WACKER

Annual Report

Goals Until 2030 —
Charting a Strategic Course for Corporate Success

2022

In its capacity as an innovative chemical company, WACKER makes a vital contribution to improving the quality of life around the world. We want to continue developing and supplying solutions that meet our own expectations – namely to add value for our customers and shareholders, and to achieve sustainable growth.

WACKER at a Glance

€ million	December 31, 2022	December 31, 2021	Change in %
Results/return			
Sales	**8,209.3**	6,207.5	32.2
EBITDA[1]	**2,080.9**	1,538.5	35.3
EBITDA margin[2] (%)	**25.4**	24.8	n.a.
EBIT[3]	**1,678.8**	1,134.3	48.0
EBIT margin[2] (%)	**20.5**	18.3	n.a.
Financial result	**–62.6**	–40.7	53.8
Income before income taxes	**1,616.2**	1,093.6	47.8
Net result for the year	**1,281.6**	827.8	54.8
Earnings per share (basic/diluted) (€)	**25.18**	16.24	55.0
ROCE (%)	**34.7**	28.3	22.6
Financial position / cash flow			
Total assets	**9,401.4**	8,134.3	15.6
Equity	**5,030.7**	3,100.4	62.3
Equity ratio (%)	**53.5**	38.1	n.a.
Financing liabilities	**1,547.0**	1,436.8	7.7
Net financial assets[4]	**409.2**	546.5	–25.1
Capital expenditures[5]	**546.8**	343.8	59.0
Depreciation/amortization	**–402.1**	–404.2	–0.5
Net cash flow[6]	**438.8**	760.8	–42.3
Research and development			
Research and development expenses	**178.4**	164.2	8.6
Employees			
Personnel expenses	**1,595.0**	1,475.1	8.1
Employees (December 31, number)	**15,725**	14,406	9.2

[1] EBITDA is EBIT before depreciation and amortization.
[2] Margins are calculated based on sales.
[3] EBIT is the result from continuing operations for the period before interest and other financial result, and income taxes.
[4] Sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.
[5] Intangible assets, property, plant and equipment, investment property, excluding right-of-use assets.
[6] Sum of cash flow from operating activities and cash flow from long-term investing activities (before securities).

Annual Report

2022

WACKER

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Key Events | 2022

April

WACKER became a partner of the German Government in its pandemic preparedness plan. This project aims to provide vaccines to the public more quickly in the future. To make this happen, WACKER started construction on a new facility in Halle for manufacturing vaccines based on messenger ribonucleic acid (mRNA).

May

The annual shareholders' meeting of Wacker Chemie AG approved the biggest dividend distribution in the company's history. With a dividend of 8 euros per share, the Group distributed around 50 percent of its net income for 2021.

A new Innovation Center was opened in Ann Arbor, Michigan, USA. Biotech and silicone specialties are being developed in this research facility, which also serves as the headquarters of our subsidiary WACKER Chemical Corporation.

July

In Panagarh, India, WACKER opened a production site for manufacturing silicone rubber and silicone rubber compounds for electromobility, medical engineering and electricity supply. The site is part of the Group's new growth strategy. Some 100 new jobs will be created during the first expansion phase.

A Spanish-German project team won the Alexander Wacker Innovation Award. The winning researchers developed a substantially more efficient fermentation process for producing L-cysteine. They have set new standards for converting glucose into cysteine and they achieve improved yields.

A symbolic ground-breaking ceremony launched the expansion of our Technical Competence Center for mRNA actives in Halle. At the Weinberg Campus, four production lines are being initiated for active ingredients based on mRNA, such as vaccines for coronavirus. Production capacity in Halle will more than triple, with the number of employees more than doubling. WACKER is investing more than 100 million euros in these projects.

August

75 years ago, WACKER started working with silicones, the first European company to do so. Today, these high-performance plastics are omnipresent in our everyday lives.

The founding of the TUM WACKER Institute for Industrial Biotechnology has strengthened the partnership between the Technical University of Munich (TUM) and WACKER. The goal is to further develop research in industrial biotechnology at the highest international level and to work on specialty chemicals and active ingredients sourced from renewable raw materials.

September

Burghausen's Vocational Training Center (BBiW) celebrated its 50th anniversary. This facility helps the next generation of skilled professionals build up their knowledge base – not just in chemical processes and complex integrated production technology, but also in teamwork skills and the digital transformation.

October

At the 22nd Trade Fair for Plastics and Rubber, K 2022, WACKER presented silicone and polymer-based solutions for sustainable applications. WACKER has been an exhibitor at K, which marked its 70th year, since 1952.

