INVESTING IN THE FUTURE

Annual Report 2023

siltronic

Siltronic Group key figures

Statement of profit or loss

In EUR million		**2023**	2022	2021	2020	2019
Sales		1,513.8	1,805.3	1,405.4	1,207.1	1,270.4
Gross profit		372.2	615.4	441.2	339.5	457.6
Gross margin	%	24.6	34.1	31.4	28.1	36.0
EBITDA		433.9	671.6	466.4	331.9	408.7
EBITDA margin	%	28.7	37.2	33.2	27.5	32.2
EBIT		231.3	495.6	316.9	192.2	298.3
EBIT margin	%	15.3	27.5	22.5	15.9	23.5
Financial result		–0.5	–8.5	1.5	–2.9	4.5
Income taxes		–29.5	–52.7	–28.7	–2.5	–41.7
Result for the period		201.3	434.4	289.6	186.8	261.1
Earnings per share	EUR	6.15	13.02	8.44	5.36	7.52

Capital expenditure and net cash flow

In EUR million	**2023**	2022	2021	2020	2019
Capital expenditure in property, plant and equipment, and intangible assets	1,315.9	1,073.6	425.6	187.6	363.0
Net cash flow	–663.5	–395.4	1.7	77.4	81.3

Statement of financial position

In EUR million		**Dec. 31, 2023**	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Total assets		4,504.9	4,050.7	2,455.4	1,919.4	1,945.0
Equity		2,099.7	2,067.1	1,318.8	871.8	930.2
Equity ratio	%	46.6	51.0	53.7	45.4	47.8
Net financial assets		–355.7	373.6	572.9	499.2	588.9

Non-financial performance indicators

		2023	2022	2021	2020	2019
Efficiency of the use of silicon (100 percent corresponds to the 2015 base)	%	98	99	99	99	103
CO_2 emissions scope 1 and 2 (market based)	metric ton CO_2 eq	254,974	273,978	325,970	243,112	229,081
Waste recycling ratio	%	71	71	72	70	69
Water usage for production per wafer area (100 percent corresponds to 2015 base)	%	101	86	89	100	107
Occupational accidents (per working days) at work per million working hours	Number	2.4	3.8	4.5	2.1	2.5
Occupational accidents (per working days) with chemicals per year	Number	1	6	2	–	5

Employees

	2023	2022	2021	2020	2019
Headcount at year-end, excluding external personnel	4,455	4,488	4,117	3,772	3,669

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Company profile As one of the leading wafer manufacturers, Siltronic is globally oriented and operates production facilities in Asia, Europe and the US. 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 Executive Board

Dr. Michael Heckmeier

Chief Executive Officer
(Appointed until May 5, 2026)

Vita
Born: November 26, 1967,
Titisee-Neustadt / Germany
Nationality: German

Professional Career

Since May 2023: Chief Executive Officer of Siltronic

2017 – 2018: Executive Vice President, Global Head of Business Unit Display Solutions, Merck KGaA

2015: Senior Vice President, Global Head of Business Unit Pigments and Functional Materials, Merck KGaA

2010: Senior Vice President of Liquid Crystal Research and Development, Merck KGaA

2006: Senior Director Chilworth Technical Centre, Merck Chemicals Ltd., Southampton, United Kingdom

1998 – 2005: Various leading positions at Merck

Education

2006: Executive MBA, Pforzheim University of applied Sciences

1998: Earning a doctorate in physics at University Konstanz

1994/96: Studied Physics & Mathematics at Albrecht-Ludwigs University Freiburg

Our Executive Board

Claudia Schmitt
Chief Financial Officer
(Appointed until June 30, 2026)

Vita
Born: October 31, 1971, Mannheim / Germany
Nationality: German

Professional Career
Since July 2023: Chief Financial Officer of Siltronic AG
2017: Head of Controlling & Finance, Siltronic
2009: Head of Controlling, Siltronic
2004: Team Lead Corporate Controlling, Wacker Chemie AG
1998: Corporate Controlling, Wacker Chemie AG

Education
1998: Diploma in Business Administration at Saarland University, Saarbrücken, Germany
1991 – 1993: Industrial clerk, Stabilus GmbH, Koblenz

Interview with the Executive Board

With an EBITDA margin of 29 percent in 2023, Siltronic has been able to maintain a solid profitability despite the general demand weakness in the semiconductor industry. Find out how the Company achieved this, why it remains optimistic about future growth prospects, and what medium-term goals it has set itself for the period until 2028 in the interview with Executive Board members Dr. Michael Heckmeier and Ms. Claudia Schmitt. The focus is on artificial intelligence, record investments and financial strength, as well as Siltronic's clear commitment to sustainability.

A share price increase of almost 30 percent and a decline in sales of 16 percent in 2023, how does this fit together, Dr. Heckmeier?
Michael Heckmeier (MH): I could simply make it easy for myself now and say: The market is always right. However, there are good reasons for what appears to be a discrepancy between the share price and the sales development at Siltronic this year. The large decline in sales compared to the very strong year 2022 is due to the fact that our customers had built up high inventory levels, partly as a result of the supply chain problems of previous years, which were partially reduced in 2023. As a result, fewer wafers were purchased from us. The end markets, on the other hand, were practically stable - if it had not been for strong inventory build-up, demand for wafers would also have remained at a constant level.

Our share price reflects the positive expectations of many investors who, like us, anticipate that we will clearly benefit from several megatrends. In addition, thanks to good cost efficiency and stable average selling prices with an EBITDA margin of 29 percent, we have shown that Siltronic is able to achieve solid profitability, even with declining sales.

...if you don't mind me asking, what makes your industry and Siltronic so special that average selling prices have remained stable despite the demand weakness?
MH: Our market has consolidated considerably in recent decades. The vast majority of demand is produced by the top 5 wafer manufacturers. Of these 5 players, Siltronic has a market share of around 14 percent. The chip supply shortage in the years during the COVID-19 pandemic has shown the critical role we play in the supply chain as a wafer manufacturer. This, together with our long-standing, trusting and close relationships with our customers, has helped to keep average selling prices stable in 2023. This is also reflected in the high proportion of long-term agreements, which account for around two thirds of our sales and where the average selling prices and quantities are largely fixed over a longer time period.

"By 2028, we aim to increase our sales to over EUR 2.2 billion and raise our EBITDA margin to a value in the high thirties."
Dr. Michael Heckmeier, CEO

Ms. Schmitt, Mr. Heckmeier and you both assumed your positions on the Executive Board during the course of this year. What is your assessment as the new CFO for 2023?
Claudia Schmitt (CS): Having worked in Finance at the Siltronic Group for more than 14 years, it was not unknown territory to me. However, as Michael rightly points out, the economic environment was and still is quite challenging. Nevertheless, I can draw a largely positive conclusion for the year. This is also due to the fact that Siltronic has a very solid financial basis and a conservative balance sheet policy – and this is also what I stand for as the new CFO. This has enabled us to weather challenging times and to make the necessary investments in the future growth of our Group. This has secured us during challenging times in 2023 and helped us to realize the necessary investments in the future growth of our group. With record investments of EUR 1.3 billion in the reporting year, we have consistently advanced our growth plans.

What is the basis of your confidence and that of your investors for the coming years?
MH: As one of the world's leading wafer manufacturers, a material that is critical to the success of the semiconductor industry, we benefit greatly from many megatrends. In particular, I would like to highlight the topics of artificial intelligence, digitalization and electromobility. For example, servers for artificial intelligence applications require up

to 8 times more wafer area than conventional servers. A vehicle with an electric vehicle requires 60 to 100 percent more wafers than a comparable combustion engine vehicle. I could name numerous other topics where this is similar. We want a piece of this significantly expanding pie. We expect demand for wafers to increase by an average of 4 to 5 percent per year - and by as much as 6 percent for our leading 300 mm diameter. In the latter case, Siltronic, as one of the innovation leaders, holds a particularly strong position.

...and thanks to the investments you mentioned, do you expect to participate in this upward trend?
CS: That's exactly the case. Investment peaked in 2023 with the aforementioned EUR 1.3 billion. Part of it went into the expansion of our crystal pulling hall in Freiberg, Saxony, which will further improve our product mix. The majority was invested in our new state-of-the-art fab for 300 mm wafers in Singapore. We were already able to produce the first test wafers as early as November 2023. In 2024, we will begin the gradual ramp the production of the fab, a process that will take several years. Further investments will therefore follow in the coming years, depending on the pace at which we ramp the new fab. These investments will be significantly lower than in 2023 and will mainly relate to equipment, as the construction of the infrastructure and buildings was almost completed by the end of 2023. Our investment projects will enable us to optimally meet the expected increase in customer demand and improve our profitability in the medium and long term.

So what goals have you set yourself for 2024 and the following years?
MH: In the current financial year 2024, we expect sales to be in the region of the previous year due to the current demand weakness as customer inventories remain high and deliveries are still being postponed. On a positive note, we expect average selling prices to remain stable.

The EBITDA margin, before ramp costs, will also be in the region of the previous year. The ramp of our new state-of-the-art 300 mm fab in Singapore will reduce the margin by up to 3 percentage points compared to 2023. Ramp costs primarily comprise energy, material and labor costs.

In the medium term, we expect significant growth. At our Capital Markets Day in London at the end of November, we communicated and explained our new medium-term targets for the period until 2028. We aim to increase sales from around EUR 1.5 billion in 2023 to more than EUR 2.2 billion in 2028. At the same time, profitability is to increase from the aforementioned 29 percent EBITDA margin in 2023 to a value in the high thirties. This will be driven by strong volume growth,

In September 2023, we officially inaugurated the extension to the crystal pulling hall in Freiberg. With this investment, we have made a clear commitment to our location in Saxony and are ensuring that the most sophisticated leading-edge wafers can be supplied from Germany to our customers all over the world. This investment will further improve our product mix and our leading technology position. At 20,000 square meters, the extension is almost as large as three soccer fields.

primarily thanks to our new fab in Singapore, as well as stable average selling prices and currency developments. In addition, we will continue to focus strongly on improving our cost position.

That sounds very optimistic, what do you plan to do with the cash flow that will come from these improvements?
CS: We will invest our cash flow primarily in further organic growth. In addition, we will continue to invest heavily in research and development to further strengthen our technology leadership. We will

The first wafers were produced in the new state-of-the-art 300 mm fab in Singapore at the beginning of November. This is a crucial milestone in the history of Siltronic. Despite numerous challenges, including the global COVID-19 pandemic and supply chain disruptions, construction, which began in 2021, remains on schedule and on budget. The large-scale project covers an area the size of 20 soccer fields, and the fab is supported by 5,500 pillars that extend up to 60 meters deep into the ground. More than 150,000 m³ of concrete and more than 35,000 tons of steel were used.

reduce our debt, which has risen as a result of the record investments mentioned above, as soon as possible. By 2028, we aim for an equity ratio of over 50 percent and a ratio of net debt to EBITDA of less than 1.

"Our investments put us in the best possible position for the future."

Claudia Schmitt, CFO

Let me ask you a few questions about research and development. What is your focus here?
MH: Siltronic has been one of the pioneers in the innovation of wafer technology for decades. And that is how it should and must remain, so that we can actually achieve the goals I have mentioned. We invest a lot of money in research and development, almost EUR 90 million this year. It is crucial that we are able to supply our customers with wafers that meet the current design rule requirements - so-called leading edge wafers. These wafers ensure higher sales, higher average selling prices and higher profitability. Leading-edge wafers are of great importance for technological advancements in the semiconductor segments of logic and memory. Siltronic has a particularly strong market position in the Power segment due to its many specialized products for these applications. We will continue to focus our research and development activities in this area.

How does the increasingly important topic of sustainability fit into your growth ambitions?
CS: Our pursuit of technological leadership goes hand in hand with the issue of sustainability. After all, our investments in the promising leading-edge and power wafers play a key role in ensuring that the high-performance semiconductors produced from them make the use of renewable energies more efficient and therefore more usable. They also make it possible to in-crease energy efficiency and reduce energy consumption. We have also set ourselves ambitious sustainability targets and updated our climate targets at the end of 2023. We plan to reduce our direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions by 42 percent by 2030 compared to the base year of 2021, and to net zero by 2045. One of the levers to achieve this will be to gradually increase our use of renewable energies to 60 percent by 2030 – even with our major growth plans as Michael just explained.

Mr. Heckmeier, why will the Siltronic share remain an attractive investment in 2024?
MH: Of course, we were pleased with the share price increase in 2023, but it is also a strong motivation for the future. Siltronic is very well positioned in a future growth market that is driven by megatrends. We have a good track record of always being among the best and most innovative in the industry in terms of technology. We are particularly active in areas that promise above average and particularly profitable growth. And we operate on the basis of a healthy balance sheet so that we can continue to make the necessary investments for growth. We will be measured against our targets for 2028.

Ms. Schmitt, Mr. Heckmeier, thank you very much for the interview!

Supervisory Board report

Dear shareholders,

The financial year 2023 was affected by subdued consumer sentiment and a weak economic recovery in China following the COVID pandemic. This was reflected in particular in low demand for smartphones and computers. In addition, chip manufacturers and their customers built up high inventories during the pandemic, which, together with the economic slowdown, led to a restrained year for the semiconductor industry as a whole. Against this backdrop it is all the more gratifying that Siltronic was able to deliver a strong performance and to present solid financial figures despite the difficult year.

Thanks to the extraordinary commitment of our employees, the construction of the new production site in Singapore has also progressed very well and the first wafers have already been produced. We have also been able to commission the expansion of the crystal pulling hall in Freiberg. We therefore believe that Siltronic is well equipped to successfully support the future growth of the market.

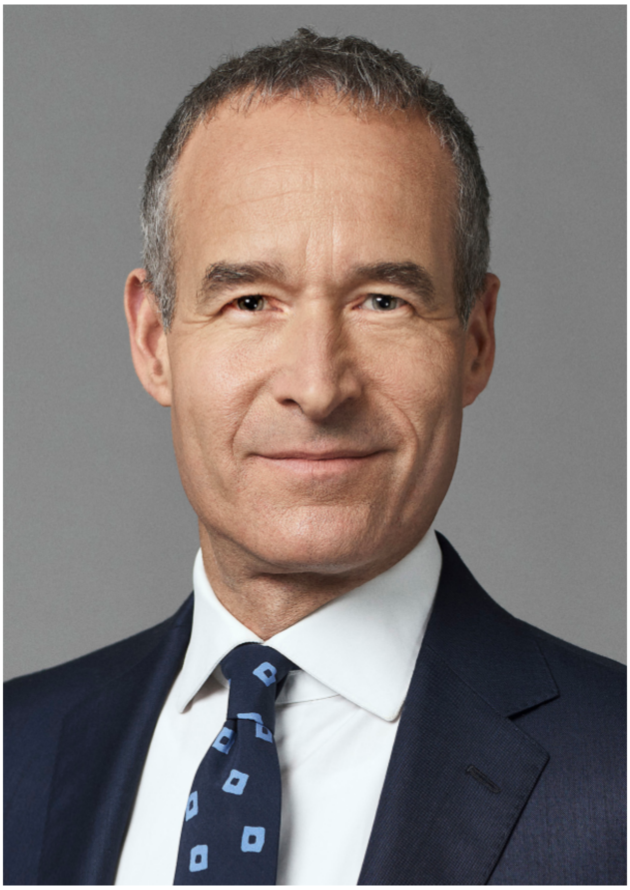
The outlook for the upcoming year 2024 is currently still cautious. The ramp-up of production in Singapore also requires highest effort from everyone and will initially incur costs that are still only offset by a small quantity of wafers. However, the last few years have shown us that Siltronic has extremely skilled and motivated employees. We are therefore very confident about the year ahead.

As every year, we want you as shareholders to participate appropriately in Siltronic's success. The Executive Board and the Supervisory Board therefore recommend that a dividend of EUR 1.20 per dividend-bearing no-par value share be distributed.

Continuous dialogue with the Executive Board

As in all the previous years, the Supervisory Board performed its duties throughout the financial year 2023 in accordance with 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 carefully and conscientiously 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 all matters relevant to the Company, in particular business development, financial and investment planning and strategic development, as well as the risk situation and risk management, the activities of the internal audit department and compliance. 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 in the Company's course of business from the plans and targets were explained in detail.

As the Chairman of the Supervisory Board and the respective Chairperson of the Audit Committee, I was also in close contact with the Executive Board outside the regular meetings of the Supervisory Board and was informed about current developments and significant business transactions.



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

Key activities of the Supervisory Board plenum

In the past financial year, corporate strategy was a key topic for the Supervisory Board. The plenum held detailed discussions on the developments and objectives presented in relation to the Company's orientation in existing and new market segments. Financial aspects, financial and investment planning and the envisaged long-term targets up to 2028 were a fundamental part of the discussion.

Another focus of the plenum was the reorganization of the Executive Board. In addition to Dr. Heckmeier taking office in May 2023, the Supervisory Board decided on an internal succession solution following the departure of Mr. Irle and appointed Ms. Schmitt as the new CFO.

In the reporting year, six plenary meetings were held. Four regular plenary meetings – two each in the first and second half of the year – as well as one extraordinary plenary meeting in March. A further extraordinary meeting - in form of a constituent meeting - took place immediately following the Annual General Meeting on May 5, 2023. Except for the extraordinary plenary meeting in March, all meetings of the Supervisory Board and its committees were held in person.

At the meeting of the Supervisory Board to approve the financial statements held on March 7, 2023 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, 2022 as well as the combined management report and approved them. The Supervisory Board adjusted the resolution on the appointment of Dr. Heckmeier to May 6, 2023. On the recommendation of the Executive Committee, the Supervisory Board resolved to adjust the remuneration system for the members of the Executive Board with effect from January 1, 2023, which was later approved by the Annual General Meeting on May 5, 2023 with a majority of 98.27% of the votes cast. The Supervisory Board also determined the variable compensation of the Executive Board for the financial year 2022 based on the recommendation of the Executive Committee and based on the determined target achievement. After the preparation and recommendation by the Executive Committee, the Supervisory Board 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 financial year 2023.

Following a peer group comparison, the Supervisory Board also decided to adjust the remuneration of the members of the Supervisory Board appropriately. The Annual General Meeting on May 5, 2023 approved this adjustment with a majority of 99.84% of the votes cast. The Supervisory Board also dealt with the upcoming Supervisory Board elections and, following the recommendation of the Nomination Committee, decided to propose suitable candidates to the Annual General Meeting. As Dr. Gerlinger has been a member of the Supervisory Board for 12 years, the plenum discussed his independence and decided that it was assured.

We also adopted the Supervisory Board's report to the Annual General Meeting and discussed the agenda for the Annual General Meeting on May 5, 2023, which was held in presence for the first time since the COVID-19 pandemic. The Executive Board also reported on the course of business in the financial year 2022 and the start of the financial year 2023.

Within the internal control procedure for Related Party Transactions adopted by the Supervisory Board in 2020, 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.

At an extraordinary meeting on March 30, 2023, which was held as a video conference, the Supervisory Board dealt with personnel matters relating to the Executive Board. On the recommendation of the Executive Committee, Ms. Schmitt was appointed as a member of the Executive Board and Chief Financial Officer with effect from the beginning of July 1, 2023. The Supervisory Board also approved the mutually agreed termination of Mr. Irle's appointment as a member of the Executive Board and Chief Financial Officer with effect from the end of June 30, 2023.

On May 3, 2023, the Supervisory Board dealt, among other things, with the course of business of the Company, and market developments and was informed about the status of the new factory in Singapore. The Supervisory Board also discussed the Power Strategy of the Company. The financial challenges and budget planning were discussed. For general corporate financing and the financing of strategic growth investments, the Supervisory Board approved the conclusion of a loan agreement for a maximum amount of EUR 450 million. Finally, the Supervisory Board bid farewell to the departing members of the Executive Board and Supervisory Board.

The term of office of all Supervisory Board members ended at the end of the Annual General Meeting on May 5, 2023. Prof. Dr. Dreo and Mr. Jonas stepped down from the Supervisory Board as shareholder representatives and Mr. Hautz stepped down as employee representative. Ms. Röhm-Kottmann and Dr. Benschop were newly elected as shareholder representatives and the previous members Ms. Feist and Dr. Ohler, Dr. Gerlinger and Mr. Hankel were re-elected. Except for Dr. Gerlinger, who was elected for only two years, the term of office of the other shareholder representatives is four years. The employee representatives on the Supervisory Board, Ms. Ohltmann, Ms. Breyer and as new representatives Ms. Berer as well as Mr. Stapfer, Mr. Estermaier and Mr. Hautmann had already been elected for the four-year term of office at the beginning of March 2023 with effect from the end of this Annual General Meeting. At the constituent Supervisory Board meeting held immediately after the Annual General Meeting, Dr. Ohler was re-elected as Chairman of the Supervisory Board and Ms. Berer was elected as Deputy Chairwoman of the Supervisory Board for the first time. The plenary meeting also elected the committee members from among its members. An overview of the composition of the committees can be found on page 11.

At the Supervisory Board meeting on July 25, 2023, we dealt with the Executive Board's report on business performance and the forecast as well as the status of the investments in Singapore and Freiberg and the financing. The medium-term financial outlook was also discussed and an update on the strategy projects was provided. The Supervisory Board also discussed Siltronic's pension system. The Chairman of the Executive Board reported on his impressions of the Company to date. Finally, the plenum adopted the declaration of conformity in accordance with the German Corporate Governance Code.

At its meeting on November 28, 2023, the Supervisory Board dealt with the report by the Executive Board on the course of business and also with the planning of the Siltronic Group for the financial year 2024 as well as the long-term planning for the financial years up to and including 2028. The main focus of the discussion was the 2024 budget presented by the Executive Board, including financial and investment planning. Both were approved by the plenum. The Executive Board reported on the adoption of new climate targets. Siltronic is joining the RE100 initiative and thus wants to make its contribution to achieving the 1.5 degree Celsius target of the Paris Climate Agreement. The Supervisory Board also examined the results of the strategy meeting, which took place over several days, as well as future internal restructuring measures to optimize the organization.

On the recommendation of the Audit Committee and on the basis of the regular reports on the tendering process that took place, the plenum resolved to propose the election of a new auditor from the financial year 2025 onwards to the 2024 Annual General Meeting. Finally, the Supervisory Board looked at corporate governance issues. Due to the new composition of the Supervisory Board, the plenum only dealt with the assessment of its effectiveness as a whole and whether its committees fulfill their obligations in the November meeting. The self-assessment was supported by external advice and a digital questionnaire tool. The findings from the survey were presented to and discussed by the Supervisory Board. No significant deficits were identified. The identified opportunities for improvement are to be implemented in the future work of the Supervisory Board. The Supervisory Board also adopted an updated qualification matrix, taking into account the new Supervisory Board members. Finally, the Supervisory Board was given an outlook on the Capital Markets Day to be held in November.

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 **Executive Committee** met four times in the reporting year and the members met for several informal consultations. It dealt with the compensation of the Executive Board Members and 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. Its meetings also focused mainly on personnel matters and Executive Board succession, in particular the appointment of the Chief Financial Officer.

The **Audit Committee** held four meetings in the financial year 2023. The Audit Committee discussed the annual financial statement of Siltronic AG and the consolidated financial statement as well as the combined management reports for the financial year 2022 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 for the current financial year. The Audit Committee recommended to the Supervisory Board that KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, be proposed to the 2023 Annual General Meeting for election as auditor for the financial year2023. The Audit Committee issued the audit engagement letter to the auditor for the financial year 2023, 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. The Audit Committee also discussed the assessment of the audit risk, the audit strategy and the audit planning with the auditor.

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 also commissioned a review of the non-financial statement, which was integrated into the combined management report for the annual and consolidated financial statements for the financial year 2023.

According to the EU Audit Regulation, Siltronic AG is obliged to change its auditor after ten years at the latest, i.e. for the financial year 2025. As the transition of the audit mandate requires extensive preparations on the part of both the Company and the auditor, the Audit Committee recommended to the Supervisory Board, following a properly conducted tender process, to propose an auditor for the financial year 2025 for election at the 2024 Annual General Meeting. The Audit Committee regularly dealt with the tender process and the Chairwoman of the Audit Committee, Ms. Röhm-Kottmann, was closely involved in the process. The committee also monitored the selection, independence, qualifications, rotation and efficiency of the current auditor.

In addition to the meetings of the Audit Committee, regular discussions were held between the Chairwoman of the Audit Committee and the auditors, also without the participation of the Executive Board.

The **Nomination Committee** met once formally to prepare the Supervisory Board's proposed resolution on the election of Supervisory Board members by shareholders at the 2023 Annual General Meeting and held further informal consultations on the selection of suitable candidates. Candidates for election to the Supervisory Board were identified and personal interviews were held on the basis of a specific profile of requirements for candidates, which took into account the requirements of the German Stock Corporation Act, the German Corporate Governance Code, the rules of procedure for the Supervisory Board, the Supervisory Board's objectives for its composition, the competence profile and the diversity concept for the Supervisory Board. In addition to the required knowledge, skills and professional experience, particular attention was paid to industrial and technological expertise, independence, potential conflicts of interest, international experience, availability and diversity.

The **Conciliation Committee** was not convened in the 2023 financial year.

Education and training measures

The members independently take responsibility for the training and continuing education required for their duties and they receive appropriate support from the Company as required. An onboarding session was held for the new Supervisory Board members in connection with their appointment, which was also attended by previous Supervisory Board members as a refresher on current developments. In addition, in-depth meetings were held outside the Supervisory Board with the new Audit Committee Chairwoman, Ms. Röhm-Kottmann, in which the respective department heads discussed Siltronic's internal control system and information about its risk and compliance management in particular.

Individualized disclosure of attendance of Supervisory Board members in 2023

	Supervisory Board plenum		Executive Committee		Audit Committee	
Supervisory Board member	Number	in %	Number	in %	Number	in %
Dr. Tobias Ohler (Chairman)	6 of 6	100	4 of 4	100	4 of 4	100
Johann Hautz (Deputy Chairman – until 05.05.2023)	3 of 3	100	2 of 2	100	2 of 2	100
Dr. Jos Benschop (starting 05.05.2023)	3 of 3	100				
Daniela Berer (Deputy Chairwoman starting 05.05.2023)	3 of 3	100	2 of 2	100		
Mandy Breyer	6 of 6	100				
Prof. Dr. Gabi Dreo (until 05.05.2023)	2 of 3	66.66				
Klaus Estermaier	6 of 6	100				
Sieglinde Feist	6 of 6	100				
Dr. Hermann Gerlinger	6 of 6	100	2 of 2	100		
Michael Hankel	6 of 6	100	4 of 4	100		
Markus Hautmann	5 of 6	83.33				
Bernd Jonas (until 05.05.2023)	3 of 3	100			2 of 2	100
Lina Ohltmann	6 of 6	100				
Mariella Röhm-Kottmann (starting 05.05.2023)	3 of 3	100	2 of 2	100	2 of 2	100
Volker Stapfer	6 of 6	100			2 of 2	100

Further disclosures on offices held

Name	Occupation	Membership in other supervisory boards and other comparable domestic and foreign supervisory bodies of business enterprises (as of December 31, 2023)
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	
Dr. Jos Benschop °	Corporate Vice President Technology ASML	Member of the Supervisory Board – Cymer Light Source Technology Chairman of the international Advisory Board NanoLabNL
Daniela Berer [1] °	Deputy Chairwoman of the Works Council of Siltronic AG, Burghausen and Munich site	
Mandy Breyer [1]	Deputy Chairwoman of the Works Council of Siltronic AG, Freiberg site	
Prof. Dr. Gabi Dreo Rodosek *	Founding 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 Management Germany, Siltronic AG Chairman of the Joint Speaker Committee of the Senior Executives of Siltronic AG	
Sieglinde Feist	Head of the central unit Sales & Distribution, Wacker Chemie AG, Munich	Chairperson of the Board of Directors (non-executive) – Wacker Chemicals Ltd., United Kingdom – Wacker-Kemi AB, Sweden Member of the Board of Directors (non-executive) – Wacker Chemie Italia S.r.l., Italy – Wacker Chimie S.A.S., France – Wacker Quimica Ibérica, S.A., Spain – Wacker Chemicals (South Asia) Pte Limited, Singapore – Wacker Chemicals Korea Inc., South Korea (all Wacker Chemie Group mandates)
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 IGBCE, Altötting	Member of the Supervisory Board – Wacker Chemie AG, Munich – SMP Deutschland GmbH, Bötzingen
Bernd Jonas *	Independent lawyer	
Lina Ohltmann [1]	Secretary IGBCE, Union Pay Policies Division	
Mariella Röhm-Kottmann°	Senior Vice President Finance, ZF Friedrichshafen AG	Member of the Supervisory Board and Chairwoman of the Audit Committee of Zalando SE Group-internal mandates of ZF: – Chairwoman of the Board of Directors of Compagnie Financière de ZF SAS – Chairwoman of the Board of Directors of ZF India Pvt. Ltd. – Member of the Board of Directors of ZF Services Espana
Volker Stapfer [1]	Independent member of the Works Council Siltronic AG Chairman of the Works Council Burghausen / Munich	

[1] Employee representative
* Resigned as of May 5, 2023
° Member as of May 5, 2023

Audit of annual and consolidated financial statements

The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements of Siltronic AG for the financial year 2023, the consolidated financial statements and the combined management report on the individual and consolidated financial statements (balance sheet date December 31, 2023) prepared by the Executive Board and issued an unqualified audit opinion thereon. Signing auditors are Beate Schäfer and Matthias Koeplin as auditor responsible for the audit since the financial year 2022. 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) of the German Commercial Code (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 27, 2024. 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, 2024. The auditor was present at 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, 2024, the Supervisory Board, taking into account the recommendation of the Audit Committee, adopted the resolution proposal to be made to the 2024 Annual General Meeting regarding the selection of the auditor. The decision was based on the Audit Committee’s statement that its recommendation was free from undue influence by third parties and that no restrictive clause within the meaning of Article 16 (6) of the EU Statutory Audit Regulation had been imposed on it.

The compensation report was also prepared jointly by the Executive Board and Supervisory Board and approved by both on March 8, 2024.

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 including the non-financial information integrated in 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, 2023, as prepared by the Executive Board. The annual financial statements of Siltronic AG are thus adopted. The Executive Board proposes to pay a dividend of EUR 1.20 per dividend-bearing no-par value share and to carry forward the unappropriated profit. The Supervisory Board concurs with this proposal.

Summarized non-financial statement/ESG report

In preparation for the implementation of the Corporate Sustainability Reporting Directive (CSRD), Siltronic AG has, different from the previous years, integrated the combined non-financial statement (ESG report) into the combined (Group) management report. At its meeting on October 24, 2023, the Audit Committee also commissioned the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, to perform the limited assurance engagement of the ESG report. KPMG AG Wirtschaftsprüfungsgesellschaft issued an unqualified audit opinion. The ESG 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 27, 2024 and the Supervisory Board at its meeting on March 8, 2024 discussed, reviewed and approved the ESG report in detail. There were no indications of any objections to the ESG report or the assessment of the audit results by KPMG AG Wirtschaftsprüfungsgesellschaft.

Changes to the Executive Board and Supervisory Board

Dr. von Plotho left the Executive Board with effect from the end of May 5, 2023 and Mr. Irle with effect of June 30, 2023. With effect from May 6, 2023, the Supervisory Board appointed Dr. Heckmeier as a member of the Executive Board and Chairman of the Executive Board. With effect from July 1, 2023, the Supervisory Board appointed Ms. Schmitt as a member of the Executive Board.

At the end of the Annual General Meeting on May 5, 2023, Prof. Dr. Dreo Rodosek as well as Mr. Jonas and Mr. Hautz stepped down from the Supervisory Board at the end of their term of office.

On May 5, 2023, the Annual General Meeting elected Ms. Röhm-Kottmann and Dr. Benschop as new shareholder representatives on the Supervisory Board. The previous Executive Board members Ms. Feist, Dr. Ohler and Mr. Hankel were re-elected for a term of office of four years and Dr. Gerlinger for a term of office of two years as shareholder representatives on the Supervisory Board.

In accordance with the provisions of the German Co-determination Act, Ms. Berer was newly elected to the Supervisory Board at the beginning of March 2023, as were the previous employee representatives Ms. Breyer, Ms. Ohltmann and Messrs. Estermaier, Stapfer and Hautmann with effect from the end of the Annual General Meeting on May 5, 2023.

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

Munich, March 8, 2024

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

Siltronic on the stock exchange

2023: A positive year for equities

The international stock markets ended 2023 with impressive gains. The year was characterized by major geopolitical unrest in Ukraine and most recently in the Middle East as well as the trade dispute between the USA and China and the China-Taiwan conflict. Nevertheless, the markets recorded strong gains.

In Q4, the markets were buoyed above all by hopes of easing inflationary pressure and falling interest rates. With the prospect of interest rate cuts leading to an end-of-year rally that drove indices such as the DAX and Dow Jones to new all-time highs. The price of crude oil fell to a level between USD 75 and USD 80. Consumer prices in Germany rose by an average of 5.9 percent in 2023, although this was below the historic high of 2022. Food prices rose particularly sharply on average in 2023. The monthly inflation rates for energy, on the other hand, were significantly lower than at the start of the year, with prices even falling in October and November 2023.

The DAX ended 2023 with an impressive gain of 20.3 percent, while the M-DAX recorded an annual increase of 8.0 percent.

Siltronic share rose by 28 percent over the course of the year

The Siltronic share opened the year at a price of EUR 69.40. At the beginning of February, we announced the preliminary figures for the 2022 financial year with the highest sales and best EBITDA in the Company's history. This was mainly due to price increases and a favorable exchange rate development of the US dollar.

However, the start to the 2023 financial year was unsatisfactory for us. At the end of February, the share price fell as lower sales and a decline in EBITDA for the year as a whole were expected due to inventory corrections at chip manufacturers and their customers and short-term postponements of delivery volumes by some customers. On February 24, 2023, the Executive Board issued an ad hoc announcement providing the guidance for the 2023 financial year, that reflected the postponement of delivery volumes.

Reports on Nvidia and the expectation of rising demand for wafers due to the further development of artificial intelligence boosted the share price in May. In June, however, the Siltronic share suffered from the market weakness in the semiconductor industry, which led to a relegation to the SDAX. Following a rise in July, the share price fell in August before increasing steadily from September until the end of the year, reaching its high for the year of EUR 92.65 on November 29.

Due to the positive development of the share price and the increase in market capitalization, the Siltronic share returned to the MDAX share index on December 18, 2023. At the end of the year, the share closed at EUR 88.45, which corresponds to an annual gain of 27.5 percent. In contrast, the MDAX recorded an annual gain of just 8.0 percent. The TecDAX rose by 14.3 percent. The international benchmark index, the Philadelphia Semiconductor Index, even rose by 64.9 percent.

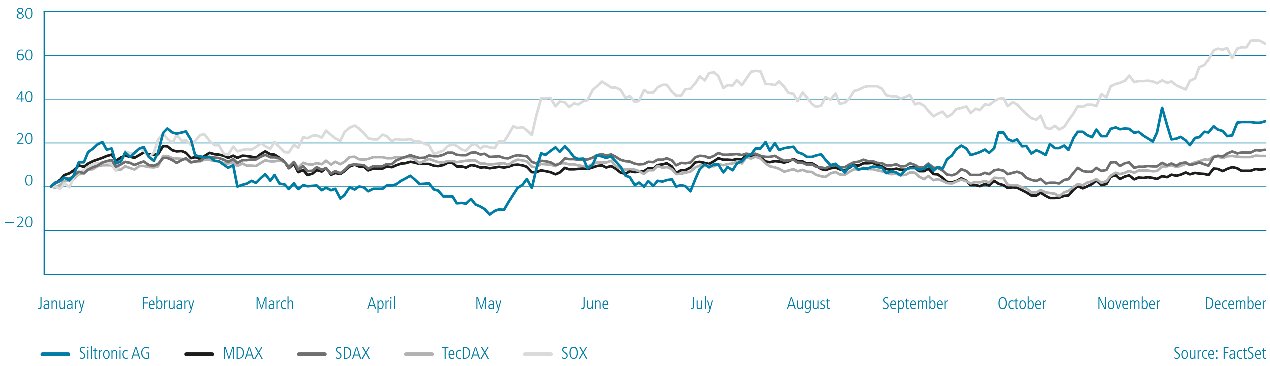
The average daily trading volume of Siltronic shares on Xetra in 2023 was 65,339 shares. Our market capitalization on December 30, 2023, based on the Xetra closing price, was around EUR 2.6 billion.

At the end of 2023, we were ranked 83rd in the MDAX ranking and 16th in the TecDAX. The ranking is based on the market capitalization of freely tradable shares, i.e. the free float market capitalization.

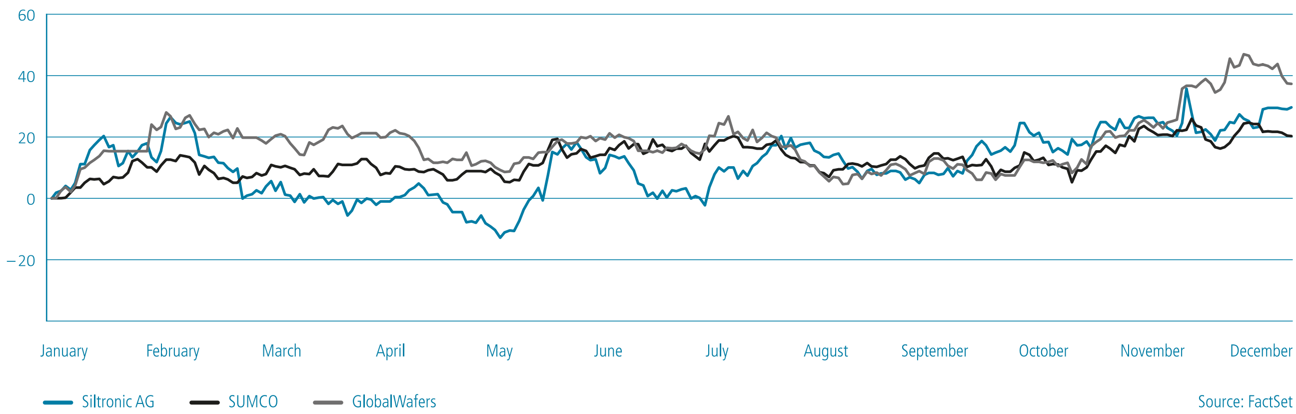
Dividend proposal of EUR 1.20

The proposed dividend for 2023 is EUR 1.20 per share representing payout ratio of around 20 percent of the consolidated net income attributable to Siltronic shareholders.

Performance of Siltronic shares vs. indices 2023
in %



Performance of Siltronic shares vs. competitors 2023
in %



Shareholder structure

As of December 31, 2023, Wacker Chemie AG was the largest shareholder of Siltronic AG with 30.83 percent of the voting rights. The parent company of GlobalWafers, Sino-American Silicon Products, acquired 13.67 percent as part of the tender offer. 55.5 percent were held in free float.

Within the free float, the company had the following information on notifiable shareholdings (as of December 31, 2023)

BlackRock, Inc, Wilmington, USA holds 3.85 percent of the voting rights, of which 2.47 percent are voting rights and 1.38 percent are instruments.

The Capital Group Companies, Inc, Los Angeles, USA, holds 3.03 percent of the voting rights, of which 2.96 percent are held directly and 0.07 percent via instruments.

UBS Group AG, Zurich, Switzerland, holds 4.18 percent of the voting rights, of which 2.83 percent are held directly and 1.35 percent via instruments.

Bank of America Corporation, Wilmington, USA, holds 4.07 percent of the voting rights, of which 2.09 percent are held directly and 1.98 percent are held via instruments.

Magnetar Capital, Evanston, USA, holds 3.84 percent of the voting rights, of which 2.97 percent are held directly and 0.87 percent via instruments.

Morgan Stanley, Wilmington, USA, holds 3.64 percent of the voting rights, of which 2.23 percent are held directly and 1.42 percent via instruments.

The Goldman Sachs Group, Inc, Wilmington, USA holds 4.71 percent of the voting rights, of which 0.01 percent are held directly and 4.70 percent are held via instruments.

JP Morgan Chase & Co, Wilmington, USA holds 3.26 percent of the voting rights, of which 2.61 percent are held directly and 0.65 percent via instruments.

DWS Investment GmbH, Frankfurt, Germany, holds 4.97 percent of the voting rights directly.

At the end of 2023, 58 percent of the shares were held in Germany, 18 percent in the USA, 10 percent in continental Europe, 9 percent in Asia, 5 percent in the UK and Ireland. The shareholdings of the Executive Board and Supervisory Board were less than 1 percent as of December 31, 2023.

Investor relations activities

The aim of our investor relations work is to communicate with our investors and analysts in a way that creates trust and transparency. By providing comprehensive information, we contribute to a fair valuation of our shares. In 2023, we took part in 17 capital market conferences and roadshows organized by banks, focusing on investors and analysts in Germany, Europe and the US. In total, we held over 476 meetings with investors and analysts, whereby the so-called group meetings were attended by several investors and analysts. On November 30, 2023, we held a Capital Markets Day in London, which was attended by around 50 investors and analysts. Our capital market communication focused on our business performance in 2023, the development of demand and prices in a difficult market environment, our investment in a new state-of-the-art fab in Singapore, our new Executive Board members Dr. Heckmeier, who took over the position of CEO in May, and Claudia Schmitt, who took over the position of CFO in July. Our climate targets and joining the RE100 initiative as well as our medium-term ambition until 2028, which were announced at the Capital Markets Day, were also a topic of discussion among investors.

Analyst coverage

At the end of 2023, the Siltronic share was covered by twelve financial analysts. As at December 31, 2023, seven analysts recommended buying the share, two analysts recommended holding the share and three analysts recommended selling the share. The analysts' average price target at the end of December 2023 was EUR 87.

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

Key share data

First trading day	June 11, 2015
Stock exchange	Frankfurt
Market segment	Regulated Market
Transparency standard	Prime Standard
Index	MDAX, TecDAX
ISIN	DE000WAF3001
Ticker symbol	WAF300
Free float in % as of December 31, 2023[2]	55.5
Number of shares	30,000,000
High of 2023[1]	EUR 92.65
Low of 2023[1]	EUR 59.40
2023 closing price[1]	EUR 88.45
Market capitalization as of December 31, 2023	EUR 2.6 billion

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

COMBINED MANAGEMENT REPORT

Business and economic conditions

Business activities and group structure

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. We have production fabs at four locations in Asia, Germany and the US, 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 business relationships with them over several years.

We stand for leading technology, expertise, customer-specific solutions, and global product availability, as well as assured quality and delivery reliability. We are the only major Western wafer manufacturer and at the same time have a worldwide presence thanks to our global production and sales network. This 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.

