical minimum and maximum achievable values also reflect the Supervisory Board's option of increasing or reducing the remuneration at its discretion.

⁵⁾ Service cost pursuant to IAS 19 arising on entitlements to pensions and other post-retirement benefits.

The following table shows the actual remuneration for 2015, comprising fixed remuneration, fringe benefits, variable remuneration – broken down into one-year and multi-year variable remuneration – and the pension expense.

Actual remuneration for the financial year

EUR	Dr. Christoph von Plotho President & Chief Executive Officer		Rainer Irle Member of the Executive Board	
	2015	2014	2015	2014
Fixed remuneration	379,846	347,972	258,462	227,268
Payment in respect of other accounting periods ¹⁾	12,919	12,919	8,021	8,021
Fringe benefits ²⁾	41,244	40,230	36,755	37,816
Total	434,009	401,121	303,238	273,105
One-year variable remuneration ³⁾	90,630	285,000	59,181	186,700
IPO	120,000	0	84,000	0
Multi-year variable remuneration ⁴⁾	238,909	0	167,236	0
Total	883,548	686,921	613,669	459,805
Pension expenses ⁵⁾	59,320	48,849	99,899	54,231
Total remuneration	942,868	735,770	713,568	514,036

¹⁾ This is partial compensation for having waived salary in 2013. In 2013, the Siltronic Group implemented a variety of programs aimed at reducing costs and improving productivity due to the challenging financial situation. To set a good example, the Executive Board temporarily reduced its monthly fixed remuneration by 10 percent in the period from March up to and including November 2013. In 2014 and 2015, as the financial situation had improved, each member of the Executive Board received 50 percent of the individual amount that they had waived in 2013.

²⁾ Fringe benefits include in particular the use of a company car and social security contributions.

³⁾ Pro-rata one-year remuneration for the period January 1 to June 10, 2015.

⁴⁾ Pro-rata multi-year remuneration for the period from June 11 to December 31, 2015. 'Multi-year' refers to the measurement basis. For 15 percent of the defined gross annual bonus, the Executive Board members receive Siltronic AG shares with a two-year holding period; the bonus determined using the three-year measurement basis is not affected by subsequent developments once it has been calculated.

⁵⁾ Service cost pursuant to IAS 19 arising on entitlements to pensions and other post-retirement benefits; this is not part of the allocation in the financial year.

The remuneration paid to former Executive Board members or their surviving dependants amounted to EUR 260,215 in the reporting year (2014: EUR 131,910).

As of December 31, 2015, the defined benefit liability came to EUR 2,686,036 for active Executive Board members (December 31, 2014: EUR 2,462,078) and to EUR 6,679,034 for former Executive Board members or their surviving dependants (December 31, 2014: EUR 6,660,418).

Remuneration for Supervisory Board members

The remuneration for the members of the Supervisory Board of Siltronic AG is governed by the Articles of Association of Siltronic AG. A new version of the Articles of Association, including the remuneration rules, took effect on May 11, 2015.

Remuneration arrangements up to and including May 10, 2015

Before the Articles of Association were revised in May 2015, the members of the Supervisory Board received fixed annual remuneration for their work of EUR 15,000, plus applicable VAT. This remuneration was paid after the end of the financial year. Supervisory Board members who joined or stepped down from the Supervisory Board part way through a particular year received the appropriate pro-rata amount.

Due to the additional time and complexity involved in certain functions, the remuneration for the chairman of the Supervisory Board is multiplied by a factor of three. A factor of two applies for the deputy chairman of the Supervisory Board and the chairmen of the committees. The remuneration of committee members is multiplied by a factor of 1.5, with the exception of members of the Conciliation Committee, which has to be formed by law. Membership of this committee does not lead to an increase in annual remuneration. Dual functions and membership of multiple committees are also disregarded, which means that the remuneration of the Supervisory Board chairman and his deputy is not multiplied by any further factors for their committee roles, and Supervisory Board members' committee memberships are counted only once.

Under the version of the Articles of Association valid until May 10, 2015, Supervisory Board members also received a lump sum for expenses of EUR 10,000 per calendar year. As the new version of the Articles of Association do not provide for a lump sum for expenses, only a pro-rata amount for the period up to May 10 was paid in respect of 2015.

Remuneration arrangements since May 11, 2015

The Articles of Association that have applied since May 11, 2015 stipulate fixed annual remuneration for Supervisory Board members of EUR 30,000 (plus VAT). The multiplying factors are the same as those described above in respect of the previous version of the Articles of Association. The principle of pro-rata remuneration for members joining or stepping down from the Supervisory Board during the year also continues to apply.

Instead of the previous lump sum for expenses, since May 11, 2015 Supervisory Board members have received an attendance fee of EUR 2,500 for each physical meeting of the Supervisory Board and its committees that they attend in person. However, the fee is limited to EUR 2,500 per calendar day. Members who attend physical meetings via conference call or video conference or who cast their vote by submitting a written voting form do not receive the attendance fee. If a meeting is only held in the form of a conference call or video conference, the participating members receive a reduced attendance fee of EUR 1,250.

In addition, the Company reimburses Supervisory Board members for their necessary out-of-pocket expenses, plus applicable VAT, provided they have submitted receipts.

The annual remuneration for 2015 was calculated in two parts on a pro-rata basis under the rules of the old and new versions of the Articles of Association. Supervisory Board members only received the attendance fee for meetings held after May 11, 2015.

The shareholder representatives on the Supervisory Board who are also Executive Board members or employees at Wacker Chemie AG (Ms. Sieglinde Feist, Dr. Tobias Ohler, Dr. Joachim Rauhut, and Mr. Auguste Willems) have waived their remuneration. This waiver only applies for as long as they are employed by Wacker Chemie AG.

The Company provides the members of the Supervisory Board with adequate insurance cover. In particular, the Company takes out directors' and officers' liability insurance (D&O insurance) for them.

Supervisory Board remuneration for 2015

The remuneration granted to each member of the Supervisory Board for 2015 can be broken down as follows (excluding any additional VAT paid at 19 percent):

Supervisory Board member	Annual remuneration in EUR (multiplied by the applicable factor for special functions)	Attendance fee in EUR	Lump sum for expenses in EUR (pro rata, up to May 10, 2015)	Total remuneration in EUR
Maximilian Baumgartner	24,657.54	7,500.00	3,561.64	35,719.18
Sieglinde Feist*	–	–	–	–
Dr. Hermann Gerlinger	36,986.30	7,500.00	3,561.64	48,047.94
Karin Gottschalk	24,657.54	7,500.00	3,561.64	35,719.18
Johann Hautz	24,657.54	7,500.00	3,561.64	35,719.18
Bernd Jonas	38,985.91	15,000.00	–	53,985.91
Gertraud Lauber	24,657.54	7,500.00	3,561.64	35,719.18
Dr. Tobias Ohler*	–	–	–	–
Walter Ortner	49,315.07	15,000.00	3,561.64	67,876.71
Dr. Joachim Rauhut**	10,109.59	2,500.00	–	12,609.59
Dr. Franz Richter	24,657.54	7,500.00	3,561.64	35,719.18
Harald Sikorski	24,657.54	7,500.00	3,561.64	35,719.18
Auguste Willems*	–	–	–	–

* Waiver of remuneration as member is both Executive Board member and employee of Wacker Chemie AG.

** Waiver of remuneration until October 31, 2015, as member was Executive Board member of Wacker Chemie AG until this date.