A sustainability prize was awarded for the first time for projects aimed at achieving the Group's sustainability targets. The WACKER Net Zero Award of 10,000 euros went to a project team from Burghausen and Nünchritz for their improvements to the process of manufacturing siloxane, the most important starter product for silicones.

November

Robert Habeck, Federal Minister for Economic Affairs and Climate Protection, visited the Nünchritz site to learn about how it sources its energy and about the chemical industry's path to net zero. He commented that WACKER's innovative polysilicon production was leading-edge.

Christian Hartel was part of a 12-member business delegation accompanying German Chancellor Olaf Scholz on an official visit to China. Prime Minister Li gave a banquet for the German delegation, during which the WACKER CEO spoke about the long history of successful business relations between China and Germany, as well as about the necessity for equal treatment of domestic and foreign companies.

The 17th Asian-Pacific Conference of German Business (APK) focused on diversification and sustainability. The Indian-Pacific region is an important area for both of these key issues. WACKER has major company sites and customers in the area. CEO Christian Hartel was one of the participants accompanying Federal Minister Robert Habeck to the APK in Singapore.

Executive Board members Christian Hartel and Angela Wörl participated in the topping-out ceremony for the new headquarters of the WACKER Group in Munich's "Werksviertel" district. With its open-plan building design, the new company HQ represents a modern corporate culture that emphasizes transparency, communication and personal initiative.

Our Compass Until 2030

Charting a Strategic Course for Corporate Success

Pursuing the right strategy is like working a puzzle: the pieces all have to fit together in a way that makes sense. Strategy is also a critical factor in guaranteeing a company's long-term success. For more than 100 years, WACKER has been able to successfully hold its own in the marketplace with a strategy geared to customers, markets and products. As part of that process, we have changed and realigned ourselves again and again, and 2022 has marked just such a strategic turning point – one where growth and sustainability go hand in hand. We want to grow profitably while significantly reducing our absolute greenhouse gas emissions. This long-term strategy – the compass that will guide us between now and 2030 – is informed above all by the conviction that our solutions make a better world for generations.

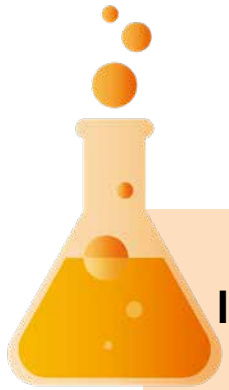
WACKER's Strategic Goals

Accelerate Growth

In the future, sales growth – the result of higher volumes and a better product mix – should reach between 1.5 and 2 times the historic rate of 4–5 percent per year. We want sales to exceed 10 billion euros in 2030.

Enhance Profitability

Chemical-division EBITDA margins are expected to be above 20 percent by 2030, with the margins at WACKER BIOSOLUTIONS and WACKER POLYSILICON anticipated to exceed 25 percent and 30 percent, respectively. Return on capital employed (ROCE) is to rise to more than twice the cost of capital at the chemical divisions and at WACKER POLYSILICON by 2030. We want ROCE at WACKER BIOSOLUTIONS to be substantially higher than the cost of capital.



Increase Capital Expenditures

We are intensifying our investment in capacity expansion to meet strong demand from our customers. To this end, we will systematically pursue our specialty chemicals strategy in the chemical divisions, doubling capital expenditures there. We are also considerably increasing our CAPEX at the WACKER BIOSOLUTIONS and WACKER POLYSILICON divisions.

Focus on Sustainability

More than two-thirds of our portfolio is already based on sustainable solutions. Increasing demand in this area is creating additional growth opportunities for us, which we intend to leverage effectively.

Work Systematically on Our Own Sustainability

Our main aim is to halve our absolute greenhouse gas emissions by 2030. We aim to achieve net zero by 2045.

Strategy

“Spirit, Speed and Confidence Are Our Recipe for Success”

WACKER has set itself clear goals until 2030. Annual Group sales are to exceed 10 billion euros with an EBITDA margin over 20 percent. CEO Christian Hartel discusses the road ahead, the levers available to the company to achieve its goals, the focuses of the individual business divisions and what makes WACKER resilient in times of permanent change.

Mr. Hartel, WACKER has been pursuing new strategic goals since last year, with Group sales planned to rise to over 10 billion euros by 2030. You yourself spoke of accelerated growth when you presented the strategy in London. How does the company plan to achieve this?