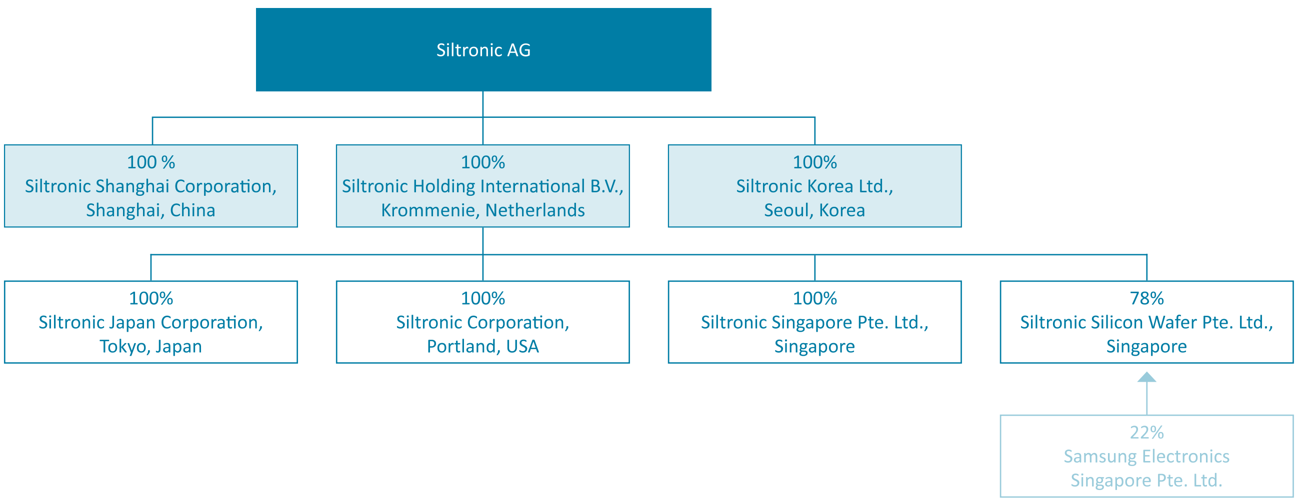
Silicon wafers are the basis for semiconductor chips and integrated circuits and are therefore a key component of many electronic applications, such as computers, smartphones, industrial equipment, wind turbines or cars with and without electric drives.

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) under 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 registered head office is in Munich, Germany. At the end of 2023, the Company held direct or indirect equity investments in seven companies.

Structure of the Siltronic Group



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. On May 6, 2023, Dr. Heckmeier took over as Chairman of the Executive Board from Dr. von Plotho, who left the Executive Board on this date. Ms. Schmitt was appointed as a member of the Executive Board on July 1, 2023 and Mr. Irle left the Executive Board on this date. The Supervisory Board consists of twelve members, whose term of office began at the end of the 2023 Annual General Meeting. Information on the Executive Board and the Supervisory Board and how their responsibilities are allocated can be found in the Declaration on Corporate Governance on page 53 ff.

Allocation of responsibilities on the Executive Board

CEO	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 • Treasury • Corporate Responsibility • Strategic Procurement • Information Technology • Human Resources (Director of Human Resources) • Risk Management & Corporate Auditing • Siltronic USA

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 also represented on the boards of the subsidiaries, with the exception of the pure sales companies in South Korea and China.

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 page 151.

Remuneration of the extended management team
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.

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 page 53. It includes information on the work of the Executive Board and Supervisory Board, the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), details on significant corporate management practices and further details on corporate governance.

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

Important products, business processes, and markets

We create added value with our experience, technological competence and innovative strength
Silicon is the basis for nearly all semiconductor components and thus 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 fabs and our sales offices in Europe, the USA, and Asia we are close to our customers worldwide. In 2023, our three largest customers were (in alphabetical order) Infineon Technologies, Samsung Electronics and Taiwan Semiconductor Manufacturing Company (TSMC). Our local sales approach and our global production network enable us to offer high-quality customer service with making the best possible use of our resources.

Our long-term partnerships with customers are based on a high level of trust and cooperation, which also has an impact on our overall performance. The best performances are recognized by customers with supplier performance awards. We are proud to have received this type of recognition on numerous occasions over the years. In 2023, we received several supplier awards from Micron Technology, STMicroelectronics and Nexperia, among others. Siltronic has earned this recognition by providing world-class support in the areas of technology, availability, quality and sustainability.

We have sales and application technology specialists at all locations to ensure competent and fast on-site support for our customers. We mainly sell our products directly to customers who manufacture semiconductor components themselves. Key account teams consisting of employees from the areas of sales, application technology, process technology, quality management and logistics maintain close relationships with our customers. By working closely with our customers, we help them to continuously improve and develop their products and solutions. At the same time, we receive important feedback on our products, which we use to guide our technology development.

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, the timing and magnitude of these fluctuations can vary significantly. Additionally, more than six months may elapse between changes in end markets and their impact on our production. 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 nearly 80 percent 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, where the currency corresponds closely with 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 variety 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 to optimize 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. New ideas are prioritized and their implementation monitored in regular steering committee meetings.

As a global company, we are subject to various legal and tax regulations that we have to take into account in our business operations. These include product liability laws and employment requirements, as well as foreign trade and patent law.

Increasing trade barriers and sanctions as well as other protectionist and politically motivated obstacles, particularly with regard to the intensification of the economic disputes between China and the USA, may have an impact on our sales markets. We continuously monitor geopolitical developments and have developed plans and measures to minimize the impact on our business processes.

We also keep a particularly close eye on the logistics chains and our suppliers and evaluate opportunities and risks on a regular basis.

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 and SUMCO Corporation, as well as GlobalWafers (Taiwan) and SK Siltron (South Korea). In terms of sales, Siltronic had a market share of around 14 percent in 2023.

Together, the five largest manufacturers meet roughly 85 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.

Risks to our business arising from the economic and legal environment are presented in the risk report on page 38.

Corporate strategy and corporate management

Our short- and medium-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 heavily in technology and quality. Furthermore, we continue our programs for operational excellence and cost reductions, and we increase our capacities in line with 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 make any significant changes to Siltronic's strategic focus compared to the previous year.

Megatrends creating a sustained increase in the use of our high-quality hyperpure silicon wafers
Customer requirements in the semiconductor industry are changing all the time, driven primarily by global megatrends such as electromobility, connectivity, miniaturization, and cost efficiency. The constant 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 meet the corresponding geometry requirements.

We therefore expect that demand for highly developed wafers, so-called leading edge wafers, will continue to rise. We intend to capitalize on 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 fabs 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, 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 up to 200 mm in diameter. We continuously improve our innovative strength and place a high priority on 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- and capex discipline and continuous improvement of processes in all functions and regions.

Securing sustainable profitable growth
In order to participate in market growth, we are building a new state-of-the-art fab in Singapore for 300 mm wafers and are also investing in new equipment at other locations to meet the highest demands of our customers.

Constant monitoring of selected financial and non-financial key performance indicators
The Executive Board essentially bases its management of Siltronic on financial performance indicators.

The most important financial performance indicators in 2023 were EBIT, EBITDA margin and net cash flow.

High profitability is one of the key targets and metrics for the Executive Board. EBIT and EBITDA are used as key performance indicators. EBIT is defined as earnings before interest and taxes, EBITDA as EBIT excluding depreciation, amortization, impairment losses and reversals thereof. We use the EBITDA margin to compare ourselves with competitors. Based on this comparison, historical development and planning, we calculate a target EBITDA margin.

Another key performance indicator is net cash flow. Net cash flow is defined as free cash flow (cash flow from operating activities less cash outflows/inflows for capital expenditure in property, plant and equipment and intangible assets) excluding increases or decreases due to prepayments from customers or suppliers. The exclusion of timing differences due to prepayments helps to assess the extent to which a company can finance its investments in property, plant and equipment and intangible assets through its operating business. By focusing on this figure, we ensure that Siltronic's financial solidity is maintained in the future.

Our goal is to achieve positive net cash flow. 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 less trade payables.

All financial performance indicators are planned throughout the Group and monitored on an ongoing basis. We measure deviations between planned and achieved targets monthly at Group level and in all local companies. Key performance indicators are analyzed monthly and quarterly. We also regularly review detailed business planning and forecast specific business developments based on available monthly and quarterly results.

The above-mentioned key performance indicators are supplemented by further financial performance indicators. These include sales, capital expenditures and net financial assets.

Non-financial performance indicators mainly relate to the efficient use of silicon and energy, recycling of waste, water withdrawal, the number of occupational accidents and accidents involving chemicals. There are also key performance indicators on product quality and innovation. We do not consistently use any of these indicators to manage the business.[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). The corresponding separate audit certificate is also included in the annual report.

Business report

Macroeconomic situation and industry trends

According to analyses by the International Monetary Fund (IMF), the global economy recovered in 2023 and made progress in reducing inflation compared to the peak levels of 2022. Nevertheless, economic activity is still a long way from its pre-pandemic status, particularly in emerging and developing countries. Global growth has fallen from 3.5 percent in 2022 to 3.1 percent in 2023 according to the latest forecast from January 30, 2024. Global inflation has fallen from 8.8 percent in 2022 to 6.8 percent in 2023.

Economic growth in the eurozone fell from 3.4 percent in the previous year to 0.5 percent in the 2023 financial year. The German economic performance fell by 0.3 percent after growing by 1.8 percent in 2022. The German economy was slowed by several factors. High inflation dampened the purchasing power of private households, who were therefore reluctant to spend. The European Central Bank (ECB) combated the high inflation with high interest rates. The real estate industry was particularly affected, leading to a slump in demand. Exporters, in turn, were hit by the weak global economy.

According to the IMF, the US Gross domestic product grew by 2.5 percent in 2023 (2022: 1.9 percent).

The Japanese economy recorded an increase of 1.9 percent in 2023, compared to 1.0 percent in the previous year.

China's gross domestic product grew 5.2 percent in 2023, which exceeds the 3.0 percent recorded in 2022. In China, where inflation is close to zero, the central bank had eased monetary policy.

The market for silicon wafers for the semiconductor industry - measured in terms of global sales area - decreased by 14.3 percent in 2023 (2022: increase of 3.9 percent).

Sources: IMF (World Economic Outlook update, January 30, 2024),
SEMI SMG (press release February 7, 2024)

Significant events

Projects to expand production capacities and the product mix

In July 2021, we decided to build a second 300 mm fab at the Group site in Singapore to support market demand and the expansion projects of key customers. The first test wafers were already successfully produced in November 2023. Production will be gradually ramped at the beginning of 2024.

Furthermore, an expansion was decided in 2021 at the German Siltronic site in Freiberg, which will increase pulling and epitaxy capacities. The opening ceremony for the extension of the crystal pulling hall took place on September 13, 2023.

The investment measures are largely financed by existing liquidity, operating cash flows and prepayments from key customers. In addition, three loans were taken in 2022, consisting of a promissory note loan, a loan from the European Investment Bank and a further loan. In addition, a further loan agreement was concluded in the reporting year 2023, consisting of a term loan and a revolving credit facility. This financing is planned to be utilized, at least in part, in 2024.

The approved investments will also further strengthen the research and development site in Burghausen, which will provide technological support for the planned expansions.

The effects of the investments on the net assets and financial position, the opportunities and risks and the forecast are explained separately in the relevant sections.

Comparison of actual and forecast business performance

In the 2023 financial year, the semiconductor industry was characterized by a weak market, particularly due to high inventories at chip manufacturers and their customers. This resulted in a significant decline in demand for wafers.

Due to the postponement of delivery volumes by some customers in the first half of the year, the Executive Board published its guidance for the 2023 financial year in an ad hoc announcement on February 24, 2023. Sales and the EBITDA margin were forecast to be significantly below the previous year, depreciation and amortization were expected at around EUR 220 million, the tax rate forecast in the mid-single-digit percentage range, earnings per share and EBIT significantly below and capex slightly above the previous year. Due to the high level of capex, net cash flow was expected to be significantly lower than in the previous year. In addition to the reduced sales volumes for the first half of 2023, negative currency effects from the weakening US dollar were expected to contribute to this. An average euro/US dollar exchange rate of 1.10 (planned rate for 2023) instead of 1.05 (average for 2022) was therefore expected to reduce sales by around EUR 65 million in 2023.

On publication of the second quarter, the guidance was specified with an expected decline in sales of 14 percent to 19 percent for the full year 2023 and an EBITDA margin of 26 percent to 30 percent. Investments were forecast at around EUR 1.3 billion, depreciation and amortization at around EUR 210 million and the tax rate at around 10 percent.

In the third quarter, a further concretization was made with an EBITDA margin at the upper end of the previously defined range of 28 percent to 30 percent and a decline in sales of 15 percent to 17 percent. Depreciation and amortization was reduced from EUR 210 million in the previous quarter to EUR 200 million. The tax rate was increased from 10 percent to around 15 percent.

With sales of EUR 1,513.8 million, the year-on-year decline of -16.1 percent was within the adjusted forecast. The EBITDA margin in 2023 was 28.7 percent, also within the adjusted range. In line with the forecast, EBIT of EUR 231.3 million was also significantly lower than in the previous year.

At EUR -663.5 million, net cash flow was significantly below the previous year’s level due to the burden of the extensive capex, and thus in line with expectations.

At 13 percent, the tax rate was within the forecast range.

At the end of the reporting year, demand for wafers continued to be characterized by high inventories at chip manufacturers and their customers.

Comparison of actual and forecast business performance

	2022 actual	Ad-hoc February 24, 2023	Annual Forecast as of March 9, 2023 (Annual Report)	Forecast as of July 27, 2023 (Q2 2023)	Forecast as of October 26, 2023 (Q3 2023)	2023 actual
EBITDA margin in %	37.2	significantly below previous year	significantly below previous year	20 to 30 percent below previous year	28 to 30 percent below previous year	28.7
EBIT in EUR million	495.6	significant decrease	significant decrease	significant decrease	significant decrease	231.3
Net cash flow in EUR million	–395.4	significantly below previous year	significantly below previous year	significantly below previous year	significantly below previous year	–663.5
Sales in EUR million	1,805.3	significantly below previous year	significantly below previous year	14 to 19 percent below previous year	15 to 17 percent below previous year	1,513.8 –16.1 percent
Depreciation (without reversals thereof) in EUR million	181.7	around EUR 220 million	around EUR 220 million	around EUR 210 million	around EUR 200 million	202.5
Tax rate in %	11	mid single digit percentage range	mid single digit percentage range	around 10 percent	around 15 percent	13
Capex in EUR million	1,073.6	slightly above previous year	slightly above previous year	around EUR 1,3 billion	around EUR 1,3 billion	1,315.9
Earnings per share in EUR	13.02	significantly lower	significantly lower	significantly lower	significantly lower	6.15

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

In 2023, the end markets in which our wafers are consumed remained largely stable overall. Although volumes for smartphones and computers in particular were down significantly, the server and automotive markets were characterized by rising demand for wafers. In many cases, this was not driven by an increase in the number of end products, but by the increased amount of silicon used.

Due to the sharp increase in inventories in the value chain, primarily as a result of the supply chain disruptions during the COVID-19 pandemic, the stable demand from the end markets could not be translated into our order situation. Our customers responded to the increased inventories by significantly reducing the number of wafers ordered and/or postponing agreed delivery volumes to future periods. This resulted in a significant decline in our wafer shipments, although we still managed to keep average prices stable.

In 2023, we generated sales of EUR 1,513.8 million, which corresponds to a decrease of 16.1 percent compared to the previous year (2022: EUR 1,805.3 million). The EBITDA margin remained at a solid level of 28.7 percent (2022: 37.2 percent).

In the past financial year, Siltronic made record investments in the future with a capex of EUR 1,315.9 million (2022: EUR 1073.6 million). With the construction of the new 300 mm fab in Singapore and the expansion of the crystal pulling hall at the German site in Freiberg, we are securing our position on the market and strengthening our technological leading position.

As expected, the net cash flow for 2023 was clearly negative at around EUR 663.5 million (2022: EUR -395.4 million) due to the high level of investments. Net financial debt amounted to EUR 355.7 million at the end of the year (2022: net financial assets of EUR 373.6 million).

Given of the circumstances, we are satisfied with the developments of the past financial year. In particular, the EBITDA margin of 28.7 percent is solid given the sharp decline in sales. The year 2023 was also characterized by the construction of our new 300 mm fab in Singapore, which is scheduled to start operations at the beginning of 2024. The new state-of-the-art fab will contribute to Siltronic's noticeably profitable growth in the future.

The economic situation is tensely stable in 2024. As in the 2023 financial year, we continue to see increased inventories in the semiconductor value chain, which lead to further postponements of delivery volumes.

This assessment is based on the results of the consolidated financial statements and the separate financial statements for 2023 and takes into account the course of business up to the date of preparation of the combined management report 2023.

In the medium and long term, we remain convinced that the semiconductor industry will continue to drive growth. As announced at the Capital Markets Day on November 30, 2023, we expect a significant improvement in sales and EBITDA. We are therefore planning for Group sales to rise to more than EUR 2.2 billion and the EBITDA margin to the high thirties percentage range by 2028. This confidence up to 2028 is driven by the increasing relevance of global megatrends such as artificial intelligence, digitalization and electromobility. These megatrends will further increase demand for semiconductors and wafers.

Financial position and financial performance

Financial performance and financial position

Area-related decline in sales

		2023	2022	Change	Q4 2023[1]	Q3 2023[1]	Q4 2022[1]	Change Q4 to Q3	Change Q4 to Q4
Sales	**in EUR million**	**1,513.8**	**1,805.3**	**–291.5**	**356.6**	**349.1**	**472.1**	**7.5**	**–115.5**
	in %			–16.1				2.1	–24.5

[1] Quarterly figures are unaudited

Annual comparison

In the financial year 2023, consolidated sales decreased from EUR 1,805.3 million in the previous year to EUR 1,513.8 million. This represents a significant decline of 16.1 percent or EUR 291.5 million. In the previous year, sales had reached an all-time high, which was primarily due to price increases in invoice currency and a favorable exchange rate development. The price increases were driven by to the very high demand for wafer area.

The decline in sales in 2023 compared to the previous year is due to the lower wafer area sold. Prices remained stable in euros compared to 2022, with exchange rate changes having a slightly negative effect year-on-year.

As most of our sales are invoiced in US dollars, the development of the US dollar against the euro is significant. In 2023, the euro traded at an average of 1.08 against the US dollar, compared to 1.05 in the previous year. This corresponds to a 3 percent appreciation of the euro.

In terms of the regional distribution of sales revenue, 73 percent was attributable to Asia, the largest region (previous year: 71 percent), followed by Europe with 19 percent (previous year: 19 percent) and the USA with 8 percent (previous year: 10 percent).

Sequential quarterly comparison

Sales in the fourth quarter of 2023 increased by EUR 7.5 million compared to the previous quarter, which was mainly due to the product mix. In Q4 2023, the euro was almost unchanged against the US dollar at an average of 1.08 compared to the third quarter of 2023 (average exchange rate Q3 2023: 1.09; Q2 2023: 1.09; Q1 2023: 1.07)

Gross profit declining

		2023	2022	Change	Q4 2023[1]	Q3 2023[1]	Q4 2022[1]	Change Q4 to Q3	Change Q4 to Q4
Cost of sales	in EUR million	1,141.6	1,189.9	–48.3	277.4	273.4	301.5	4.0	–24.1
	in %			–4.0				1.5	–8.0
Gross profit	**in EUR million**	**372.2**	**615.4**	**–243.2**	**79.2**	**75.7**	**170.5**	**3.5**	**–91.3**
	in %			**–39.5**				**4.6**	**–53.5**
Gross margin	in %	24.6	34.1		22.2	21.7	36.1		

[1] Quarterly figures are unaudited

Yearly comparison

Cost of sales decreased by EUR 48.3 million or 4.1 percent compared to the previous year and reached EUR 1,141.6 million, which was primarily due to the decline in wafer area sold.

As a percentage, the cost of sales fell less than sales. This is due to increased depreciation and amortization as well as higher costs, particularly for raw materials, consumables and supplies. As a result, the gross profit for 2023 fell by 39.5 percent to EUR 372.2 million.

The gross margin decreased from 34.1 percent to 24.6 percent. In addition to higher depreciation and amortization and cost increases, the reduced dilution of fixed costs due to the lower wafer area sold had a negative impact on the gross margin.

Sequential quarterly comparison

The gross margin declined in the first three quarters of the reporting year. In Q4, the gross margin remained stable despite higher depreciation and amortization.

Expenses for selling, R&D and administration around 10 percent of sales

In EUR million	2023	2022	Change	Q4 2023[1]	Q3 2023[1]	Q4 2022[1]	Change Q4 to Q3	Change Q4 to Q4
Selling expenses	35.1	34.3	0.8	9.0	8.3	9.2	0.7	–0.2
R&D expenses	87.6	89.5	–1.9	23.3	21.4	23.0	1.9	0.3
Administration expenses	35.4	33.8	1.6	9.4	8.4	8.0	1.0	1.4
Total	**158.1**	**157.6**	**0.5**	**41.6**	**38.1**	**40.2**	**3.5**	**1.4**
In % of sales	10.4	8.7		11.7	10.9	8.5		

[1] Quarterly figures are unaudited

The expenses for selling, research and development (R&D) and administration were EUR 158.1 million in 2023. This represents 10.4 percent of sales compared to 8.7 percent in the previous year. The change is attributable to a decline in sales.

Gains from currency hedging dominate the balance of other operating income and expenses

In EUR million	2023	2022	Change	Q4 2023[1]	Q3 2023[1]	Q4 2022[1]	Change Q4 to Q3	Change Q4 to Q4
Balance of exchange rate effects	16.5	–21.0	37.5	–0.8	9.9	–15.0	–10.7	14.2
Rest of other operating income and expenses	0.7	58.9	-58.2	–	–1.0	9.5	1.0	–9.5
Balance of other operating income and expenses	**17.2**	**37.9**	**–20.7**	**–0.8**	**8.9**	**–5.5**	**–9.7**	**4.7**

[1] Quarterly figures are unaudited

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

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

In 2023, the development of the euro against the US dollar and the Japanese yen had a negative impact on our sales and gross margin. In the previous year, the development of the euro had an overall positive effect on our sales and gross margin.

In 2023, there was net income from exchange rate effects of EUR 16.5 million, compared to an expense in the previous year of EUR 21 million.

As a result of the failed tender offer by GlobalWafers, we received a one-time compensation payment of EUR 50.0 million (termination fee) in the previous year. Another special effect identified in the previous year in the sbE resulted from the reversal of the previous impairment of vacant spaces (write-up) in one of our production buildings. These spaces are being put to use as part of our investment activities. An amount of EUR 5.7 million was written up. Both effects are shown in the table above under "Rest of other operating income and expenses

EBITDA margin at 29 percent despite weak demand

		2023	2022	Change	Q4 2023[1]	Q3 2023[1]	Q4 2022[1]	Change Q4 to Q3	Change Q4 to Q4
EBITDA	**in EUR million**	**433.9**	**671.6**	**-237.7**	**91.1**	**99.1**	**168.1**	**–8.0**	**–77.0**
	in %			**-35.4**				**–8.1**	**–45.8**
EBITDA margin	**in %**	**28.7**	**37.2**		**25.5**	**28.4**	**35.6**		
Depreciation, amortization and impairment less reversals thereof	in EUR million	–202.5	–176.0	-26.5	–54.3	–52.7	–43.3	–1.6	–11.0
EBIT	in EUR million	231.3	495.6	–264.3	36.8	46.4	124.8	–9.6	–88.0
	in %			–53.3				–20.7	–70.5
EBIT margin	in %	15.3	27.5		10.3	13.3	26.4		

[1] Quarterly figures are unaudited

EBITDA 2023 amounted to EUR 433.9 million and was significantly lower than in 2022 with EUR 671.6 million. A termination fee of EUR 50.0 million was received in the same period of the previous year. Excluding the termination fee, EBITDA fell by EUR 187.7 million.

The EBITDA margin was 28.7 percent. Disregarding the termination fee, the EBITDA margin in the previous year was 34.4 percent. The two main reasons for the decline in the EBITDA margin are the reduced dilution of fixed costs due to the lower wafer area sold and the cost increases.

Depreciation and amortization included in "Depreciation, amortization and impairment less reversals thereof" increased by EUR 26.5 million as a result of the investment activity. The increase in depreciation and amortization relates almost exclusively to scheduled depreciation and amortization. In the previous year, write-ups amounting to EUR 5.7 million were recognized. Please refer to the comments under other operating income above.

The reason for the EUR 264.3 million decrease in the operating result (EBIT) to EUR 231.3 million is, in addition to the factors explained above, the increase in depreciation and amortization.

Loans for investments increase interest expenses

In EUR million	2023	2022	Change	Q4 2023[1]	Q3 2023[1]	Q4 2022[1]	Change Q4 to Q3	Change Q4 to Q4
Interest expenses for pension provisions	–4.2	–5.2	1.0	–1.1	–1.0	–1.3	–0.1	0.2
Net result of financial investments	25.6	4.6	21.0	4.6	5.4	6.4	–0.8	–1.8
Interest for loans	–17.3	–4.5	–12.8	–4.4	–4.9	–2.9	0.5	–1.5
Other financial result (mainly leasing, derivatives and other provisions)	–4.6	–3.4	–1.2	–1.3	–1.2	–3.4	–0.1	2.1
Financial result	**–0.5**	**–8.5**	**8.0**	**–2.2**	**–1.7**	**–1.2**	**–0.5**	**–1.0**

[1] Quarterly figures are unaudited

In a year-on-year comparison, the net result from financial investments improved significantly, as 2022 had been characterized by declining capital markets and interest rates rose in 2023 compared to the previous year.

Loans taken out to support the financing of investments in fabs in Germany and Singapore led to a significant increase in interest expenses for loans.

Profit of EUR 201 million in the reporting year

		2023	2022	Change	Q4 2023[1]	Q3 2023[1]	Q4 2022[1]	Change Q4 to Q3	Change Q4 to Q4
Result before income tax	in EUR million	230.8	487.1	–256.3	34.6	44.7	123.6	–10.1	–89.0
Income taxes	in EUR million	–29.5	–52.7	23.2	–2.3	–9.6	–5.0	7.3	2.7
Tax rate	in %	13	11		7	21	4		
Result for the period	**in EUR million**	**201.3**	**434.4**	**–233.1**	**32.3**	**35.1**	**118.6**	**–2.8**	**–86.3**
thereof Siltronic shareholders		*184.4*	*390.6*		*30.3*	*33.1*	*106.8*		
thereof other shareholders		*16.9*	*43.8*		*2.0*	*2.0*	*11.8*		
Earnings per share	**in EUR**	**6.15**	**13.02**	**–6.87**	**1.01**	**1.10**	**3.56**	**–0.09**	**–2.55**

[1] Quarterly figures are unaudited

In the past financial year, income taxes amounted to EUR 29.5 million (previous year: EUR 52.7 million). The Group's tax rate in the reporting year was 13 percent (previous year: 11 percent).

A large portion of the earnings before income tax is generated by a manufacturing company that was granted tax exemption for a limited period. The tax exemption was part of the government's program to attract high-tech manufacturing companies. This explains the low tax rate at Group level.

Although the semiconductor industry was in a weaker market phase in the reporting year, an annual profit of EUR 201.3 million was generated (previous year: EUR 434.4 million). Of this, EUR 184.4 million is attributable to the shareholders of Siltronic AG (previous year: EUR 390.6 million).

Earnings per share amounted to EUR 6.15 compared to EUR 13.02 in the previous year.

Assets and liabilities

The Group's total assets significantly increased to EUR 4,504.9 million on December 31, 2023 (2022: EUR 4,050.7 million).

Non-current assets increased significantly due to investments

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Change
Intangible assets	22.2	21.7	0.5
Property, plant and equipment	3,318.8	2,235.0	1,083.8
Right-of-use assets	120.3	107.5	12.8
Financial investments	2.2	12.7	–10.5
Other assets	35.8	41.1	–5.3
Non-current assets	**3,499.3**	**2,418.0**	**1,081.3**

Non-current assets amounted to EUR 3,499.3 million at the end of 2023, or around 78 percent of total assets (previous year: 60 percent). Compared with the end of 2022 (EUR 2,418.0 million), they increased by EUR 1,081.3 million which is attributable to a higher level of property, plant and equipment.

Investments (Capital expenditure including intangible assets) totaled EUR 1,315.9 million (previous year: EUR 1,073.6 million). These were largely attributable to the construction of the new fab for 300 mm wafers in Singapore and the expansion of the crystal pulling hall in Freiberg.

Depreciation and amortization less reversal of impairment amounted to EUR 202.5 million in 2023 (previous year: EUR 176.0 million).

As in the previous year, intangible assets as of December 31, 2023 include goodwill in the amount of EUR 20.5 million. The value resulted from a step acquisition in 2014.

Other non-current assets largely comprise deferred taxes, prepayments on inventories and market values of derivatives. The increase in this item was driven by fair values of derivatives.

Cash and cash equivalents and investments decrease sharply due to investments

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Change
Inventories	300.8	277.6	23.2
Trade receivables	174.6	236.8	–62.2
Other assets	73.3	80.1	–6.8
Cash and cash equivalents and fixed-term deposits	456.9	1,038.2	–581.3
Current assets	**1,005.6**	**1,632.7**	**–627.1**

Current assets amounted to EUR 1,005.6 million as of December 31, 2023, compared to EUR 1632.7 million in the previous year. They accounted for around 22 percent of total assets (previous year: around 40 percent).

The increase in inventories is due to higher stocks of raw materials and supplies and price increases.

Trade receivables decreased as at the reporting date, as sales towards the end of 2023 were significantly lower than in the same period of the previous year. In addition to trade receivables, contract assets also decreased.

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

Net working capital amounted to EUR 22.9 million as of 31 December 2023 (previous year: EUR 178.3 million). The amount consists of inventories, trade receivables and contract assets less trade payables. Customer prepayments are not included in net working capital.

Equity ratio of 47 percent

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Change
Equity	**2,099.7**	**2,067.1**	**32.6**
Pension provision	146.0	119.5	26.5
Loan liabilities	785.1	653.8	131.3
Customer prepayments	542.5	503.7	38.8
Lease liabilities	109.5	106.7	2.8
Other liabilities	184.2	74.1	110.1
Non-current liabilities	**1,767.3**	**1,457.8**	**309.5**

Equity amounted to EUR 2,099.7 million as of December 31, 2023 (previous year: EUR 2,067.1 million). The equity ratio was thus 46.6 percent compared to 51.0 percent as of 31 December 2023.

The development of equity is shown in the following table:

In EUR million	
Equity December 31, 2022	**2,067.1**
Net income	201.3
Dividend	-90.0
Other comprehensive income: remeasurement of DBO, mainly due to decrease in interest rate	-31.1
Other comprehensive income: foreign currency valuation	-40.7
Other comprehensive income: changes of derivative financial instruments	-6.9
Equity December 31, 2023	**2,099.7**

Non-current liabilities amounted to EUR 1,767.3 million as of December 31, 2023 (previous year: EUR 1,457.8 million); they account for around 39 percent (previous year: around 36 percent) of total liabilities and equity.

There are three reasons for the increase of EUR 309.5 million:

In the USA, the interest rate for pensions fell from 4.90 percent at the end of 2022 to 4.70 percent at the end of 2023, and in Germany from 3.72 percent to 3.31 percent in the same period.

Funds were drawn down from a loan agreement concluded in the previous year for the investments in Singapore. The loan liabilities have increased as a result. In addition to the loans utilised, there are unused credit lines amounting to EUR 380 million, some of which are scheduled to be drawn down in 2024.

In 2023, further prepayments were received due to long-term agreements with customers, which led to an increase of EUR 38.8 million. This is due to the expansion of our production capacities. We have concluded multi-year long-term agreements with selected customers in which customers are obliged to make prepayments.

The non-current lease liabilities relate to leases for land.

The increase in other liabilities is mainly due to an investment grant received in the financial year, which is deferred over several years. In addition, this item primarily includes obligations for jubilee, partial retirement, taxes and environmental protection that fall due in more than one year.

Trade payables remain high due to investments

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Change
Trade liabilities	452.5	336.1	116.4
Loan liabilities	3.9	3.9	–
Customer prepayments	46.3	58.6	–12.3
Lease liabilities	6.1	6.1	–
Other provisions and liabilities	129.1	121.1	8.0
Current liabilities	**637.9**	**525.8**	**112.1**

Current liabilities totaled EUR 637.9 million as of December 31, 2023. They account for around 14 percent of total assets (previous year: around 13 percent).

Trade liabilities remain at a very high level. As in the previous year, this is due to high capital expenditure on property, plant and equipment, particularly for the new fab in Singapore. Assignments of trade liabilities to a financing partner in the amount of EUR 40.9 million (previous year: EUR 0.0 million) had an offsetting effect. Other liabilities increased by the same amount.

The short-term customer prepayments reflect the share of prepayments which is expected to be delivered within one year. Refunds are linked to shipments and sales, respectively.

In addition to the assignment of trade liabilities, other liabilities primarily include the current portion of personnel liabilities (vacation, overtime, performance-related remuneration) as well as tax liabilities and negative fair values from derivatives.

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 previous year by EUR 40.7 million. There were no acquisitions of companies or businesses.

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. 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.

Free and net cash flow negative as expected due to high investments

In EUR million	2023	2022	Change
Cash flow from operating activities	487.9	804.5	–316.6
Proceeds/payments for capital expenditure including intangible assets	–1,112.1	–922.5	–189.6
Free cash flow	**–624.2**	**–118.0**	**–506.2**
Increase/decrease of prepayments received (customer prepayments)	–39.3	–277.4	238.1
Net cash flow	**–663.5**	**–395.4**	**–268.1**
Proceeds/payments for capital expenditure including intangible assets	–1,112.1	–922.5	–189.6
Proceeds/payments from financial investments (fixed-term deposits, securities)	483.2	–411.9	895.1
Cash flow from investing activities	**–628.9**	**–1,334.4**	**705.5**
Dividends	–90.0	–90.0	–
Proceeds from loans	139.1	671.7	–532.6
Principle portion of lease payments	–6.3	–4.6	–1.7
Cash flow from financing activities	**42.8**	**577.1**	**–534.3**

Net cash flow from operating activities

We generated a net cash flow from operating activities of EUR 487.9 million in 2023, compared to EUR 804.5 million in the previous year. These amounts are influenced by prepayments, which only represent a period shift. In the reporting year, the cash flow was positively influenced by EUR 39.3 million (previous year: EUR 277.4 million). The amount is made up of inflows and refunds for prepayments received in previous years. (The prepayments received in 2023 related to the first and second quarters).

Last year's cash flow from operating activities was positively influenced by the termination fee from the failed tender offer by GlobalWafers in the amount of EUR 35.5 million. The aforementioned amount takes into account income taxes paid.

Cash inflow/outflow for capital expenditure and free cash flow

Cash outflows for capital expenditure including intangible assets increased from EUR 922.5 million in 2022 to EUR 1,112.1 million in 2023.

The free cash flow (cash inflow from operating activities after deduction of proceeds/payments for capital expenditure including intangible assets) was negative at EUR -642.2 million (previous year: EUR -118.0 million).

Net cash flow significantly reduced due to high investments

As prepayments from customers and suppliers affect the usefulness of the cash flow from operating activities due to their amount and infrequency, Siltronic uses net cash flow as a key performance indicator. Further information on this key performance indicator can be found in the section "Corporate strategy and management".

In the reporting year, there was a net cash flow surplus of EUR 663.5 million (previous year: EUR 395.4 million). This was due to the continued high level of payments for capital expenditure on property, plant and equipment.

Cash inflow/outflow for financial investments
In addition to cash outflows for capital expenditure including intangible assets, cash inflows and outflows for cash investments (time deposits and securities) are included in cash flow from investing activities. In 2023, net cash inflows due to cash investments had a volume of EUR 483.2 million (previous year: net outflow of EUR - 411.9 million). After these net cash inflows, the Group had EUR 72.9 million in cash investments as of December 31, 2023. This amount was owned in addition to cash and cash equivalents of EUR 386.2 million.

Cash flow from financing activities
In 2023, EUR 3.00 per share was distributed to the shareholders of Siltronic AG (previous year: EUR 3.00).

Proceeds from loans amounting to EUR 139.1 million resulted from the drawdown of funds under a long-term loan agreement.

Financial management

Principles and objectives

The objective of Siltronic's financial management is to optimize cash flows and to 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 debt at EUR 355.7 million
Due to the high investments of EUR 1,198.8 million in 2023 and the dividend of EUR 90.0 million paid to shareholders, net financial assets decreased by EUR 729.3 million. Cash outflows significantly exceeded cash flow from operating activities. Siltronic reported net financial debt of EUR 355.7 million as of December 31, 2023 (December 31, 2022: net financial assets of EUR 373.6 million).

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Change
Cash and cash equivalents	–386.2	–488.7	102.5
Securities and time deposits	–72.9	–562.2	489.3
Restricted Funds	2.2	1.9	0.3
Nominal value of loan liabilities including interest	812.6	675.4	137.2
Net financial debt	**355.7**	**–373.6**	**729.3**

(negative value corresponds to net financial assets)

Liquidity management

Our aim is to pool Group companies' surplus liquidity and, while ensuring solvency at all times, to optimally allocate this money within the Group or to 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

Despite the extremely high outflows for capital expenditure including intangible assets in 2023, net financial assets remained at EUR 355.7 million (previous year: net financial assets of EUR 373.6 million).

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 statement of profit or loss 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, risk assessments and audits.

Analysis of capital expenditure

We are investing in existing fabs and in a new fab in Singapore. In addition to capacity expansions, our investment projects focus on the following areas in order to maintain business operations: cost efficiency, for example through automation, improving the product mix, ensuring capabilities (along with technological advancement) and maintenance.

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 to providing engineering services to Siltronic group companies in Singapore.

The company realizes its sales on the one hand from self-produced products (wafers and ingots) 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 act as distributors and sell the wafers to end customers. 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 German Commercial Code (HGB)

			Change	
In EUR million	2023	2022	Amount	in %
Sales	1,150.3	1,388.7	−238.4	−17
Changes in inventories and other own work capitalized	12.7	13.5	−0.8	−6
Total operating output	**1,163.0**	**1,402.2**	**−239.2**	**−17**
Cost of materials	−562.7	−704.5	141.8	−20
Labor costs	−281.4	−315.8	34.4	−11
Depreciation, amortization, and impairment	−107.6	−93.3	−14.3	15
Other net operating expenses and income	−176.3	−145.4	−30.9	21
EBIT	**35.0**	**143.2**	**−108.2**	**−76**
EBITDA	**142.6**	**230.8**	**−88.2**	**−38**
Interest income/expenses	−6.1	−11.1	5.0	−45
Result before income taxes	**28.9**	**132.1**	**−103.2**	**−78**
Income taxes and other taxes	−8.9	−38.4	29.5	−77
Retained earnings	**20.0**	**93.7**	**−73.7**	**−79**

In order to understanding Siltronic AG’s financial performance it is crutial to separate the results of its own production of wafers and ingots from the results 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, as there are only minor fixed costs associated with the trading business, the annual changes in EBIT and EBITDA in the statutory financial statements (prepared in accordance with German commercial law) depend on the result of own production of wafers and ingots and on income from investments. This also applies to the EBITDA margin, which excludes trading activities as performance indicator.

The year-on-year decrease in sales of EUR 238.4 million in the statutory accounts of Siltronic AG is attributable both to the company's own production of wafers and ingots and to the trading business with wafers. The decrease in sales was driven by the lower wafer area sold. Lower wafer area sold was also the driving force behind the decline in Group sales.

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 24 percent (previous year: 23 percent) of customers were based, followed by the US customers with 10 percent (previous year: 12 percent) and 1 percent to other regions (previous year: 1 percent).

The decline in the cost of materials is primarily due to a decrease in the trading business. The decline was flanked by lower energy costs.

The reduction in personnel expenses is primarily due to lower pension expenses and lower variable remuneration. Almost all of the company's employees participate in the variable remuneration. Due to the total operating performance, personnel expenses rose from 22.5 percent to 24.2 percent of total operating performance. The trend was similar at Group level.

Consistent with the overall Group, the higher depreciation is attributable to the increase in capital expenditure during recent years.

In the previous year, other income and expenses, net, included a write-up of EUR 5.7 million and EUR 50.0 million in connection with the failed tender offer by GlobalWafers. The fact that the decline in other income and expenses amounted to only EUR 30.9 million is due to the balance of exchange rate gains and losses. In the reporting year, a profit of EUR 17.5 million was achieved after a loss of EUR -12.1 million in the previous year. The development at Group level was similar. Further information can be found in the notes on the Group's sales and earnings performance under other operating income/expenses.

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. The positive earnings situation of Siltronic AG meant that no dividend was collected from Siltronic Holding International B.V. in either the reporting year or the previous year.

Excluding the trading business, the EBIT and EBITDA margins in the individual financial statements developed similarly to those in the consolidated financial statements: The margins decreased by between 10 and 12 percentage points in both the individual and consolidated financial statements (including the termination fee).

The cash flow from operating activities at the individual company deteriorated from EUR 312.9 million in the previous year to EUR 84.7 million. Consistent with the overall Group, the reduction in this cash flow was very strong, which in both cases is primarily due to lower net income for the year and lower inflows of advance payments. As in the previous year (EUR -116.4 million), Siltronic AG's net cash flow was clearly negative at EUR -228.3 million. The Group's net cash flow was also strongly negative. The development of cash flow from operating activities to net cash flow in the individual and consolidated financial statements was strongly influenced by the course of payments for investments in property, plant and equipment as well as the course of prepayments.

The tax rate in 2023 was 31 percent after 29 percent in the previous year.

Net assets of Siltronic AG in accordance with the German Commercial Code (HGB)

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Change Amount	Change in %
Fixed assets				
Intangible Assets	1.3	0.8	0.5	62.5
Property, plant and equipment	917.7	751.3	166.4	22.1
Investments in affiliated companies	129.9	129.9	–	–
Financial assets	10.3	128.3	–118.0	–92.0
	1,059.2	**1,010.3**	**48.9**	**4.8**
Current assets				
Inventories	598.5	502.7	95.8	19.1
Trade receivables from third parties	80.4	121.7	–41.3	–33.9
Receivables from affiliated companies	116.0	131.5	–15.5	–11.8
Other assets, excluding time deposits	54.8	41.5	13.3	32.0
Cash and cash equivalents, including time deposits	384.1	497.4	–113.3	–22.8
	1,233.8	**1,294.8**	**–61.0**	**–4.7**
Total assets	**2,293.0**	**2,305.1**	**–12.1**	**–0.5**

As capex including intangible assets exceeded depreciation, the book value increased by EUR 166.4 million. In the financial year 2023, additions to property, plant and equipment amounted to EUR 276.7 million. The addition mainly results from the construction of a new crystal pulling hall at the Freiberg site.

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

Inventories include prepayments of EUR 440.3 million, a significant increase on the previous year (EUR 363.8 million). Siltronic AG has passed on a significant portion of the prepayments to a manufacturing subsidiary. Siltronic AG sells the wafers produced by the subsidiary in the trading business.

The reason for the decline in cash and cash equivalents and investments was the payment of the dividend in the amount of EUR 90.0 million in addition to the high payments for capital expenditure.

Financial position of Siltronic AG in accordance with the German Commercial Code (HGB)

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Change Amount	Change in %
Equity	**598.9**	**668.9**	**–70.0**	**–10.5**
Provisions				
Pension provisions	177.4	169.0	8.4	5.0
Other provisions	153.9	190.7	–36.8	–19.3
	331.3	**359.7**	**–28.4**	**–7.9**
Liabilities				
– Loan liabilities	503.9	504.0	–0.1	–
– Trade payables to third parties	47.4	66.6	–19.2	–28.8
– To affiliated companies	271.4	218.4	53.0	24.3
– From prepayments	491.4	479.5	11.9	2.5
Other liabilities	48.8	8.0	40.8	510.0
	1,362.9	**1,276.5**	**86.4**	**6.8**
Total equity and liabilities	**2,293.1**	**2,305.1**	**–12.0**	**–0.5**

As at the balance sheet date, 26 percent of the assets were financed by equity and 74 percent by liabilities.

Pension provisions increased compared to the end of 2022, which is mainly due to two effects: firstly, the interest rate fell in the 2023 financial year and secondly, pensions were adjusted for the assumption regarding income growth. The decrease in other provisions is the result of lower tax provisions and a reduction in profit sharing.

In the reporting year, no bank loans were taken out to finance capital expenditures.

The increase in liabilities to affiliated companies of EUR 53.0 million is mainly due to financial liabilities to subsidiaries.

The decrease in trade payables corresponds to the increase in other liabilities, which is due to the assignment of trade payables to a financing partner in the amount of EUR 40.9 million. Without this effect, trade payables would have risen due to the investments.

The prepayments were received from customers outside the Group. The repayment is linked to the future delivery of wafers to these customers.

Net financial debt amounted to EUR 335.2 million as of December 31, 2023 (previous year: EUR 31.7 million). Cash flow from operating activities amounted to EUR 84.7 million in the reporting year. This was offset by payments for property, plant and equipment and intangible assets in the amount of EUR 293.4 million. In addition, a dividend of EUR 90.0 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 the coming year is essentially the same as the outlook of the Siltronic Group, which is described in detail in the forecast 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. Our risk assessment also includes possible negative impacts on non-financial aspects relating to social affairs, governance, the environment and climate. Based on the acceptable overall risk, the Executive Board decides which risks we will take in order to seize opportunities available to the Company. We 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

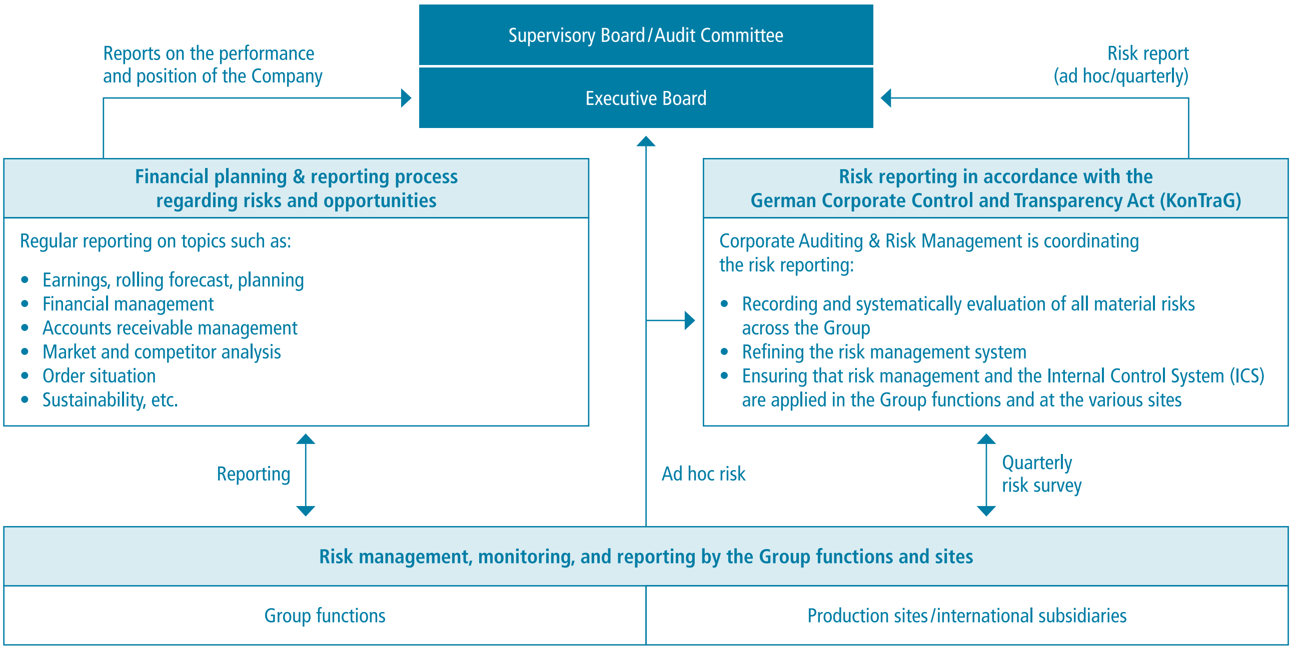
From an organizational perspective, the risk management system is integrated into the existing decentralized organizational and reporting structure and strategic corporate planning. It is complemented by a multi-stage process, whose mandatory procedures and criteria for identifying, assessing, managing, 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. Process and system responsibility for the Groupwide risk management system lies with the Executive Board. Corporate Auditing & Risk Management centrally coordinates the Group-wide recording of all major risks in a separate system application, analyzes the overall situation at Group level and communicates the risks to the relevant functions. In addition, Corporate Auditing & Risk Management verifies the appropriate and effective implementation of risk management requirements in the various Group functions and at the sites as part of the annual audit plan or through ad hoc assigned investigations. An independent external body is regularly assigned to audit the Group risk management system.

The design and effectiveness of risk management measures are assessed at least once a year by the responsible functions as part of the year-end risk inventory review. In addition to the inherent and residual risks, the design and effectiveness of the risk mitigation and control measures are assessed. These measures are also part of the internal control system. Siltronic controls its processes via the Integrated Management System (IMS). This integrated management system and its ongoing development are evaluated by all functional and site managers together with the Executive Board in a joint meeting during the year. The overall outcome of this review process is recorded in writing in a final evaluation by the Executive Board. Based on this information and the regular internal management- and audit reports, the Executive Board has no indication that Siltronic's risk management, and internal control, and compliance systems are not appropriate or effective. However, the effectiveness of any risk management- and control system remains limited. No risk management- and control system, even if it is classified as effective, can guarantee complete assurance. There remain uncertainties and risks that no one can predict with certainty.[1]

The Executive Board and the Audit Committee of the Supervisory Board are regularly informed about the current risk situation, the measures taken and the further development of the risk management system. Opportunities are not systematically recorded in the risk management process. The Executive Board and management are informed about current and expected business developments in monthly reports from the Group Controlling function. Based on this data, risks and opportunities are discussed, evaluated and weighed up by management.

[1] paragraph is unaudited information

Risk- and opportunity 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. Risks are identified and assessed using standardized risk matrices in our system-based risk management application. 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. The period under review for the risk register extends beyond that of the forecast and covers the planning period adequate for the respective risk.

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 documented centrally in a risk management application.

Compliance Management System (CMS)

Siltronic's CMS is designed to prevent, identify and sanction legal violations in the corporate context. It was derived from a compliance risk analysis in which company and industry-specific risks were examined. The system is regularly reviewed and developed further depending on new conclusions.

Siltronic has appointed compliance officers in Germany, the USA, South Korea, China, Japan, Singapore and Taiwan. They coordinate compliance activities within the Group, provide advice on compliance and are the point of contact for questions and training.

We have issued an internationally applicable corporate guideline that defines responsibilities, value limits and reporting channels. Particular emphasis is placed on the prevention of corruption, bribery and anti-competitive behavior.

Internal control system

The internal control system (ICS) comprises control measures designed to manage risks and ensure orderly operations to achieve our business objectives. 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 as well as sustainability aspects and the protection of business assets.

With the internal control system relating to the accounting process, we ensure, among other things, that the accounting and valuation regulations relevant to Siltronic are implemented. The focus of the control system is to ensure that business transactions are properly recorded and processed and that the data generated on the Group's net assets, financial position and results of operations is reliable. Responsibility for the accounting-related ICS lies with the "Accounting & Tax" Group function. The most important controls include a central consolidation system, automatic validations, approval levels, authorization concepts and deviation analyses. We monitor changes to accounting regulations, train employees and call-in external specialists in selected cases. We minimize the risk of data loss and the failure of accounting-related IT systems with regular system backups and maintenance measures.

We ensure the design and effectiveness of the controls over financial reporting 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. At least annually, the assessment of accounting-related risks and controls is reviewed and revised as necessary. On behalf of the Executive Board, the Corporate Auditing & Risk Management Group function performs process-related audits of the main business areas, focusing on internal control systems. 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.

Among other things, the Supervisory Board performs its statutory monitoring duties 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 financial auditor assesses the early risk warning system as part of the audit of the annual financial statements.

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

Economic development

Our business is particularly dependent on the development of the global economy. The many current uncertainties such as political tensions around Taiwan, trade and customs disputes between the USA and China, war in Ukraine, conflicts in the Middle East, high indebtedness of some countries, dwindling purchasing power due to inflation and ongoing problems in global supply chains could have a greater negative impact on the global economic development than anticipated. 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.

Geopolitical tensions, wars and trade restrictions

Due to the geostrategic importance of the semiconductor industry, countries are increasingly intervening in the semiconductor value chain. Intervention takes the form of reciprocal export, customs and investment restrictions or extensive financial support for investments, for example. Increasing trade barriers and sanctions as well as protectionist and politically motivated other obstacles, particularly with regard to the intensification of the economic tensions between China and the USA, pose increasing risks to our sales markets and may have a significant negative impact on our earnings, financial position and net assets. We are continuously monitoring geopolitical developments and have developed plans and measures to minimize the impact on our business processes. Our globally distributed production sites and balanced customer portfolio help limit the impact on our business operations. We make preparations at an early stage to flexibly adapt our production capacities, resources and inventories to the sales markets.

We assume that the military conflicts in Ukraine and the Middle East will have no direct impact on our business. Depending on the development of the conflicts, however, the development of energy prices may burden our production with additional costs. However, we do not expect our sales to be directly affected by trade route restrictions due to existing military conflicts (for example in the Persian Gulf).

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 and threaten our strategic goal of at least maintaining our market share. We may be forced to reduce our sales volumes and prices without being able to reduce our costs accordingly. We generate more than two-thirds of our sales with our top 10 customers. 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 or price ranges.

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. Possible delays of our new 300 mm fab in Singapore could result in our inability to fulfill supply contracts and lead to declining sales and earnings or loss of market share.

Unplanned expenditure increases may impact our liquidity and future operating earnings through higher depreciation expense. Possible misinvestments may 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 assembly and construction 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 only 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.

A subdued market development combined with a decline in demand for technologically oldest products could necessitate the shutdown of production lines or parts thereof in the future. This could result in minor impairments of fixed assets and closure costs such as severance payments for employees.

Product development
Rapid changes in our customers' preference and demands require us to adapt to new and more advanced technologies as well as product specifications and wafer sizes. In addition, customers for silicon wafers have stringent product requirements. All this results for Siltronic in the need for constant technological progress. For this it is possible that Siltronic will not be able to respond quickly enough and/or customers may not accept our developments as well as manufacturing processes. This increases the risk that Siltronic may misjudge market trends, especially when it comes to non-silicon based semiconductor materials (e.g. SiC, GaN, SOI).

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. We collaborate with universities and research institutions on our R&D projects in order to incorporate the latest trends into the development of our 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. High demand for semiconductor products can lead to price increases and supply problems at our suppliers. The effects of the downward trend in energy prices may not be as strong as expected and could have a negative impact on our profits.

To meet our Climate Action Plan, we need electricity from renewable sources. Since we will not be able to generate the electricity we need for our production, we are dependent on the energy markets. In Singapore, the availability of renewable energy from the state and from regional energy suppliers is still in its early stages. If this development is much slower than we expect in the coming years, there is a risk that we will be late in meeting the targets set out in the Climate Action Plan. It is also possible that meeting the targets will exceed the expected costs.

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, pandemics, 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 and follow a stringent process of risk identification and reduction 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 safety stocks. We counter electricity price risks with structured procurement. We have hedged electricity prices in part with derivatives.

We procure supplies and services from Wacker Chemie AG at the Burghausen site, as well as polysilicon, a raw material that is important for us. If we had to build up corresponding capacities ourselves or commission alternative suppliers, this could lead to time delays and additional costs.

We have secured the supplies and services from Wacker Chemie AG based on long-term contracts. Suitable notice periods have been agreed. In particular we purchase 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.

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 IATF 16949, ISO 9001 (quality), ISO 14001 (environment), ISO 45001 (health and safety), ISO 50001 (energy/SAG), RBA (Responsible Business Alliance) and the Global Compact, which go far beyond the standards required by law. We try to ensure the highest level of possible safety at our production facilities by conducting extensive maintenance checks, regular inspections and audits. To ensure 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. We have taken out appropriate insurance for those risks that can be insured.

Legal and regulatory risk

General legal risks

Lengthy legal disputes can have a negative impact on our operations, image, and reputation and result in high costs. In order to counter potential risks that may arise from a wide variety of competition-, patent-, antitrust-, commercial-, labor- and contractual regulations and laws, Siltronic bases decisions on intensive research 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.

Increasing trade restrictions and economic sanctions and the complex and conflicting regulations that accompany them also entail the growing risk of penalties, sanctions, reputational damage and claims for damages. We therefore pay consistent attention to compliance with customs- and export control regulations and other trade restrictions.

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

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.

Energy and climate-related regulations
Wafer production is a water- and energy-intensive industry. More restrictive regulation with regard to water and energy supply may therefore affect our production or increase the expense. The regulatory environment relevant to us has been characterized by stricter legislation in recent years. We therefore believe it is possible that there may be further burdens in the future.

We are monitoring the regulatory efforts very closely in order to identify possible effects.

IT, data and cyber risks

Information security is highly threatened by attacks on IT systems supporting business and production processes as well as systems for communication and collaboration. Disruptions, defects, manipulations or delays in IT functions and communication systems as well as the loss of data 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. Our information security management system covers all areas of the company and is based on the ISO/IEC 27001 standard. Using a risk analysis, we define the requirements for our central systems with regard to the availability, confidentiality, and integrity of data. We have specified these requirements in service level agreements (SLAs) with our service providers. We monitor and verify compliance with the SLAs on an ongoing basis. We have taken appropriate precautions in case of emergencies. Our service provider has set up a global security team that takes organizational and technical measures and runs awareness programs in order to counter problems with the confidentiality, data loss, integrity, and availability of data and systems.

HR risk

The lack of committed and qualified specialists and managers can have a negative impact on the company's further growth and technological lead.

We limit personnel risks through various personnel policy measures. These include in particular our performance management process and the development plans derived from it. Increased HR marketing and recruitment activities, for example via social media, directly at educational institutions and at recruiting fairs, are further key tools to minimize HR risks and develop a sustainable HR strategy. In Germany, we train apprentices ourselves in technical and commercial professions. We also offer dual study places in Germany to cover our medium-term requirements for engineers and IT specialists internally. We also offer a wide range of training and development opportunities, good benefits and performance-based compensation. Succession planning for key positions is in place throughout the Group.

Pension risk

Our employees are sometimes granted pensions and occupational pensions after termination of employment. The longer life expectancy of beneficiaries, additional obligations due to salary and pension increases and declining discount rates may lead to an increase in defined benefit liabilities.

The majority of company pension commitments in Germany are covered by the Wacker Chemie VVaG pension fund. In addition, we have set up a trust fund to secure our share of pension obligations from direct commitments, deferred compensation and pension adjustments from the basic pension plan. In the USA, coverage is provided by pension funds. The investment portfolio is diversified to ensure an adequate return on assets and limit investment risks. As one of the member companies of the pension fund, Siltronic makes needs-based financial contributions to the pension fund. It is possible that the interest on the capital invested will not be sufficient to finance all future payments. In this case, it can be assumed that further special payments will be made, which will burden our liquidity.

From 2023, employees who join the Company for the first time in Germany are to be offered a company pension exclusively in the form of a funded direct commitment. Employees in the previous tariffs can voluntarily switch to the new commitment. The pension will be secured by a Contractual Trust Arrangement (CTA). In addition to a lifelong pension, the commitment also provides for a voluntary lump-sum option in the form of a lump-sum or installment payment. The introduction of the funded direct commitment is intended to reduce pension provisions and thus ease the burden on the balance sheet while still providing employees with an attractive form of company pension.

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 larger customers. 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 price/currency- and energy price risk
The vast majority of our revenues are generated in US dollars. The Japanese yen also plays a role. Costs, on the other hand, are mainly incurred in euros 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. The fact that we have 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.

To a small extent, we hedge electricity prices against fluctuations using derivative financial instruments.

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-, financing- and interest rate risks
For investments such as the new 300 mm fab, we require substantial financing. If the prices of important building materials, equipment and construction services rise, our liquidity can be put under considerable strain.

As a result of the financing we have raised, we are exposed to interest rate risks to a minor extent arising from floating-rate loan liabilities. A summary list of the financial resources existing as of the balance sheet date can be found in Note 16 to the consolidated financial statements.

In addition to other obligations, some of the loan agreements concluded also stipulate compliance with financial covenants. Failure to comply with these covenants would mean that the lenders could demand immediate repayment or termination of the credit line. The financial covenants have been complied with at all times.

We closely monitor the development of the financial covenants and have an efficient cash and cost management system in place. This allows us to take timely measures to ensure compliance.

Opportunity report

We see a variety of opportunities for maintaining our successful growth over the coming years. We use various market observation and analysis instruments to identify opportunities at an early stage, such es 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 being relized.

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 use 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 transition to electric cars. Efficient use is forcing industry to develop ever smaller and more powerful components.

Growth in Asia and other emerging markets
The increasing prosperity in the Asia 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. With the investment decision for Singapore, our new fab is close to a large number of customers.

Digitization
Digitization is permeating more and more areas of our lives. The focus is particularly on the automotive industry, industrial applications, smartphones, artificial intelligence, data centers 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. Technical progress in the semiconductor industry is based on the ongoing development of components. This results in ever smaller, more powerful and more efficient components and lower costs per performance unit. To make this possible, the technological specifications for our wafers are increasing.

Long-term supply contracts
The main drivers of profitability are the prices achievable on the market and the utilization of existing capacities in the capital-intensive 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. We have entered into long-term supply contracts with several major customers with increasing purchase volumes over several years. This will help to finance the agreed investment in Singapore and secure the planned additional production.

Favorable exchange rates
Favorable exchange rates also have a positive effect on our earnings situation. The vast majority of our sales are generated in US dollars. The Japanese yen also plays a role. Costs, on the other hand, are mainly incurred 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 demand to be solid in the traditional application areas of smartphones, PCs and consumer electronics. In addition, we expect demand for silicon wafers to increase disproportionately due to megatrends such as artificial intelligence, digitalization and electromobility. With our broad product portfolio, we can serve these global future topics. 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

High investments
The new 300 mm factory in Singapore is an important contribution to supporting the strong growth and expansion projects of our customers.

Stay amongst the technology leaders
We firmly believe that we can successfully participate in 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 continuously implementing cost-cutting programs and making targeted investments in the automation of existing systems and processes in order to further optimize our cost position. The capacity expansion with the new factory in Singapore will enable us to further improve our cost position. Together with our two very modern and cost-efficient fabs in Singapore, we can achieve further economies of scale through synergies.

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

The Executive Board's assessment of overall risk

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

Risk Assessment for 2024

	Risk Assessment			
Risk	Low	Medium	High	Changes compared to previous year
Overall environment				
Economic development			•	→
Geopolitical tensions, wars and trade restrictions			•	→
Industry and market risks				
Competition, customer buying power, cycles in the wafer market			•	→
Investments		•		↓
Product development risk		•		→
Procurement risks		•		→
Product liability and production risks		•		→
Legal and regulatory risk				
General legal risk		•		→
Tax risk	•			→
Environmental risk	•			→
Energy- and climate-related regulations		•		→
IT, data and cyber risks			•	→
HR risks		•		→
Pension risks		•		→
Financial risks				
Credit risk	•			→
Market price, currency and energy price risk			•	→
Liquidity, financing and interest rate risk			•	→

We assess the relevant risks according to the probability of occurrence 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:

		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

In its report dated January 30, 2024, the International Monetary Fund (IMF) expects global growth of 3.1 percent in 2024. With falling inflation and stable growth, the probability of a hard landing has decreased.

On the positive side, a faster decline in inflation could lead to a further easing of the financial policy environment. A faster than expected interest rate cut by the central banks could lead to higher growth in the short term. Stronger momentum in structural reforms could increase productivity and have positive cross-border effects. On the negative side, new price spikes for commodities due to geopolitical shocks and armed conflicts as well as supply disruptions could exacerbate the cost situation. Prolonged inflation and the associated tightening of monetary policy would have a dampening effect on economic growth. A worsening of the problems in the real estate sector in China or elsewhere could also lead to growth disappointments, as could an abrupt switch to tax increases and spending cuts.

According to the IMF, economic growth in the established economies is expected to decline by 0.1 percentage points to 1.5 percent in 2024. Growth of 0.9 percent is forecast for the eurozone (2023: 0.5 percent) and a slightly positive trend in Germany with a expected growth of 0.5 percent (2023: -0.3 percent).

For Japan, the IMF expects growth to increase to 1.9 percent in 2024, up from 0.9 percent in the previous year. According to IMF forecasts, China also expects an upward trend with growth of 5.2 percent in 2024 (2023: 4.6 percent).

The market for silicon wafers for the semiconductor industry is forecast to grow by 3 percent in 2024.

Sources:
IMF (World Economic Outlook update, January 30, 2024)
Omdia (February 1, 2024)

Siltronic's future performance

Siltronic is not planning any significant changes to its corporate goals and strategy. We will continue to strengthen our position as one of the technology leaders, grow organically and maintain our high quality performance. The focus will be on continuing our program for operational excellence and cost reduction as well as high profitability and an improvement in cash flow.

The most important financial performance indicators are:

- EBITDA margin
- EBIT
- Net cash flow

The megatrends in the semiconductor industry mean that Siltronic expects demand to increase in the medium and long term. In the short term, we expect demand to be weak in the coming quarters due to increased inventories at customers and the associated ongoing postponement of delivery volumes.

The Executive Board expects the financial year to develop as follows:

Sales
Sales in 2024 are forecast to be in the region of the previous year. The first six months of the 2024 financial year are likely to be the most affected by the postponements in deliveries by our customers, meaning that sales for this reporting period are expected to be on a par with the second half of 2023. The forecast is based on a euro/US dollar exchange rate of 1.10. On a positive note, average prices are forecast to remain stable.

EBITDA margin
The EBITDA margin, before ramp costs, is also expected to be in the region of the previous year. Due to the commissioning of our new 300 mm fab in Singapore, the margin is expected to decline by up to three percentage points compared to the 2023 financial year. Ramp costs primarily comprise energy, material and labor costs.

We expect energy and material costs (before ramp costs) to be lower in 2024 compared to the previous year. However, the positive effect will be offset by rising personnel tariffs and the lower currency hedging result compared to the previous year.

Depreciation
Depreciation and amortization will almost double in 2024 due to investments.

EBIT
Due to the higher depreciation and the aforementioned ramp costs of the new fab, we expect EBIT in 2024 to be significantly lower than in the previous year.

Capex
For 2024, we expect investments to be reduced to less than EUR 600 million. In addition to expanding capacity, our investment projects will focus on the following areas: Cost efficiency, for example through automation, improving the product mix, ensuring capabilities (accompanying technological progress) and maintenance.

Net cash flow
Net cash flow will improve considerably in 2024 compared to the previous year, but will remain significantly negative.

The actual development of the Group may deviate positively or negatively from our assumptions due to economic and geopolitical uncertainties.

Overall statement by the Executive Board on expected performance

At the time of preparing the combined management report 2023, the Executive Board expects Siltronic to continue to operate solidly on the market in 2024.

Due to the continuously high inventory levels along the value chain, a weak start is expected for 2024. The first six months of 2024 are forecast to be roughly on the same level as the second half of 2023. We currently expect the demand situation to improve in the second half of the year, but visibility for this period is still limited.

We remain convinced of the underlying medium- and long-term growth trend in the wafer segment due to the wide range of end applications. Megatrends such as artificial intelligence, digitalization and electromobility are growth drivers for the semiconductor industry. In anticipation of increasing demand in the medium and long term, customers are also implementing extensive expansion plans for the coming years.

Regardless of the underlying growth trend in our industry, geopolitical and global economic developments may weigh on the forecast for 2024.

Forecast for 2024

EBITDA margin	before ramp costs, in the region of the previous year; ramp costs will reduce the EBITDA margin by up to 3 percentage points compared to the previous year
EBIT	Significant decline
Net cash flow	Considerably improved compared to the previous year, but remains significantly negative
Sales	In the region of the previous year
Depreciation	Almost doubled compared to the previous year
Capital expenditure	Below EUR 600 million

Disclosures relevant to acquisitions

(pursuant to Section 289a and Section 315a 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 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)

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 former Executive Board members Dr. von Plotho and Mr Irle fulfilled 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 current members of the Executive Board, Dr. Heckmeier and Ms. Schmitt, have a three-year build-up phase from their respective appointments to fulfill the shareholding obligation. The Executive Board members continue to be entitled to voting and dividend rights during the holding period.

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 of the German Stock Corporation Act (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 as to 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) 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).

By 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) (hereinafter collectively 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, may 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.

By 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)

In May 2022, Siltronic AG and a consolidated Siltronic subsidiary entered into a guarantee facility agreement for SGD 465 million to secure a loan issued to the consolidated Siltronic subsidiary. The guarantee facility was utilized in the amount of SGD 253 million. In addition, Siltronic AG issued a promissory bill loan in the amount of EUR 300 million in July 2022. In September 2022, Siltronic AG concluded a EUR 200 million loan agreement, which was utilized in full, and a further loan agreement for EUR 380 million was signed in May 2023, which has not yet been drawn upon.

The aforementioned agreements provide for a right of termination by the respective lenders in the event of a change of control.

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 and the Supervisory Board – pursuant to Sections 289f, 315d of the German Commercial Code (HGB) and principle 23 of the German Corporate Governance Code – report subsequently on corporate governance and about the Company management for the financial year2023. 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 financial year 2023, the Executive Board and the Supervisory Board once again closely examined the corporate governance of the Company and the recommendations of the German Corporate Governance Code as amended on April 28, 2022. On July 25, 2023, the Executive Board and Supervisory Board issued the following Declaration of Conformity, which is available to the public on the Company's website at (*https://www.siltronic.com/fileadmin/user_upload/Declaration_of_Conformity_July_2022.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 April 28, 2022, with the exception of the deviations set out and explained below since issuing its last declaration of conformity on July 26, 2022, and will comply with it 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 25, 2023

Siltronic AG

Executive Board Supervisory Board”

Dr. Gerlinger has been a member of the Supervisory Board of Siltronic AG since March 4, 2011 and has been a member of the Company's Supervisory Board for more than twelve years as of March 2023. He therefore fulfills a dependency indicator of the Code (C.7) However, the plenum still considers him to be independent from the Company and its Executive Board. In the opinion of the full Supervisory Board, Dr. Gerlinger has extensive professional experience that is necessary to ensure the continuity of the management and, in particular, the Supervisory Board's activities. In addition, Dr. Gerlinger has always participated objectively in the decision-making of the Supervisory Board and has not given any reason to doubt his independence. In order to take the Code's considerations into account and to gradually complete the generational change on the Supervisory Board, Dr. Gerlinger was only elected for a term of office of two years.

Compensation Report / Remuneration System

The applicable remuneration system for members of the Executive Board pursuant to Section 87a (1) and (2) sentence 1 of the German Stock Corporation Act (AktG), which was approved by the Annual General Meeting on May 5, 2023, and the resolution adopted by the Annual General Meeting on May 5, 2023 pursuant to Section113 (3) AktG on the compensation of the members of the Supervisory Board are publicly accessible at *https://www.siltronic.com/de/investoren/hauptversammlung.html.* The compensation report and the auditor's report pursuant to Section 162 of the German Stock Corporation Act (AktG) are available in the same section of our website.

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 regular 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, South 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. Employees and external parties also have the opportunity to anonymously report violations of the law and (imminent) human rights violations via a digital whistleblower system.

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 are published on our homepage.

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. The digital whistleblower system also enables 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 that was updated in the financial year 2023 provides a binding framework for the legal and responsible conduct of the employees in their daily work. It applies to all companies of the Siltronic Group worldwide. 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 to fight corruption and protect 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 and 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 online 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 online at *www.unglobalcompact.org.*

Siltronic has also joined the "Charter of Diversity". Siltronic is committed to actively implementing and promoting equal opportunities and diversity. Information on the Charter can be found online at *https://www.charta-der-vielfalt.de/ueber-uns/ueber-die-initiative/uebersetzungen/.*

Furthermore, Siltronic has joined the RE100 initiative in 2023. This global corporate initiative is committed to the exclusive use of renewable energies. With its membership, Siltronic wants to make a contribution to advancing global decarbonization. As part of its membership of RE100, Siltronic has committed to gradually increasing the proportion of renewable energy to 60 percent by 2030 and to 100 percent by 2045. Information about the RE100 initiative can be found at (*https://www.there100.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. Each 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 so require. 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 does not have a casting vote.

Diversity concept for the Executive Board

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, that at least one woman and at least one man should represent the Executive Board.

- 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 8, 2023, Dr. Michael Heckmeier was appointed as a member of the Executive Board and Chairman of the Executive Board for the period from May 6, 2023 to May 5, 2026. Dr. von Plotho resigned from his position as Chairman of the Executive Board and member of the Executive Board by mutual agreement at the end of May 5, 2023 and retired. At the Supervisory Board meeting on March 30, 2023, Ms. Schmitt was appointed as a member of the Executive Board and Chief Financial Officer for the period from July 1, 2023 to June 30, 2026. She succeeds Mr. Irle, who stepped down as a member of the Executive Board by mutual agreement at the end of June 30, 2023. Ms. Schmitt is an experienced manager, particularly in the area of finance. As an internal candidate, she was able to prevail over external candidates in a recruitment process supported by an external personnel consultant. In her professional career, she initially worked in various positions in Group Controlling at Wacker Chemie AG. In 2009, she transferred to Siltronic AG, where she was responsible for Controlling and Treasury as Corporate Vice President. She has contributed to Siltronic's profitable growth for more than 13 years. With her profile, Ms. Schmitt fully meets the appointment criteria set out in the diversity concept for the Executive Board.

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 four 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 page 13. With the exception of Dr. Gerlinger, whose regular term of office ends at the end of the 2025 Annual General Meeting, the regular term of office of the current Supervisory Board members ends at the end of the 2027 Annual General Meeting. 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 and succession planning. Since 2022, the Audit Committee has also met regularly without the Executive Board in accordance with the recommendation in Section D.10 of the German Corporate Governance Code.

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

On July 26, 2022, 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:

II. 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 overall 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.

III. 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;
- in sustainability issues or ESG topics that are significant for the Company.

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 and at least one other member of the Supervisory Board must have expertise in the area of auditing. The Supervisory Board in its entirety must be familiar with the semiconductor industry.”

Composition and 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 financial year 2023, until the end of the Annual General Meeting on May 13, 2023 the Supervisory Board had five female members, two of whom were shareholder representatives and two, respectively three, 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 Ms. Röhm-Kottmann, Dr. Gerlinger, Dr. Benschop and Mr. Hankel.

According to the German Stock Corporation Act, at least one member of the Supervisory Board must have expertise in accounting and at least one other member of the Supervisory Board must have expertise in auditing. According to the German Corporate Governance Code, the expertise in the field of accounting should consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the field of auditing should consist of special knowledge and experience in the auditing of financial statements, whereby accounting and auditing also include sustainability reporting and its auditing. As the long-standing Chief Financial Officer of the listed company Wacker Chemie AG, Dr. Tobias Ohler has corresponding expertise in the field of accounting. The independent Audit Committee Chairman Mr. Jonas, who was in office until the end of the 2023 Annual General Meeting, has held various management positions in tax and accounting in the ThyssenKrupp Group during his career and was a member of the Auditors' Oversight Commission (APAK) from 2014 to 2016; he therefore has expertise in the area of auditing. As a former partner at the auditing firm KPMG, the current Audit Committee Chairwoman Ms. Röhm-Kottmann has extensive experience in auditing the financial statements of DAX and M-DAX companies. As Senior Vice President Finance of a major corporation, she also has extensive knowledge and expertise in all areas relating to finance.

Qualification matrix

The status of implementation of the competence profile is disclosed below in the form of a qualification matrix based on a self-assessment by the members of the Supervisory Board and adopted by the Supervisory Board.

	Dr. Tobias Ohler	Daniela Berer °	Dr. Jos Benschop °	Mandy Breyer	Prof. Dr. Gabi Dreo Rodosek *	Klaus-Peter Estermaier	Sieglinde Feist	Dr. Hermann Gerlinger	Michael Hankel	Markus Hautmann	Johann Hautz *	Bernd Jonas *	Lina Ohltmann	Mariella Röhm-Kottmann °	Volker Stapfer
Independence		n/a	•	n/a	•	n/a		•	•	n/a	n/a	•	n/a	•	n/a
Relevant international Experience	•	•	•		•	•	•	•	•			•	•	•	
Leading Position in another Enterprise	•		•			•	•	•	•					•	•
Research & Development			•		•			•	•						
Relevant Technological Areas	•	•	•		•	•		•	•						
Strategy and Corporate Development	•	•	•		•	•	•	•	•		•				•
Production and/or Sales; relevant Markets	•	•		•		•	•	•	•		•				•
Finance	•						•				•	•		•	
Risk Management and Compliance	•				•		•				•			•	
Human Resources and Co-Determination	•	•		•		•		•	•	•	•		•		•
Sustainability / ESG	•	•			•			•	•	•	•		•	•	•

* = Supervisory Board Member until 05.05.2023
° = Supervisory Board Member since 05.05.2023

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 Supervisory Board plenum.

Executive Committee

Chair:
Dr. Hermann Gerlinger (until May 5, 2023)
Michael Hankel (from May 5, 2023)

Members:
Johann Hautz (until May 5, 2023)
Mariella Röhm-Kottmann (from May 5, 2023)
Daniela Berer (from May 5, 2023)
Dr. Tobias Ohler
Michael Hankel (until May 5, 2023)

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 Supervisory Board plenum 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 (until May 5, 2023)
Michael Hankel (from May 5, 2023)

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 (until May 5, 2023)
Mariella Röhm-Kottmann (from May 5, 2023)

Members:
Dr. Tobias Ohler
Johann Hautz (until May 5, 2023)
Volker Stapfer (from May 5, 2023)

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. The Audit Committee discusses the assessment of the audit risk, the audit strategy and audit planning, and the audit results with the auditor. The Chairman of the Committee regularly discusses the progress of the audit with the auditor and reports to the Audit Committee. The Audit Committee 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 declaration. 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:
Johann Hautz (until May 5, 2023)
Sieglinde Feist
Volker Stapfer (until May 5, 2023)
Daniela Berer (from May 5, 2023)
Mandy Breyer (from May 5, 2023)

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.

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

The target for the proportion of women at Executive Board level was narrowly missed, as the appointment of Ms. Schmitt, who took up her position as Chief Financial Officer on July 1, 2023, could not yet be taken into account as at the reporting date of June 30. With her appointment, however, the target has now been achieved. Dr. Heckmeier was appointed Chairman of the Executive Board in May 2023. In the selection process for the replacement, women and men were considered equally and the best appointment in the interests of the Company was subsequently made. An earlier appointment of Ms. Schmitt was not possible for organizational reasons.

As of June 30, 2023, 3 out of 15 positions at the first management level (equivalent to 20 percent) and 5 out of 33 positions at the second management level (equivalent to 15 percent) were held by women. This means that the self-imposed target for the proportion of women was only achieved at the second management level. Diversity, including increasing the proportion of women throughout the company, is of great importance to us. At the same time, the recruitment of new employees and managers is based on qualifications in the best interests of the Company. Although we were able to recruit a further qualified female employee at the first management level, the self-imposed quota of 21.45 percent could not be achieved due to a lack of suitable female candidates.

	Starting base as of June 30, 2020	Target as of June 30, 2023	Is as at June 30, 2023	New target as of December 31, 2026
Supervisory Board	Statutory 30 % quota, therefore no target required			
Executive Board	0 % (0/2)	50 % (1/2)	0 % (0/2)	50% (1/2)
1st management level	14.3 % (2/14)	min. 21.45 % (3/14)	min. 20 % (3/15)	min. 25% (4/16)
2nd management level	8.6 % (3/35)	min. 11.4 % (4/35)	min. 15 % (5/33)	min. 17.24% (5/29)

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 had - until the end of the Annual General Meeting 2023 - four female members – two on the shareholder and two on the employee side – and eight male members. Since the end of the 2023 Annual General Meeting, the Supervisory Board of Siltronic AG consists of five female members - two on the shareholder side and three on the employee side - and seven 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 66.7 percent men, respectively 41.67 percent women and 58.33 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 target groups, whether shareholders, shareholder representatives, analysts, the media, employees or the interested public, with equal and timely information. Siltronic reports quarterly on the development of its business and the situation of the Company in accordance with the financial calendar available on our website. Our investor relations team keeps capital market participants informed about current and future business developments in video/ telephone conferences and in-person meetings on the respective quarterly reports. A Capital Markets Day was held in November 2023 for all capital market participants.'

Where legally required, information in the form of ad hoc announcements is 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 financial reports such as voting rights notifications, information on proprietary transactions 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 financial 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. Company proxies are available to exercise shareholders' voting rights in accordance with instructions. There is also the option of electronic postal voting via the shareholder portal.

In the financial year 2023, the Annual General Meeting was held in presence for the first time since the COVID-19 pandemic.

Reporting obligations for managers

Executives of the Company (in the case of Siltronic, members of the Executive Board and the Supervisory Board) and persons closely related to them are obliged to notify the Company and the competent authority of any proprietary transactions in shares or debt instruments of the Company or related derivatives or other related financial instruments without delay, at the latest three business days after the date of the transaction, provided that these proprietary transactions have reached a total amount of EUR 20,000 at the end of the calendar year. Siltronic is obliged to publish the notifications it receives immediately, at the latest two business days after receipt of the notification, and to transmit them to the Company register. We will also notify the German Federal Financial Supervisory Authority (BaFin) of the publication.

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 page 38.

Financial reporting and auditing of financial statements

Siltronic's consolidated financial statements for 2023 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The 2023 financial statements of Siltronic AG were prepared in accordance with the provisions of the German Commercial Code (HGB). The accounts for 2023 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 November 28, 2023 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. The self-assessment was supported by external advice and a digital question tool. The findings from the survey were presented to and discussed by the Supervisory Board.

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 page 141.

Combined Non-Financial Statement and ESG Report[1]

General Information

The framework for this non-financial statement and this ESG report

GRI 2-1, GRI 2-2, GRI 2-3, GRI 2-5, GRI 2-6

Siltronic takes responsibility for the environmental, social and economic impact of its business activities and pursues holistic ESG management (Environment, Social and Governance).

We understand sustainability to be about the positive impact of our actions today on future environmental, economic, and social conditions. The background to this part of the report is therefor the question of how our actions affect the environment, economy and society at local, regional and global level.

We believe that positive, sustainable action also brings benefits for Siltronic. By increasing the efficiency of the use of raw materials or the efficiency of energy use, we secure our profitability in the medium and long term. Profitability is important to be able to offer our employees high social benefits and a wide range of personel development measures. A committed and educated workforce is more capable of discovering new opportunities in research and development. New developments enable our customers to make their products more energy-efficient and therefore more environmentally friendly. Our sustainability activities also help us to maintain our competitiveness. We pass on our customers' expectations of us to demonstrate social and environmental responsibility and to apply ethical business practices to our suppliers in equal measure. This creates a cycle that is not only positive for stakeholders and the environment, but also for Siltronic.

This non-financial statement is a summarized statement. The summary relates to the non-financial statement of Siltronic AG and the non-financial statement of the Group. The combined statement is hereinafter referred to as the "Non-Financial Statement" or "ESG Report".

The Group entities included in the non-financial statement and the ESG report are identical to those in the consolidated financial statements. In line with the consolidated financial statements, the reporting period comprises one calendar year. As in the preparation of the consolidated financial statements, similar issues are treated uniformly throughout the Group. The report is not limited to the activities of Siltronic, but also includes the material effects of our activities on upstream and downstream value chains.

There were no divestments, acquisitions or mergers of Group entities in the reporting year. The business model is unchanged from the previous year and there were no significant changes in the value chain. For the results of operation, net assets and financial position, please refer to the relevant disclosures on page 27.

The non-financial statement and the ESG report respectively are available to the public in German and English by publication on the Internet at *https://www.siltronic.com/en/sustainability.html* and as part of the annual report at *https://www.siltronic.com/en/investors/reports-and-presentations.html*. Questions can be addressed directly to the Investor Relations department of Siltronic AG.

The report is based on the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and is aligned with the Sustainable Development Goals of the United Nations. It also covers topics from the Code of Conduct of the Responsible Business Alliance (RBA). In addition, information on our social responsibility is provided if it is relevant for reporting on the progress of the United Nations Global Compact. The current Communication on Progress for 2023 is available at *https://unglobalcompact.org/what-is-gc/participants/127271*.

This non-financial statement has been duly reviewed by the Supervisory Board of Siltronic AG. In addition, the Supervisory Board of Siltronic AG has appointed KPMG AG Wirtschaftsprüfungsgesellschaft accordingly. KPMG AG Wirtschaftsprüfungsgesellschaft has reviewed the non-financial statement and the ESG report respectively, applying ISAE 3000 to obtain limited assurance with regard to the disclosures pursuant to Sections 315c in conjunction with Sections 289c to 289e HGB and Article 8 of the EU Taxonomy Regulation. KPMG AG Wirtschaftsprüfungsgesellschaft was also engaged to audit the consolidated financial statements including the management report of Siltronic.

[1] This section was not the subject of a substantive audit as part of the statutory audit. To obtain limited assurance, KPMG AG Wirtschaftsprüfungsgesellschaft conducted an independent business audit of the non-financial statement.

Summarized Overview

The following overview explains where the most important aspects and steps of this non-financial statement and ESG report can be located.

Key elements	Headings with the most important explanations
Integration of due diligence into governance, strategy and business model	Characteristics of our product (page 63) Corporate ethics at Siltronic and social responsibility (page 65) Management of ESG-relevant impacts (page 68) Siltronic's climate action plan (page 75) Value chain (page 85) Corporate governance information (page 90)
Involvement of affected stakeholders in all key due diligence steps	Siltronic's key stakeholders (page 69) Defining the content of the report (page 69) Annual dialogue with employees (page 81) Complaints channels (page 83) Value chain (page 85) Corporate governance information (page 90)
Identification and assessment of negative impacts	Characteristics of our product (page 63) Management of ESG-relevant impacts (page 68) Scope 1, 2 and 3 emissions (page 73) Risk management (page 90)
Measures to counter these negative effects	Compliance reports and procedures in the event of violations (page 67) Measures to reduce the intensity of the use of raw and auxiliary materials (page 71) Electricity from renewable energies (page 72) Siltronic's climate action plan (page 74) Measures to reduce water intensity (page 76) Environmental pollution, biodiversity and ecosystems (page 77) Measures to reduce accidents (page 84) Our impact on sustainability and social responsibility at suppliers (page 85)
Tracking the effectiveness of measures against these negative effects and communication	Management of ESG-relevant impacts (page 68) Importance of ESG in the evaluation system for suppliers (page 85)

Environmental risks and opportunities arising from our business model

Social importance of reducing CO_2 emissions

At the United Nations Climate Change Conference in Paris in December 2015, 195 countries and the EU agreed to reduce global warming caused by humankind through CO_2 emissions to a maximum of 2 degrees Celsius compared to the average for the years 1850 to 1900. Furthermore, efforts are being undertaken to limit the increase to 1.5 degrees Celsius. Agreements at later climate conferences of the United Nations have underpinned the importance of these climate targets.