Our strategy until 2030 centers on accelerated growth because, in view of the successes we have achieved hand in hand with our customers over the last decades, we are confident of achieving such a growth rate. We do actually see many opportunities for further growth. For us, the chief priority is to advance this accelerated growth: by increasing investment in additional production capacity but also in R&D – across the world.

Despite the war in Ukraine, the sharp rise in energy and commodity prices, and high inflation, WACKER has still broken records over the past fiscal year: 8.2 billion euros in sales and an EBITDA of about 2.1 billion euros. Given the figures, aren’t the 2030 targets rather on the conservative side?

First of all: 2022 was an outstanding year for WACKER. These remarkable earnings were the result of our customers’ strong demand but also the WACKER team’s strong engagement. Our strategy until 2030 is a guideline to orient ourselves by. We want to grow sales to over 10 billion euros. But we can’t just assume growth will be linear, of course. We performed very well in 2022. But there will certainly be some years between now and the end of the decade when progress will be more difficult. Nevertheless, we are convinced that we can achieve our goals. And another point: our sales target is **over** 10 billion, not **exactly** 10 billion. So there is still scope to dream big.

Since the war in Ukraine started, there has been much discussion about economic dependence. What is WACKER’s strategy to make itself less dependent on individual regions or countries?

The issue of economic dependence is very much in the media spotlight due to the Ukraine conflict. But it’s nothing new for us. In fact it has preoccupied us for many years. At WACKER, we have always kept our portfolio as broad as possible. Both on the customer and the supplier side. If only because this puts us in a better negotiating position and enables us to compensate for business fluctuations

“At WACKER, we have always kept our portfolio as broad as possible.”

Christian Hartel
President and CEO

more effectively. That is why we have pursued a strategy of diversification for many years. We have always deliberately and systematically shied away from dependency on individual business partners. And we will continue to do so in the future.

Can you give an example of dependencies in the past that WACKER has successfully resolved?

Silicon metal is a good example. This is a key raw material for us, because silicon forms the basis of three quarters of our products. We have done a lot here in recent years, First, we have integrated backwards. In 2010, we were able to acquire a silicon production facility in Norway, which we then expanded step by step. Today, we cover about one third of annual demand through our own production. Second, we have systematically optimized and expanded our portfolio of silicon suppliers over recent years. WACKER is one of the biggest purchasers of silicon metal, and we now source it worldwide. It helps us to leverage the potentials of different regions and avoid becoming dependent on individual suppliers

Higher investment plays a crucial role in WACKER’s strategy. In your view, which projects are of greatest importance?

We are clearly targeting organic growth through our own resources. And that means we need additional production capacity. This applies to all business divisions and it applies worldwide. It is in regions outside Europe where we can see particularly high growth opportunities. That is why we will be investing more strongly there, in Asia, but also in the Americas. Silicones are a prime example of this. We want to become No. 2 in the USA in this business. And that means we will be increasing our investment spending in US production capacity in order to serve our customers there even better.

We see big opportunities in this region, not only for our chemical business but especially for a high-value product where we are already the global market leader – polysilicon, a hyperpure material for, in particular, semiconductor applications, as well as extremely efficient monocrystalline solar cells. Above all, we will continue to invest in polysilicon for the semiconductor industry in order to continue supplying our customers worldwide with the best material available on the market.

Finally, there is WACKER BIOSOLUTIONS, which is our newest business division but one with exceptional growth potential. Our goal here is to achieve annual sales of 1 billion euros by 2030. To achieve this, we will step up investment in the further expansion of our existing capacities.

1 billion euros in sales at WACKER BIOSOLUTIONS is an ambitious goal. It will mean tripling today’s revenue over the next eight years. What role will acquisitions play in this?

That’s true. “1 billion from Bio,” as we call the goal in house, is certainly ambitious. But we are convinced it’s feasible. First, because we can see many opportunities in this segment. And second because we have performed very well here in recent years.

The additional growth in this segment is based on three pillars. The first pillar is expanding our existing skills and capacities – in both pharmaceuticals and ingredients for dietary supplements. To this end, we want to expand our sites in Amsterdam, Halle and Jena in Germany, and Eddyville in the USA – all four at the same time.

The second pillar is innovation. WACKER BIOSOLUTIONS is focusing on developing new products. Equally important for us are research projects, which, in the second step, move into production and marketing.

And the third pillar that plays an important role is collaboration. I expect dynamic growth here in the coming years. We will also be looking at acquiring more companies in order to further expand our capabilities as well as develop our production sites.

It is this combination of expanding our existing capabilities, developing new and innovative products, and pursuing collaborations and acquisitions that we will use to drive the growth of our biotechnology business.