In addition to the already high CO_2 emissions, the world population is growing. The United Nations expects the number of people to increase by around 20 percent over the next 25 years from the current figure of just under 8 billion. This will significantly increase energy consumption and therefore CO_2 emissions.

Against this background, we are aware that reducing CO_2 emissions and increasing energy efficiency are of the utmost importance to society. With this in mind, we asked ourselves impact our product has on the environment.

Characteristics of our product

GRI 2-6, GRI 201-2

Siltronic Group is a one-product company; Siltronic generates its revenue from the sale of wafers for the semiconductor industry. Further information can be found in the notes to the consolidated financial statements under "Segment reporting".

Wafers are not harmful to humans. Our wafers can generally be processed into chips even after years of storage and, if necessary, cleaning. Once a wafer has been transformed into chips by our customers, reverse engineering into a wafer is impossible.

Our wafers are very closely linked to computer chips because our customers - the manufacturers of semiconductors - transform wafers into chips using physical and chemical processes. It is impossible to extract the relevant raw material for us, silicon, from chips in a highly pure form because wafers are combined with other materials during chip production.

The production of energy-efficient chips requires wafers with special physical and chemical properties. For a regional breakdown of sales, please refer to the result of operations on page 27.

The most important end markets for our wafers are smartphones, computers, servers, consumer electronics including household appliances, industry and automobiles. Almost all of our wafers go into these six end markets and all six end markets are important to us.

We do not believe that our business model will be negatively affected by climate change. On the contrary: electric mobility is not possible without chips and therefore wafers, increasing the energy efficiency of electronic devices is more difficult to achieve and feeding in electricity from solar and wind farms is unthinkable.

Among other things, wafers are used as a raw material for the production of energy-efficient end products. The demand for wafers is increasing not only due to the growing interest in energy-efficient products, but also due to other megatrends. We are therefore unable to provide a quantitative analysis or timeframe for the opportunities arising from climate change.

Our innovations in wafer production have a strong impact on increasing the energy efficiency of chips. This has a significant impact on smartphones, computers, servers, household appliances and electric vehicles. There are two reasons for this:

- Firstly, power consumption drops significantly when our customers are able to integrate smaller transistors and shorter conductor tracks into wafers. The resulting increase in the chip’s energy efficiency is usually so high that a new chip operates with more power than its predecessor while requiring less energy. More computing power can thus be realized per watt. To achieve this, wafers must meet constantly and significantly increasing physical and chemical requirements. Achieving these increasing requirements also offers our customers the advantage of being able to produce more chips from one wafer. As chip production on the customer side is very energy- and water-intensive, these wafers reduce customers' electricity and water needs.

  To this end, we spend many millions of euros each year on research and development and generally invest a two- to three-digit million euro amount in new machines. Only with state-of-the-art machines is it possible to produce technologically leading wafer types. Slightly more than half of our sales are accounted for by these types of wafers.

- Chips that control electricity flows are manufactured from certain types of wafers. These chips are also called power semiconductors. Without power semiconductors, for example, modern household appliances would be inconceivable, LED lighting in the form we know it would not exist, nor would small power adapters or chargers. Almost one third of our sales relate to wafers used for power semiconductors.

  To make power semiconductors more energy-efficient, we have developed special wafer materials with low oxygen content. Chips of this reduce energy consumption in devices in which high direct and alternating currents are converted. Examples include the current flow between the electric motor and the battery in an all-electric car, between a charging station and an electric vehicle, or between the power grid and the generation of electricity from renewable sources (mainly wind turbines, photovoltaics). Without the supply of special wafer materials, the energy efficiency of many electrical products, including electric vehicles, would be significantly lower. Wafer types made from these special wafer materials account for slightly more than 15 percent of our Group sales.

  In addition, we are developing a new wafer material in the form of gallium nitride. The resulting wafer type is expected to make the charging process of electric vehicles and other devices significantly more energy efficient and faster. It would also increase the range of electric vehicles.

Development and design of new wafer types or wafer materials and environmental impact

Siltronic's goal is to disproportionately increase the share of the above two categories of wafer types that are transformed into energy-efficient chips over the next few years.

Research and development are crucial for the conception and design of new wafer types. This is the basis for subsequent manufacturing, as the physical and chemical characteristics of wafer types are inextricably linked to the manufacturing process.[1]

Research & Developement (R&D)

The main drivers of the semiconductor industry are miniaturization, cost reduction and efficiency improvement. This is illustrated, for example, by higher computing power and memory density, lower specific power consumption and steadily falling costs per transistor. At the same time, special applications such as power electronics, sensor technology and communication electronics are experiencing growth, each requiring customized wafer solutions. In order to achieve these goals, our customers demand the highest level of technical expertise and development of silicon wafers, which continue to be the most important base material for the semiconductor industry.[1]

	2023	2022	2021	2020
R&D expenditure (EUR million)	87.6	89.5	80.4	72.6
R&D expenditure as a percentage of sales	5.8	5.0	5.7	6.0
R&D grants and subsidies received (EUR million)	2.0	0.8	0.7	0.9

In 2023, we spent EUR 87.6 million on research and development, which corresponds to around 6% of sales.[1] The vast majority of these costs were attributable to the two wafer types described above (for smaller transistors and shorter conductor tracks respectively or for power semiconductors). This breakdown is based on projects and budgets approved by Executive Board. We expect that the allocation of resources to research and development will have a positive impact on the environmental foodprint of future product sales.

Intensive development activities are essential in order to keep pace with the rapid developments in the semiconductor market and to maintain our position as one of the suppliers of technologically leading wafers. Employees in our R&D departments work and research at all Siltronic production sites worldwide. The Burghausen site is Siltronic's central research and development location. The tasks include researching new products, testing and evaluating of new processes and equipment modifications, evaluating new supplies and auxiliary materials, continuous improvement and line integration, as well as the qualification of wafers for our customers' latest technologies.[1]

Many of our projects require close and continuous cooperation with our customers. For this purpose, we work on projects with our technologically leading customers in joint development programs, taking care to cover a broad spectrum of semiconductor end applications. We also work together with research and academic institutions.[1]

An intellectual property portfolio of just over 1,900 registered and active patents and patent applications in around 350 patent families underpins our high innovative strength and secures our technological position as one of the leaders in the global market.

[1] reviewed information

Corporate ethics at Siltronic and social responsibility

Sustainable Development Goals 16, 17 UN Global Compact-Principles 1-5, 10; Responsible Business Alliance (RBA) Code of Conduct Topic D

Strategy for corporate ethics at Siltronic

GRI 2-13, GRI 2-16, GRI 2-23, GRI 2-24, GRI 2-26, GRI 2-27

Companies need the trust of society to be economically successful. To ensure that Siltronic's business is conducted responsibly and in compliance with all legal requirements, we have developed a business ethics program consisting of various guidelines. The guidelines reflect our corporate ethics strategy.

Code of Conduct

We have drawn up a code of conduct for our Group that provides a binding framework for responsible and law-abiding behavior. All decisions to be made must be based on the principles of responsible corporate governance and sustainability. The establishment of fair trade practices is a central part of this. Compliance with the Code is therefore mandatory for every employee. The Code of Conduct sets out the minimum standards for responsible conduct within Siltronic across countries, companies and legal systems and deals in particular with the topics of behavior towards one another, leadership as a role model, dealing with business partners (especially customers and suppliers), handling information, separation of private and corporate interests, quality, safety, health and the environment, social responsibility and compliance reporting.

The Code of Conduct applies internally to the workforce and to our employees in their interactions with all business partners. The Code of Conduct is available on the intranet and on our website. An information campaign for employees was carried out when it was introduced. All employees must complete a compliance training every two years, which covers the content of the Code of Conduct, among other things.

Legal & Compliance Policy
The internal Legal & Compliance Policy, which is applicable globally for all units of the Siltronic Group, forms the core of the compliance management system together with the Code of Conduct. The detailed regulations of this policy specify the requirements of the Code of Conduct. They create transparency about the relevant requirements and thus provide employees with a framework for ethical behavior in Siltronic's business environment. Among other things, it addresses combating corruption and bribery, avoiding and handling conflicts of interest and preventing money laundering. In addition, the policy encourages employees to report compliance incidents and implements procedures and measures for handling information. These include requirements for archiving and storing data and documents, including the duration of storage.

Siltronic has appointed compliance officers in all active units. These officers coordinate compliance activities within the Group, provide advice on compliance and are the point of contact for questions and training. Our compliance management system is regularly reviewed and further developed for this purpose. The Siltronic compliance organization is responsible for this.

Voluntary commitments
Siltronic applies 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.

We signed the Diversity Charter and the Equality Charter and, we are committed to actively implementing and promoting equal opportunities and diversity at Siltronic.

Siltronic is a member of the Responsible Business Alliance and, as a supplier to the electronics industry, is guided by the code of the industry initiative, through which leading companies in the electronics industry worldwide demand and promote social and environmental responsibility and ethical business practices.

To underpin our commitment to reducing CO_2 emissions, Siltronic joined the RE100 initiative in November 2023. RE100 is a global corporate initiative that promotes the exclusive use of renewable energy.

Conflict Minerals Procedure
This internal procedure, which applies globally to all Siltronic Group sites, is designed to ensure responsible procurement of so-called conflict minerals.

"3TG+CM" materials (tantalum, tin, tungsten, gold, including their mineral form as well as cobalt and mica) mined in the Democratic Republic of Congo or in neighboring countries can be a source of financing for armed groups that commit human rights violations in these regions. These materials are referred to as conflict minerals. As part of our commitment to fair trade practices, we have established an internal process for the responsible sourcing of conflict-free 3TG+CM.

Based on the Responsible Business Alliance Code, OECD, EU regulations and U.S. Securities and Exchange Commission rules on conflict minerals, the Conflict Minerals Procedure sets out the requirements for supply chain due diligence to identify the origin of 3TG+CM. Every supplier that we invite to register in our supplier system must provide mandatory information on the use or sourcing of conflict minerals. In addition, questions on conflict minerals are included in our criteria catalog for supplier audits. Part of the due diligence process is also the confirmation or certification of suppliers that 3TG+CM does not originate from the Democratic Republic of Congo or neighboring countries (this includes smelters). Procurement decisions may only be made on the basis of this due diligence of the supply chain.

The analysis of our data did not reveal any indications that we source or have previously sourced conflict minerals.

Combating legal violations, in particular money laundering, corruption and bribery
We firmly oppose any form of violation of the law. Regardless of country-specific probabilities of occurrence, our compliance management system is designed to prevent, identify and sanction compliance violations in every market in which we operate. Compliance violations are, in particular, violations of money laundering, corruption, bribery, fraud, competition rules and other manifestations of white-collar crime.

Internally, our Legal & Compliance Policy provides detailed rules for interactions with business partners. The policy sets out rules to combat corruption and avoid conflicts of interest (for example, specific value limits and approval requirements from superiors for benefits, including invitations to business meals or other events). Cash transactions are only permitted to a limited extent, whereby so-called smurfing and structuring are also specifically prohibited. Exceptional cases in which cash transactions are permitted are defined and set out in separate rules of procedure (e.g. red envelopes). Our business partners are required by our Code of Conduct to follow the guidelines set out there on gifts, invitations, donations and sponsorship.

To combat money laundering, corruption and bribery, we have also introduced our own process to analyze every business partner, the "Know Your Business Partner" (KYBP) process. In our understanding, bribery includes any form of acceptance of an advantage. It is irrelevant whether money or non-cash benefits are given or received.

The risk assessment of business partners includes the current Corruption Perception Index from Transparency International, an analysis of the presence in a high-risk country and a review of any indications of money laundering, corruption or other criminal activities. This work is carried out across departments.

An assessment of all business partners has shown that Siltronic does business almost exclusively in countries that have a below-average risk of corruption according to Transparency International's Corruption Perception Index. Siltronic has no activities in a high-risk country. If the process reveals an increased risk of a business partner engaging in illegal activities, reporting obligations and more comprehensive checks involving other specialist departments up to and including approval requirements by senior management are envisaged. The process also contains regulations on documentation and KYBP audits as well as corresponding retention periods.

All employees and board members must complete training on how to prevent violationso legal regulations. Compliance training is the basis for this. On this basis and depending on the activity carried out by employees and Executive Board members, further training is provided. For example, all employees in sales and marketing must undergo regular training on antitrust law. The greater the inherent risk of a breach of the law, the more extensive and frequent the training courses. This ensures that all high-risk activities and functions are covered. Members of the Supervisory Board who are employees of Siltronic and members of the Executive Board are covered by the training at Siltronic.

Compliance reports and procedures in the event of violations

All employees are required to report legal violations or suspicious circumstances to the local compliance officer or the legal department, their line manager, the works council or the person responsible in the HR department. This principle is laid down in the Legal & Compliance Policy and the Code of Conduct and can also be found in the individual further procedural instructions.

Our employees and third parties can anonymously report violations of legal regulations, human rights or the Group-wide compliance rules via a digital whistleblower system (Integrity Line). We have also appointed an external ombudsman to whom employees and third parties can anonymously report violations of legal regulations. The links to our whistleblowing reporting system and to the ombudsman are publicly accessible on the intranet and on our website.

Rules of procedure govern the handling of compliance reports. In the event of a substantiated suspicion of a compliance violation, it orders investigative measures to be taken regardless of the management chain involved. It also requires the implementation of remedial and preventive measures. It also prohibits retaliation for compliance violations reported in good faith. The Code of Procedure is publicly available on our homepage and on the intranet.

The Chief Compliance Officer informs the Executive Board of Siltronic AG about compliance incidents on a monthly basis and as required. The Chief Compliance Officer also reports to the Supervisory Board as part of the Audit Committee meetings.

In 2023, we did not receive any compliance reports relating to money laundering, corruption or bribery, nor were there any court proceedings, fines or similar.

Human Rights

The German Supply Chain Duty of Care Act came into force on January 1, 2023, and its obligations will apply to us in full form 2024. This law regulates corporate responsibility for compliance with human rights in global supply chains. The new legislation increases the requirements for compliance and risk management. 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 countries. As we actively counter human rights violations at our sites and in the upstream and downstream value chain, we have taken measures to identify potential violations. Explanations of audits carried out in this context can be found in the "Value chain" section.

Our Code of Conduct explicitly refers to the ten principles of the United Nations Global Compact Initiative. The first two principles of the UN Global Compact deal with the support of human rights and the exclusion of human rights violations. From the first principle of the UN Global Compact "Support for human rights" and the second principle "Exclusion of human rights violations", the following measures in particular have been implemented at Siltronic:

- As part of our purchasing conditions, we expect our suppliers to comply with the principles of our Code of Conduct, which also includes human rights requirements.
- We train our employees in relevant sessions on how to comply with internationally recognized human rights.
- If we become aware of potentially critical aspects in the area of human rights, we analyze them. If an issue proves to be critical even after analysis, we take action.
- In our Code of Conduct and towards our customers, we are committed to supporting human rights and excluding human rights violations.

The Executive Board has appointed a Human Rights Officer who defines measures to ensure compliance with human rights and environmental due diligence obligations. The Human Rights Officer determines the human rights and environmental risks of Siltronic and its direct suppliers. The result of the risk analysis supports the development of our human rights strategy.

In addition, the "Declaration of Principles for Social Responsibility and Human Rights" published on our homepage illustrates our commitment to respecting human rights. It serves to ensure compliance with human rights and environmental due diligence obligations in accordance with Section 6 (2) of the German Act on Corporate Due Diligence in Supply Chains (Lieferketten-sorgfaltspflichtengesetz or LkSG).

Internal and external persons can use our digital whistleblower system to report human rights or environmental risks that have arisen as a result of our actions or in the value chain.

We did not become aware of any human rights violations in the reporting year.

Organization and processes of Siltronic with regard to ESG

GRI 2-13, GRI 2-24, GRI 3-3

The main organizational measures for dealing with ESG-relevant aspects are (a) an integrated management system, (b) the central management of corporate responsibility issues with a designated administrative department and a direct reporting channel to the Executive Board, (c) the global compliance department to prevent, identify and sanction violations of applicable law and self-imposed guidelines, (d) the coordination of environmental protection, health protection, plant safety and occupational safety by a separate "Environment, Health and Safety" department, and (e) the structure of regular reporting to the Executive Board and Supervisory Board.

We control our operating processes via our Integrated Management System (IMS). The IMS describes processes and responsibilities and defines Group-wide standards with regard to quality, energy, environmental protection, plant safety, occupational safety and health protection, among other things.

The standards are based on national and international norms, laws, customer requirements and our own principles. We have the IMS certified by a globally active service provider. The certifications relate to the standards ISO 14001:2015 for environmental protection, ISO 45001:2018 for occupational health and safety, ISO 50001:2018 for energy management at the German sites, and IATF 16949:2016 for quality management systems.

In order to meet our responsibility for the operation of our sites and the protection of people and the environment, employees are assigned to the production sites who are especially skilled in the areas of environmental protection, health protection, plant safety and occupational safety. They are organized in local Quality Management & Sustainability departments. As the parent company in Germany has Group-wide responsibility for quality and sustainability systems, the department in Germany defines the systems and guidelines which apply throughout the Group. This department reports directly to the CEO.

Changing regulatory and therefore also ethical requirements are monitored by the Compliance department and the specialized departments.

Determining the content of this report

Management of ESG-relevant impacts

For an explanation of our business model, please refer to the "Business and general conditions" section, for the most important organizational elements of our business model to the sections under "Business activities and Group structure" and for the main risks of our business model to the "Risk and opportunity report". The most important resource inflows for the production process are polysilicon, energy and property, plant and equipment. The quantitative resource inflows and outflows shown in the following sections are measured values.

The most important management measures for managing ESG issues in the area of environmental and social concerns are to establish performance indicators for the issues categorized as most significant and, on this basis, to define targets. Measures are initiated in order to achieve targets.

Like the financial performance indicators, the non-financial performance indicators are also structured hierarchically according to their materiality. At the highest level, the Executive Board has defined six non-financial performance indicators. The indicators were unchanged from the previous year.

There are short-term targets for the performance indicators.

- The performance indicator "Efficiency of use of silicon" shows the most important ESG impact of our business activities on the environment with regard to the demand of resources of raw and auxiliary materials.

Target 1 | Raw material - The specific silicon yield (per wafer quantity; standardized to base year 2015) is at least 104. The target was not achieved in 2023 with a result of 98.

- The "CO_2 /energy" performance indicator shows the most important ESG impact of our business activities on the environment with regard to greenhouse gases and therefore the climate crisis.

Target 2 | CO_2 /energy - Reduce CO_2 emissions Scope 1 and 2 by 50 percent by 2030 (base year 2021). The interim target for 2023 was to emit a maximum of 258,757 tons of CO_2 eq. The target was achieved, with only 254,974 tons of CO_2 eq emitted.

- The "Water" and "Waste" performance indicators show the most important ESG impacts of our business activities on the environment with regard to the resource requirements of water and the avoidance of waste as well as the circular economy.

Target 3 | Water - The specific amount of water withdrawn for production processes (specific per wafer area; standardized to base year 2015) decreases by an average of 1.5 percent per year and amounts to a maximum of 88.6 in 2023. The target was not achieved in 2023 with a result of 100.6.

Target 4 | Waste - The waste recycling rate increases by an average of 1.5 percent per year (base year 2015) and is at least 71.9 in 2023. The target was not achieved in 2023 with a result of 71.2.

- Two performance indicators on occupational accidents show the most important ESG impact of our business activities on personnel with regard to occupational safety. These performance indicators have the highest priority for Siltronic, as accidents at work can have extremely serious consequences for individuals. The priority does not result from a frequent accident rate.

Target 5 | Occupational safety - The rate of occupational accidents with lost days is a maximum of 2.0 (specific per 1 million working hours). The target was not achieved in 2023 with a result of 2.4.

Target 6 | Occupational safety - No work-related accidents involving chemicals occur. The target was not achieved in 2023 with a score of 1.

The development of the indicators is monitored throughout the year and reported to the Executive Board on a quarterly basis. In the event of negative deviations, the causes are analyzed in order to initiate measures for improvement.

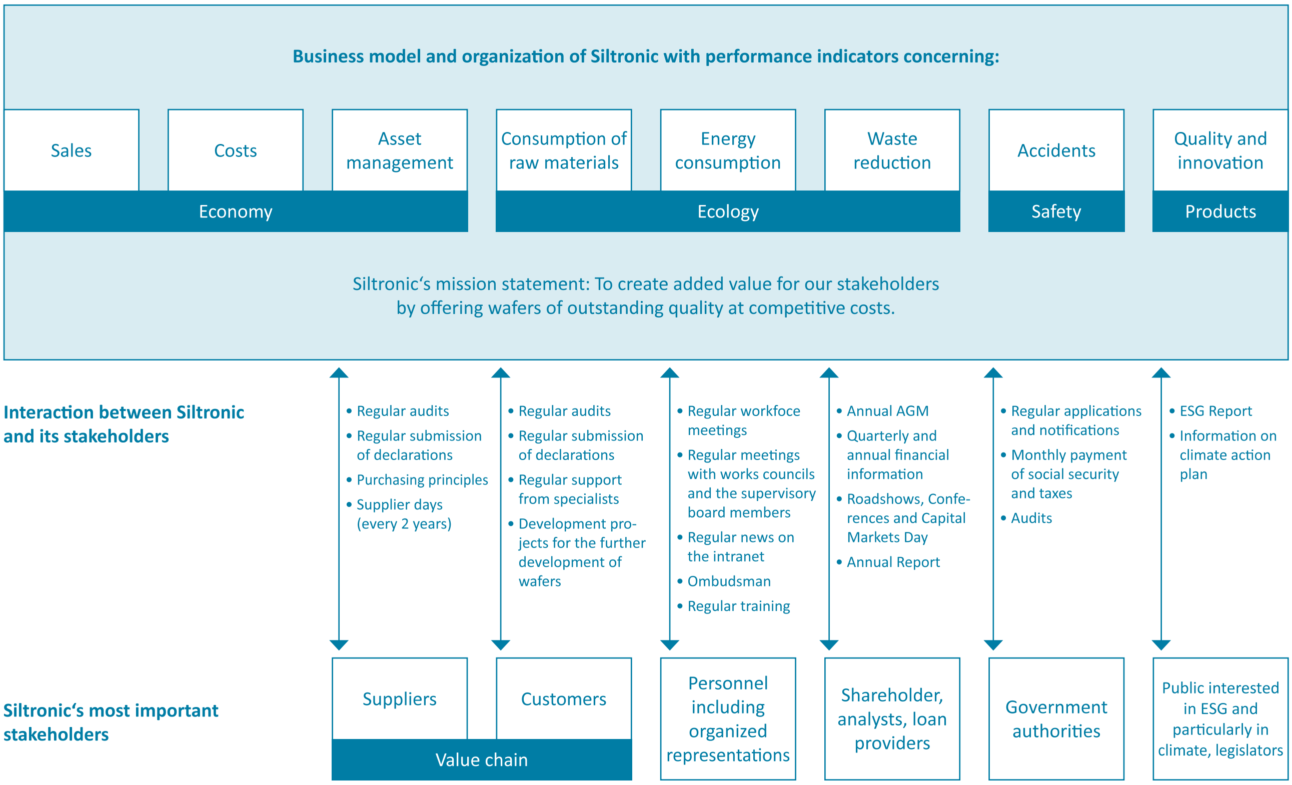
For the performance indicators relating to CO_2 /energy, water, waste and occupational accidents involving chemicals, there are long-term targets beyond the annual targets.

Key stakeholder groups for Siltronic

GRI 2-29

Due to its extensive activities, Siltronic affects individuals and groups inside and outside the company, other companies and public bodies in a variety of ways. The determination of the stakeholder groups that have been assessed as the most relevant is based in particular on the number and scope of interactions with these groups, their influence on Siltronic and potential risk exposure involving Siltronic executives.

The following diagram illustrates the dialogue between Siltronic and the most important stakeholder groups:



No external stakeholders were involved in setting the targets for the six non-financial performance indicators. However, the performance indicators cover topics that are relevant to our stakeholders.

Determining the content of the report

GRI 3-1

To identify the material topics for this report in the areas of ethical concerns, environmental information, social information and corporate governance, we first identified various sustainability topics. This was based on the following considerations in particular:

- Requirements and assessments from customers and suppliers on ESG topics, especially as part of audits and quality agreements
- Goods and services that we purchase from suppliers
- Our product and the expected market developments
- Developments in personnel requirements and recruitment
- Findings from discussions with employee and trade union representatives
- Requirements and assessments of ESG ratings and dialogues with ESG rating agencies
- Discussions with investors and banks on ESG aspects
- Discussions with authorities
- The ten principles of the United Nations Global Compact
- The Sustainable Development Goals of the United Nations
- Requirements of the Responsible Business Alliance Initiative
- Exchange with network partners in the German Global Compact Network and the Responsible Business Alliance
- Internal company requirements and specifications
- The scientific opinion on global warming
- Legal risks and regulation
- Findings from risk management
- Developments in the field of information technology

The Executive Board is informed about the key findings from discussions with external parties about the specialist areas. In some cases, the Executive Board is also an active participant in these discussions.

Once the topics and information had been collected and summarised, they were evaluated, grouped and the results communicated internally. The collection of topics is summarised in the following overview:

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 – Occupational safety and health protection	G5 – Compliance Management
E6 – Air Emissions	S6 – Communication	G6 – Business Strategy
E7 – Environmental protection and compliance	S7 – Conflict Minerals	G7 – Data Security
E8 – Plant Safety	S8 – Human Resources	G8 – Fair Business Partner
E9 – Natural Resources	S9 – Customer Sustainability	G9 – Risk Management

In the next step, the topics were assessed and prioritised according to materiality, whereby the relevance for Siltronic ("outside-in") and the significance of our business activities in relation to the respective topic ("inside-out") were taken into account in the sense of dual materiality. The following aspects were significant for the internal materiality assessment:

- Previous valuation results
- Current results of internal risk assessments
- Corporate strategy
- Consultation with internal specialist groups to assess key topics
- Analysing published information from customers, suppliers and competitors
- Opinions of investors, banks, ESG rating agencies and network partners in the German Global Compact Network and Responsible Business Alliance
- Internal company requirements and specifications
- Relationships of Siltronic, our customers and our suppliers in countries with a high Corruption Perception Index from Transparency International. (Neither Siltronic nor customers or suppliers are active in countries with a pronounced Corruption Perception Index from Transparency International or are based in a so-called high-risk country. Experience from reports on the topics of compliance and human rights also gave no reason to assign an increased risk to these areas).
- New laws that are emerging or coming into force that affect the area of ESG

As part of the materiality analysis carried out in 2022, the following nine material topics that are relevant for Siltronic and external stakeholders were defined and approved by the Executive Board:

	Stakeholder		ESG		
Material topics	Company	External	Environment	Social	Governance
Energy	x	x	x		
Climate change	x	x	x		
Environmental protection and compliance	x	x	x		
Plant safety	x	x	x		
Occupational safety and health protection	x	x		x	
Human Rights	x	x		x	
Compliance Management	x	x			x
Risk management	x	x			x
Data security	x	x			x

We plan to update the materiality analysis every two years. The next update will take place in 2024.

In this report, we also explain topics that were not categorised as high in Siltronic's materiality analysis because important ESG reporting frameworks also provide for disclosures in cases of medium or low materiality.

Environmental aspects

Sustainable Development Goals 6, 7, 8, 12, 13 UN Global Compact Principles 7, 8, 9;
Responsible Business Alliance (RBA) Code of Conduct Topic C

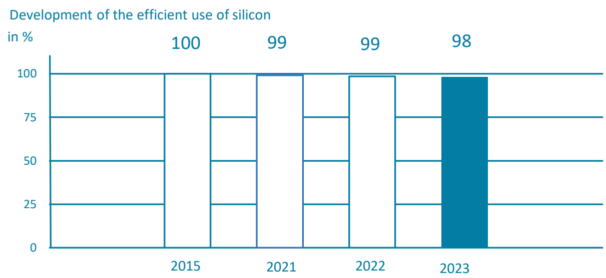
Management of raw materials and supplies

Importance of raw materials and supplies for Siltronic

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 strive to use silicon as efficiently as possible. In this way, we contribute to reducing environmental impact and it helps us to remain competitive. In particular, the performance indicator "efficiency of silicon use" ensures that silicon residues are reintroduced into our production cycle and that production processes are further developed with the aim of increasing yield. Increased yield reduces energy demand, which means fewer greenhouse gases.

We set a target value for this performance indicator on an annual basis. The following diagram shows the annual development of the non-financial performance indicator "Efficiency of the use of silicon" (base year 2015 normalized):



Depending on the demand for wafers and our inventory levels, we purchase silicon in the mid four-digit thousand ton range each year (we do not state the exact value for competitive reasons).

The increasing physical and chemical demands on the specifications of wafers have a positive effect on the energy efficiency of electronic devices, but a negative effect on the efficiency of silicon use: We tend to have to use more silicon to produce wafers that meet the tighter specifications. Not all wafer types are affected by the increasingly demanding specifications, but many are. In addition, the product mix resulting from customer orders has an impact on silicon efficiency.

We were unable to achieve the target value for the non-financial performance indicator "Efficiency of silicon use" due to a change in the product mix and test runs of machines in the new fab in Singapore. Despite the high level of target achievement, we will not slacken our efforts to further reduce the use of silicon, as in previous years.

In addition to the raw material silicon, auxiliary materials such as chemicals, gases and polishing agents also play a role in our production process. As the individual auxiliary materials are of less importance to us than silicon, there is no non-financial performance indicator for these reported to the Executive Board.

Measures to reduce the intensity of the use of raw materials and supplies

The will and motivation to achieve goals lead to new ideas being developed and tested. If it shows their use in production is promising, investments are made to implement them. Setting a target for the performance indicator "Efficiency of silicon use" has a positive effect on the specific consumption of silicon in the medium and long term. As in previous years, we will provide personnel and financial support for projects in the areas of research, development and production at all locations that aim to increase the yield of silicon.

Obtaining silicon from the recycling of chips is impossible for physical reasons due to the extreme demands on the purity of silicon required in the production process.

Compared to our silicon consumption, the need for other materials is subordinate. These other substances are auxiliary materials. We are working on improving the production steps with the aim of reducing the specific consumption of auxiliary materials. The specific reduction is generally achieved through recycling (for example, reductions in polishing agents and cleaning baths).

Management of energy

Importance of energy for Siltronic

GRI 302-1

A substantial part of the transformation process of the purchased silicon into a wafer takes place at high temperatures and in air-conditioned clean rooms. As this requires a lot of energy, wafer production is energy-intensive. In 2023, energy consumption totaled around 792 GWh, an increase of 2.0 percent compared to the previous year. Electricity is by far the most important source of energy.

Energy consumption

in GWh	2015	2021	2022	2023
Electricity	573.5	648.9	666.1	680.9
Steam, heat	72.3	70.9	65.1	63.3
Natural gas	40.3	48.6	44.3	46.6
Fuel oil	10.4	0.7	0.9	1.4
Total	**696.5**	**769.1**	**776.4**	**792.1**

Rising electricity costs at our production sites have a negative financial impact on us. Taxes or levies relating to greenhouse gases are an important driver of rising electricity costs. Electricity costs are not one of Siltronic's three largest cost items.

The ratio of sales according to the consolidated financial statements to energy consumption is as follows: On average in 2023, sales of EUR 1.0 million was accompanied by energy consumption of 523 MWh (previous year: 430 MWh). When comparing the ratio over time, it should firstly be noted that sales is subject to considerable exchange rate fluctuations. Siltronic reports in EUR, but the invoicing currency is predominantly USD. The change in the EUR/USD exchange rate only affects sales, not energy consumption. Secondly, a large part of the production of wafers takes place in clean rooms, whose energy consumption does not correlate with the quantity produced for physical reasons. Thirdly, when making annual comparisons, it should be borne in mind that products which have not yet been sold have an impact on energy consumption, but not on sales. Inversely, if products manufactured in the subsequent period are sold – in this case – no energy is required, but sales are fully generated. Such effects can balance each other out or add up. In the reporting year, energy was also required for test runs of systems in the new fab in Singapore, which did not generate any sales.

The company-wide energy management system at the Burghausen, Freiberg and Munich sites is certified in accordance with the ISO 50001:2018 standard.

Measures to reduce energy intensity

GRI 302-4

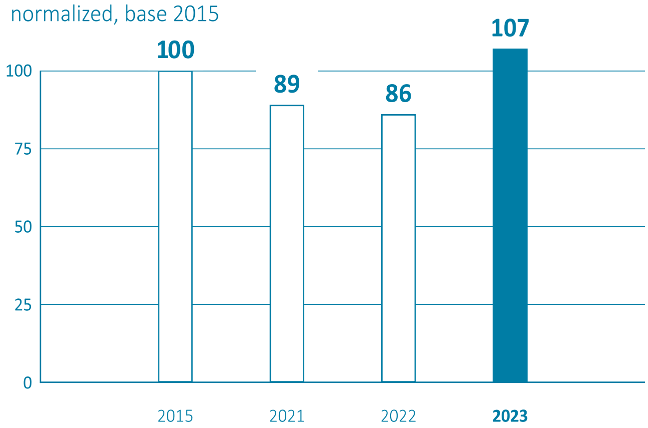
Siltronic uses non-financial performance indicator for energy management. The non-financial performance indicator "efficiency of energy use" relates energy consumption to production volume, which in Siltronic's case is the wafer area.

The non-financial performance indicator is regularly reported to the Executive Board and targets are set annually. Siltronic has set itself the strategic energy target of achieving an average reduction in specific energy consumption of 1.5 percent per year (base year 2015). From this, we derive absolute energy saving targets in MWh for the individual sites and absolute targets for the production areas based on the planned production volume.

To reduce energy intensity, projects are initiated and implemented to reduce specific energy consumption. In recent years, sustainable reductions have been achieved in particular through improvement projects in the areas of lighting, adjustment of cooling water requirements and optimization of production processes.

Energy consumption (per wafer area, specific)

normalized, base 2015



In 2023, numerous measures were conducted to increasie energy efficiency. In total, the measures correspond to a sustainable reduction in energy consumption of 10.9 GWh annually (previous year: 16.9 GWh) and an equivalent value of around EUR 1.6 million (previous year: EUR 2.7 million) or 3,095 tons of CO_2eq (previous year: 4,858 tons). The annual target of an average reduction in energy intensity of 1.5 percent was not achieved in 2023 due to reduced production capacity utilization and test runs of systems in the new fab in Singapore.

Electricity from renewable energies

In 2023, the share of renewable energies in our total energy consumption amounted to 24 percent measured according to the requirements of the Greenhouse Gas Protocol. If the stricter criteria of RE100 are applied, according to which the share of green electricity shown in standard supply contracts may only be taken into account if it is additionally documented by green electricity certificates, the share of renewable energy amounted to 5.3 percent in the reporting year. RE100 is a global corporate initiative that promotes the exclusive use of renewable energy.

Electricity from renewable energies was procured for 2023 via uncommitted green electricity certificates (certificates of origin or renewable energy certificates from plants less than six years old at the Burghausen, Freiberg and Portland sites). In the 2023 financial year, Siltronic also concluded negotiations on a power purchase agreement (PPA) for the supply of electricity from renewable energy, including the associated guarantees of origin for the Burghausen and Freiberg sites. According to this agreement the supply of electricity from renewable energy sources is expected to amount 60 gigawatt hours per year in the years 2024 to 2033. In the future, further PPAs are to be concluded to achieve the CO_2 reduction targets by 2030 and existing contracts are to be switched to green electricity tariffs. We will also increase the proportion of green electricity we generate ourselves.

As part of its membership of RE100, Siltronic has committed to gradually increasing the proportion of renewable energies to 60 percent by 2030 and to 100 percent by 2045.

Emission of greenhouse gases and Climate Action plan of Siltronic

Scope 1, 2 and 3 emissions

GRI 2-4, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-5

The Group-wide CO_2 balance sheet is a key element for improving climate protection, because energy consumption has an almost direct impact on greenhouse gas emissions unless the energy is generated from renewable sources.

In addition to the direct greenhouse gas emissions according to Scope 1, we also determine the indirect emissions from the purchase of energy according to Scope 2, as well as the emissions in the value chain according to Scope 3. We report the greenhouse gas emissions determined annually as part of the CDP assessment.

Greenhouse gas emissions (in t CO_2 equivalents)

Indicator (in t CO_2 eq.)	2021	2022	2023
GHG Scope 1	13,413	10,441	11,584
GHG Scope 2 (location based emissions)	252,205	244,060	260,942
GHG Scope 2 (market based emissions)	312,557	263,537	243,390
GHG Scope 3.U (upstream emissions)	1,430,525	1,212,261	1,759,241
GHG Scope 3.D (downstream emissions)	1,226,653	1,386,102	1,927,176

The reporting methodology is in line with the GHG Protocol reporting guidelines for Scope 1 and 2 as well as Scope 3. We use the latest emission factors from the IEA, DEFRA and the IPCC report to calculate greenhouse gas emissions.

Scope 1: Direct greenhouse gas emissions at the sites are mainly caused by the stationary combustion of natural gas and diesel as well as the use of climate-relevant gases as coolants. In 2023, direct emissions increased by 11 percent to 11,583 t CO_2 eq. Proportionately, CO_2 emissions from combustion processes rose by 7 percent and CO_2 emissions from other climate-relevant gases by 27 percent. The increase in Scope 1 emissions is due to maintenance work. We are continuously working on more effective utilization and substitution with gases with a lower greenhouse effect.

Scope 2: Indirect emissions arise from the generation and provision of energy (electricity, heat) by our energy suppliers. The location-based approach means that the emissions are based on the factors of the respective country. In the market-based approach, the factors are based on those of our energy suppliers.

The Scope 2 market-based emissions for previous years differ from the published figures due to a subsequent correction of the previous year's calculation.

Scope 2 emissions market-based amounted to 243,390 tons of CO_2 eq in the reporting year and were reduced by 8 percent compared to the previous year.

Scope 3: These emissions were determined for all relevant categories of the GHG Protocol for the year 2023, whereby hybrid approaches, average data methods and expenditure-based as well as supplier- and customer-specific methods were used for the individual categories. Simplifying assumptions are also used for non-material categories. We use currently available data for the calculation (in some cases this relates to the previous year). The quantitative data is subject to a high degree of uncertainty due to the nature of the process. Categories 3.13, 3.14 and 3.15 were categorized as not relevant.

Material Scope 3 categories for Siltronic

In Scope 3, categories 3.1, 3.2, 3.10 and 3.11 are relevant for us. The other upstream and downstream categories together account for less than 10 percent of total Scope 3 emissions.

The ratio of sales to the sum of greenhouse gas emissions from Scope 1, Scope 2, Scope 3 upstream and Scope 3 downstream is as follows. On average in 2023, sales of EUR 1.0 million were accompanied by 2,604 tons of CO_2 eq (previous year: 1,591 tons of CO_2 eq); in relation to Scope 1 and 2, this resulted in 168 tons of CO_2 per EUR 1.0 million of sales (previous year: 152).

Sales-related CO_2 intensities

CO_2-Intensity (t CO_2eq/EUR mio.sales)	2021	2022	2023
CO_2 Scope 1–2 Intensity (t CO_2eq/EUR mio. sales)	232	152	168
CO_2 Scope 1-3 Intensity (t CO_2eq/EUR mio. sales)	2123	1591	2604

Development of greenhouse gas emissions in the reporting year

GRI 305-5

Our internal activities to reduce these emissions focus on increasing the efficiency of energy use (Lever 1) and are supplemented by the purchase of electricity from renewable energy sources via market instruments such as green electricity certificates with guarantees of origin (Lever 3). Additional voluntary compensation mechanisms were not used in 2023. In 2023, projects for self-generation of renewable energy were planned and construction work started (lever 2).

Lever 1 – Energy efficiency: In 2023, we were able to implement savings projects with a sustainable reduction in energy consumption of 10.9 GWh (previous year: 16.9 GWh). These measures thus contribute to a sustainable reduction of 3,095 tons of CO_2 eq (previous year: 4,858 tons of CO_2 eq).

Lever 2 – Own generation of renewable energy: In the reporting year, work began on the construction of a photovoltaic system at the plant in Portland, with commissioning planned for 2024. The planned annual yield is 1.5 GWh.

Lever 3 – Purchasing of renewable energy: The Portland site purchased wind energy certificates totaling 2,271 MWh (previous year: 2,053 MWh). In December 2023, guarantees of origin from young wind and hydropower plants were purchased for the Burghausen and Freiberg sites for a total of 40,000 MWh of electricity for 2023 (previous year: 20,000 MWh). This corresponds to a total share of 6.2 percent of electricity consumption (previous year: 3.3 percent).

This enabled us to reduce our CO_2 emissions (Scope 1 and 2, market-based) per wafer area produced by 4.4 percent annually compared to the base year 2021. Since 2021, we have reduced the absolute amount of CO_2 emissions by a total of 21.8 percent (annual average 10.9 percent) or a total of 70,996 tons of CO_2 eq.

To further reduce our Scope 3 emissions, we motivate and support our employees to travel to work as safely and environmentally friendly as possible. To this end, Siltronic supports employees financially with a bicycle leasing program and operates shuttle buses for employees at the Burghausen site. At the Portland site, we provide our employees with subsidies for public transport tickets and in Singapore, Siltronic offers shuttle buses from the plant to various regions.

Climate Action Plan of Siltronic

In 2023, the Executive Board of Siltronic AG updated Siltronic's climate targets and informed the Supervisory Board accordingly.

Siltronic continues to aim for "net zero" for its greenhouse gas emissions caused directly (Scope 1) and indirectly through the purchase of energy (Scope 2) by 2045 at the latest. To achieve this, these emissions are to be reduced to almost zero by 2045. Once the potential for reducing Scope 1 and 2 emissions has been largely exhausted, other measures should be considered (e.g. savings elsewhere, removal from the atmosphere) in order to achieve our net zero target.

Despite planned growth and the associated significant increase in energy consumption, greenhouse gas emissions are to be reduced by 42 percent by 2030 compared to the base year 2021.

With regard to the Scope 3 emissions caused in the value chain, Siltronic's goal is for 80 percent of our key suppliers to have set themselves ambitious climate targets by 2030 and for us to report annually on their achievement. This covers more than 50 percent of the purchasing volume. With this target, we are focussing on the part of Scope 3 emissions that we can best influence.

With these targets, Siltronic is making a contribution to the climate agreement adopted in Paris in 2015 to limit global warming to a maximum of 1.5 degrees Celsius: The target of 1.5 degrees is the central reference point for Siltronic with regard to the depth of reduction of emissions according to Scope 1 and 2 for the target years 2030 and 2045. To this end, the CO_2 intensity, measured by CO_2 emissions in relation to sales, is to fall by an average of at least 5.0 percent per year between 2021 and 2030.

To achieve the updated climate targets, Siltronic has committed to gradually increasing the proportion of renewable energy to 60 percent by 2030 and to 100 percent by 2045. To underpin our commitment to renewable energy, Siltronic joined the RE100 initiative in November 2023. RE100 is a global corporate initiative that promotes the exclusive use of renewable energy. With this membership, we want to contribute to removing one of the biggest obstacles to global decarbonisation: the insufficient amount of green electricity available in many energy markets.

Overall, Siltronic plans to achieve the above-mentioned climate targets for its Scope 1 and 2 emissions through the following measures:

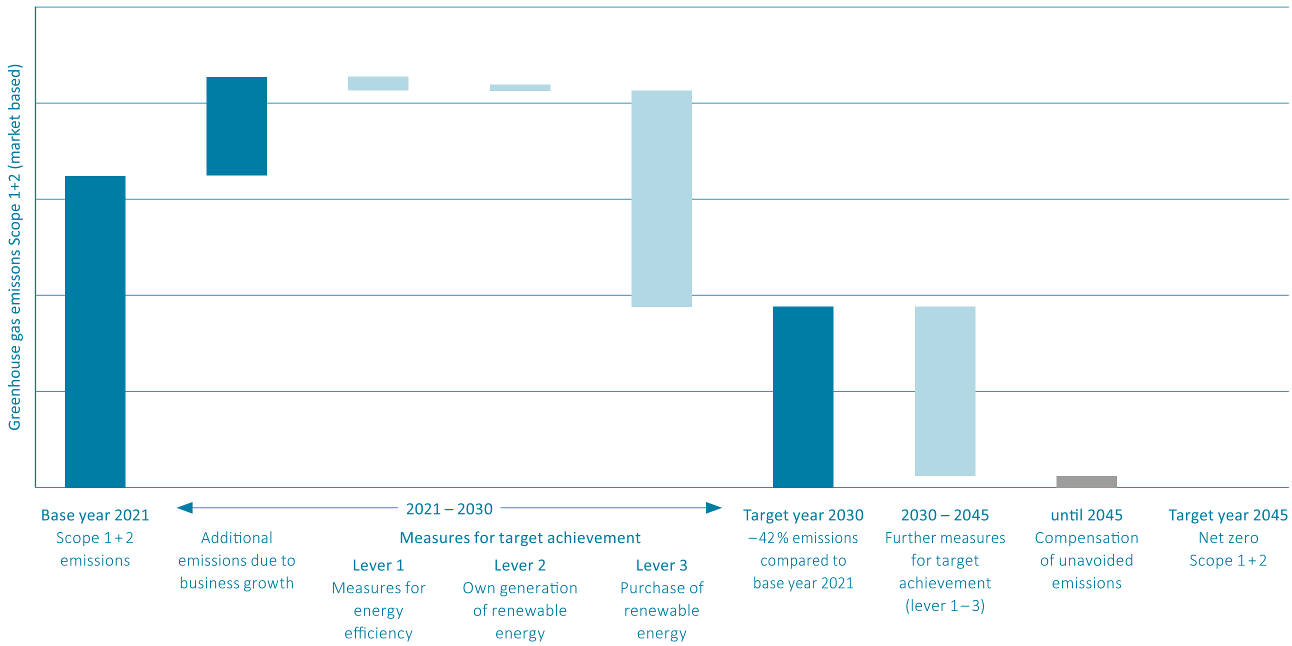
- Lever 1 Increasing energy efficiency: Less than 5 percent of the necessary savings in greenhouse gas emissions in 2030 are to be achieved by increasing energy efficiency and reducing energy intensity, for example through optimised production processes or the use of more efficient equipment.
- Lever 2 Own generation of renewable energies: We are planning to generate our own electricity from renewable energies on a small scale. It should contribute around one percent to achieving the targets in 2030.
- Lever 3 Promotion of projects and purchasing of electricity from renewable energy sources: The purchase of electricity from renewable energy via market instruments such as green electricity certificates with guarantees of origin or via power purchase agreements (PPAs) for the supply of electricity from renewable energy should contribute to a share of around 95 percent of the reduction in CO_2 emissions in 2030.

Our new Climate Action Plan has a target for CO_2 intensity per million euros in sales. The intensity is to be reduced by at least 5.0 percent on average. For 2023, this resulted in an upper limit of 208.7 tons of CO_2 eq per million euros in sales. With a result of 168.4 tons of CO_2 eq per million euros in sales, the target was clearly exceeded.

Achieving the targets for reducing Scope 1 and 2 emissions and increasing the share of electricity from renewable energy by 2030 and 2045 is subject to the proviso that the non-financial performance indicator conditions regarding the availability of renewable energy for our site in Singapore improve significantly by 2030 and beyond.

The following diagram shows the magnitude of the decarbonization levers that Siltronic intends to use to achieve its reduction targets for Scope 1 and 2 emissions by 2030.

Climate Action Plan



Extraction of CO_2 from the ambient air or through reforestation projects will not initially be used at Siltronic. From 2045 at the latest, when the potential for reducing Scope 1 and 2 emissions has been largely exhausted, these measures will be considered in order to achieve our net-zero target.

The implementation of the Climate Action Plan in the reporting year consisted of consciously purchasing significant amounts of electricity from energy suppliers, which is associated with lower CO_2 emissions. We also invested EUR 3.1 million in projects to increase energy efficiency in the reporting year.

The cost of realizing the Climate Action Plan depends on two factors. Firstly, the speed with which electricity from renewable energy sources will be available for our production sites in the coming years is a decisive factor. Secondly, the future price of eligible green electricity certificates is significant. We do not expect this to have a significant negative impact in either the short or medium term. As we do not see any negative impact on our business model, we also do not consider the long-term effects to be material (no assets or products with a "locked-in" effect).

Other climate-related information

In our estimation, included greenhouse gas emissions in connection with the most important assets and products are not material for Siltronic.

In 2021, Siltronic had set targets in line with the requirements of the Science Based Target Initiative (SBTi), which, however, changed its criteria for the purchase of renewable energy in the second quarter of 2023. In light of the updated requirements, we felt compelled to discontinue the plan to submit the SBTi targets. The SBTi criteria remain an important guide for Siltronic.

We apply an internal pricing system for CO_2, which we use for an initial assessment of climate-relevant measures. The internal CO_2 price is used as a shadow price with no influence on economic results.

Management of water

Importance of Water for Siltronic

GRI 303-1, GRI 303-3, GRI 303-5

We carry out an annual assessment of our production sites with regard to water risks, in which physical, legal and reputational risks are evaluated. The most important elements in the assessment are the WWF water risk filter, analyses by CDP, the assessment of insurance experts and a differentiation of water catchment area and production. The physical risks are based on the aspects of water shortage and water quality. Our risk analysis for the production sites resulted in an overall medium risk rating.

Water risk assessment per site	Burghausen	Freiberg	Portland	Singapore
Physical	medium	medium	medium	medium
Legal	medium	low	very low	very low
Reputation	very low	very low	very low	very low
Total risk	**medium**	**medium**	**medium**	**medium**

As the risk rating is not low and the use of water in the production of wafers is very important, one of the six most important non-financial performance indicators relates to water requirements. There are two reasons for the high importance of water in wafer production. Firstly, water is used for cooling and secondly for the production of wafers.

We use cooling water in our production facilities as flow-through coolers or evaporative coolers. For both types, appropriate safety concepts ensure that the cooling water subsequently discharged is not contaminated. In the reporting year, demand amounted to 16.1 million m³. As cooling water is not exposed to contamination, unlike in the production areas, Siltronic assigns considerably greater importance to the water used in the production processes.

The demand for the production of wafers and wafer material amounted to 6.4 million m³ in 2023 (previous year: 6.6 million m³). The majority of this water is used in cleaning steps and concerns ultrapure water of the highest quality. Water of such purity is necessary to meet the extreme requirements for the purity of wafer surfaces. In 2023, we used around 5.5 million m³ (previous year: 6.0 million m³) of ultrapure water.

The total amount of water used for production per EUR 1.0 million in sales amounted to 4,208 m³ in the reporting year (previous year: 3,666 m³).

Water does not currently represent a significant financial risk for Siltronic. The costs for water, including infrastructure and treatment, only make up a very small part of production costs. Even a significant increase in the cost of water in the medium or long term - which we do not expect - would not represent a significant financial risk.

Measures to reduce water intensity

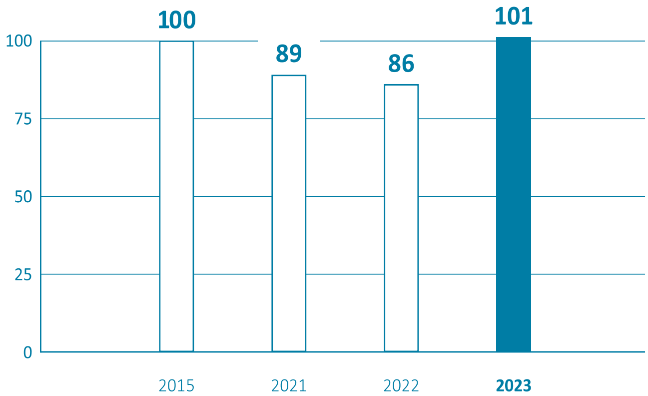
GRI 303-1

Due to the quantitative requirements in connection with the risk assessment, we pay attention to the careful use of water. The relevant non-financial performance indicator for water intensity relates the amount of water used in production to the wafer area. The indicator is linked to the goal of achieving an average improvement of 1.5 percent per year. The base year is 2015 (statutory targets are not relevant for us).

The target of 88.6 defined for 2023 was not achieved with a result of 100.6.

Water usage for production (specific)

normalized, base 2015



Water intensity in the production areas increased significantly in 2023 compared to the previous year. The increase is due to lower production capacity utilization and the water required for test runs at our new fab in Singapore.

The decline in water intensity from the base year 2015 to 2022 was driven by projects to optimize water use and increasing capacity utilization. Our strategy for the careful use of water is based on optimization projects. This also includes reusing water used in a production process for other manufacturing processes. We are equipping the new fab in Singapore with state-of-the-art water systems.

Recycling of water and wastewater

GRI 303-1, GRI 303-2, GRI 303-4

In the 2023 reporting year, water with a volume of 2.5 million m³ was reused or recycled by feeding it from one process to another (previous year: 2.7 million m³). The Group-wide water recycling rate in 2023 was 28.1 percent (previous year: 28.6 percent).

Water recycling ratio

in % of water volume used	2015	2021	2022	2023
Water recycling ratio	25.5	27.6	28.6	28.1

In 2023, we discharged a total of 6.3 million m³ (previous year: 6.5 million m³) process wastewater in external wastewater treatment plants. Operational wastewater does not include cooling water.

We monitor chemical oxygen demand (COD) as a relevant wastewater parameter. In the reporting year 2023, the COD value totaled 657 metric tons. Compared to the base year 2015, this corresponds to an increase of 2.5 percent.

Wastewater parameters

	2015	2021	2022	**2023**
Indirect discharge in million m³	7.7	6.5	6.5	6.3
COD total in t.	641.4	725.2	703.2	657.1

Management of waste

Reuse of product packaging

GRI 306-2

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 packaging system consists of the reusable product packaging FOSB (Front Opening Shipping Box), in which wafers are placed, and the reusable transport container Hybox. One Hybox can hold twelve FOSBs. As the FOSB and Hybox have an influence on the customer's production process, the customer must agree to the use of this reusable system.

Hybox reusable transport containers - In 2023, 93 percent of our 300 mm wafers were shipped to our customers in Hyboxes. The reusable concept enabled us to avoid 1,793 tons of waste from disposable packaging in the reporting year (previous year: 2,183 tons).

Reusable product packaging FOSB - We are committed to increasing the proportion of wafer deliveries in FOSB. In 2023, we exceeded our target of a reuse rate of at least 44 percent with a result of 46.2 percent. As this product packaging is also used in cleanrooms, the quality requirements for reuse are very high.

Waste recycling and waste disposal

GRI 306-4, GRI 306-5

We categorize waste according to treatment methods and hazardousness, with particular emphasis on the disposal of hazardous waste. The disposal routes and the classification of waste into the categories "hazardous" and "non-hazardous" are based on local statutory or quasi-statutory regulations.

Waste recycling ratio

in % of waste volume	2015	2021	2022	**2023**
Recycling ratio	63.8	72.4	70.7	71.2

in t	Non-hazardous	Hazardous	**Total**
Recycling	6,624	5,174	11,799
Disposal	497	4,276	4,773
Total	**7,121**	**9,450**	**16,572**

The strategic goal of increasing the waste recycling rate by 1.5 percent in 2023 was not achieved due to the new fab in Singapore. Since the base year 2015, the recycling rate has increased by 12 percent with a slight reduction in waste intensity.

We do not expect reportable financial impacts due to significant risks and opportunities arising from effects in connection with resource use and the circular economy.

Environmental pollution, biodiversity and ecosystems

GRI 305-7

In regards to environmental pollution, we classify emissions into the air and nitrogen oxides as the most important issue, after the aforementioned waste. We have planned and implemented projects to reduce these emissions.

NO_x emissions amounted to 67 tons in 2023 (previous year: 78 tons). Compared to the previous year, NO_x emissions were reduced by 14 percent. To minimize our NO_x emissions, we use suitable extraction and scrubber systems at all locations.

NMVOCs and dust were not classified as relevant environmental aspect but will be continuously monitored internally. In 2023, we emitted 48 tons of NMVOCs and 2.1 tons of dust.

Air emissions in t	2015	2021	2022	**2023**
NO_x	77	92	78	67
NMVOC	38	58	54	48
Dust	**1.5**	**2.2**	**2.3**	**2.1**

We operate four very compact production sites located in industrial areas. We do not expect any significant impact on our business model with view to biodiversity and ecosystems.

Our customers, the chip manufacturers, have a very high demand for water and electricity. If our customers operate large plants in areas with a water risk or in locations with a risky energy infrastructure, public supply systems can be put under considerable strain. However, the need for water and electricity is not a consequence of our product or our deliveries, but of the production process on the customer side. Siltronic does not have a customer profile that is particularly exposed to customers with a significantly above-average water risk or with a risky energy infrastructure.

Our subsidiary Siltronic Corp. site in Portland is located in an area that has been used for industrial purposes for around 100 years. Due to recognized contamination in the area, authorities imposed requirements for the monitoring and removal of environmental pollution many years ago. The existing environmental pollution was not caused by Siltronic, but by previous owners and neighbors of the property. Siltronic Corp. is involved because the Company is liable for environmental damage as the owner of the property. In order to fully comply with these requirements, an employee has been appointed who is solely responsible for the coordination and management of Siltronic Corp.'s environmental measures. These measures ensures that the necessary agreements are made with the authorities, formalities are fulfilled, qualified service providers are commissioned, and remediation is coordinated. The relevant developments do not deviate significantly from our expectations. We are also in contact with neighboring companies and other parties that have to fulfill the same or similar requirements in the relevant area. Siltronic Corp. had concluded policies with several insurance companies covering environmental risks. Based on the policies, two insurance companies paid a total of EUR 45 million to Siltronic Corp. in 2019. The company uses this to finance outstanding costs in connection with local environmental pollution. There are also claims against other insurance companies. We assume that the insurance coverage is sufficient for future costs.

Further environmental protection measures and annual assessment of environmental aspects

Investments in environmental improvement measures amounted to EUR 31.1 million in the 2023 reporting year (previous year: EUR 33.1 million). We allocate these investments to the environmental aspects. Air accounted for EUR 15.5 million (previous year: EUR 14.8 million), waste for EUR 0.7 million (previous year: EUR 0.2 million), water for EUR 11.6 million (previous year: EUR 15.7 million) and climate protection for EUR 3.1 million (previous year: EUR 2.4 million).

An energy monitoring system was put into operation at the Burghausen site in the reporting year. In Freiberg, a project has been initiated to evaluate a new process for treating waste gases.

We evaluate our environmental aspects annually using an ABC analysis and set targets and improvement programs for the relevant aspects at site level. We have identified the following relevant environmental aspects for the 2023 reporting year Energy - electricity consumption; Water - water withdrawal; Air - emission of NO_x; Soil - amount of waste and soil contamination.

Personnel aspects

Sustainable Development Goals 3, 4, 5, 8, 10 UN Global Compact principles 1, 2, 3, 4, 5, 6, 10
Responsible Business Alliance (RBA) Code of Conduct Topic A, B

Headcount and personnel planning strategy

Statistical information on employees

GRI 2-7, GRI 401-1, GRI 405-1

As at 31 December 2023, the Siltronic Group had 4,455 employees (previous year: 4,488), whose breakdown by country is shown below. (The average number of employees stated in the notes to the consolidated financial statements was calculated according to the same principles).

Number of employees (headcount) on the balance sheet date

	Men	Women	Total	Share of total
Germany	**2,112**	**553**	**2,665**	**60%**
of which on permanent contracts	1,911	494	2,405	
of which on temporary contracts	201	59	260	
Singapore	**1,001**	**358**	**1,359**	**31%**
of which on permanent contracts	997	356	1,353	
of which on temporary contracts	4	2	6	
USA	**264**	**112**	**376**	**8%**
of which on permanent contracts	264	112	376	
of which on temporary contracts	–	–	–	
Other countries	37	18	55	1%
Employees in the Group	**3,414**	**1,041**	**4,455**	**100%**

3,907 employees (previous year: 4,063) worked full-time and 548 part-time (previous year: 425). Of the part-time employees, 45 percent were women and 90 percent of the part-time employees were on permanent contracts. The part-time employees were almost exclusively employed in Germany. Zero-hour contracts or comparable regulations do not play a role at Siltronic.

In the reporting year, 444 employees were hired, of which 141 were in Germany and 303 abroad. The hires corresponded to 10 percent of the annual average workforce. In the same period, around 6 percent of employees resigned and Siltronic gave notice to around one percent of employees. There was no significant seasonality in the number of redundancies.

At the end of 2023, the average age of the workforce was around 43 years. The following table shows the age structure of Siltronic employees worldwide.

	Male	Female	Total
Up to 29 years of age	11%	4%	15%
30 to 50 years of age	40%	13%	53%
Over 50 years of age	25%	7%	32%
Total	**76%**	**24%**	**100%**

Importance of temporary employees

GRI 2-8

As the semiconductor industry has historically experienced pronounced upswings and downswings and we have to cope with such changes, we pursue a flexible strategy in our personnel planning. This strategy includes covering a certain proportion of production staff in Germany with temporary workers; this also protects the core workforce. If there are production peaks due to a pronounced upswing, temporary workers are deployed (this means that temporary workers at Siltronic are mainly employed in production). Conversely, if a downturn necessitates savings in personnel expenses after reducing overtime and flexitime, we first reduce the number of temporary workers. If this is not sufficient, the next step is not to extend fixed-term employment contracts. In the third step, we will examine the introduction of short-time working in those areas that are particularly affected by a downturn.

In order to react in timely manner to significant changes of the order situation, the personnel requirements resulting from incoming orders are continuously compared with the current and future headcount. Planned measures to significantly increase or reduce the number of employees are discussed by representatives of the employer and employees in a structured process. The last time short-time working had to be utilised was in 2012.

As at 31 December 2023, 234 temporary employees (headcount) were working at Siltronic (previous year: 320), 165 of whom were men and 69 women (previous year: 216 and 104 respectively). The temporary employees are provided by temporary employment agencies. The majority of temporary employees at Siltronic work in production in Germany. The number of temporary employees was reduced in the reporting year due to capacity utilisation.

Temporary workers are the only significant group of non-employees and only in Germany is the number of temporary workers significant for Siltronic. We pay at least the wage in accordance with the collective agreement on industry surcharges for temporary workers in the chemical industry. In addition, there are workplace, shift and other voluntary bonuses, which can vary depending on the company and location. In addition, Siltronic fulfils the requirements for equal pay in accordance with the German Temporary Employment Act. Like the employees of Siltronic AG at sites in Germany, the temporary workers employed at these sites also received a profit-sharing bonus in 2023 for their contribution to the company's success in 2022.

Provision of appropriate remuneration and social insurance for employees

GRI 2-30, GRI 401-2

In order to attract new employees and retain existing ones, both of whom we need for a successful future, we must offer remuneration in line with the market. We believe that employees in the Group receive appropriate remuneration. This assessment is based on relevant reference values.

99 percent of employment relationships with employees relate to locations in Germany, Singapore and the USA. These are modern industrial nations with a functioning labor market and modern labor laws that are enforced by the state. The remaining one percent of employees work in sales offices in major modern cities in South Korea, Taiwan, Japan and mainland China. Our employees there all have qualified training and we pay them appropriately.

Our workforce has always been strongly unionized, particularly in Germany. As employees are not obliged to disclose their union membership and it is not permitted for the employer to ask, we do not know the number of union members. Irrespective of union membership, all employees in Germany are represented by elected works councils.

As Siltronic is bound by collective bargaining agreements in Germany, employees are treated as if the respective collective bargaining agreement applied, regardless of their membership in a trade union. The procedure ensures that employees at the German sites are remunerated appropriately.

All Siltronic employees in Germany are covered by a collective bargaining agreement (around 79 percent of employees are covered by collective bargaining agreements and around 21 percent receive remuneration above the collectively agreed level). At Siltronic in Singapore and Portland, there is no collective bargaining coverage. Including temporary employees, 65 percent of employees in the Group are covered by collective agreements.

In addition to fixed remuneration, all employees receive variable remuneration if defined financial KPIs are achieved. The variable remuneration in Germany is the result of a social dialog with employee representatives.

In line with the Responsible Business Alliance industry initiative, we apply regulations on working hours and recruitment fees that go well beyond the legal standard in Singapore. We are committed to covering all expenses incurred in hiring foreign workers. This includes, in particular, costs for travel, medical examinations, visas and other official travel documents.

All Siltronic employees were entitled to social security in the reporting year and in the previous year.

Education and training

GRI 404-2

Competent employees keep Siltronic innovative and competitive. We encourage our workforce to be lifelong learners and to remain flexible to change, because we believe that we all need to adapt to longer working lives in order to cope with demographic change. We offer extensive opportunities for further development so that our employees can make the most of their potential. The training measures relate to personal, management, social and professional skills. For new employees, Siltronic AG offers a structured onboarding process for specific target groups as well as onboarding seminars to familiarize them with the Company and its corporate culture.

All employees and their managers discuss development measures at least once a year as part of employee appraisals (for the breakdown of employees by gender, please refer to the information under "Statistical information on employees"). This applies to every level of employee and every location.

The training offers range from management seminars in the production area to modular project management courses lasting several days. In addition to the Code of Conduct, employees must complete selected mandatory training courses depending on their role.

In 2023, training courses were held with a total of 4,886 participants for a total of 63,287 hours, divided into 56,272 hours for mandatory training and a further 7,015 hours for further training measures. On average, each employee took part in 13 hours of training. Of all training participants, 76.6 percent were men and 23.4 percent were women. Over 1,198 employees from our partner companies took part in the training courses offered or made mandatory in 2023.

Annual feedback meetings with employees

GRI 401-1

We have implemented formalized individual performance reviews in which the employee receives feedback from the manager on how the employee's development is viewed and how their skills and potential are assessed. Another area of the appraisal interview concerns the employee's feedback to the manager. This feedback is important in order to identify possible broad concerns among employees and to gain a broad opinion on important topics (for example, organizational measures, strategic decisions or the provision of information to the workforce).

To ensure the sustainability of our success, we have a process in place for many years to promote high-potential candidates. In an annual performance cycle, all non-tariff employees and senior managers are discussed according to uniform criteria in internal and cross-divisional conferences. At the subsequent Siltronic conference, all potentials are presented to the Executive Board in order to initiate individual development paths. On this basis, specific development measures are discussed in an annual meeting between employees and managers. In this way, we aim to fill challenging positions with internal candidates in the medium and long term. Individual development paths also promote employee loyalty to Siltronic.

Behavior and communication between employees and the Company

Behavior towards one another, leadership as a role model and compliance with local laws are set out in Siltronic's Code of Conduct, which applies throughout the Group. The Code of Conduct is publicly available on the Internet.

Siltronic regularly informs its employees about current developments that could have an impact on the course of business. Employees receive timely and comprehensive information on significant operational changes. In doing so, we comply with the relevant national and international information obligations.

Another form of open communication at Siltronic AG is that employees can submit questions to the company management in advance of employee meetings using a form on the intranet. These questions can also be asked anonymously. Temporary staff can participate in the meetings in the same way as employees. At the quarterly meetings, the Executive Board explains current topics, discusses the corporate strategy and outlines the effects, opportunities and risks. All participants in the works meetings can ask questions and present their views. We consider the meetings to be valuable.

In accordance with the statutory regulations of the ultimate parent company, the Executive Board is monitored and advised by the Supervisory Board. The employees delegate six people to this Supervisory Board. Through the Supervisory Board, employees and trade unions can contribute their views and influence company decisions. Please refer to the report of the Supervisory Board and the Declaration on Corporate Governance for information on the nature, scope and frequency of the Supervisory Board's involvement in the Group's business.

In addition, members of the Executive Board of the top Group company meet with elected employee representatives at least once a quarter outside of Supervisory Board meetings. This also gives the Executive Board an insight into the views of the workforce. At foreign locations without statutory employee representation, employees are appointed to act as contacts for employee concerns. They can contact the local management. Negative effects on the workforce can thus be addressed in order to initiate measures to eliminate them.

In addition to the various feedback channels, we organize regular meetings with selected employees in Singapore, where they have the opportunity to provide feedback on their working environment, personal development, safety, etc.

We consider the exchange of information and cooperation with employee representatives to be constructive and based on trust. This is reflected not least in the fact that there have been no strikes or work stoppages within the Group in the last 20 years.

Diversity

Diversity and equal opportunities

GRI 405-1

Siltronic operates in Europe, the USA and Asia and therefore in an environment of different cultures. Employees from many different nationalities work together on a daily basis in every production company and across all locations.

One focus of our efforts is to utilise the existing diversity of modern society to our advantage. That is why we have appointed a diversity officer at Siltronic AG. The diversity of our workforce with its different skills and talents opens up opportunities for innovative and creative solutions. Diversity includes gender, nationality, ethnic origin, religion and disability.

We also address the issue of diversity at our locations abroad. In Singapore, we have an orientation program for new employees that includes the basic principles of the Code of Conduct with topics such as valuing the diversity of people, honest, respectful and open interaction with colleagues, no discrimination based on gender, ethnic origin, religion, belief, disability, sexual orientation and age. In Portland, a Diversity Officer leads the efforts to ensure equality and integration.

We reject unequal treatment or disparagement based on gender, ethnic origin, religion or belief, skin colour, disability, sexual orientation, age or similar forms of discrimination. These principles apply throughout the Group and are written down in our corporate culture. The strategy for implementing equal opportunities and preventing discrimination consists of implementing reporting systems and training.

In the countries where Siltronic has employees, there are no political commitments regarding inclusion or support measures in favour of groups that would be particularly vulnerable in our workforce.

Employees can report possible discrimination to their line manager, the compliance officer, the works council, the HR department, the ombudsman or via the digital whistleblower system. The content of the complaint is reviewed and the complainant is informed of the outcome. All employees at the German sites are required to attend a training course to familiarize themselves with the General Equal Treatment Act.

In line with equal opportunities, we are in favor of equal pay. Accordingly, we reject any unequal treatment in terms of remuneration based on gender, ethnic origin, religion, etc. In addition to a fixed salary and variable remuneration, remuneration includes various company benefits that go beyond the statutory minimum requirements. These benefits are granted regardless of whether an employee works full-time or part-time.

Share of women and men in management positions

GRI 405-1

Our long-term goal is to improve the diversity of the workforce at Siltronic, including by increasing the proportion of women in management positions.

On the balance sheet date, the Executive Board consisted of one man and one woman. At the first management level below the Executive Board, 30 people were employed across the Group, 90 percent of whom were men and 10 percent women.

At Siltronic AG, the positions in the top two management levels below the Executive Board were held by men and women as follows at the end of 2023

	Men	Women	Total
Employees in the Group at management level	39	6	**45**
In percent	*87*	*13*	***100***
Of which first level below Executive Board	14	2	**16**
In percent	*88*	*13*	***100***
Of which second level below Executive Board	25	4	**29**
In percent	*85*	*15*	***100***

The Declaration on Corporate Governance Report contains additional information on the proportion of women in Germany.

Following the Diversity Charter (2018), Siltronic AG has also signed the IG BCE Equal Opportunities Charter (2019). By signing the charter, we commit to actively implementing and promoting equal opportunities. We foster a corporate culture that is characterized by mutual respect and esteem for each and every individual.

People with disabilities

We support and promote disabled people with disabilities. Line managers, employees, the HR department, representatives for disabled employees with disabilities and the health service work closely together to ensure that employees with health impairments can remain in their jobs or move to a suitable position. In 2023, an average of 171 people with severe disabilities and equivalent persons (2022: 183) were employed in Germany, which corresponds to an employment rate of around 6 percent. For years, Siltronic has employed more people with disabilities in Germany than required by law. As a result, Siltronic did not have to pay of a compensatory levy.

We also work together with workshops. For example, Siltronic obtains packaging from the Ruperti Werkstätten at its Burghausen site.

Further information regarding employees

GRI 2-21, GRI 401-3

The maximum permitted working hours per employee depend on the laws and existing collective and individual agreements applicable in the country of operation. In accordance with our Code of Conduct, we do not tolerate any overruns. In order to achieve a very high level of certainty that working hours are not exceeded, we have implemented automated reports and controls. These are designed to prevent and detect working time violations.

Leave for family reasons includes maternity, paternity and parental leave as well as leave for carers. The right to maternity, paternity and parental leave is an employee right at all locations. Employees in Germany make use of this right. As at December 31, 2023, 21 employees were on parental leave (previous year: 20), of which 17 were women (previous year: 17) and 4 men (previous year: 3). Siltronic AG also supports the workforce in Germany with the costs of childcare with a one-off subsidy. In addition, our employees can apply for family leave up to the childrens' age of eight, which allows up to five days of additional vacation. In the event of illness or the need to care for a relative, we offer support in Germany with leave of absence options or part-time models.

In the 2023 reporting year, employees across the Group were honored for their many years of service to the company of up to 40 years. At the Siltronic AG sites, 47 employees were honored for 40 years of loyalty to Siltronic in the reporting year.

The total remuneration of the highest-paid individual in the reporting year was around EUR 1.6 million. The average remuneration per full-time employee in the Group, excluding the Chairman of the Executive Board, was EUR 84 thousand. A comparison of the average remuneration received by Siltronic employees in Germany, Singapore and the USA, including social security contributions, with the average salary in the respective country, including social security contributions, did not indicate too low remuneration. The average income per country is based on statistics published by the authorities (Federal Statistical Office, Ministry of Labor in Singapore, Bureau of Labor Statistics in the USA). The employees in Germany, Singapore and the USA account for almost all employees in the Group.

Complaint channels

Siltronic has been a participant in the UN Global Compact since 2017. We have made an explicit commitment to comply with the ten principles of the UN Global Compact, six of which relate to social issues: Principle 1 concerns the support of human rights, Principle 2 the exclusion of human rights abuses, Principle 3 the respect for freedom of association, Principle 4 the elimination of all forms of forced labor, Principle 5 the abolition of child labor and Principle 6 the prevention of discrimination.

As a member of the Responsible Business Alliance (RBA), we have made an explicit commitment to uphold the human rights of workers and to treat them with dignity and respect as understood by the international community. This applies to all employees, temporary workers, student workers and other types of workers, including those in the upstream supply chain.

Various channels to address complaints to Siltronic are available to the entire workforce. In addition to direct line managers, these include local HR departments, local compliance officers, an external ombudsman, the publicly accessible digital whistleblower system and, at sites with a works council, the elected employee representatives. The content of complaints is reviewed and the complainant is informed about the outcome. In the Legal & Compliance Policy and the procedures for compliance reports, we have regulated how violations of the law and guidelines are handled throughout the Group. Information on this can be found under the headings "Corporate ethics at Siltronic", "Effect of ethical principles on the organization and processes of Siltronic" and "Combating legal violations".

In the reporting year, one case of discrimination, including harassment, was reported via a local compliance officer. We are not aware of any serious violations in connection with human rights in the reporting year. There were no fines, sanctions or compensation payments due to discrimination, including harassment, or in connection with human rights violations. No complaints were submitted to the OECD either.

Occupational safety, plant safety and health

Importance of occupational safety and evaluation of the accident trend

GRI 2-13, GRI 2-24, GRI 403-9

Responsibility towards the entire workforce in the area of occupational safety plays a major role at Siltronic. This is reflected in preventive measures that cover all entities. The Executive Board receives regular reports on the frequency of accidents, accidents with lost working days and other relevant accidents, including the results of root cause analyses and corrective measures. Special attention is paid to injuries involving chemicals. A permanent target of 0 applies to accidents at work involving chemicals and days lost.

The following table shows the development of the non-financial performance indicators for occupational accidents, which the Executive Board has defined as strategic targets and which are reported on a regular basis.

Working accidents

	2015	2021	2022	**2023**
Injury frequency rate (LTIF) [1]	2.1	4.5	3.8	2.4
Injuries involving chemicals [2] – Number of employees affected	1	2	6	1

[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 2023 were 2.0 for accident frequency and 0 for working accidents involving chemicals and days lost.

We did not achieve our targets for working accidents in the reporting year. There were 19 occupational accidents resulting in days lost, which led to a calculated Lost time injury frequency rate of 2.4 in 2023 compared to 3.8 in 2022. There have been no fatal occupational accidents in recent years in Siltronic's area of responsibility and we are not aware of any fatalities as a result of work-related illnesses.

In 2023, there was one accident at work involving chemicals and days lost. This is a significant decrease compared to six such accidents at work in 2022, but we did not achieve our target of 0 in 2023.

Measures to reduce accidents

GRI 403-1, GRI 403-5

With our comprehensive safety program, we are continuously working on improving the safety of the working environment. This includes, in particular, the appointment of safety officers, safety tours, training, conversations with the operating team and emergency drills. The aim is to recognise and avoid unsafe actions at all sites - whether when operating equipment, handling chemicals, in the fab, in the office or on the way to work. Despite these measures, accidents occur. The occupational health and safety standard ISO 45001 has been defined as a Group-wide standard and certified at our sites. The safety program covers all employees, temporary workers and external parties at production sites.

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

The number of accidents resulting in days lost decreased compared to the previous year, but there was an accumulation of accidents at the German sites. At the request of the CEO, a comprehensive occupational safety campaign was launched and promoted with posters. The campaign included a handrail simulator, accident re-enactments and safety training. As part of a three-week campaign, safety topics were discussed with employees in more than 100 small groups at the German production sites. A "Safety" onboarding module was also introduced to raise awareness of safety issues among new employees.

The "Safety Officer Workshop" implemented at the German sites in 2019 was continued in 2023 with four workshops. The elements of our established Safety Plus program, such as tours, on-site discussions with employees and Total Quality Management rounds at the sites, were also implemented without restrictions.

To help prevent accidents, we have set up a global system to report near-miss incidents. By systematically processing these incidents, we aim to avoid actual accidents at work wherever possible. In 2023, 1,914 near misses (previous year: 1,807) were recorded and analysed. This means that 6 percent more near misses were reported than in 2022.

Plant safety

The safe operation of our production facilities in all regions is a key element of our EHS management system. Despite the utmost care, plant incidents cannot be ruled out.

We have set a target of a maximum of two safety-related plant incidents ("process safety incident" PSI as defined by CEFIC and ICCA). We did not achieve this target with five incidents in 2023 (previous year: 1). No incident was classified as a major accident or reportable in accordance with the Hazardous Incident Ordinance. All incidents were analyzed across all sites and measures were defined.

Through our management of change process, we ensure that all new installations or changes to existing installations comply with safety requirements and that the relevant safety experts are involved. We use systematic safety analyses to identify risks. Among other things, we analyze the impact that possible individual errors can have on a chain of events leading up to an incident or accident and define protective measures.

Further measures for health protection

GRI 403-6

Siltronic supports preventive healthcare programs for our employees. At our German sites, we offer employees health check-ups, participation in the "Fit at Work" prevention program or a health week, as well as flu vaccinations on site.

Siltronic offers flu vaccinations locally in Germany and Portland.

Supply chain

Sustainable Development Goals 7, 8, 9 UN Global Compact Principles 1 – 10; Responsible Business Alliance (RBA) Code of Conduct Topic E

Procurement and supplier management

GRI 2-6, GRI 2-24

In 2023, our purchasing volume was around EUR 1.8 billion (previous year: EUR 1.6 billion). We cooperate with almost 4,000 suppliers worldwide, with 6 percent of our suppliers covering around 90 percent of our purchasing volume. Half of this volume derives from Asia and the other half between Europe and North America. The most relevant suppliers and areas of focus are capital goods, the raw material polysilicon, auxiliary and operating materials and services.

The most important objectives of purchasing are to continuously improve supply costs, increase the quality of deliveries and services, reduce risks in the supply chain, identify alternative suppliers and promote sustainability including social responsibility in the supply chain.

We pay our suppliers in accordance with common regional payment terms. The Code of Conduct prevents unequal treatment of companies of different sizes. In Germany, payment is made on average after around 34 days, in Singapore after around 40 days and in the USA after around 31 days. (The periods are based on analyses that do not include invoices from investment activities). There were no legal proceedings for late payment either in the reporting year or in previous years.

Our impact on sustainability and social responsibility at suppliers

GRI 2-24

Sustainability was the main topic at Siltronic's Supplier Day held in June 2023. In particular, the relevance of climate protection was emphasized in light of Siltronic's plans to reduce the emissions generated in the supply chain in the future.

Siltronic has had a comprehensive supplier management system in place for many years. The system is designed to ensure that suppliers continuously improve in the areas of quality, service, delivery risks and costs and act responsibly in the area of sustainability with regard to working conditions, ethical standards, safety standards and the use of local resources. If necessary, corrective or improvement measures are developed with the suppliers and followed up.

Based on the principles of the UN Global Compact and Responsible Business Alliance initiatives, our Code of Conduct describes our fundamental expectations towards our suppliers regarding respectful treatment of their employees and the environment. This includes the avoidance of forced labor and child labor, maximum weekly working hours, fair wages, responsible treatment of the environment and impeccable business ethics. We oblige our business partners to comply with these in our General Terms and Conditions. We communicate our sustainability and corporate responsibility goals and measures to our suppliers at regular supplier days. Measures to increase sustainable behavior in our supply chain are implemented holistically and globally in close coordination with the Head of Corporate Responsibility.

Since 2019, Siltronic has been a member of the Responsible Business Alliance, the world's largest industry alliance with the aim of further promoting and anchoring social responsibility in global supply chains in a better and more structured way. We have installed a publicly accessible digital whistleblower system that enables people to report violations that have occurred as a result of business activities by Siltronic or a direct supplier. Siltronic's Human Rights Officer is also available to our suppliers' employees as a point of contact for reporting actual or expected violations of human rights. Initial contact can also be made via our local compliance officers. In 2023, no violations in this regard were reported by employees of our contractual partners through our Group.

We are also committed to promoting equality and diversity in our supply chain. Our goal of further increasing procurement from and with diverse companies is communicated on our website. This provides a direct contact and quotation channel for diverse companies to offer their products or services.

Importance of ESG in the evaluation system for suppliers

We continuously evaluate the performance of over 100 suppliers worldwide. These suppliers represent our global procurement volume. We use various rating systems to assess the risk potential and performance of our partners.

In accordance with the rules of our supplier management system, we also regularly carry out comprehensive assessments of the ESG risks of our suppliers. In doing so, we take into account the geographical location, the type of business activity and the volume of business we conduct with suppliers. The risks analyzed are divided into categories: Employment practices, health & safety, environmental aspects, business ethics and the maturity of management systems. In 2023, the ESG risk potential of over 3,800 of our suppliers was assessed in this way.

Based on the results of this risk analysis, we select focus suppliers for a more detailed investigation. In addition to suppliers with a high procurement volume or high risk potential, service providers whose employees work in our global production facilities together with our own staff are particularly important to us. We use the extensive self-assessments of the Responsible Business Alliance to precisely assess the risks of these focus suppliers. By the end of 2023, we will have received and evaluated self-assessments from over 80 percent of our focus suppliers. These cover well over half of our total purchasing volume. On average, our suppliers achieved 83 out of a possible 100 points. We regularly monitor and report on the progress of the evaluation of our supplier portfolio both in the purchasing management circle and at Executive Board level and reflect this against the targets we have set.

In addition to our own risk analyses of our supplier portfolio, we take reports of human rights violations and changes in legislation as an opportunity to specifically examine our supply chain and check compliance. Since 2022, we have analyzed the raw material polysilicon as our most important supply chain. Our aim was to achieve transparency across all stages of polysilicon production and to ensure that none of our subcontractors involved in publicly known human rights violations work for us at any of these stages. We have achieved this as a result of the analysis. We reviewed the results in 2023 with audits at the suppliers. We did not find any evidence of violations.

In 2023, we again conducted ESG audits of our suppliers with our own qualified auditors. We distinguish between dedicated ESG audits based on a full list of criteria and an ESG assessment as part of supplier audits, in which compliance with the most important requirements of our own Code of Conduct and the Responsible Business Alliance Code is checked. In 2023, we conducted five dedicated ESG audits (previous year: five) and carried out ESG assessments as part of 31 supplier audits (previous year: 25). Together with our suppliers we were able to develop and implement numerous measures.

We also draw on the expertise of independent third parties in audits conducted by the Responsible Business Alliance. One such audit was carried out at one of our suppliers in 2023 (previous year: 2). In the event of indications of deviations and deficiencies with regard to the Responsible Business Alliance's Code of Conduct, we follow up with the suppliers and check the implementation of appropriate corrective measures. We also take part in the Responsible Business Alliance's Audit Cooperation Program, in which various customers join forces and initiate joint audits. We were able to include 16 suppliers in the program.

We also attach great importance to our suppliers obtaining certifications that provide external confirmation of the suitability of their management systems, including for social and environmental aspects. These also have a relevant influence on the evaluation of our suppliers. We take into account certificates for standards such as ISO 14001, ISO 45001 and ISO 50001, as well as participation in or membership of the Responsible Business Alliance and comparable industry initiatives and certifications in the area of diversity, such as the Women's Business Enterprise National Council or WEConnect. We conclude contracts with key suppliers in which we agree to obtain and maintain these certificates, enabling us to analyze the compliance of our supplier portfolio with the standards in our supplier portal at any time.

Sustainability in relation to customers

GRI 2-6

In addition to memory chips and processors, the majority of our customers are involved in the field of electricity control. These customers are either directly involved in the development and commercialization of sustainable products (electric cars, wind turbines) or they want to actively save electricity in industrial production, for example. This is at the level of end applications.

At the same time, technical progress and innovation are very important in Siltronic's interaction with many customers, as this progress is faster in the semiconductor industry than in many other industries. The technical progress made of semiconductor manufacturers is reflected, among other things, in the shortening of conductor paths. Shorter conductor paths require further development of wafers, as wafers are transformed into chips. Further details are explained in the section on Characteristics of our product.

In addition to our Code of Conduct, our voluntary commitments (United Nations Global Compact Initiative, Diversity Charter and Equality Charter, Responsible Business Alliance, Electronics Industry Code of Conduct, RE100), the Legal & Compliance Policy, the Code of Procedure for Compliance Notifications, the Conflict Minerals Procedure and the Know Your Business Partner process, customer audits and cooperation in CDP assessments also play an important role with regard to customer and social aspects. The Head of Corporate Responsibility, who is also Siltronic's Human Rights Officer, participates in the assessments by our customers.