Do you already have your sights set on possible acquisition targets?

For years, we have had a list of attractive candidates that we update regularly. So this is nothing new. We are looking very closely at companies that could be potential acquisitions. It is important that their technology fits in with our portfolio. The corporate culture, the people, must also be compatible with us. This is an important point for successful integration. And finally, of course, the price must be reasonable. So hold your breath! We have a number of interesting candidates on our list and we will see one or other acquisition in the next few years, I think.

Sustainability is another key building block in your strategy. WACKER plans to halve its CO_2 emissions by 2030, and wants to be net zero by 2045. What stage are you at so far?

Here, we are very much on the right track. We published these absolute targets at the end of 2021, specifically for reducing carbon emissions. I am firmly convinced that such ambitious goals are necessary to fuel the momentum within the company to achieve them. We are already seeing the results. There is no end to the new ideas that have been generated since we formulated these goals. And we find it exciting that very many colleagues are firmly convinced that this is the right direction for us.

We have a clear roadmap for achieving our sustainability goals. A major building block is our silicon production site in Norway. We have now switched over entirely to green energy there. In the coming years, moreover, we will source the carbon that we need for manufacturing from renewable raw materials.

The third step is then to capture the CO_2 resulting from production. To store it and perhaps also to use it as a raw material for chemical products. Conversion of silicon production in Holla is a very big lever in our sustainability agenda to achieve our goals. Two-thirds of our products already help our customers to meet their sustainability targets. We continue to see huge growth potential for our business here.

“The high energy prices are a key challenge for the coming years.”

Christian Hartel
President and CEO

WACKER has just had two very successful years. Where do you see the biggest challenges for 2023?

I think we’ve seen great challenges in the last two years and to some extent in the years before that. Especially in Europe when it comes to energy supply. Competitive energy prices are of paramount importance for WACKER as an energy-intensive company. We have done a great deal in recent years and decades to continuously improve our energy efficiency. And I know we are world leaders in many areas here.

Nevertheless, we need internationally competitive prices in our energy supplies. Higher energy, raw materials and logistics costs wiped more than 1.3 billion euros off our income last year. The good news is that we have been able to compensate for this to a large extent through greater efficiency and higher prices for our products. But in principle, the international competitiveness of Germany in particular and Europe in general is still at stake here. The high energy prices in Germany are a key challenge for the coming years. This applies not only to our company and to the chemical sector, but also to many other industries in Europe.

The second challenge this year is the economy. In Europe, we are in a recessionary environment, and as an individual company, we cannot completely decouple ourselves from this, of course. In this respect, one challenge for 2023 is certainly the overall economic trend in Europe, in the Americas and, of course, also in Asia.

Mr. Hartel, you have said in the past that one of WACKER's success factors is a high level of resilience with regard to international developments – i.e. trade conflicts, high energy prices, supply chain disruptions and rising interest rates, to name just a few factors. How resilient is the company today?

I think that today we are in a very stable position. This is most obvious when you look at our financial figures: we have generated a high net cash flow. In the last three years, this amounted to a total of around 2 billion euros. We are debt-free, reporting net financial assets of more than 400 million euros. This gives us flexibility on the financial side and, of course, that is important for the resilience of our company.

However, three other points are important for our resilience. First, that we do the things we are good at and what we are also well-known for in the market. However, we are not resting on our laurels, but are constantly improving and becoming more efficient.

Now to the second point and this is very, very important: our proximity to customers. That means that we develop and manufacture products and solutions that the customer needs and will continue to need tomorrow. We listen to customers, pump large resources into development and also have a presence right where the customers' needs are. That is a strategy we have pursued at WACKER for decades. We have consistently promoted the regionalization of our activities, while constantly expanding and developing our technical centers and production sites worldwide. I believe that this is a very good and stable set-up, especially in today's world, which is undergoing a certain amount of upheaval: not being tied to a single location, but in touch with our customers at many different places around the world.

"We want to be the architect of our own success."

Christian Hartel
President and CEO

The third point, which I find very important and essential, is that you have to believe in yourself, in your own organization. I'll put it in a nutshell: spirit, speed and confidence. That's what we need to succeed. WACKER has these qualities. Our actions are supported by our strong foundation. We have a long-term approach and act responsibly. "We want to be the architect of our own success." This takes spirit, speed and confidence. And we will continue resolutely along this path.

Thank you for giving this interview.