Our major customers assess ESG aspects as part of customer audits. In annual supplier evaluations by our customers, we were recognized several times in 2023 for outstanding performance in the area of sustainability.

Our customers are increasingly focussing on improving the sustainability performance of their suppliers. We are working together with eight major customers as part of the CDP assessments for climate change and water security. We are participating in multi-year sustainability programs with two customers.

Based on the requirements of the Responsible Business Alliance, we share and, if necessary, discuss the results of the self-assessments and external audits carried out with our customers. If weaknesses are identified during audits, measures are taken to rectify them.

Irrespective of audits, the sales department usually exchanges information with each customer several times. The discussions are not limited to specific topics. Key topics relating to environmental information, social information and corporate governance can be addressed. For customers with a development partnership, an exchange in the area of R&D takes place.

Labor in the value chain

In our opinion, disregarding the views of the labor force in the value chain is not a significant risk area in our value chain.

This assessment is in line with the knowledge we have gained in recent years through the Responsible Business Alliance (RBA), audits and complaints channels. We have therefore not set up a procedure through which workers in the value chain or their representatives can talk to us about our corporate strategy or current issues.

The consideration of labor risks and opportunities are standard topics in the supplier and customer audits common in our industry. If weaknesses are identified during audits, measures are taken to rectify them. In cases with significant negative impacts, we would conduct an audit of the company responsible for labor in the value chain to verify the effectiveness of the corrective measures taken.

Independently of this, we have a strategy for taking into account possible negative effects on labor in the value chain. The strategy has three starting points. Firstly, we commit our suppliers to our Code of Conduct and that of the Responsible Business Alliance. Secondly, we carry out risk analyses with focus suppliers. Thirdly, workers in the value chain can contact us via the complaints channels set up by Siltronic.

Data security, cyber security and data protection

Data security, cyber security and data protection relate to the reliability and security of our information systems and data. This is very important to us, as increasing digitalization brings risks as well as opportunities.

Cyber attacks pose a significant risk. The number of cyberattacks on individuals, companies and other organizations is increasing worldwide. A cyberattack usually affects IT systems and data supporting business and production processes as well as communication systems. There is also the risk of cyber economic espionage. This involves the potential loss of intellectual property or the unintentional loss of knowledge gained in research and development. A successful attack can impair long-term competitiveness.

We take organizational and technical protective measures to minimise the risks of serious disruptions to IT systems in terms of confidentiality, availability and reliability. The most important measures include:

- Classification, labelling and encryption of information
- Use of up-to-date security software, infrastructure and processes
- Regular sensitisation of employees about cyber security risks (e.g. phishing campaign), data security and data protection
- Central IT security monitoring and incident management through the interaction of the Siltronic cybersecurity organisation with the external Security Operations Center
- Centralised system for user rights and access management to the most important applications
- Vulnerability management and security penetration testing
- Implementation of a centralised information security management system based on the ISO 27001 standard
- Conducting external and internal audits on the topics of IT security, emergency management and data protection

Due to our business model, natural persons do not play a role as customers. Our data protection therefore focuses on the processing of personal data of employees and business partners. The most important data protection measures are.

- Appointment of a Data Protection Officer and the definition of responsibilities for the Group
- Creation of a data protection policy that applies to the Group
- Ensuring that data protection laws are complied with, when selecting suppliers or service providers
- Training employees in the handling of personal data
- Inclusion of contractual clauses according to which Siltronic, customers and suppliers or service providers undertake to comply with relevant data protection laws
- As part of Siltronic's risk management, those responsible for data security and data protection report relevant risks to the local data protection officers. The global Compliance Officer can also be informed via the external ombudsman or the digital whistleblower system. The latter reports to the Executive Board and the Audit Committee of the Supervisory Board.

Non-profit purposes and „Corporate Volunteering“

In the 2023 reporting year, Siltronic provided financial support for a total of 50 activities in Germany, the USA and Singapore. Total donations and sponsorships amounted to EUR 0.5 million (previous year: EUR 0.2 million). There was a particular focus on aid campaigns for the earthquake victims in Turkey and donations to schoolchildren and families in need.

Employees at the German sites take part in a cent donation programme run by Wacker Chemie AG relief fund. Employees agree to round down their monthly salary payment to the next lower euro amount. The remaining cent amounts are donated.

Employees at various locations are involved in various initiatives to support projects with a social background. Siltronic employees in Portland have been participating in a donation program for Doernbecher Children's Hospital for many years. In the reporting year, eight families were supported through this program.

Dialog at regional levels

Our four production sites are located in industrial areas that have been developed for decades. We have been producing at these locations for many years and maintain a trusting relationship with the neighbourhood and possible other communities. We engage in regular dialogue with the authorities at our sites on the subject of environmental protection. No significant issues arose in the reporting year or in previous years. There is no dialog on social issues and corporate governance at regional level due to a lack of topics. All Siltronic sites are located in very modern regions. Should any issues arise, complaints are addressed to the relevant site manager.

In 2020, our company in the USA was awarded the "Gold level for Sustainability at work" by the authorities of the city of Portland/Oregon. This award is valid until 2023. In 2021, we also received the "Gold award for No pretreatment violations" from the authorities of the City of Portland/Oregon.

The Freiberg location is committed to "cosmopolitanism" and has been a member of the association "Wirtschaft für ein weltoffenes Sachsen" since 2019. The network aims to support and specifically promote immigration and thus contribute to greater economic performance in Saxony.

In Singapore, Siltronic received the South West Caring Partner Award in 2023 and the People's Association Community Spirit Award. Both awards recognize the Company's commitment to the community and its residents. As in the previous year, Siltronic Singapore also received the PACS Merit Award for its contribution to the local community. Siltronic Singapore supports 20 financially disadvantaged students in two neighboring primary schools.

We do not see any regional communities among our suppliers and customers that are significantly impacted by our business activities.

Memberships in associations and relationship with politics

GRI 2-28, GRI 415-1

CDP Climate change, water security: In 2023, we participated in the CDP's climate change and water security assessment programs for the fifth time and were rated B and B (on a scale from A, best rating, to D, lowest rating).

Program	2022	2023
CDP climate change	B	B
CDP water security	B–	B

UN Global Compact: Siltronic AG has participated in the UN Global Compact since 2017 and published an updated progress report in 2023. Siltronic has also participated in local events organized by the UN Global Compact Network Germany.

Responsible Business Alliance (RBA): Siltronic AG has been a member of the Responsible Business Alliance initiative since 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 the IG BCE Equality Charter (2019). By signing the charter, Siltronic is committed to actively implementing and promoting equal opportunities.

Initiative “Klischeefrei”: Siltronic AG has signed a written agreement with the Initiative Klischeefrei. We are thus committed to promoting a cliché-free recruitment process and actively supporting career choices based on individual strengths and interests.

RE100: RE100 is a global corporate initiative that promotes the exclusive use of renewable energies. Major customers of Siltronic have joined RE100.

We are committed to responsible conduct towards political parties and non-governmental organizations. Our dealings with politicians are based on factual positions, and we are open to dialog with all democratic parties.

We do not hold a special position in any association or organization of which we are a member. In the year under review, Siltronic did not participate in any legislative processes or make any donations in cash or in kind to political parties. Donations to political parties are subject to the approval of the Executive Board of Siltronic AG.

No members were appointed to the Executive Board or Supervisory Board, who had held a comparable position in public administration, including regulatory authorities, in the previous two years.

Taxes

Information on tax strategy, tax compliance and the respective monitoring system

GRI 207-1, 207-2, 207-3

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 purpose of the tax policy is to define responsibility for tax issues within the Siltronic Group and to communicate the corporate culture with regard to taxes. This is to 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.

Siltronic's tax strategy is based on its corporate strategy. Corporate decisions are made on the basis of economic factors. Siltronic does not engage in any practices 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.

The tax strategy is publicly available on Siltronic's homepage.

The responsibility for 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 set up a tax compliance management system (Tax CMS) that implements the relevant tax regulations. 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 CMS, Group units report violations of tax obligations to the tax department of Siltronic AG. In addition, as part of the general compliance system, violations of tax obligations can be reported to the Compliance Officer or the external ombudsman.

Country specific information

GRI 207-4

The table below 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., South Korea for Siltronic Korea Ltd. and mainland China for Siltronic Shanghai Corporation. In addition, there are two small sales units in the form of a permanent establishment of Siltronic AG in Italy and France, with one employee each. 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 unit is still exempt from tax due to the high level of investment in buildings and machinery. The tax exemption is limited in time.

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 2023	Employees (a)	Tangible assets without liquidity (b) EUR million	Sales with third parties EUR million	Sales with group entities EUR million	Result before income taxes (c) EUR million	Expense for (–) / income from (+) income tax (d) EUR million	Cash out for (+) / Cash in from (–) income taxes EUR million
Production							
Germany	2,665	1,188	392	662	36	8	22
Singapore	1,359	2,687	633	363	173	16	18
US	376	67	120	108	14	3	5
Subtotal	**4,400**	**3,942**	**1,145**	**1,133**	**223**	**27**	**45**
Sales							
Taiwan	15	39	243	1	2	1	1
Japan	16	12	87	0	3	1	0
Other (e)	24	19	39	5	1	1	1
Subtotal	**55**	**70**	**369**	**6**	**6**	**3**	**2**
Consolidation				**-1,139**	**2**	**0**	
Group	**4,455**	**4,012**	**1,514**	**0**	**231**	**30**	**47**

[a] As of year-end, calculated as in section 5 “Personnel matters”.
[b] 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.
[c] To increase transparency and avoid multiple counting of profits, dividends within Siltronic Group are not included.
[d] 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 five years.
[e] Includes small sales offices in South Korea, (mainland) China, France and Italy. These entities have tax expense, figure zero shown in the table results only from rounding to full million euros

Corporate governance

Dual management system Executive Board and Supervisory Board

GRI 2-9, GRI 2-11, GRI 2-12

The “Declaration on Corporate Governance" above explains the management system of Siltronic AG. It describes the tasks of the Executive Board and Supervisory Board, their composition, including diversity, and the cooperation between the two bodies. The Declaration on Corporate Governance also contains the competence profile and the qualification matrix of the members of the Supervisory Board, information on the committees of the Supervisory Board and further details on corporate governance. In the "Report of the Supervisory Board" for the 2023 financial year, the Supervisory Board has published further details on key areas of activity, training and development measures and its involvement with this non-financial statement and this ESG report.

The trust-based cooperation between the Executive Board and employee representatives on the Supervisory Board, with its institutionalized quarterly meetings, is the highest-ranking area in which significant negative effects on the company's own workforce would be discussed. No significant negative effects had to be dealt with or discussed in the reporting year.

The following information should be seen in addition to this:

Corporate Responsibility and Human Rights Officer

GRI 2-13, GRI 2-24

The Corporate Responsibility department, which coordinates the implementation of the sustainability strategy across the Group, is organized under the Executive Board. The head of the department reports directly to the Management Board at regular meetings.

Siltronic officers focusing on climate protection, water safety and human rights and those responsible for the production sites are particularly involved in the implementation of sustainability strategy. To this end, regular meetings are held in which Corporate Responsibility, the Purchasing department, the Human Resources department, the Legal department including Compliance, Quality Management, the Human Rights Officer and a member of the Executive Board take part. In addition, Corporate Responsibility and Investor Relations deal with inquiries from external stakeholder groups on sustainability issues. This relates in particular to customers, investors, rating agencies and external initiatives. The external initiatives primarily include CDP, RE100, the Responsible Business Alliance (RBA) and the UN Global Compact.

The Head of Corporate Responsibility has been appointed by the Executive Board as Siltronic's Human Rights Officer. In this function, he reports directly to the Executive Board.

Risk management

GRI 2-12

In order to identify and manage the variety of potential risks associated with business activities, the Executive Board has implemented a risk management system that also covers the risks from the ESG areas. Opportunities are included in the identification and assessment of risks, but are not the focus of the risk management system.

Part of the risk strategy is to identify these risks at an early stage, assess them appropriately and take suitable measures to limit or avoid them. The measures taken and assumptions made are reviewed annually. The individual service areas at each location are responsible for this. The Executive Board holds specialist discussions on ESG issues with internal experts and external experts are involved in selected cases for quality control purposes.

No acute risks were reported to the Chief Risk Officer in 2023.

Further information can be found in the management report under "Risk and opportunity report".

We have installed the compliance management system described above in order to prevent, identify, process and, if necessary, sanction company-related legal violations. The Chief Compliance Officer reports to the Executive Board of Siltronic AG on a monthly and ad hoc basis and to the Audit Committee of the Supervisory Board on a quarterly basis. From the origin and content of the compliance reports, including their handling, the Executive Board and Supervisory Board can form an impression of the functionality of the procedures that have been set up to eliminate negative effects on people in the company's own workforce and the value chain.

Involvement of the Supervisory Board in non-financial issues

GRI 2-12, GRI 2-14, GRI 2-16

The Supervisory Board is involved in non-financial issues in two ways: Firstly, the Executive Board discusses ESG issues with the Supervisory Board at regular meetings. This includes informing the Supervisory Board about the development of non-financial performance indicators. In addition, the Chief Compliance Officer and the Chief Risk Officer report to the Supervisory Board's Audit Committee on significant issues on a quarterly basis. In important cases, the Executive Board addresses the views of interest groups if these are not already represented by the Supervisory Board.

The non-financial statement and the ESG report were reviewed by the Supervisory Board of Siltronic AG. For this purpose, the report is sent to each member of the Supervisory Board for review and comment. In addition to its own review, the Supervisory Board commissioned the auditing firm KPMG AG to audit the declaration in order to obtain limited assurance.

Independence of the Supervisory Board

GRI 2-9, GRI 2-10

The Supervisory Board of Siltronic AG has twelve members. In accordance with the German Co-Determination Act, the Supervisory Board is made up of an equal number of shareholder and employee representatives.

According to the assessment of the shareholder representatives on the Supervisory Board, four of the six shareholder representatives were independent within the meaning of the German Corporate Governance Code as at December 31, 2023. Accordingly, two thirds of the shareholder representatives on the Supervisory Board are independent.

The six employee representatives on the Supervisory Board are elected by the employees of Siltronic AG from among their ranks, with two of the six employee representatives being appointed by trade unions in accordance with the German Co-Determination Act. These two Supervisory Board members are not employees of Siltronic. Four of the six employee representatives on the Supervisory Board are employees of Siltronic, one of whom represents the group of senior executives. 83 percent of the Supervisory Board members on the employee side are independent, if a Supervisory Board member on the employee side is defined as independent, unless he or she represents the group of executive employees. The employee representatives represent 100 percent of the employees in Germany.

The aim of the Co-Determination Act is for the shareholders and employees to reach decisions on the Supervisory Board by consensus. The Co-Determination Act also limits the influence of shareholders who have a high proportion of voting rights, but not a majority, through the composition of the Supervisory Board.

Of the twelve members of the Supervisory Board, 58% are men and 42% are women.

Further information on the members of the Supervisory Board can be found in the Declaration on Corporate Governance.

(Potential) Conflicts of interest on the Supervisory Board

GRI 2-9, GRI 2-10

The Supervisory Board must comply with regulations on conflicts of interest and potential conflicts of interest. These are described in the Declaration on Corporate Governance under the headings "Independence of the Chairman of the Supervisory Board", "Independence and potential conflicts of interest", "Conflicts of interest" and "Related party transactions".

As far as potential conflicts of interest are concerned, there is a special relationship between Siltronic AG and Wacker Chemie AG, Munich.

Siltronic AG has its historical roots in Wacker Chemie AG. Wacker Chemie AG founded the legal predecessor of Siltronic AG in 1968 and until the IPO of Siltronic AG in 2015, the Wacker Chemie Group was the sole owner of Siltronic AG. Wacker Chemie AG is itself listed on the stock exchange. In 2017, the Wacker Group reduced its stake in Siltronic AG to around 31 percent. Due to the remaining relationship under company law, companies of the Wacker Chemie Group qualify as related parties for Siltronic. We purchase goods and services from the related party Wacker Chemie AG in certain areas.

To ensure that business relations with Wacker are appropriate, Siltronic has implemented an auditing process. The process is designed to review Wacker's deliveries and services with regard to their terms and conditions in line with market conditions. In addition to the purchasing department, the controlling department, the tax department and the Chief Compliance Officer of Siltronic are also involved in the process. Only Supervisory Board members for whom there is no concern of a conflict of interest participate in the resolution on the approval of transactions with related parties.

In addition, Siltronic AG also commissions external experts in individual cases to determine whether, in their opinion, the conditions for the purchase of goods and services from Wacker are in line with market practices and in the ordinary course of business of Siltronic AG.

The internal and external audits showed that the prices and conditions are in line with the market.

Remuneration of the Executive Board and Supervisory Board

GRI 2-19, GRI 2-20

The remuneration of the members of the Supervisory Board and the Executive Board is set out in the remuneration report. The remuneration report is published and was audited by the auditing firm KPMG AG.

GRI Content index

Siltronic AG has reported the information presented in this GRI Content Index for the period from January 1, 2023 to December 31, 2023 with reference to the GRI Standards. The GRI was informed about the use of the GRI Standards.

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EU Taxonomy

Taxonomy-eligible economic activities are, in principle, capable of making a significant contribution to defined six environmental objectives in industrial sectors selected by the EU. The environmental objectives are climate protection, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of environmental pollution, and protection and restoration of biodiversity and ecosystems. Considering this, the EU has summarized the activities in a regulation, in simple terms called “EU Taxonomy Regulation“.

In order to combat global warming, the EU has analyzed the activities of industries 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.

Of the more than 100 activities, 25 activities relate to the energy sector, 17 activities to the transport sector and 20 activities to the supply/disposal sector. Other activities include the property sector, forestry/environmental protection, information and the provision of services.

Only 21 activities relate to the production of physical goods. The 21 activities have been narrowly defined by the EU and relate predominantly to the production of highly GHG-intensive products such as aluminum, iron/steel, fertilizers, organic basic materials, selected chemicals or cement. If all the world‘s cement producers were combined, the Group would be the world‘s third-largest greenhouse gas emitter after China and the USA. In contrast, the greenhouse gas emissions associated with the production of wafers are irrelevant.

Therefore, it is not surprising that the production or sale of wafers does not appear in the EU list of taxonomic activities. The fact that wafers or their further development contribute to increasing energy efficiency at subsequent stages of the value chain is not of significant importance for the EU taxonomy. Against this background, we state the mandatory taxonomy-eligible sales as 0 percent of sales in the reporting year.

In addition to taxonomy-eligible sales, the EU taxonomy requires further disclosures: these are the “CapEx“ and “OpEx“ metrics defined in the EU taxonomy, as well as taxonomy-aligned sales, CapEx and OpEx. While taxonomy-eligible activities only represent the potential to support an environmental goal, taxonomy-aligned activities actually make a significant contribution. Another condition for taxonomy alignment is that there must be no significant negative impact on the other environmental goals. This is why, for example, the production of cement is taxonomy-eligible. One of the many conditions for taxonomy alignment is that a metric ton produced cement must not generate more than 0.53 metric tons of CO_2eq of greenhouse gas emissions. The calculations for conformity are complex and the amount of evidence required is considerable.

The CapEx indicator the extent to which expenditure of an investment nature was made in the reporting year that can contribute to the reduction of greenhouse gas emissions in accordance with the definitions of the EU taxonomy (Siltronic's economic activities relate to the EU taxonomy's environmental objective of climate protection). We have calculated a percentage of 12 percent for Siltronic. Please refer to the table below for the assessment basis and calculation.

The OpEx indicator shows the extent to which operating expenses were incurred in the reporting year that can contribute to the reduction of greenhouse gas emissions, circular economy and prevention and reduction of environmental pollution according to the definitions of the EU taxonomy. We have calculated a percentage of 14 percent for Siltronic. Please refer to the table below for the assessment basis and calculation.

The ratios are determined on the basis of Delegated Regulations (EU) 2020/852, 2021/2139, 2021/2178, 2023/2485 and 2023/2486 in conjunction with the accounting policies applicable to the consolidated financial statements. In the absence of taxonomy-eligible revenues, expenses of a capital nature and operating expenses are not taxonomy-eligible if they are directly related to the production of wafers. Nevertheless, Siltronic does have taxonomy-eligible expenses for CapEx and OpEx. The reason for this is the direct allocation of expenses to the economic activities listed in Regulation 2021/2139, 2023/2485 and 2023/2486. In order to avoid double counting, expenses were only allocated to one economic activity. The main taxonomyeligible economic activities are related to water supply and sanitation equipment and construction of buildings. The indication of CapEx and OpEx that are parts of a plan to expand taxonomy-aligned economic activities or allow the conversion of taxonomy-eligible economic activities into taxonomy-aligned economic activities is not relevant. There is currently no planning to expand taxonomy-aligned activities.

For the activities identified as taxonomy-compliant, taxonomy conformity cannot be demonstrated as the associated technical evaluation criteria cannot be met. Our evaluation is based on the fact that our buildings are special buildings and we produce with special machinery and specialized infrastructures.

The EUR 1,316 million reported under CapEx comprises additions to intangible assets, property, plant and equipment and the increase in right-of-use assets in accordance with IFRS 16. The EU taxonomy definition for OpEx at Siltronic mainly relates to expenses for research and development, repairs and maintenance of property, plant and equipment and short-term leases.

As Siltronic has no economic activities in the field of nuclear and gas energy, the standard reporting forms in accordance with Delegated Regulation (EU) 2022/1214 are not reported.

Mandatory disclosures under the EU taxonomy (reporting form according to EU taxonomy) - disclosures for the year 2023

Economic activties	Code(s)	Absolute turnover	Proportion of turnover	Substantial contribution criteria: Climate Change Mitigation	Climate Change Adaptation	Water and marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	DNSH criteria ("Does not significantly harm"): Climate Change Mitigation	Climate Change Adaptation	Water marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned or -eligible proportion of turnover year 2022	Category (enabling activity)	Category (transitional activity)
		EUR Mio.	(%)	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0**	**0%**														0%		
thereof enabling																			
thereof transitional																			
A.2. Taxonomy-Eligible but not environmentally sustainable activites (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**0**	**0%**														0%		
Total (A.1. + A.2)		0	0%														0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		1,514	100%																
Total (A+B)		**1,514**	**100%**																

Economic activties	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate Change Mitigation	Climate Change Adaptation	Water and marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	DNSH criteria ("Does not significantly harm"): Climate Change Mitigation	Climate Change Adaptation	Water marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx year 2022	Category (enabling activity)	Category (transitional activity)
		(Currency)	(%)	Y; N; N/ EL[1]	Y; N; N/ EL[1]	Y; N; N/ EL[1]	Y; N; N/ EL[1]	Y; N; N/ EL[1]	Y; N; N/ EL[1]	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0**	**0%**														0%		
thereof eligible																			
thereof transitional																			
A.2. Taxonomy-Eligible but not environmentally sustainable activites (not Taxonomy-aligned activities)																			
Construction, expansion and operation of wastewater collection and treatment systems.	5.3 (CCM)	11	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Acquisition of and ownership of buildings	7.7 (CCM)	139	11%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								23%		
CapEx of taxonomy-compliant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2.)		**150**	**12%**	100%	0%	0%	0%	0%	0%								24%		
Total (A.1. + A.2)		150	12%	100%	0%	0%	0%	0%	0%								24%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		1,166	88%																
Total (A+B)		**1,316**	**100%**																

Economic activties	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial Contribution criteria: Climate Change Mitigation	Climate Change Adaptation	Water and marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	DNSH criteria ("Does not significantly harm"): Climate Change Mitigation	Climate Change Adaptation	Water marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx year 2022	Category (enabling activity)	Category (transitional activity)
		(Currency)	(%)	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	Y; N; N/EL[1]	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0**	**0%**														0%		
thereof enabling																			
thereof transitional																			
A.2. Taxonomy-Eligible but not environmentally sustainable activites (not Taxonomy-aligned activities)																			
Construction, expansion and operation of wastewater collection and treatment systems.	5.3 (CCM)	15	11%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								10%		
Collection and transport of non-hazardous and hazardous waste / Collection and transportation of non-hazardous wastes in fractions separated at the point of contact	5.5 (CCM) / 2.3 (CE)	3	2%	EL	N/EL	N/EL	EL	N/EL	N/EL								2%		
Collection and transport of hazardous waste / Collection and transportation of non-hazardous wastes in fractions separated at the point of contact	2.1 (PPC) / 2.3 (CE)	1	1%	N/EL	N/EL	N/EL	EL	EL	N/EL								0%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**19**	**14%**	86%	0%	0%	11%	3%	0%								12%		
Total (A.1. + A.2)		19	14%	86%	0%	0%	11%	3%	0%								12%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		126	86%																
Total (A+B)		**145**	**100%**																

[1] Legend: Y - Yes, taxonomy eligible and taxonomy-aligned activity with the relevant environmental objective; N - No, taxonomy-eligible but not taxonomy-aligned activity with the relevant environmental objective; N/EL - 'not eligible', taxonomy-non-eligible activity for the relevant environmental objective

	Proportion of turnover/ total turnover		Proportion of CapEx/ Total CapEx		Proportion of OpEx/ Total OpEx	
	Taxonomy-aligned per objective [2]	Taxonomy-eligible per objective [2]	Taxonomy-aligned per objective [2]	Taxonomy-eligible per objective [2]	Taxonomy-aligned per objective [2]	Taxonomy-eligible per objective [2]
Climate Change Mitigation (CCM)	0%	0%	0%	12%	0%	13%
Climate Change Adaption (CCA)	0%	0%	0%	0%	0%	0%
Water (WTR)	0%	0%	0%	0%	0%	0%
Circular Economy (CE)	0%	0%	0%	0%	0%	3%
Pollution prevention and Control (PPC)	0%	0%	0%	0%	0%	1%
Biodiversity and ecosystems (BIO)	0%	0%	0%	0%	0%	0%

[2] the values shown are the totalled percentages of the economic activities presented in the reporting forms. If an economic activity contributes to several environmental objectives, the value was taken into account in both environmental objectives. Double counting in the reporting forms was avoided.

Limited Assurance Report of the Independent Auditor regarding the combined non-financial statement

To the Supervisory Board of Siltronic AG, Munich

We have performed a limited assurance engagement on the combined non-financial statement of Siltronic AG, Munich (further “Company” or “Siltronic AG”), and the Group (further “combined non-financial statement”) for the period from January 1 to December 31, 2023.

Responsibilities of Management
Management of the parent company is responsible for the preparation of the combined non-financial statement in accordance with Sections 315c in conjunction with 289c to 289e HGB (“Handelsgesetzbuch”: German Commercial Code) and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the delegated acts adopted thereunder as set out in section “EU Taxonomy” of the combined non-financial statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the group that are reasonable in the circumstances. Furthermore, management is responsible for such internal control as they consider necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, management has disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section “EU Taxonomy” of the combined non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently; the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Assurance of the Assurance Practitioner’s firm
We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, 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 management requirements in audit practice (IDW QMS 1 (09.2022)).

Responsibility of the Assurance Practitioner
Our responsibility is to express a conclusion with limited assurance on the combined non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the company's combined non-financial statement are not prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management disclosed in section “EU Taxonomy” of the combined non-financial statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- 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 management and relevant employees involved in the preparation of the combined non-financial statement about the preparation process, about the internal control system related to this process, and about disclosures in the combined non-financial statement.

- 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 Freiberg.
- 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 and taxonomy-aligned economic activities.
- Evaluation of the process for the identification of taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the combined non-financial statement.

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, management is required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion
Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of Siltronic AG for the period from January 1 to December 31, 2023 has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management as disclosed in section “EU Taxonomy” of the combined non-financial statement.

Restriction of Use
This assurance report is solely addressed to the Supervisory Board of Siltronic AG, Munich. We assume no responsibility towards third parties in this respect.

Our assignment for the Supervisory Board of Siltronic AG, Munich, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (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 having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Munich, March 8, 2023
KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

gez. Koeplin	gez. Vogl
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

from January 1 to December 31, 2023

In EUR million	Note	2023	2022
Sales	01	1,513.8	1,805.3
Cost of sales	01	–1,141.6	–1,189.9
Gross profit		**372.2**	**615.4**
Selling expenses		–35.1	–34.3
Research and development expenses		–87.6	–89.5
General administration expenses		–35.4	–33.8
Other operating income	01	117.7	196.1
Other operating expenses	01	–100.5	–158.3
Operating result		**231.3**	**495.6**
Interest income	02	23.0	13.8
Interest expenses	02	–20.0	–7.5
Other financial income	02	6.2	8.0
Other financial expenses	02	–9.7	–22.8
Financial result		**–0.5**	**–8.5**
Result before income tax		230.8	487.1
Income taxes	03	–29.5	–52.7
Result for the period		**201.3**	**434.4**
of which			
attributable to Siltronic AG shareholders		*184.4*	*390.6*
attributable to non-controlling interests		*16.9*	*43.8*
Result per common share in EUR (basic/diluted)	15	6.15	13.02

Consolidated statement of financial position

as of December 31, 2023

In EUR million	Note	Dec. 31, 2023	Dec. 31, 2022
Intangible assets	04	22.2	21.7
Property, plant and equipment	05	3,318.8	2,235.0
Right-of-use assets	06	120.3	107.5
Securities and fixed-term deposits	09	2.2	12.7
Other financial assets	08	0.6	4.2
Other non-financial assets	08	17.2	21.0
Deferred tax assets	03	18.0	15.9
Non-current assets		**3,499.3**	**2,418.0**
Inventories	07	300.8	277.6
Trade receivables	08	162.4	222.2
Contract assets	08	12.2	14.6
Securities and fixed-term deposits	09	70.7	549.5
Other financial assets	08	18.9	23.2
Other non-financial assets	08	52.2	55.8
Income tax receivables	08	2.2	1.1
Cash and cash equivalents	09	386.2	488.7
Current assets		**1,005.6**	**1,632.7**
Total assets		**4,504.9**	**4,050.7**

In EUR million	Note	Dec. 31, 2023	Dec. 31, 2022
Subscribed capital		120.0	120.0
Capital reserves		974.6	974.6
Retained earnings and net Group result		768.1	673.7
Other equity items		41.7	116.7
Equity attributable to Siltronic AG shareholders		**1,904.4**	**1,885.0**
Equity attributable to non-controlling interests		195.3	182.1
Equity	**10**	**2,099.7**	**2,067.1**
Pension provisions	11	146.0	119.5
Other provisions	12	65.7	53.2
Income tax liabilities	13	2.6	3.8
Deferred tax liabilities	03	2.5	2.9
Customer prepayments	13	542.5	503.7
Loan liabilities	13	785.1	653.8
Lease liabilities	06	109.5	106.7
Other non-financial liabilities	13	113.4	14.2
Non-current liabilities		**1,767.3**	**1,457.8**
Other provisions	12	8.3	10.0
Income tax liabilities	13	21.7	35.4
Trade liabilities	13	452.5	336.1
Customer prepayments	13	46.3	58.6
Loan liabilities	13	3.9	3.9
Lease liabilities	06	6.1	6.1
Other financial liabilities	13	44.6	8.6
Other non-financial liabilities	13	54.5	67.1
Current liabilities		**637.9**	**525.8**
Total liabilities		2,405.2	1,983.6
Total equity and liabilities		**4,504.9**	**4,050.7**

Consolidated statement of cash flows

from January 1 to December 31, 2023

In EUR million	Note	2023	2022
Result for the period		201.3	434.4
Depreciation/amortization of non-current assets, including impairment losses and reversals thereof	01	202.5	176.0
Other non-cash expenses and income		–1.5	9.5
Result from disposal of non-current assets		3.0	2.5
Interest result	02	–3.0	–6.3
Interest paid		–26.9	–3.0
Interest received		22.0	11.5
Tax result	03	29.5	52.7
Taxes paid		–45.7	–55.7
Changes in inventories		–27.5	–58.0
Changes in trade receivables		51.6	–40.6
Changes in contract assets		1.9	–2.0
Changes in other assets without prepayments		–4.2	–15.5
Changes in provisions		11,4	-1
Changes in trade liabilities		10.2	10.9
Changes in other liabilities without prepayments		24.0	11.7
Changes in customer prepayments		39.3	277.4
Cash flow from operating activities		**487.9**	**804.5**
Payments for capital expenditures (including intangible assets)		–1,198.8	–922.7
Proceeds from the disposal of property, plant and equipment and intangible assets		2.8	0.2
Proceeds from Investment Grants		83.9	–
Payments for the acquisition of fixed-term deposits and securities		–224.7	–889.3
Proceeds from fixed-term deposits and securities		707.9	477.4
Cash flow from financing activities		**–628.9**	**–1,334.4**
Dividends	15	–90.0	–90.0
Proceeds from loans		139.1	671.7
Principal portion of lease payments		–6.3	–4.6
Cash flow from financing activities		**42.8**	**577.1**
Changes due to exchange-rate fluctuations		–4.3	17.2
Changes in cash and cash equivalents	**09**	**–102.5**	**64.4**
at the beginning of the period		488.7	424.3
at the end of the period		**386.2**	**488.7**

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

In EUR million	2023	2022
Cash flow from operating activities	487.9	804.5
Cash-effective changes in customer prepayments	–39.3	–277.4
Cash flow from investing activities	–1,112.1	–922.5
Net cash flow	**–663.5**	**–395.4**

Consolidated statement of comprehensive income

from January 1 to December 31, 2023

In EUR million	2023	2022
Result for the period	**201.3**	**434.4**
Other comprehensive income/ loss:		
Item that is never reclassified to profit or loss:		
Remeasurement of defined benefit plans	**–31.1**	**298.4**
Items that have been reclassified to profit or loss or may be reclassified in the future:		
Difference from foreign currency translation adjustments	–40.7	83.7
Changes in market values of derivative financial instruments (cash flow hedge)	–6.9	21.8
thereof recognized in profit or loss	*–14.6*	*18.2*
thereof tax effect	*2.1*	*–7.4*
	–47.6	**105.5**
Other comprehensive income/loss	**–78.7**	**403.9**
Total comprehensive income/loss	**122.6**	**838.3**
of which		
attributable to Siltronic AG shareholders	*109.4*	*785.1*
attributable to non-controlling interests	*13.2*	*53.2*

Consolidated statement of changes in equity

as of December 31, 2023

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, 2022	**120.0**	**974.6**	**25.9**	**–7.1**	**–6.7**	**–289.9**	**373.1**	**1,189.9**	**128.9**	**1,318.8**
Result for the period	–	–	–	–	–	–	390.6	390.6	43.8	434.4
Other comprehensive income and loss	–	–	74.3	–	21.8	298.4	–	394.5	9.4	403.9
Total comprehensive income and loss	**–**	**–**	**74.3**	**–**	**21.8**	**298.4**	**390.6**	**785.1**	**53.2**	**838.3**
Dividends	–	–	–	–	–	–	–90.0	–90.0	–	–90.0
Balance as of December 31, 2022	**120.0**	**974.6**	**100.2**	**–7.1**	**15.1**	**8.5**	**673.7**	**1,885.0**	**182.1**	**2,067.1**
Balance as of January 1, 2023	**120.0**	**974.6**	**100.2**	**–7.1**	**15.1**	**8.5**	**673.7**	**1,885.0**	**182.1**	**2,067.1**
Result for the period	–	–	–	–	–	–	184.4	184.4	16.9	201.3
Other comprehensive income and loss	–	–	–37.0	–	–6.9	–31.1	–	–75.0	–3.7	–78.7
Total comprehensive income and loss	**–**	**–**	**–37.0**	**–**	**–6.9**	**–31.1**	**184.4**	**109.4**	**13.2**	**122.6**
Dividends	–	–	–	–	–	–	–90.0	–90.0	–	–90.0
Balance as of December 31, 2023	**120.0**	**974.6**	**63.2**	**–7.1**	**8.2**	**–22.6**	**768.1**	**1,904.4**	**195.3**	**2,099.7**

Notes to the consolidated financial statements of Siltronic AG and subsidiaries

General notes 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 essential components in all areas of electronic applications, for example in computers, smartphones, industrial equipment, wind turbines or cars with and without electric drives. The Group operates wafer facilities one each in Burghausen and in Freiberg, Germany, two wafer facilities in Singapore, and one wafer facility in Portland, Oregon, USA.

The Company's shares are listed in the Prime Standard of the Frankfurt Stock Exchange and are included in the MDAX and TecDAX.

Siltronic AG is registered in the commercial register of Munich under number HRB 150884. The head office of the Company is located at Einsteinstraße 172, Munich, Germany.

Basis of presentation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the additional requirements of Section 315e (1) of the German Commercial Code (HGB). The associated interpretations of the IFRS Interpretations Committee (IFRIC) were also applied. The Group has applied all standards and interpretations that were effective as of December 31, 2023 and endorsed by the EU.

The financial 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 of the balance sheet date. 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, 2024.

The declaration of conformity with 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 at *https://www.siltronic.com/en/investors/corporate-governance.html.*

Financial reporting principles applied for the first time in 2023

The application of the following new standards, interpretations, and changes to existing standards is mandatory for the period starting on January 1, 2023. The Group continuously evaluates new standards, interpretations, and changes to existing standards to determine their impact on the consolidated financial statements.

Standard/amendment/interpretation		Effective date	Impact on Siltronic
IFRS 17	Insurance Contracts	January 1, 2023	none
IAS 1 and IFRS Practice Statement 2	Amendments – Disclosures of Accounting Policies	January 1, 2023	none
IAS 8	Amendments – Definitions of Accounting Estimates	January 1, 2023	none
IAS 12	Amendments – Deferred tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	none
IAS 12	Amendments – International Tax Reform – Pillar 2 Model Rules	May 23, 2023	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
IAS 1	Amendments – Classification of Liabilities as Current or Non-current	January 1, 2024	immaterial
IFRS 16	Amendments – Lease Liability in a Sale and Leaseback	January 1, 2024	immaterial

Standard/amendment/interpretation – not yet endorsed by EU		Effective date	Expected impact on Siltronic
IAS 7, IFRS 7	Amendments - Supplier Financing Agreements	January 1, 2024	immaterial
IAS 21	Amendments – Lack of Exchangeability	January 1, 2025	immaterial
IFRS 10 and IAS 28	Amendments – 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. The structured entity was dissolved in 2023 through the sale of the fund's assets.

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 that the possibility to control commences until the date that such possibility ceases.

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, 2023	Dec. 31, 2022
Europe		
Siltronic Holding International B.V., Rotterdam/The Netherlands	100.0	100.0
Structured Entity: Special Fund, Frankfurt	–	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/South 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.

Intra-group balances and transactions 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.

The shares in the structured entity were sold in full in the 2023 financial year. The structured entity was subsequently deconsolidated in full. No significant expenses or income were incurred in this context. The proceeds from the sale are recognized in cash flow from investing activities.

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	2023	2022	2023	2022
US dollar	USD	1.11	1.07	1.08	1.05
Japanese yen	JPY	156	141	152	138
Singapore dollar	SGD	1.46	1.43	1.45	1.45

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.

Information about judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes below:

- Valuation of right-of-use assets and lease liabilities:
  Assumptions when using extension options (see Note 06)
- Presentation of amounts in connection with working capital management measures:
  Recognition in the statement of financial position and in the cash flow statement (see Note 08)

The following areas involve significant estimates and assumptions and are therefore the 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)
- 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 and 14)
- 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

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. In the absence of significantly improved products or processes, the capitalization of development costs does not play a role in the Group.

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.

Borrowing costs that are directly or indirectly attributable to the acquisition or production of a qualifying asset are capitalized as part of acquisition or production costs until the asset is available for use. Siltronic capitalized borrowing cost in the period under review.

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
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 related to the acquisition of an asset are deferred and recognized as other operating income over the amortization period. Unless otherwise indicated, these grants (investment incentives) are provided by government bodies.

Government grants resulting from low-interest loans are initially recognized as deferred income at fair value. The grants are subsequently recognized in profit or loss either over the useful lives of the assets or, if the grants relate to the compensation of expenses, at the time the expenses are incurred. Investment grants from low-interest loans are recognized as other operating income, while expense grants from low-interest loans are deducted from interest expense.

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

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.

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.

For further information see Note 16 Financial Instruments.

Impairment of financial assets

For financial assets measured at amortized cost or at fair value through 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.

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.

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 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

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.

Provisions for environmental protection are recognized if the future cash outflows for complying with environmental legislation or for remediation measures are probable, the costs can be estimated with sufficient accuracy and no future benefits can be expected from such measures.

If an amended estimate results in a reversal of a provision during the financial year, the impact is recognized in the same line item of the statement of profit or loss as the original estimate. Otherwise the income is recognized in other operating income.

Liabilities and customer prepayments

Loan liabilities, trade payables, customer prepayments and other liabilities (including tax liabilities) are measured at amortized cost using the effective interest method.

Liabilities to a payment service provider are recognized under other financial liabilities. This relates to the assignment of trade payables to financing partners arranged by a payment service provider. The payment service provider, together with Siltronic, handles payment to the suppliers. The financial resources provided are reimbursed to the financing partner with a delay of two months. Trade payables are recognized in other financial liabilities from the date of transfer. The cash inflows and outflows are recognized in the operating cash flow because they continue to be part of the Group's normal operating cycle and their essential nature remains operational, i.e. they represent payments for the purchase of goods and services.

Right-of-use assets of leases and lease liabilities

As 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 lease and non-lease components, the Group allocates the contractually agreed consideration 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 takes into account 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 initially measured at cost, which corresponds to the initial measurement of the lease liability, less any lease incentives received and amortized on a straight-line basis from the commencement date to the end of the lease term. If the exercise of a purchase option has been classified as reasonably certain, the asset is amortized over its entire useful life. In addition, the right-of-use asset is adjusted for impairment losses, if necessary, and adjusted when the lease liability is remeasured.

In accordance with IFRS 16, 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.

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 includes all expenses associated with producing or acquiring the products or services sold 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 include costs incurred in the development of products and processes. Research costs in the narrow sense are recognized as expenses when they are incurred and 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 overlap. 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	2023	2022
Sales	**1,513.8**	**1,805.3**
thereof sales of contracts with customers	*1,513.8*	*1,805.2*
Cost of sales	**–1,141.6**	**–1,189.9**
thereof inventory valuation allowance	*–15.2*	*–10.5*
thereof reversal of valuation allowance	*6.4*	*5.0*
Other operating income		
Currency transactions	111.3	134.5
Grants for research and investments	2.0	0.8
Provisions and liabilities	3.0	1.7
Write-up of property, plant and equipment	–	5.7
Gains from disposal of property, plant and equipment	0.1	0.2
Other	1.3	53,2
Total	**117.7**	**196.1**
Other operating expenses		
Currency transactions	**–94.9**	**–155.5**
Impairment of property, plant and equipment	–1.1	–
Losses from disposal of property, plant and equipment	–3.1	–2.6
Other	–1.4	–0.2
Total	**–100.5**	**–158.3**

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

Other operating income amounts to EUR 1.3 million (previous year: EUR 53.2 million). In the previous year, these included a compensation payment of EUR 50.0 million made by GlobalWafers to Siltronic AG. The payment was a consequence of GlobalWafers' unsuccessful offer to the shareholders of Siltronic AG to acquire a majority stake in Siltronic.

Depreciation and amortization, personnel expenses, cost of materials

Depreciation and amortization expenses amount to EUR 202.5 million in 2023 (previous year: EUR 181.7 million). The reversal of previous impairment losses ("write-up") on property, plant and equipment resulted in income of EUR 0 million (previous year: EUR 5.7 million). The reason for the write-ups in the previous year were due to vacant parts of buildings for investment projects.

Personnel expenses amount to EUR 370.8 million (previous year: EUR 392.6 million), of which EUR 303.8 million was attributable to salaries (previous year: EUR 316.1 million), EUR 30.0 million to social security (previous year: EUR 30.1 million), and EUR 37.0 million to pensions (previous year: EUR 46.3 million). The cost of materials came to EUR 518.8 million (previous year: EUR 566.6 million).

02 Interest income and expenses, other financial result

In EUR million	2023	2022
Net interest income		
Interest income	23.0	13.8
Interest expenses	–20.0	–7.5
Total	**3.0**	**6.3**
Other financial result		
Interest cost on provisions	–6.0	–8.5
Other financial income	6.2	8.1
Other financial expenses	–3.7	–14.4
Total	**–3.5**	**–14.8**

Interest income was generated from financial investments and interest-bearing securities.

Interest expense mainly relates to interest expenses for two loans taken out in the financial year and in the previous year.

Other financial 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 transactions directly or indirectly connected with a special fund. The special fund, whose shares were redeemed in the financial year, was an investment vehicle.

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, the applicable tax rates include corporate income tax, a solidarity surcharge on corporate income tax and trade income tax that varies depending on the municipality in which a company is located.

Tax rates in Germany

In %	2023	2022
Weighted average trade income tax rate	13.3	13.3
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	29.1

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.

Temporary tax differences due to undistributed profits of subsidiaries are only recognised if a distribution is planned. As the Executive Board of the parent company determines the dividend policy of the subsidiaries, the Group can control the reversal of temporary differences. Subsidiaries have EUR 996.5 million (previous year: EUR 904.0 million) in distributable amounts and EUR 49.8 million (previous year: EUR 45.2 million) linked to deferred tax liabilities. The deferred tax liability was not recognized as no reversal of the tax difference is expected in the foreseeable future.

The tax expenses reported for 2023 were EUR 29.5 million (previous year: EUR 52.7 million). Applying the German tax rate on the result before tax would result in tax expense of EUR 67.2 million (previous year: EUR 141.7 million). The difference between the expected tax expense and the actual tax expense of EUR 37.7 million (previous year: EUR 88.9 million) in the reporting year, as in the previous year, is primarily due to tax rate-related deviations 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.

Overall, the income from the reduction in valuation allowances on deferred tax assets totalled EUR 2.8 million in the reporting year (previous year: income of EUR 10.2 million). Temporary differences resulted in an expense of EUR 2.1 million in 2023 (previous year: EUR 1.9 million). Deferred tax income due to changes in tax rates totalled EUR 0.0 million in the financial year (previous year: EUR 0.0 million).

Income taxes include current tax income from previous years totalling EUR 0.4 million (previous year: EUR 6.5 million) and current tax expenses from previous years amounting to EUR 2.2 million (previous year: EUR 0.1 million).

Tax expense

In EUR million	2023	2022
Current taxes, Germany	–8.6	–38.1
Current taxes, foreign	–21.6	–22.9
Total current taxes	**–30.2**	**–61.0**
Deferred taxes, Germany	1.1	2.2
Deferred taxes, foreign	–0.4	6,1
Total deferred taxes	**0.7**	**8.3**
Total income taxes	**–29.5**	**–52.7**
Reconciliation of effective tax rate		
Result before taxes	230,8	487,1
Expected income tax rate for Siltronic AG in %	29.1	29.1
Expected tax expense (–)/benefit (+)	**–67.2**	**–141.7**
Variance in tax rate	34,2	68,7
Effect of non-deductible expenses	–0.2	0.9
Effect of tax-free income	3.0	3.6
Taxes relating to other periods (current earnings)	-1.8	6.5
Effect due to unrecognized deferred tax assets	3.3	10.6
Other variances	–0.8	–1.3
Total income taxes	**–29.5**	**–52.7**
Effective tax rate in %	**12.8**	**10.8**

Due to the utilization of previously unrecognized tax losses from prior periods, the actual income tax expense in the current fiscal year decreased by EUR 0.4 million (previous year: EUR 0.5 million).

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

Allocation of deferred taxes

In EUR million	As of December 31, 2023 Deferred tax assets	As of December 31, 2023 Deferred tax liabilities	As of December 31, 2022 Deferred tax assets	As of December 31, 2022 Deferred tax liabilities
Intangible assets	–	0.3	–	0.1
Property, plant and equipment	0.1	3.0	0.4	2.2
Right-of-use assets	–	6.1	–	6.2
Current assets	20.2	5.1	20.5	9.0
Other provisions	2.0	0.4	0.9	0.2
Liabilities	8.6	1.1	8.3	–
Loss carryforwards	0.6	–	0.6	–
Total	**31.5**	**16.0**	**30.7**	**17.7**
Netting	–13.5	–13.5	–14.8	–14.8
Deferred taxes reported in the statement of financial position	**18.0**	**2.5**	**15.9**	**2.9**

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.

EUR 0.7 million of the changes in deferred tax assets and liabilities were recognised as income (previous year: income of EUR 8.3 million) in the income statement, while EUR 2.1 million was recognised directly in equity (previous year: expense of EUR 7.4 million). The changes in equity relate to derivatives (cash flow hedge and interest swap).

There are unutilised tax loss carryforwards amounting to EUR 37.3 million (previous year: EUR 49.8 million). Of this amount, EUR 36.4 million will expire in the coming years as follows:

Tax loss carryforwards

In EUR million	2023	2022
Within 1 year	3.1	8.4
Within 2 years	2.9	3.5
Within 3 years	30.4	3.1
Within 4 years	0.0	33.9
Within 5 years or later	0.0	0.0
Total	**36.4**	**48.9**

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 0.6 million (previous year: EUR 0.6 million) have been recognized. If deferred taxes had been recognized on the valuation allowances for loss carryforwards, the amount would have been EUR 11.2 million (previous year: EUR 15.1 million).

As of December 31, 2023, no deferred tax assets were recognized for deductible temporary differences in the amount of EUR 116.8 million (previous year: EUR 100.8 million).

Global Minimum Taxation

The Group operates in Germany, which has passed a new law introducing global minimum taxation. As a subsidiary in Singapore is granted a favourable tax rate due to investments made, it is generally affected by the minimum taxation. As the new tax law in Germany did not come into force until 1 January 2024, there is no impact on the actual tax expense for the 2023 financial year. The Group applied the temporary, mandatory exemption rule with regard to the recognition of deferred taxes resulting from the introduction of global minimum taxation and recognised these as actual tax expense/ income at the respective date of occurrence.

If the minimum taxation had already applied in the 2023 financial year, some of the profits from the Group's activities in Singapore would have been subject to the minimum tax, although the effect on these profits in 2023 would have been insignificant.

Notes to the statement of financial position

04 Development of intangible assets

	2023			
In EUR million	Goodwill		Other	Total
Cost				
January 1	20.5	–	52.9	73.4
Additions	–	–	1.4	1.4
Disposals	–	–	–2.3	–2.3
Transfers	–	–	0.3	0.3
Effect of movements in exchange rates	–	–	–0.6	–0.6
December 31	**20.5**	**–**	**51.7**	**72.2**
Amortization				
January 1	–	–	51.7	51.7
Additions	–	–	1.3	1.3
Disposals	–	–	–2.3	–2.3
Transfers	–		–0.1	–0.1
Effect of movements in exchange rates	–	–	–0.6	–0.6
December 31	**–**	**–**	**50.0**	**50.0**
Carrying amount as of December 31	**20.5**	**0.0**	**1.7**	**22.2**

	2022			
In EUR million	Goodwill	Customer relationship	Other	Total
Cost				
January 1	20.5	–	51.1	71.6
Additions	–	–	0.3	0.3
Disposals	–	–	–	–
Transfers	–	–	0.2	0.2
Effect of movements in exchange rates	–	–	1.3	1.3
December 31	20.5	–	52.9	73.4
Amortization				
January 1	–	–	48.6	48.6
Additions	–	–	1.9	1.9
Disposals	–	–	–	–
Transfers	–	–	–	–
Effect of movements in exchange rates	–	–	1.2	1.2
December 31	**–**	**–**	**51.7**	**51.7**
Carrying amount as of December 31	**20.5**	**0.0**	**1.2**	**21.7**

05 Development of property, plant and equipment

In EUR million	2023 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	689.8	3,388.3	154.4	1,340.6	5,573.1
Additions	13.4	77.4	4.4	1,219.4	1,314.6
Disposals	–0.1	–24.9	–8.8	–	–33.8
Transfers	94.7	161.9	4.5	–261.4	–0.3
Effect of movements in exchange rates	–10.5	–36.6	–0.6	–21.5	–69.2
December 31	**787.3**	**3,566.1**	**153.9**	**2,277.1**	**6,784.4**
Depreciation and impairment losses					
January 1	460.7	2,747.0	130.4	–	3,338.1
Additions	18.1	164.0	9.6	–	191.7
Impairment loss	–	1.1	–	–	1.1
Disposals	–0.1	–19.1	–8.7	–	–27.9
Reversal	–	–	–	–	–
Transfers	–	–	–	–	–
Effect of movements in exchange rates	–7.2	–29.7	–0.5	–	–37.4
December 31	**471.5**	**2,863.3**	**130.8**	**0.0**	**3,465.6**
Carrying amount as of December 31	**315.8**	**702.8**	**23.1**	**2,277.1**	**3,318.8**

In EUR million	2022 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	663.4	3,181.6	149.4	395.4	4,389.8
Additions	0.1	53.8	4.6	1,014.5	1,073.0
Disposals	–0.1	–28.9	–3.3	–0.1	–32.4
Transfers	1.1	87.3	2.1	–90.6	–0.1
Effect of movements in exchange rates	25.3	94.5	1.6	21.4	142.8
December 31	**689.8**	**3,388.3**	**154.4**	**1,340.6**	**5,573.1**
Depreciation and impairment losses					
January 1	434.9	2,553.9	125.2	–	3,114.0
Additions	16.8	147.3	8.1	–	172.2
Impairment loss	–	–	–	–	–
Disposals	–0.1	–26.5	–3.3	–	–29.9
Reversal	–5.7	–	–	–	–5.7
Transfers	0.3	0.6	–0.9	–	–
Effect of movements in exchange rates	14.5	71.7	1.3	–	87.5
December 31	**460.7**	**2,747.0**	**130.4**	**0.0**	**3,338.1**
Carrying amount as of December 31	**229.1**	**641.3**	**24.0**	**1,340.6**	**2,235.0**

In 2023, borrowing costs of EUR 6.9 million (previous year: EUR 2.2 million) were capitalized under assets under construction. The underlying borrowing cost rate was weighted at 2.4 percent (previous year: 2.8 percent)

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 its carrying amounts by more than half a billion euros. In addition to the property, plant and equipment of the CGU, the carrying amounts also include goodwill of EUR 20.5 million. The goodwill is immaterial in relation to the assets of the CGU.

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 figure, 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 remaining useful life of just under 40 years is based on the useful lives achieved, taking into account initiated investments in buildings and maintenance investments.

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, an expected price development and a safety margin. The long-term EBITDA thus estimated following the five-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 11,5 percent.

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 foreign currency exchange rates. If EBITDA were to be continuously 10 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 five-year planning period are the long-term contracts already concluded, which entail a high degree of planning certainty. A 1.4 percentage point increase in the discount rate would lead to an impairment.

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 reasonably assured.

Lease agreements for office space (reported under buildings) and IT equipment usually have fixed terms of less than five years. One exception is the lease of the head office in Munich, which began in 2019. This contract has term a 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. Some 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 reasonably assured. 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

	2023					
In EUR million	Land	Buildings	Machinery and technical equipment	Cars	IT and other equipment	Total
Carrying amount as of January 1	90.0	4.9	9.8	0.6	2.2	**107.5**
Additions	14.0	2.5	5.3	0.7	0.5	**23.0**
Depreciation	–2.9	–1.8	–2.7	–0.4	–0.6	**–8.4**
Effect of movements in exchange rates	–1.8	–0.1	0.1	–	–	**–1.8**
Carrying amount as of December 31	**99.3**	**5.5**	**12.5**	**0.9**	**2.1**	**120.3**

	2022					
In EUR million	Land	Buildings	Machinery and technical equipment	Cars	IT and other equipment	Total
Carrying amount as of January 1	85.0	5.2	11.3	0.6	1.4	103.5
Additions	2.2	1.3	0.3	0.4	1.2	5.4
Depreciation	–2.8	–1.6	–2.4	–0.4	–0.4	–7.6
Effect of movements in exchange rates	5.6	–	0.6	–	–	6.2
Carrying amount as of December 31	**90.0**	**4.9**	**9.8**	**0.6**	**2.2**	**107.5**

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

Leasing expenses

In EUR million	2023	2022
Interest expenses for leasing liabilities	2.1	1.9
Expenses for short-term leases	2.4	1.0
Leasing expenses for low value leases that are not short-term leases	0.6	0.8

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 2022 have amounted EUR 11.4 million (prior year: EUR 8.3 million).

The breakdown of lease liabilities by maturity is shown below:

Maturity of leasing liabilities

	As of December 31, 2023		As of December 31, 2022	
In EUR million	short-term	long-term	short-term	long-term
Lease liability	6.1	109.5	6.1	106.7
of which > 5 years	*–*	*96.3*	*–*	*94.1*

07 Inventories

In EUR million	2023	2022
Raw materials and supplies	191.5	166.6
Finished and unfinished products	109.3	111.0
Total	**300.8**	**277.6**
of which recorded at net realizable value	*0.0*	*0.0*

As of December 31, 2023, unfinished products amounted to EUR 52.4 million (previous year: EUR 62.6 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

	As of December 31, 2023			As of December 31, 2022		
In EUR million	Total	of which non-current	of which current	Total	of which non-current	of which current
Trade receivables	**162.4**	**–**	**162.4**	**222.2**	**–**	**222.2**
Contract assets	**12.2**	**–**	**12.2**	**14.6**	**–**	**14.6**
Derivative financial instruments	13.0	0.6	12.4	24.6	4.2	20.4
Other	6.5	–	6.5	2.8	–	2.8
Other financial assets	**19.5**	**0.6**	**18.9**	**27.4**	**4.2**	**23.2**
	–			–		
Prepaid expenses	10.8	0.1	10.7	8.3	0.2	8.1
Other tax receivables	32.2	–	32.2	32.2	–	32.2
Other	26.4	17.1	9.3	36.3	20.8	15.5
Other non-financial assets	**69.4**	**17.2**	**52.2**	**76.8**	**21.0**	**55.8**
Other financial and non-financial assets	**88.9**	**17.8**	**71.1**	**104.2**	**25.2**	**79.0**
of which maturity > 5 years	*2.5*	*2.5*	*–*	*3.3*	*3.3*	*–*
Income tax receivables	**2.2**	**–**	**2.2**	**1.1**	**–**	**1.1**
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, 2023 was not affected by an impairment. 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 88 percent (prior year: roughly 85 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 162.4 million), other financial assets (EUR 6.5 million) and contract assets (EUR 12.2 million) measured at amortized cost by risk class in fiscal year 2023:

in EUR million	As of December 31, 2023					
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%	178.4	0.0	No
Medium	BB– to BB+	4	0%	2.7	0.0	No
High	C to D	5 to 6	0%	0.0	0.0	Yes
Total			**0%**	**181.1**	**0.0**	

in EUR million	As of December 31, 2022					
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%	235.2	0.0	No
Medium	BB– to BB+	4	0%	4.2	0.0	No
High	C to D	5 to 6	0%	0.2	0.0	Yes
Total			0%	239.6	0.0	

Loss rates are calculated based on actual credit losses over the last five years. These rates have been multiplied by scaling factors to reflect the differences between the economic conditions at the time the historical data was collected, the current conditions and the Group's view of the economic conditions over the expected life of the receivables. The maximum default risk is the carrying amount. Siltronic does not use credit default insurance coverage.

The valuation adjustments as at December 31, 2023 were below EUR 0.5 million, as they were on December 31, 2022. 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 51.6 million (previous year: EUR 338.4 million)and cash and cash equivalents of EUR 386.2 million (previous year: EUR 488.7 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 (previous year: EUR 0.4 million) on the balance sheet date.

Siltronic manages its securities under two different business models. Securities in the amount of EUR 2.2 million (previous year: EUR 78.3 million) are 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 previous year, securities were acquired whose business model consists of collecting contractual interest and principal payments. These securities in the amount of EUR 19.1 million (previous year: EUR 145.5 million) are measured at amortized cost.

10 Equity

The individual items of equity and their 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 4.00. 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 negative development resulted on the one hand from the decrease in interest rates on the valuation of pension obligations and on the other hand from currency translation in connection with the consolidation of subsidiaries. The stronger euro against the Singapore dollar had a particularly negative effect on equity.

Management of capital

The capital management of the Siltronic Group pursues the objective of ensuring the 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. The Company does not use any special definitions of capital.

There is conditional capital and authorized capital: The Company’s share capital may be increased by up to 3,000,000 by issuing 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 § 233 (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.

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 managed by an external trustee and serves exclusively to finance domestic pension obligations.

For employees joining the company from 2023 onwards, an employer- and employee-financed, securities-linked direct commitment is granted up to the applicable pension insurance contribution assessment ceiling, which is secured by a trust structure. Employees receive a purely employer-financed contribution to the company pension scheme for the portion of income above the contribution assessment ceiling.

Employees can also voluntarily make additional deferred compensation contributions. The core of the commitment is a so-called Contractual Trust Arrangement (CTA). A trust company, which uses its assets exclusively to finance the company's pension obligations, invests the pension capital paid in on the capital market. Siltronic guarantees at least the amount of the respective pension contributions.

Investment income generated on the capital market can increase the employee's pension account. The credit balance is protected against insolvency by the CTA. Employees and their surviving dependants are entitled to benefits. At the time of the benefit claim, the pension capital is actuarially converted into a monthly pension of equal value. Alternatively, the beneficiary can choose a lump sum, up to 5 installments or a combination of 30 percent partial capital and 70 percent annuity.

Employees who joined the Company on or after January 1, 2005 and before January 1, 2023 can voluntarily switch to the new system. In this case, the entitlements acquired under the old system will be maintained.

The pension entitlements in Germany are protected against insolvency by the Mutual Pension Assurance Association (Pensionsversicherungsverein 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 are in place for employees of Siltronic Corporation, Portland who entered the Company before end of 2003. Both plans have been closed to new hires 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, 2023			As of December 31, 2022		
In EUR million	Germany	Foreign	Total	Germany	Foreign	Total
Present value of the at least partially fund-financed defined benefit obligations	835.6	98.5	934.1	757.2	99.6	856.8
Fair value of plan assets	699.3	96.8	796.1	661.4	98.9	760.3
Funded status	**136.3**	**1.7**	**138.0**	**95.8**	**0.7**	**96.5**
Present value of unfunded defined benefit obligations	–	8.0	8.0	–	8.0	8.0
Impact of asset ceiling	–	–	–	7.5	–	7.5
Net defined benefit obligations	**136.3**	**9.7**	**146.0**	**103.3**	**8.7**	**112.0**
Economic benefit recognized as an asset	–	–	–	7.5	–	7.5
Provisions for pensions and similar obligations	**136.3**	**9.7**	**146.0**	**110.8**	**8.7**	**119.5**

Development of the net liability of defined benefit obligations

In EUR million	2023 Projected benefit plan obligation	2023 Fair value of plan assets	2023 Difference
As of January 1	**864.8**	**752.8**	**112.0**
Current service cost	13.0	–	13.0
Interest expenses and interest income	32.6	28.8	3.8
Administrative cost paid out of plan assets	–	–0.7	0.7
Past service cost	–	–	–
Remeasurements			
Gains (–)/losses (+) from plan assets, excluding amounts recognized in interest income	–	18.7	–18.7
Gains (–)/losses (+) from changes in demographic assumptions	–	–	–
Gains (–)/losses (+) from changes in financial assumptions	52.7	–	52.7
Gains (–)/losses (+) from changes in experience-based assumptions	5.1	–	5.1
Impact of asset ceiling	–	8.0	–8.0
Effects of exchange-rate differences	–4.0	–3.9	–0.1
Contributions by			
the employer to the German pension fund	–	7.7	–7.7
the employer to the foreign pension assets	–	–	–
the employer to the CTA	–	0.1	–0.1
Pension plan beneficiaries	6.4	6.4	–
Pension payments	–28.5	–21.8	–6.7
As of December 31	**942.1**	**796.1**	**146.0**

In EUR million	2022 Projected benefit plan obligation	2022 Fair value of plan assets	2022 Difference
As of January 1	**1,211.8**	**807.0**	**404.8**
Current service cost	23.2	–	23.2
Interest expenses and interest income	16.7	11.5	5.2
Administrative cost paid out of plan assets	–	–0.3	0.3
Past service cost	–	–	–
Effects of settlements	–	–	–
Remeasurements			
Gains (–)/losses (+) from plan assets, excluding amounts recognized in interest income	–	–66.1	66.1
Gains (–)/losses (+) from changes in demographic assumptions	–	–	–
Gains (–)/losses (+) from changes in financial assumptions	–408.4	–	–408.4
Gains (–)/losses (+) from changes in experience-based assumptions	36.3	–	36.3
Impact of asset ceiling	–	–7.5	7.5
Effects of exchange-rate differences	9.1	7.8	1.3
Contributions by			
the employer to the German pension fund	–	8.6	–8.6
the employer to the foreign pension assets	–	–	–
the employer to the CTA	–	10.0	–10.0
Pension plan beneficiaries	6.1	6.1	–
Pension payments	–30.0	–24.3	–5.7
As of December 31	**864.8**	**752.8**	**112.0**

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:

Significant actuarial assumptions

	2023		2022	
in %	Germany	USA	Germany	USA
Discount rate	3.31	4.70	3,72	4,9
Salary growth rate	3.00	3.00	2.50	3.00
Pension growth rate				
Basic and additional pension plan [1]	2,0/1,0	–	2,0/1,0	–
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.

Due to inflation and the adjustment every three years, an additional adjustment of 19% for 2024 and an additional adjustment of 14% for 2025 was taken into account for the respective cohort in deviation from the general pension trend in Germany. The measures increased the defined benefit obligation of the pension commitments by EUR 19.1 million (previous year: EUR 60.4 million). The significant reduction in this measure compared to the previous year is mainly due to the increase in the pension trend in the previous year.

In Germany, Siltronic uses the "Richttafeln 2018G" mortality tables published by Heubeck Richttafeln GmbH. In the USA, current mortality tables are taken into account, which are regularly adjusted to the latest mortality expectations (most recently: 2020 scale).

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, 2023		As of December 31, 2022	
	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	**942.1**		**864.7**	
Present value of all pension obligations if				
the discount rate increases by 0.5%	878.7	–6.7	806.7	–6.7
the discount rate decreases by 0.5%	1,013.3	7.6	929.9	7.5
salaries increase by 0.5%	945.4	0.4	868.1	0.4
salaries decrease by 0.5%	938.9	–0.3	861.5	–0.4
future pension increases are 0.25% higher	962.7	2.2	884.4	2.3
future pension increases are 0.25% lower	919.4	–2.4	845.9	–2.2
life expectancy increases by one year	968.8	2.8	887.1	2.6

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

	As of December 31, 2023			As of December 31, 2022		
In EUR million	Market price quoted in an active market	No market price quoted in an active market	Total	Market price quoted in an active market	No market price quoted in an active market	Total
Real estate	–	91.9	91.9	–	93.5	93.5
Loans and fixed-income securities	225.1	141.8	366.9	260.6	100.5	361.1
Equities/equity funds/private equity	155.8	134.7	290.5	160.4	130.1	290.5
Cash and cash equivalents	–	46.8	46.8	–	15.2	15.2
Total plan assets	**380.9**	**415.2**	**796.1**	**421.0**	**339.3**	**760.3**
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 predefined 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 2023, benefits in the amount of EUR 20.3 million (prior year: EUR 18.3 million) were paid into pension plans in Germany, and EUR 8.2 million (prior year: EUR 11.7 million) into pension plans outside of Germany. For the 2024 fiscal year, the employer's contributions are expected to amount to only EUR 2.1 million. The expected term of pension obligations as of December 31, 2023 was 15.4 years (prior year: 15.4 years) in Germany and 12.7 years (prior year: 12.9 years) in the United States.

The following table shows the pensions benefits that the Group expects to pay from 2024 to 2028:

Projected payment periods for pension benefits

In EUR million	2024	2025	2026	2027	2028
	29.8	33.9	36.0	39.1	41.4

Composition of pension expenses by pension plan

In EUR million	2023	2022
Current service cost due to defined benefit plans	13.0	23.2
Past service cost/effects of settlements/transfers	0.0	0.0
Administrative cost paid out of plan assets	0.7	0.3
Net interest expenses due to defined benefit plans	3.8	5.2
Expenses due to defined contribution plans	1.3	1.3
Other pension expenses	0.4	0.5
Contributions to public pension schemes	21.5	20.9
Total retirement benefits	**40.7**	**51.4**

12 Other providers

In EUR million	As of December 31, 2023 Total	of which non-current	of which current	As of December 31, 2022 Total	of which non-current	of which current
Personnel	27.1	25.5	1.6	25.7	23.8	1.9
Environmental protection	30.1	28.2	1.9	31.5	29.2	2.3
Other	16.8	12.0	4.8	6.0	0.2	5.8
Total	**74.0**	**65.7**	**8.3**	**63.2**	**53.2**	**10.0**

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.

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 30.1 million as of December 31, 2023. The outflow is expected to occur in 2024 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 2023:

Development of other provisions

In EUR million	Jan. 1, 2023	Utilization	Reversal	Addition	Transfer to liabilities	Interest and exchange rate	Dec. 31, 2023
Personnel	25.7	–18.0	–	18.8	–0.8	1.3	27.0
Environmental protection	31.5	–1.7	–0.1	0.1	–	0.3	30.1
Other	6.0	–0.1	–3.5	14.6	–	–0.1	16.9
Total	**63.2**	**–19.8**	**–3.6**	**33.5**	**–0.8**	**1.5**	**74.0**

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

In EUR million	As of December 31, 2023 Total	of which non-current	of which current	As of December 31, 2022 Total	of which non-current	of which current
Trade liabilities	**452.5**	**–**	**452.5**	**336.1**	**–**	**336.1**
Loan liabilities	**789.0**	**785.1**	**3.9**	**657.7**	**653.8**	**3.9**
of which > 5 years	*291.1*	*291.1*	–	*341.7*	*341.7*	–
Customer prepayments	**588.8**	**542.5**	**46.3**	**562.3**	**503.7**	**58.6**
of which > 5 years	*137.6*	*137.6*	–	*123.9*	*123.9*	–
Other financial liabilities						
Derivative financial instruments	3.0	–	3.0	6.6	–	6.6
Other	41.6	–	41.6	2.0	–	2.0
Total	**44.6**	**–**	**44.6**	**8.6**	**–**	**8.6**
of which > 5 years	–	–	–	–	–	–
Other non-financial liabilities						
Other tax liabilities	2.9	–	2.9	3.3	–	3.3
Social security	2.0	–	2.0	2.2	–	2.2
Payroll	2.0	–	2.0	2.2	–	2.2
Profit-sharing and bonuses	29.5	–	29.5	45.1	–	45.1
Other personnel liabilities	11.5	–	11.5	11.1	–	11.1
Government Grants	119.8	113.3	6.5	17.5	14.2	3.3
Other	0.2	0.1	0.1	–	–	–
Total	**167.9**	**113.4**	**54.5**	**81.4**	**14.2**	**67.2**
of which > 5 years	*55.4*	*55.4*	–	*2.0*	*2.0*	–
Income tax liabilities	**24.3**	**2.6**	**21.7**	**39.2**	**3,8**	**35,4**
of which > 5 years	–	–	–	–	–	–

Loan liabilities

Loans are classified by maturity as follows:

In EUR million Loan period	until	Nominal Value	thereof variable interest
5 years	2027	147.5	52.5
7 years	2029	415.7	37.5
10 years	2032	245.5	15.0
Total		**808.7**	**105.0**

The following interest and principal payments are due for payment over the next few years:

In EUR million	2023	2024	2025	2026	2027	2028	2029 – 2032
Interest	21.1	21.1	19.4	16.4	11.0	8.2	10.0
Repayments	–	63.6	102.2	249.6	102.2	170.6	120.5
Total	**21.1**	**84.7**	**121.6**	**266.0**	**113.2**	**178.8**	**130.5**

Due to the variable interest components, the interest expenses are sensitive to future interest rate developments:

In EUR million	2024 – 2032
Interest expenses	
variable interest 1 percentage point higher	5.2
variable interest 1 percentage point lower	-5.2

No collateral or similar rights exist for the loans. Some of the loan liabilities are subject to financial covenants.

In addition to the loans drawn, there are unused credit lines of around EUR 380 million part of which are scheduled to be drawn down in 2024.

Customer prepayments

The customer prepayments are equivalent to the contract liabilities from contracts with customers in accordance with IFRS 15. The amount of EUR 44.4 million (previous year: EUR 41.0 million) reported under contract liabilities at the beginning of the period was recognized as sales in the current year. There were no significant 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 5.6 billion, of which one-fifth is expected in 2025. The remaining amount is expected to be realized between 2026 and 2030. As permitted by IFRS 15, no information is provided on the remaining performance obligations as of December 31, 2023 that have an expected original term of up to one year.

Other financial liabilities

Other financial liabilities include liabilities to a payment service provider totalling EUR 40.9 million (previous year: EUR 0.0 million), which relate to the assignment of trade payables to a financing partner. This is a working capital management measure, whereby the financing partner provides funds for payments to suppliers via the payment service provider on the due date at Siltronic's instruction. These are reimbursed to the financing partner by Siltronic with a time lag of two months.

Government grants

For the loans received in the previous year, the public sector granted partial subsidies in the form of subsidized interest rates. The remaining portion of a subsidized loan was paid out in the reporting year. In order to receive the interest subsidies, Siltronic must make agreed expenditures. Siltronic continues to plan to make the necessary expenditures. As IFRS requires the deferral of economic benefits from interest subsidies, expense grants totalling EUR 12.9 million were deferred in the previous year and investment grants totalling EUR 5.6 million. Further expense grants totalling EUR 10.3 million were added in the reporting year. The reversal of the deferral reduced interest expenses by EUR 3.6 million in the reporting year and EUR 0.8 million was recognized in other operating income.

Government grants for investments totalled EUR 83.9 million in the reporting year. These were granted after the necessary expenditure for capacity expansions had already been incurred. In addition, Siltronic was granted a further benefit after the related investment conditions for capacity expansions were met in the financial year. The resulting deferred benefit amounts to EUR 12.2 million. The investment grants are amortized over the useful life of the underlying assets. The amortization period is between eight and twelve years. No income was recognised from the reversal in the reporting year.

A receivable has already been recognized for a further government grant for investments in machinery as at the reporting date, as there is reasonable assurance that the associated conditions will be met and the grant will be awarded. This amounts to EUR 1.1 million and will be released to other operating income over the next ten years.

Other

Liabilities relating to social security refer in particular to amounts withheld that have not been paid.

The other personnel liabilities include primarily vacation and flextime credits.

The liability from derivative financial instruments corresponds to the negative fair value of these instruments.

Income tax liabilities include obligations from current income taxes of all domestic and foreign entities.

14 Other financial obligations and contingencies

Other financial obligations

As of December 31, 2023, obligations from purchase commitments amounted to EUR 1,018.2 million (previous year: EUR 1,919.7 million); the commitments primarily related to property, plant and equipment in connection with the investments in Germany and Singapore.

The Group enters into long-term purchase agreements with minimum commitments. This resulted in minimum purchasing obligations for the following year of around EUR 206.4 million as of December 31, 2023 (December 31, 2022: around EUR 266.4 million). For the subsequent two years, there are annual minimum purchase commitments in a similar amount.

Contingent Liabilities

For environmental risks related to the site in Portland, Oregon, USA, further obligations may arise that exceed the existing insurance coverage. As in the previous year, a reliable estimate of these contingent liabilities cannot be made. For further information see Note 12.

Contingent liabilities may arise in the future as a result of leases that are subject to annual indexation (see Note 06).

Other disclosures

15 Earnings per share

	2023	2022
Net result attributable to Siltronic AG shareholders (in EUR million)	184.4	390.6
Average number of outstanding common shares	30,000,000	30,000,000
Number of common shares outstanding at the end of the year	30,000,000	30,000,000
Earnings per common share (in EUR) (average)	6.15	13.02
Dividend payment per common share (in EUR) for the prior year	3.00	3.00

For the financial year 2023, the Executive Board and the Supervisory Board propose to distribute a dividend of EUR 1.20 per share in the year 2024. 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 36 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 2023 and 2022, 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 through other comprehensive income or fair value through profit or loss as shown in the table below. These categories are sufficient to reflect the classes in accordance with IFRS 7 which distinguish at least between financial instruments measured at amortized cost from financial instruments measured at fair value. Those financial instruments which show specific risks are derivative financial instruments mainly pertaining to foreign currency derivatives, which are presented separately in the table below.

Financial assets and liabilities by measurement categories according to IFRS 9

		Measurement according to IFRS 9				
In EUR million	**Carrying amount as of Dec. 31, 2023**	Amortized cost (AC)	Fair value through other comprehensive income (FVOCI)	Fair value through profit and loss (FVTPL)	Fair value through other comprehensive income (hedge accounting)	**Fair Value as of Dec. 31, 2023**
Securities	21.3	19.1		2.2	–	21.3
Trade receivables	162.4	141.9	20.5			162.4
Fixed-term deposits	51.6	51.6				51.6
Other financial assets	19.5	6.5		5.3	7.6	19.5
Other		6.5				
Derivatives for which hedge accounting is not used (FVTPL)				5.3		
Derivatives for which hedge accounting is used (hedge accounting according to IAS 39)					7.6	
Cash and cash equivalents	386.2					386.2
Total financial assets	**641.0**					**641.0**
Loan liabilities	789.0	789.0				772.0
Trade liabilities	452.5	452.5				452.5
Other financial liabilities	44.6	41.6		2.8	0.2	44.6
Other		41.6				
Derivatives for which hedge accounting is not used (FVTPL)				2.8		
Derivatives for which hedge accounting is used (Hedge accounting according to IAS 39)					0.2	
Total financial liabilities	**1,286.1**					**1,269.1**

In EUR million	Carrying amount as of Dec. 31, 2022	Measurement according to IFRS 9			Fair value through other comprehensive income (hedge accounting)	Fair Value as of Dec. 31, 2022
		Amortized cost (AC)	Fair value through other comprehensive income (FVOCI)	Fair value through profit and loss (FVTPL)		
Securities	223.8	145.5		78.3	–	223.8
Trade receivables	222.2	222.2	–	–	–	222.2
Fixed-term deposits	338.4	338.4		–	–	338.4
Other financial assets	27.4	2.8		6.0	18.6	27.4
Other		2.8				
Derivatives for which hedge accounting is not used (FVTPL)				6.0		
Derivatives for which hedge accounting is used (Hedge accounting according to IAS 39)					18.6	
Cash and cash equivalents	488.7	–		–	–	488.7
Total financial assets	**1,300.5**					**1,300.5**
Loan liabilities	657.7	657.7				643.9
Trade liabilities	336.1	336.1		–	–	336.1
Other financial liabilities	8.6	2.0		4.0	2.7	8.6
Other		2.0		–	–	
Derivatives for which hedge accounting is not used (FVTPL)		–		4.0	–	
Derivatives for which hedge accounting is used (Hedge accounting according to IAS 39)		–		–	2.7	
Total financial liabilities	**1,002.4**					**988.6**

Since the end of the financial year, the Group has been participating in a receivables sale program with some of its receivables, under which certain trade receivables can be sold to a financial services provider. With this measure, Siltronic is pursuing the goal of active working capital management on the one hand and liquidity management on the other. As essentially all opportunities and risks associated with ownership of the financial asset are transferred to the financial services provider, this is factoring with derecognition in the statement of financial position. For the non-transferred receivables in a portfolio, which would in principle be transferable, the intention is to hold them until final payment and to collect the contractual cash flows. The business model for these receivables is therefore assigned to the "hold and sell" category and is recognized at fair value through other comprehensive income. In the financial year, a volume of receivables totalling EUR 0.1 million (previous year: EUR 0.0 million) was sold in this way. The fair value of the receivables sold is approximately equal to the carrying amount of the receivables before the transfer due to their short term.

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 2024. 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	2023	2022
Assets/liabilities classified as at fair value through profit or loss	–1.2	6.0
Financial assets recognized at amortized cost	13.5	25.6
Financial liabilities recognized at amortized cost	–6.6	–17.5
Total	**5.7**	**14.1**

The net result from financial assets measured at amortized cost primarily includes net gains/losses from currency translation, interest income from securities, fixed-term deposits and bank balances as well as value adjustments.

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 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 22.5 million in 2023 (previous year: EUR 13.2 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 0.9 million (previous year: EUR 0.4 million) and interest income of EUR 5.3 million (previous year: EUR 3.7 million).

The interest expenses from financial liabilities which are not recognized at fair value through profit or loss were EUR 17.1 million in 2023 (previous year: EUR 4.6 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 by reference to similar financial instruments traded in active markets or using valuation methods where all 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, 2023			
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	–	5.3	–	5.3
Securities	2.2	–	–	2.2
Fair value through other comprehensive income				–
Trade receivables	–	20.5	–	20.5
Derivatives for which hedge accounting is used	–	7.6	–	7.6
Total	**2.2**	**33.4**	**–**	**35.6**
Financial liabilities, measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used	–	2.8	–	2.8
Fair value through other comprehensive income	–		–	
Derivatives for which hedge accounting is used	–	0.2	–	**0.2**
Total	**–**	**3.0**	**–**	**3.0**

In EUR million	As of December 31, 2022 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	–	6.0	–	6.0
Securities	78.3	–	–	78.3
Fair value through other comprehensive income				–
Derivatives for which hedge accounting is used	–	18.6	–	18.6
Total	**78.3**	**24.6**	**–**	**102.9**
Financial liabilities, measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used	–	4.0	–	4.0
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used	–	2.7	–	2.7
Total	**–**	**6.7**	**–**	**6.7**

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 financial 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-matched 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 that have not yet beeb invoiced. The time horizon for strategic hedging is between three 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 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 transactions, 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 2023 and 2022 financial years are as follows:

In EUR million	2023	2022
Accumulated effects from derivative financial instruments (cash flow hedge) before taxes as of January 1	**20.2**	**-9.3**
Changes in market values	11.0	5.4
Reclassification to the profit and loss statement (other operating income and expenses)	-20.0	24.1
Accumulated effects from derivative financial instruments (cash flow hedge) before taxes as of December 31	**11.2**	**20.2**

For strategic hedging, graded hedging ratios of around 10 per cent to 50 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 Japanese yen for 2024 is hedged at around 45 and 13 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.

In addition, commodity futures were entered into to hedge the price change risk of an oil price component in electricity supply contracts for the year 2024. These hedging transactions were not recognized as hedge accounting together with the underlying transactions.

Nominal values and market values

The following tables compare the fair values of derivative financial instruments with their nominal values:

	As of December 31, 2023		As of December 31, 2022	
In EUR million	Nominal values	Market values	Nominal values	Market values
Other financial assets	**468.3**	**13.0**	**710.8**	**4.2**
Foreign currency derivatives	444.3	12.4	622.4	1.9
thereof for strategic hedging (with hedge accounting)	*295.6*	*7.6*	*451.6*	*0.9*
Foreign currency swaps	19.3	0.3	63.0	2.2
Other derivatives	4.7	0.3	25.4	–
Other financial liabilities	**227.1**	**3.1**	**282.6**	**6.7**
Foreign currency derivatives	108.6	0.7	202.2	5.5
thereof for strategic hedging (with hedge accounting)	*34.8*	*0.2*	*111.2*	*2.3*
Foreign currency options	–	–	15.1	0.4
thereof for strategic hedging (with hedge accounting)	–	–	*15.1*	*0.4*
Foreign currency swaps	109.8	1.9	55.9	0.2
Other derivatives	8.7	0.5	9.4	0.6

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:

	As of December 31, 2023		As of December 31, 2022	
In EUR million	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	294.3	36.1	487.7	75.1
Average hedging rate				
EUR/JPY	136	–	137	140
EUR/USD	1.09	1.11	1.05	1.02
USD/SGD	1.33	1.32	1.38	–
EUR/SGD	1.46	–	1.45	–
Nominal values currency option contracts	–	–	15.1	–
Average hedging rate				
EUR/USD	–	–	1.09	–

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

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, 2023					
	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	13.6	0.6	13.0	1.5	–	11.5
Derivatives with a negative market value	3.7	0.6	3.1	1.5	–	1.6

	As of December 31, 2022					
	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	25.1	0.5	24.6	3.6	–	21.0
Derivatives with a negative market value	7.2	0.5	6.7	3.6	–	3.1

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 part of strategic hedging of foreign currency cash flows the Group closes out forward exchange contracts prior to maturity by entering into 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 on 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 into with counterparties with a 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 into and defining additional risk limits as 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 analyses on the extent of those risks. The analyses focus on market risks, in particular on the potential impact of raw material price risks, foreign currency exchange risks, and interest rate risks on net interest income

Foreign currency risks

Foreign currency risks generally result from investments, financing measures, and operating business. The Group hedges foreign currency risks to the extend 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 euros. 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 Group's cash inflows from the sale of products (operating business) significantly exceed the cash outflows in US dollars (operating business and investments), the Group is exposed to 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 has a high correlation to the US-Dollar, the risks for these currencies are considered together.

The net foreign exchange exposure, i.e. the amount in the same foreign currencies (or currencies grouped 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 analyses that show the effects of hypothetical changes in relevant risk variables on profit or loss and on equity. The periodical changes are calculated by applying the hypothetical changes in risk variables on all existing financial instruments as of the reporting date. The sensitivity analyses regarding foreign currencies are based on the following assumptions:

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 80 percent of consolidated Group sales are invoiced in US dollars. Payouts in foreign currency remain at the current level, which is dependent on the production level. Thus, the Group is only exposed to foreign currency exchange risks coming from unhedged trade receivables and the change in fair value of existing derivative financial instruments.

If the US dollar had appreciated by 10 percent against the euro (taking into account currencies with a high correlation to the US dollar) as of 31 December 2023, the fair value of the hedging instruments would have decreased by around EUR 20.9 million. EUR 3.0 million of the change would have been recognized in profit or loss and EUR 23.9 million would have been recognized directly in equity. If the US dollar had depreciated by 10 percent against the euro, the fair value would have increased by EUR 17.2 million. Of this, EUR 19.6 million would have been recognized directly in equity and EUR 2.5 million in profit or loss. The corresponding fair values as at 31 December 2022 would have decreased by EUR 42.8 million and increased by EUR 34.7 million respectively. EUR 8.2 million of the decrease would have been recognized in profit or loss and EUR 34.6 million in other comprehensive income, while EUR 27.9 million of the increase would have been recognized in other comprehensive income and EUR 6.7 million in profit or loss.

If the Japanese yen had appreciated or depreciated by 10 percent against the euro as of 31 December 2023, the fair value of the hedging instruments to be recognized would have decreased by around EUR 1.1 million or increased by EUR 0.9 million. In the event of the revaluation, EUR 0.5 million would have been recognized in profit or loss and EUR 0.6 million would have been recognized directly in equity. The increase in fair values would have been recognized at EUR 0.5 million in equity and EUR 0.4 million in profit or loss. The corresponding fair values as at 31 December 2022 would have decreased by EUR 7.1 million and increased by EUR 5.8 million respectively. The decrease would have recognized EUR 1.0 million in profit or loss and EUR 6.1 million in other comprehensive income, while the increase would have recognized EUR 5.0 million in other comprehensive income and EUR 0.8 million in profit or loss.

Without taking currency hedging transactions into account, a deviation of 1 USD cent in the EUR/USD exchange rate compared to the planned exchange rate results in a change in sales of around +/- EUR 10 million and a change in EBITDA of around +/- EUR 8 million in the financial year.

Interest rate risk

As of the reporting date, the Group is exposed to interest rate risks from its operating activities arising from floating-rate loan liabilities. If the market interest rate increases or decreases by 100 basis points, the interest result changes by +/- EUR 1.1 million. The Group is exposed to a low interest rate risk from fixed-income securities that are measured at amortized cost. Furthermore, the derivatives denominated in foreign currencies are not subject to any significant changes in interest rates and therefore no interest rate risk arises.

The Group held securities, mainly in the special fund until it was sold, 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

Until the sale of the shares, the Group was exposed to other market price risks from fluctuating stock market prices to a small extent from securities held in the special fund. These risks are monitored and reduced by means of overlay management.

The appreciation or depreciation of Brent by +/- 10 percent would have had a positive or negative effect on earnings of around EUR 1.2 million in each case for the commodity futures held as at the reporting date. The fair values as at 31 December 2023 would have increased or decreased accordingly. As at 31 December 2022, an appreciation or depreciation of Brent by +/- 10 percent would have resulted in an effect on earnings or a change in market value of EUR 0.8 million.

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 high enough as to represent an extraordinary concentration of risk. For further information on the default risk of financial assets and contract assets, see Notes 08 and 09. Over the last three years, the expenses for default have averaged at 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.

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.

Market risk

Market risk describes the risk that the fair value or future cash flows of an original or a derivative financial asset will change due to the volatility of the market. The securities of the special fund were, also subject to this risk, until it was sold.

Fixed-term deposits

Fixed-term deposits are investments held at banks. They have a term until October 2024.

17 Additional information on the Consolidated statement of cash flows

Liabilities from financing activities include loan and lease liabilities. Due to borrowing, interest and lease payments, they influence the cash flow from financing activities and the cash flow from operating activities.

The carrying amounts of current and non-current loan liabilities totalling EUR°789.0°million (previous year: EUR°657.7°million) and current and non-current lease liabilities of EUR°115.6°million (previous year: EUR°112.9°million) increased by EUR°134.0°million compared to the previous year. This change was cash-effective and had an impact of EUR 125.1 million and a non-cash-effective of EUR 8.9 million (previous year: EUR 662.3 million cash-effective and EUR 2.5 million non-cash-effective). The change in non-cash of EUR 8.9 million is made up of new leases totalling EUR 15.9 million (previous year: EUR 9.2 million), currency effects of EUR -3.7 million (previous year: EUR 6.8 million) and other changes of EUR -3.3 million (previous year: EUR -13.5 million).

18 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 in only one segment. The products can differ between diameters, between polished and epitaxial wafer, between different pulling technologies and other features.

The information by geographical area for the reporting periods breaks down as follows:

Segment information by region

	2023							
In EUR million	Germany	Europe excluding Germany	United States	Taiwan and (mainland) China	South Korea	Asia excluding Taiwan, (mainland) China and South Korea	Consolidation and others	Siltronic Group
External sales from contracts with customers by customer location	124.6	147.7	122.0	566.9	318.9	217.2	16.5	1,513.8
Additions to property, plant and equipment, and intangible assets	278.2	–	9.6	–	–	1,028.2	–	1,316.0
Non-current assets (December 31)	918.7	–	40.1	–	–	2,362.6	19.6	3,341.0

	2022							
In EUR million	Germany	Europe excluding Germany	United States	Taiwan and (mainland) China	South Korea	Asia excluding Taiwan, (mainland) China and South Korea	Consolidation and others	Siltronic Group
External sales from contracts with customers by customer location	132.3	196.8	185.2	639.3	394.0	238.3	19.4	1,805.3
Additions to property, plant and equipment, and intangible assets	283.8	–	10.7	–	–	779.1	–	1,073.6
Non-current assets (December 31)	751.7	–	37.6	0.1	–	1,448.0	19.3	2,256.7

In all regions, the majority of sales are invoiced in U.S. dollars.

The carrying amount of intangible assets and property, plant and equipment in the Asia region excluding Taiwan relates almost exclusively to Singapore.

In the financial year 2023, the Group generated sales with three customers that accounted for a share of more than 10 percent. One customer accounted for around one quarter of all sales, the second largest customer for 17 percent and the third largest for 14 percent. In the previous year, the breakdown was quite similar.

19 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 der Wacker Chemie VVaG (pension fund), and (c) with members of the Executive Board and Supervisory Board of the Company.

Related companies

The following amounts recognized in the statement of profit or loss result mainly from transactions with Wacker Chemie AG:

Information on transactions with related companies

In EUR million	**2023**	2022
Sales	0.9	0.8
Purchased material and services (primarily cost of sales)	209.9	204.7
Lease expenses (several functional costs)	0.1	0.2

Sales in the year under review include other services totalling EUR 0.9 million (previous year: EUR 0.8 million) for Wacker Chemie AG.

The cost of sales primarily relates to the purchase of a raw material from Wacker Chemie AG and the purchase of services from Wacker Chemie AG. Wacker provides the services to Siltronic in Burghausen (Germany), where Siltronic and Wacker operate production facilities side by side on a large industrial site.

The following table shows other assets, right-of-use assets and liabilities to related parties recorded in the statement of financial position for the years ending December 31, 2023 and 2022. All transactions relate to Wacker Chemie AG or the pension fund of Wacker Chemie VVaG:

Right-of-use assets, other assets and liabilities to related parties

In EUR million	**Dec. 31, 2023**	Dec. 31, 2022
Right-of-use assets	1,1	1,2
Other assets	19.1	23,9
Lease liabilities	1,3	1,4
Trade liabilities	22,7	20,3

In addition, long-term purchase agreements exist with Wacker Chemie AG, resulting in other financial obligations of EUR 126.6 million (previous year: EUR 147.5 million).

The following table shows the remuneration of members of the Executive Board and Supervisory Board:

Remuneration of corporate bodies

In EUR		Fixed remune-ration	Variable remune-ration	Share-based payments	Pensions	**Total**
Remuneration for Executive Board members	2023	2,212,683	905,055	1,919,326	427,765	**5,464,829**
	2022	1,052,676	878,625	–643,979	397,955	**1,685,277**
Provision for longterm remuneration of Executive Board members	2023			3,443,669		**3,443,669**
	2022			1,524,343		**1,524,343**
Provisions for pensions for active Executive Board members	2023				1,025,882	**1,025,882**
	2022				4,048,258	**4,048,258**
Remuneration for former Executive Board members and their surviving dependents	2023				306,147	**306,147**
	2022				292,310	**292,310**
Provisions for pensions for former Executive Board members and their surviving dependents	2023				10,640,172	**10,640,172**
	2022				5,884,382	**5,884,382**
Supervisory Board remuneration	2023	1,022,500				**1,022,500**
	2022	707,500				**707,500**

The total remuneration of the members of the Executive Board for the fiscal year 2023, 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 4.1 million (prior year: EUR 2.4 million). The fair value of the share-based payment granted in the fiscal year 2023 was EUR 1.0 million (previous year: EUR 0.5 million). Provisionally 15,850 virtual shares were allocated (prior year: 6,371).

Remuneration for pensions shows the service costs.

20 Share-based compensation agreement

As in prior years, the remuneration system for the members of the Management Board includes 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.

For the compensation year 2023, 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 2022. The phantom stocks are held for a period of four years (performance period), starting January 1, 2023. 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 2026 plus the dividends distributed during the financial years 2023 to 2026. The cash settlement is limited to a limit of 200 percent of the contractual allotment value (cap). Due to the term of the remuneration, parallel tranches for the years 2020 to 2023 are presented as at the reporting date.

After completion of the first, second and third of four years of the performance periods, the preliminary figure for the reporting year based on the target development to date is 38,279 phantom stocks. The average price of the Siltronic share in the fiscal year, which is decisive for the number of phantom stocks, was EUR 85.64 (previous year: EUR 76.13). The closing price for the calculation of the fair value of the virtual shares of the 2021 to 2023 tranches was EUR 88.45. For the 2020 tranche, which will be paid out in 2024, the relevant average price on the reporting date was EUR 85.64. 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 to 2023 of EUR 3.5 million (prior year: EUR 1.5 million). Expenses of EUR 1.9 million (previous year: income of EUR 0.7 million) were recognised in personnel expenses from the addition to the provision for phantom stocks in the financial year.

21 Other information

The following table shows the average number of employees for the year.

Average number of employees

	2023	2022
Germany	2,702	2,691
Singapore and small sales companies in Asia	1,403	1,299
United States	383	369
Total	**4,488**	**4,359**

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

Audit fees

In EUR million	2023	2022
Audit of financial statements	0.6	0.6
Other certification services	0.2	0.2
Tax consulting and other services	0.0	0.0
Total	**0.8**	**0.8**

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 presented in accordance with IFRS and before consolidation. As at 31 December 2023, non-current assets amounted to EUR 2,404.3 million, current assets to EUR 204.6 million, equity to EUR 875.7 million, non-current liabilities to EUR 1,379.1 million and current liabilities to EUR 354.2 million.

In 2023, SSW generated sales of EUR 442.6 million, resulting in a net profit for the year of EUR 75.6 million and comprehensive income of EUR 59.1 million. Cash flow totalled EUR -48.1 million due to high payments for investments in property, plant and equipment. Neither the minority shareholder nor Siltronic receive a dividend.

The list of shareholdings in affiliated companies as of December 31, 2023 is as follows (IFRS amounts):

List of shareholdings

	2023		
	Share capital in EUR million	Net income in EUR million	Equity share in %
Siltronic Holding International B.V., Rotterdam, Netherlands[1]	400.8	–	100.0
Siltronic Singapore Pte. Ltd., Singapore[2]	520.5	80.9	100.0
Siltronic Silicon Wafer Pte. Ltd., Singapore[2]	875.7	75.6	77.7
Siltronic Corp., Portland (Oregon), USA[2]	134.6	11.0	100.0
Siltronic Japan Corp., Tokyo, Japan[2]	6.0	2.3	100.0
Siltronic Korea Ltd., Seoul, South Korea[1]	3.1	0.5	100.0
Siltronic Shanghai Corp., Ltd., Shanghai, China[1]	1.6	0.5	100.0

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

22 Subsequent events

There were no significant events after the reporting date of December 31, 2023.

Munich, March 8, 2024

The Executive Board of Siltronic AG

Dr. Michael Heckmeier
(CEO)

Claudia Schmitt
(CFO)

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, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2023, 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 January 1, 2023, to December 31, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (combined management report) of Siltronic AG for the financial year from January 1 to December 31, 2023.

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 of December 31, 2023, and of its financial performance for the financial year from January 1 to December 31, 2023, 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 [Handelsgesetzbuch: German Commercial Code], 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 the 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 judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment in the 300 mm segment

For information on the accounting methods used to report property, plant and equipment, please refer to the explanation in the section "Property, plant and equipment" under "Accounting policies" as well as the comments on individual items of the statement of financial position under "Development of property, plant and equipment" in the notes to the consolidated financial statements.

The Financial Statement Risk
The Group decided to set up a second 300 mm factory at the Singapore location and expand its German Siltronic location in Freiberg in the 2021 financial year. Accordingly, capital expenditure on property, plant and equipment was mainly attributable to expanding the capacity of 300 mm wafer production. The investment in Freiberg was partially completed in 2023 while, from the beginning of 2024, production at the new factory in Singapore will gradually be ramped up. Capital expenditure on property, plant and equipment totaled EUR 1,314.6 million in the reporting year and was significant for the Group's asset situation.

If there is objective evidence of impairment of property, plant and equipment, the Company determines the recoverable amount as of the reporting date and compares this amount with the respective carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is calculated using the discounted cash flow method. The calculation of the recoverable amount is carried out regularly on the level of cash-generating units.

Impairment testing of property, plant and equipment is complex and based on a range of assumptions that require judgment. These include especially the forecast cash flows, useful life of the leading asset and the discount rates that were used.

Due to the substantial investment volume, the book value of property, plant and equipment in the 300 mm segment increased materially. The segment is subject to cyclical business. In light of the capacity expansion, there is the risk for the consolidated financial statements that property, plant and equipment in the 300 mm segment will be impaired, should it not be possible to fully use the additional capacity in the future.

Our audit approach
We obtained an understanding of the Company's process for determining the recoverable amounts based on explanations provided by members of the accounting department as well as an assessment of the group accounting guidelines.

With the involvement of our valuation experts, we assessed the computational accuracy and IFRS compliance of the Company's valuation methods and the appropriateness of significant assumptions made therein. In addition, we discussed the expected cash flows with those responsible for planning. We have also reconciled this information with the budget prepared by management and approved by the Supervisory Board as well as other internally available forecasts, e.g. for tax purposes, to ensure consistency. The appropriateness of the assumptions was also evaluated using external market assessments. We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings realized and by analyzing deviations.

We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium, the necessity of specific risk premiums and the beta factor, with our own assumptions and publicly available data.

In order to take account of forecast uncertainty, we also assessed the impact of reasonably possible changes in the discount rate and the expected cash flows arising from fluctuations in earnings on the recoverable amount by calculating alternative scenarios and comparing these with the Company's measurements (sensitivity analysis).

Our observations
The approach, including the measurement method, underlying impairment testing of property, plant and equipment in the 300 mm segment is consistent with the accounting policies. The assumptions and data used by the Company are appropriate.

Other information
The Executive Board and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the combined non-financial statement for the Company and the Group, which is contained in a separate section of the combined management report,
- the combined corporate governance statement for the Company and Group, which is included in a separate section of the combined management report, and
- information extraneous to combined 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 combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined 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 combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with our engagement letter, we conducted a separate assurance engagement of the non-financial statement. Please refer to our assurance report dated March 8, 2024, 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 consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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, it is 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 they have 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 judgment and maintain professional skepticism 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 the risk of not detecting a material misstatement 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 actions taken or safeguards applied to eliminate independence threats.

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

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file „ESEF_KA+LB_SiltronicAG_2023.zip“ (SHA256-Hashwert: 721de8c326bc2f508f4324d9918e70d0c97918350442e1 26ed73bd9337be5756 made available 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 work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2023, contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1) (09.2022).

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined 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 such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, 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 opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on May 5, 2023. We were engaged by the Audit Committee on September 4, 2023. We have been the group auditor of Siltronic AG without interruption since 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 the Company and its controlled entities the following services that are not disclosed in the consolidated financial statements or in the combined management report: audit of the annual financial statements of Siltronic AG, review of the condensed interim financial statements, limited assurance engagement on the combined non-financial statement, substantive audit of the remuneration report according to stock corporation law, agreed-upon procedures in connection with financial covenants as well as other assurance services pursuant to EMIR (Section 32 of the German Securities Trading Act [WpHG]), Section 30 of the German Heat and Power Cogeneration Act [KWKG], Section 19 of the German Electricity Network Charges Regulation [StromNEV] and Article 25 (1) of the EU Regulation ("electricity price compensation").

Other Matter – Use of the Auditor’s Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the German Company Register [Unternehmensregister] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Matthias Koeplin.

Munich, March 8, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signature] Koeplin
Wirtschaftsprüfer
[German Public Auditor]

[signature] Schäfer
Wirtschaftsprüferin
[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, 2024

The Executive Board of Siltronic AG

Dr. Michael Heckmeier
(CEO)

Claudia Schmitt
(CFO)

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). The compensation report was prepared jointly by the Executive Board and Supervisory Board and adopted by both bodies on March 8, 2024. The unqualified report on the audit is printed at the end of the compensation report. The 2022 remuneration report was submitted to the Annual General Meeting on May 5, 2023 for approval and approved with 98.86 percent of the votes.

Overview of Executive Board compensation system

A full description of the compensation system applicable for the financial year 2023 can be found in the invitation to the 2023 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.

Compensation 2023

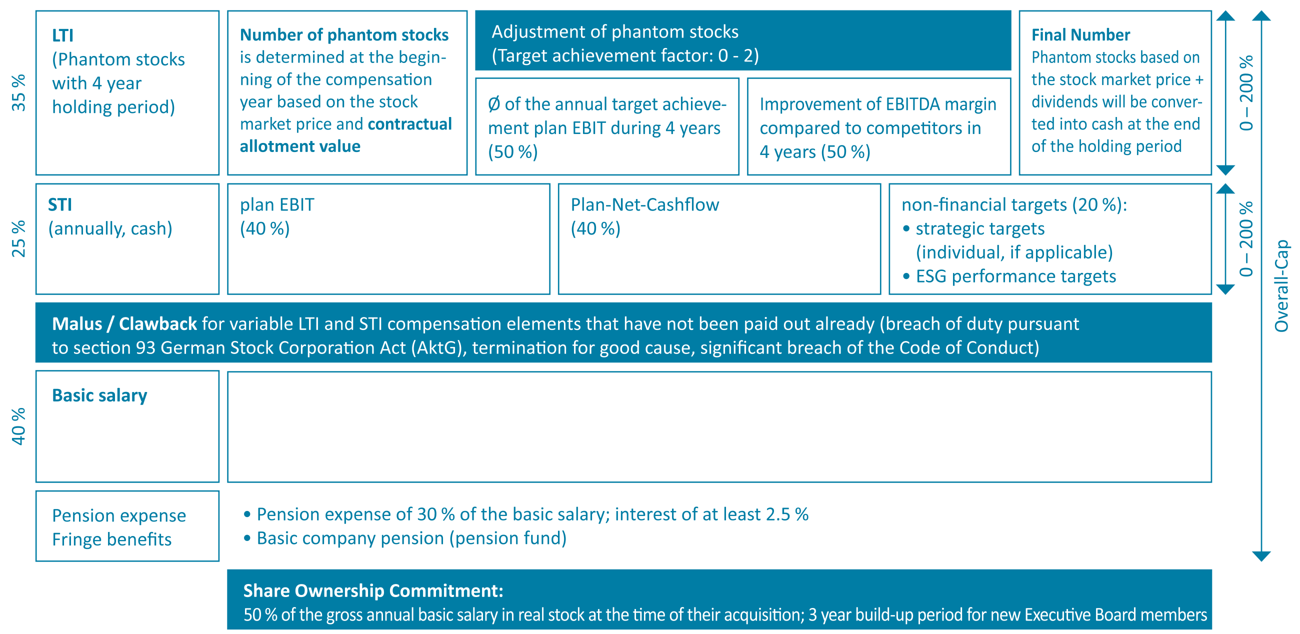
Important events in the compensation year 2023

With effect from May 6, 2023, the Supervisory Board appointed Dr. Michael Heckmeier as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG. Dr. Christoph von Plotho was accordingly dismissed as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG. With effect from July 1, 2023, Ms. Claudia Schmitt was appointed as a member of the Executive Board as Chief Financial Officer of Siltronic AG. Accordingly, Mr. Rainer Irle was dismissed as a member of the Executive Board and Chief Financial Officer.

On the recommendation of the Executive Committee, the Supervisory Board resolved to adjust the compensation system for members of the Executive Board with effect from January 1, 2023. The compensation system was subsequently approved by the Annual General Meeting on May 5, 2023 with a majority of 98.27 percent of the votes cast. The changes to the Executive Board compensation system include the option for the Supervisory Board to grant benefits for future new appointments of Executive Board members on the occasion of the commencement of their Executive Board activities. Furthermore, the basic pension plan via the Wacker Chemie VVaG pension fund will no longer apply to Executive Board members appointed from January 1, 2023, unless they are already members of the pension fund.

The following chart provides an overview of the main components of the compensation system, the targets set and their strategic relevance in the financial year 2023.

Model compensation system



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: 600,000 EUR • CFO: 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 inter alia for a company car, health care, legal fees and subsidies to build up a private pension plan
Pension benefit	Adequate benefit as part of competitive remuneration	• 30 % of the basic salary is added to a fictious capital account and bears interest at 2.5 % to a maximum of 5 % • Basic company pension (pension fund) for members who joined before 1 January 2023 • Pension cap: 50 % of the last monthly basic salary received before the insured event
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 %): progress FabNext • ESG (10 %): • work safety, silicon yield, Greenhouse Gas Emission, 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		
Other benefits in connection with the commencement of the service on the Executive Board	Part of a competitive compensation and securing the best available candidates for the Executive Board	• One-off payment at the due discretion of the Supervisory Board, in particular to compensate for the forfeiture of benefits by the previous employer
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 2,650,000 • Executive Board member EUR 1,810,000

Determination of the target compensation and maximum compensation for 2023

Based on the compensation system, the Supervisory Board has set the following specific target compensation for the financial year 2023 upon recommendation of the Executive Committee of the Supervisory Board.

Members of the Executive Board in office as of December 31, 2023

	Dr. Michael Heckmeier, CEO (from May 6, 2023)				Claudia Schmitt, CFO (from July 1, 2023)			
	2023				2023			
	Target	in %	Minimum	Maximum	Target	in %	Minimum	Maximum
Basic salary	**400,000**	**24%**	**400,000**	**400,000**	**195,000**	**24%**	**195,000**	**195,000**
Short term variable compensation								
STI for 2023	250,000	15%	0	500,000	121,875	15%	0	243,750
Long term variable compensation								
LTI 2023 – 2026	350,000	21%	0	700,000	170,625	21%	0	341,250
Target compensation	**1,000,000**	**61%**		**1,600,000**	**487,500**	**59%**		**780,000**
Fringe benefits	23,300	1%			17,500	2%		
Pension expense (service cost)	121,000	7%			71,744	9%		
Other: Commencement of board activities	500,000	30%		500,000	250,000	30%		250,000
Total target compensation	**1,644,300**	**100%**		**2,266,667**	**826,744**	**100%**		**1,155,000**

Members of the Executive Board who left during the financial year

	Dr. Christoph von Plotho, CEO (until May 5, 2023) [1]				Rainer Irle, CFO (unitl June 30, 2023)			
	2023				2023			
	Target	in %	Minimum	Maximum	Target	in %	Minimum	Maximum
Basic salary	**600,000**	**35%**	**600,000**	**600,000**	**195,000**	**34%**	**195,000**	**195,000**
Short term variable compensation								
STI for 2023	375,000	22%	0	750,000	121,875	21%	0	243,750
Long term variable compensation		0%						
LTI 2023 – 2026	525,000	31%	0	1,050,000	170,625	30%	0	341,250
Target compensation	**1,500,000**	**87%**		**2,400,000**	**487,500**	**85%**		**780,000**
Fringe benefits	35,000	2%			17,500	3%		
Pension expense (service cost)	183,802	11%			65,684	12%		
Total target compensation	**1,718,802**	**100%**		**2,650,000**	**570,684**	**100%**		**905,000**

[1] Dr. von Plotho's mandate as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of May 5, 2023. His employment relationship continued unaffected until the end of December 31, 2023.

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 financial year (annual basic salary, variable compensation components, pension expenses or service costs, and fringe benefits). The maximum compensation amounts to EUR 2,650,000 for the CEO and EUR 1,810,000 for the CFO. The final inflow for the financial year 2023 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 financial year 2027. If the total compensation determined thereafter for the financial year 2023 exceeds the defined maximum compensation, the cash settlement of the LTI for the financial year 2023 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 Executive 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 Norma Group SE.

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 financial year 2023. It was approved by the Annual General Meeting on May 5, 2023 with 98.27 percent of the votes cast and forms the basis for the Executive Board remuneration for 2023.

Fixed compensation components

Basic annual salary

The basic annual salary is a fixed cash payment for the year as a whole, which is based on the area of responsibility of the respective Executive Board member. The basic annual salary was paid as a salary in twelve monthly installments..

Company pension scheme

Executive Board members who were already members of Wacker Pensionskasse VVaG before January 1, 2023, are initially entitled to a basic company pension through the Pensionskasse der Wacker Chemie VVaG pension fund. For this purpose, the Company and the members of Wacker Pensionskasse VVaG make monthly contributions to the pension fund. As of January 1, 2023, new entrants to Siltronic AG will no longer be members of the Wacker Pensionskasse VVaG. Such a component will therefore no longer be granted for Dr. Heckmeier or for future appointments of new Executive Board members.

The Company also 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 earns interest in accordance with a 60-month average of the current yield published by the Bundesbank, 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 amount as before.

The Executive Board members Dr. von Plotho and Irle also received a monthly amount (gross) from the company in the amount of the employer's contribution to the statutory pension insurance as a component for building up a private pension. Such a component will no longer be granted in the event of future appointments of new members of the Executive Board, i.e. Dr. Heckmeier and Ms. Schmitt are no longer entitled to such an component.

The following overview shows the pension expense and the present value of the defined benefit obligations for financial year 2023. The pension expense shown here is the pension expense according to the target compensation less own contributions.

	Benefit obligations		Pension expense	
EUR	**2023**	2022	**2023**	2022
Members of the Executive Board in office as of December 31, 2023				
Dr. Michael Heckmeier, CEO (from May, 6 2023)	117,561	–	117,561	–
Claudia Schmitt, CFO (from July, 1 2023) [1]	908,321	966,599	62,309	–
Members of the Management Board who left during the financial year				
Dr. Christoph von Plotho, CEO (until May 5, 2023) [2]	2,969,864	2,463,268	182,577	202,317
Rainer Irle, CFO (until June 30, 2023)	1,858,081	1,584,990	65,318	195,638

[1] Ms. Schmitt acquired vested rights from her employment relationship with Siltronic AG before taking up her office as a member of the Executive Board.
[2] Dr. von Plotho's mandate as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of May 5, 2023. His employment relationship continued unaffected until the end of December 31, 2023. The defined benefit obligation comprises all entitlements until December 31, 2023.

As at December 31, 2023, the pension obligations for former members of the Executive Board and their surviving dependants amounted to EUR 5,814,227.

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 the above-mentioned subsidies for building up a private pension or the non-cash benefit of the aforementioned benefits, if these are granted.

Insurance

In addition, a D&O insurance policy is in place 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. 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. The financial targets adopted for the fiscal year 2023 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 2023

Various milestones for the FabNext project were agreed as strategic targets, which involves the construction of a second fab at the Group site in Singapore, such as construction progress and meeting budget targets. The Supervisory Board waived individualization of the strategic targets 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 measuring 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 specific water consumption , and the greenhouse gas emissions, the implementation of the adopted climate strategy and the recycling rate, which together form the 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 financial year 2023 are shown in the table below. The targets for the financial performance criteria were met. For the target measurement of the net cash flow performance category, variances between planned and actual investments (property, plant and equipment, intangible assets and investment grants) are not taken into account.

	Target value	Target corridor	Actual value	Target achievement	Weighting
	in EUR million	in EUR million	in EUR million		in percent
Financial targets					
Plan EBIT	230	80 to 380	231	1.01	40
Plan net cashflow	–600	-750 to -450	–570	1.20	40
Non-financial targets					
Strategic target (FabNext project)	Contains competition-relevant information (confidential)			1.15	10
ESG performance index				0.51	10
Total STI				**1.05**	–

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

Number of phantom stocks is determined at the beginning of the compensation year based on the stock market price and **contractual allotment value**	Adjustment of phantom stocks (Target achievement factor: 0 - 2)		**Final Number** Phantom stocks based on the stock market price + dividends will be converted into cash at the end of the holding period
	Ø of the annual target achievement plan EBIT during 4 years (50 %)	Improvement of EBITDA margin compared to competitors in 4 years (50 %)	

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 2023 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 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 points 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 points 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.

	Target (100%)	Weighted share price	Number of phantom shares (preliminary)
Members of the Executive Board in office as of December 31, 2023			
Dr. Michael Heckmeier, CEO (from May, 6 2023)	340,489	76.13	4,472
Claudia Schmitt, CFO (from July, 1 2023)	170,625	76.13	2,241
Members of the Executive Board who left during the financial year			
Dr. Christoph von Plotho, CEO (until May 5, 2023)[1]	525,000	76.13	6,896
Rainer Irle, CFO (until June 30, 2023)	170,625	76.13	2,241

[1] The mandate of Dr. von Plotho as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of May 5, 2023.

The specific targets and target achievement (including the final number of phantom stocks) for the LTI tranche 2023 will be published in the Annual Report 2027 after the end of the four-year performance period.

Review of the maximum amounts for total remuneration in 2020

In order to verify compliance with the maximum amount limits of the 2020 financial year in which the tranche was awarded, the number of phantom shares including dividend payment is to be updated until the reporting date of December 31, 2023 and weighted with the relevant weighted Xetra average price of the Siltronic share on the last 30 trading days of the 2023 financial year. This amounted to EUR 85.64 per share.

In view of the maturity of the 2020 - 2023 LTI tranche, a review was then carried out to ensure compliance with the maximum amount limits for the 2020 financial year in which the tranche was granted for the remuneration as a whole. The payout amount is not higher than 200% of the calculated LTI at the time of granting. The maximum limits were not exceeded for any member of the Executive Board. The final amount is shown in the overview below:

Payment in EUR	Calculated LTI at the beginning of the performance period	Number of phantom stocks at grant	Number of phantom stocks at Dec, 31 2023	Xetra price last 30 days 2023	Dividends (2020 – 2023)	Payment tranche 2020 – 2023	Remuneration paid out in 2020	Total remuneration 2020	Maximum remuneration 2020
Dr. Christoph von Plotho, CEO (until May 5, 2023)	481,250	5,887	6,453	85.64	11.00	623,618	1,247,937	1,871,555	2,450,000
Rainer Irle, CFO (until June 30, 2023)	315,000	3,853	4,224	85.64	11.00	408,207	954,361	1,362,568	1,810,000

Additional disclosures on share-based compensation instruments in the financial year 2023

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 grant	Number of phantom stocks (preliminary) 31.12.2023	**Value on the reporting date 31.12.2023 in EUR**
Members of the Executive Board in office as of December 31, 2023					
Dr. Michael Heckmeier, CEO (from May 6, 2023)	2021 – 2024	–	–	–	–
	2022 – 2025	–	–	–	–
	2023 – 2026	340,489	4,472	4,232	344,894
Claudia Schmitt, CFO (from July 1, 2023)	2021 – 2024	–	–	–	–
	2022 – 2025	–	–	–	–
	2023 – 2026	170,625	2,241	2,121	172,854
Members of the Executive Board who left during the financial year					
Dr. Christoph von Plotho, CEO 1 (until May 5, 2023)	2021 – 2024	481,250	3,957	4,016	385,683
	2022 – 2025	525,000	3,861	3,407	321,356
	2023 – 2026	525,000	6,896	6,525	531,766
Rainer Irle, CFO (until June 30, 2023)	2021 – 2024	341,250	2,806	2,848	273,512
	2022 – 2025	341,250	2,510	2,215	208,924
	2023 – 2026	170,625	2,241	2,121	172,854

[1] The mandate of Dr. von Plotho as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of May 5, 2023.

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 financial year 2023, 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. New members to the Executive Board have a period of three years to fulfill the share ownership commitment. 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.

Loans and advances

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

Commitments in connection with the commencement of activities on the Executive Board

For new appointments of the Executive Board members, the compensation system provides for the possibility that the Supervisory Board may grant benefits on the occasion of the commencement of Executive Board activity, in particular to compensate for the forfeiture of benefits with the previous employer.

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.

Dr. von Plotho's mandate as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of May 5, 2023. His employment relationship continued unaffected until the end of December 31, 2023. Mr. Irle's mandate as a member of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of June 30, 2023. Both the target value of the STI 2023 and the number of phantom shares granted under the LTI 2023-2026 were reduced pro rata temporis in proportion to the duration of the employment relationship in the 2023 remuneration year. In accordance with the applicable compensation system and the provisions of his employment contract, Mr. Irle is not entitled to a waiting allowance.

Compensation granted and owed in 2023

The following table shows the compensation granted and owed individually to members of the Executive Board in accordance with Section 162 (1) sentence 2 no. 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 financial 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 financial 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 financial year includes, in addition to the fixed compensation components paid out in the financial year (basic salary and fringe benefits), the variable compensation STI earned for the financial year 2023 and the LTI tranche 2023 - 2026. 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 the section 'Company pension scheme'.

The fixed and variable remuneration components granted are in line with the requirements of the compensation system.

	Fixed Compnents				Variable Components			**Total Compen-sation**	Fixed	Variable
	Fixed Salary in EUR	Fringe Benefits in EUR	Benefit in connection with start Board activity in EUR	Total in EUR	STI 2023 in EUR	LTI 2023 – 2026 in EUR	Total in EUR	**in EUR**	in %	in %
Members of the Executive Board in office as of December 31, 2023										
Dr. Michael Heckmeier, CEO (from May 6, 2023)	389,130	12,285	500,000	**901,415**	255,367	344,894	**600,261**	1,501,676	60	40
Claudia Schmitt, CFO (from July 1, 2023)	195,000	13,069	250,000	**458,069**	127,969	172,854	**300,823**	758,892	60	40
Members of the Executive Board who left during the financial year										
Dr. Christoph von Plotho, CEO (until May 5, 2023)	600,000	33,303	–	**633,303**	393,750	531,766	**925,516**	1,558,819	41	59
Rainer Irle, CFO (until June 30, 2023)	195,000	24,896	–	**219,896**	127,969	172,854	**300,823**	520,719	42	58

[1] Dr. von Plotho's mandate as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of May 5, 2023. His employment relationship continued unaffected until the end of December 31, 2023.

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, 2013. A total of EUR 306,147 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 financial year 2023.

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 50,000 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.

Supervisory Board members who join or leave the Supervisory Board during the current financial year receive a corresponding pro rata compensation, rounded up to full months.

The Company reimburses the members of the Supervisory Board for their necessary expenses in the form of a lump sum. The lump sum amounts to EUR 10,000 (in words: ten thousand euros) for each calendar year. The Company also reimburses the members of the Supervisory Board for their necessary travel expenses upon presentation of receipts.

The Company provides Supervisory Board members with adequate insurance cover. In particular, the Company has taken 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 May 5, 2023 with a majority of 99.84 percent of the votes.

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

Supervisory Board compensation in the financial year 2023

Supervisory Board member	Membership in months	Lump sum annual remuneration 2023 in EUR	Lump sum for expenses for 2023 in EUR[3]	fixed in %	**Total remuneration in EUR**
Mandy Breyer[2]	12	50,000	10,000	100	60,000
Prof. Dr. Gabi Dreo (until May 5, 2023)	5	20,833	4,167	100	25,000
Jos Benschop (from May 5, 2023)	8	33,333	6,667	100	40,000
Klaus-Peter Estermaier[1]	12	50,000	10,000	100	60,000
Sieglinde Feist	12	50,000	10,000	100	60,000
Dr. Hermann Gerlinger	12	70,833	10,000	100	80,833
Michael Hankel	12	91,667	10,000	100	101,667
Markus Hautmann[2]	12	50,000	10,000	100	60,000
Johann Hautz[2] (until May 5, 2023)	5	41,667	4,167	100	45,833
Daniela Berer[2] (from May 5, 2023)	8	66,667	6,667	100	73,333
Bernd Jonas (until May 5, 2023)	5	41,667	4,167	100	45,833
Mariella Röhm-Kottmann (from May 5, 2023)	8	66,667	6,667	100	73,333
Dr. Tobias Ohler	12	150,000	10,000	100	160,000
Lina Ohltmann[2]	12	50,000	10,000	100	60,000
Volker Stapfer[2]	12	66,667	10,000	100	76,667

[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 financial 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 financial 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 financial 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.	2019	2020	change in %	2021	change in %	2022	change in %	2023	change in %
Sales	1,270.4	1,207.0	–5	1,405.4	16	1,805.3	28	1,513.8	-16
EBITDA	408.7	332.0	–19	466.4	40	671.6	44	433.9	-35
Net income pursuant to the German Commercial Code (HGB)	58.5	75.0	28	96.1	28	93.7	–2	21.4	–77

Average compensation employees

EUR	2019	2020	change in %	2021	change in %	2022	change in %	2023	change in %
Employees in Germany	n.a.	75,575.0	n.a.	78,133	3	82,063	5	76,458	–7

Compensation Executive Board

EUR	2019	2020	change in %	2021	change in %	2022	change in %	2023	change in %
Dr. Christoph von Plotho	n.a.	n.a.	–	n.a.	–	n.a.	–	1,501,676	–
Rainer Irle	n.a.	n.a.	–	n.a.	–	n.a.	–	758,892	–

Compensation Supervisory Board

EUR	2019	2020	change in %	2021	change in %	2022	change in %	2023	change in %
Current Supervisory Board members									
Mandy Breyer (since 04/2018)	40,000	38,750	–3	39,184	1	37,500	-4	60,000	60
Prof. Dr. Gabi Dreo (until 05/2023)	40,000	38,750	–3	37,500	-3	42,500	13	25,000	–41
Jo Benshop (since 05/2023)									
Klaus-Peter Estermaier (since 04/2018)	40,000	41,250	3	37,500	-9	42,500	13	60,000	41
Sieglinde Feist (since 12/2014)	40,000	41,250	3	37,500	-9	42,500	13	60,000	41
Dr. Hermann Gerlinger (since 03/2011)	56,250	73,750	31	68,750	-7	75,000	9	80,833	8
Michael Hankel (since 04/2018)	37,500	60,000	60	53,750	-10	60,000	12	101,667	69
Markus Hautmann (since 01/2021)	n.a.	n.a.	n.a.	37,500	n.a.	42,500	13	60,000	41
Johann Hautz (until 05/2023)	73,500	75,000	2	68,750	-8	85,000	24	45,833	–46
Daniela Berer (since 05/2023)									
Bernd Jonas (until 05/2023)	80,000	78,500	–2	75,000	-4	80,000	7	45,833	–43
Mariella Röhm-Kottmann (since 05/2023)									
Dr. Tobias Ohler (since 02/2013)	112,500	111,250	–1	106,250	-4	115,000	8	160,000	39
Lina Ohltmann (since 01/2021)	n.a.	n.a.	n.a.	37,500	n.a.	42,500	13	60,000	41
Volker Stapfer (since 01/2022)	n.a.	n.a.	n.a.	n.a.	n.a.	42,500	n.a.	76,667	80

Former board members

EUR	2019	2020	change in %	2021	change in %	2022	change in %	2023	change in %
Dr. Christoph von Plotho[1]	1,333,241	1,679,382	26	1,710,372	2	1,370,171	–20	1,558,819	14
Rainer Irle[2]	881,654	1,108,536	26	1,218,085	10	901,855	–26	520,719	–42
Compensation (pension) former board members (term ended before 12/2012)	221,253	262,373	19	287,436	10	292,310	2	306,147	5

[1] Dr. von Plotho's mandate as a member of the Executive Board and Chairman of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of May 5, 2023. His employment relationship continued unaffected until the end of December 31, 2023.
[2] Mr. Irle's mandate as a member of the Executive Board of Siltronic AG was terminated prematurely by mutual agreement with effect from the end of June 30, 2023.

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 and is therefore only disclosed from 2020 onwards. For the financial year 2019 the grant value pursuant to DRS 17 was used to determine the Executive Board compensation.

Munich, March 8, 2024

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

Michael Heckmeier
CEO

Claudia Schmitt
CFO

Independent Auditor's Report

To Siltronic AG, Munich,

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

We have audited the attached remuneration report of Siltronic AG, Munich, for the financial year from January 1 to December 31, 2023, including the related disclosures, prepared to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of Management and the Supervisory Board

The management and the Supervisory Board of Siltronic AG are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, including the related disclosures, in the remuneration report. The procedures selected depend on the auditor's professional judgement. This includes an assessment of the risks of material misstatement, whether due to fraud or error, in the remuneration report, including the related disclosures. In assessing these risks, the auditor considers the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective 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. An audit also includes evaluating the appropriateness of accounting policies 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the financial year from January 1 to December 31, 2023, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

Other matter – formal examination of the remuneration 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) of the German Stock Corporation Act (AktG) have been made in all material respects, in the remuneration report.

Limitation of liability

The terms governing this engagement, which we fulfilled by rendering the aforesaid services to Siltronic AG, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on January 1, 2017. By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Munich, March 8, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signature] Koeplin
Wirtschaftsprüfer
[German Public Auditor]

[signature] Schäfer
Wirtschaftsprüferin
[German Public Auditor]

Additional information

Quarterly overview

		Q4 2023	Q3 2023	Q2 2023	Q1 2023
Statement of profit or loss					
Sales	In EUR million	356.6	349.1	403.7	404.4
EBITDA	In EUR million	91.1	99.1	118.6	125.2
EBITDA margin	In %	25.5	28.4	29.4	31.0
EBIT	In EUR million	36.8	46.4	70.3	77.8
EBIT margin	In %	10.3	13.3	17.4	19.2
Net profit	In EUR million	32.3	35.1	61.4	72.5
Earnings per share	In EUR	1.02	1.10	1.83	2.20
Capital expenditure and net cash flow					
Capital expenditure including intangible assets	In EUR million	372.3	317.5	366.4	259.8
Net cash flow	In EUR million	–32.2	–215.3	–310.4	–105.6
Statement of financial position					
Total assets	In EUR million	4,504.9	4,325.6	4,078.3	4,147.1
Equity	In EUR million	2,099.7	2,132.0	2,054.4	2,118.4
Equity ratio	In %	46.6	49.3	50.4	51.1
Net financial assets	In EUR million	–355.7	–315.7	–83.4	284.1

[1] Quarterly figures are unaudited values

Glossary

ASP
Average selling prices

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.

HAP
Hazardous air pollutants

IFRS
International Financial Reporting Standards (until 2001: International Accounting Standards, IAS). These standards are developed and published by the International Accounting Standards Board (IASB), which is based in London, UK. Under the IAS Regulation, adoption of IFRS has been mandatory for listed companies headquartered in the European Union since 2005.

NMVOC
Non-methane volatile organic compounds

NOx
Nitrogen oxides

PM
Particulate matter

Polysilicon
Hyperpure silicon used to manufacture silicon wafers for the electronics and solar industries. Raw silicon is added to liquid trichlorosilane and extensively dis-tilled before being separated again in a hyperpure form at a temperature of 1,000 degrees Celsius.

POP
Persistent organic pollutant

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 components, i.e. integrated circuits and individual components (known as discrete components).

SOx
Sulfur oxides

Financial calendar

May 2, 2024	Interim Report Q1 2024
May 13, 2024	Annual General Meeting
July 25, 2024	Interim Report Q2 2024
October 24, 2024	Interim Report Q3 2024

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This annual report is published by
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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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