Silicones

The Key to Electromobility

Experts predict that 75 percent of all new vehicles sold in Europe and 70 percent of those sold in China will be powered by electric motors as early as 2030. The batteries and power electronics for these electric cars place considerable demand on the materials used. Specialty silicones from WACKER can meet that demand, putting the company in an outstanding position to support the mobility transition.

Julia Henn, in charge of the WACKER Group's E-Mobility Focus Project, standing in the new production plant for thermally conductive silicones in Plzeň, Czechia. This continuously producing plant will set standards when it comes to manufacturing such high-performance silicones.

Henry Ford is known for having invented the assembly line that made gasoline-powered cars affordable for a broad segment of society. That he bought his wife Clara an electric car in 1908 is less well known, however. Indeed, before the internal combustion engine ultimately conquered the market in the early 1920s, electric vehicles were very much in demand.

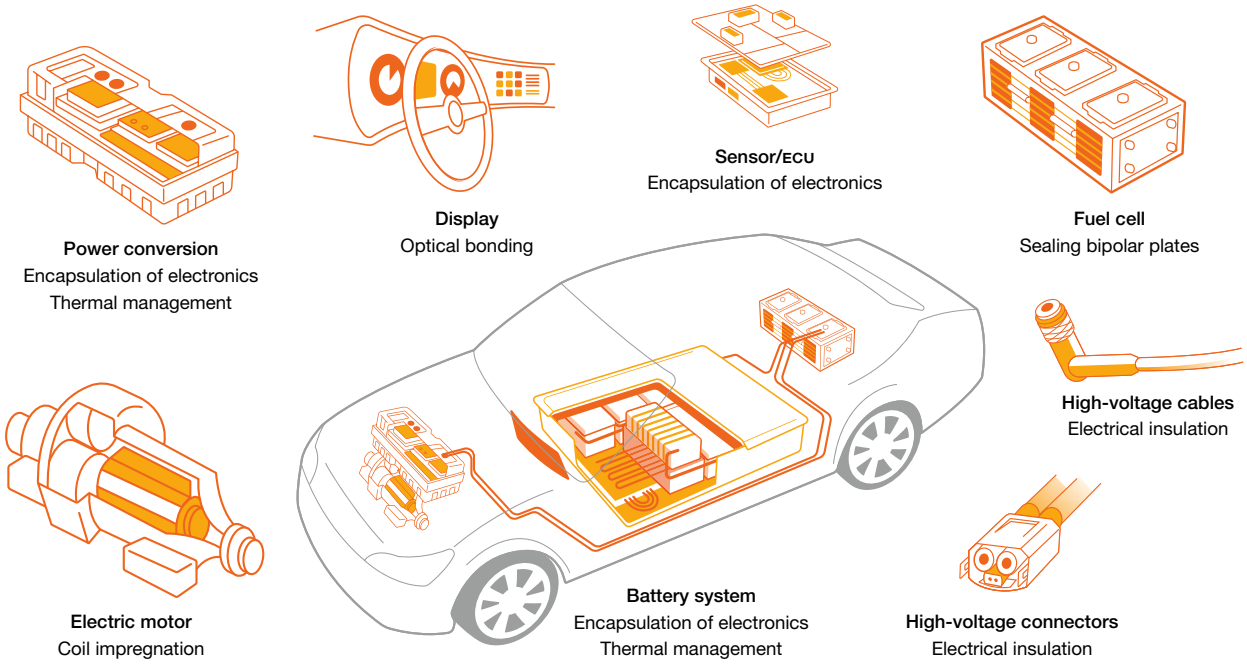
Today we find ourselves at the dawn of a new era – one you might call Electromobility 2.0. Some 4.3 million battery-driven electric vehicles and plug-in hybrids were sold throughout the world in the first half of 2022 alone. When extrapolated to all of 2022, that corresponds to a 3.7-fold increase over the number of electric cars sold in 2019. And that spectacular growth will continue: based on a scenario that accounts for the share of the market that electric cars currently hold in various countries, the International Energy Agency (IEA) expects over 45 million new vehicles with electric motors worldwide in 2030. If the global community is serious about achieving a climate-neutral economy by 2050, more than 65 million vehicles will need to be sold in 2030, according to IEA calculations.

"Silicones play a major role in electromobility, because its unique properties make electric vehicles more reliable, longer lasting and more efficient," says Anton Wilhelm, who heads global segment management for the WACKER SILICONES Engineering Silicones unit. Modern electric cars contain more silicone than traditional vehicles, and the role silicones play is expected to grow quite literally weightier: experts from the automotive and supply industries anticipate that the silicone in a battery-operated electric car will outweigh that in a typical gasoline-powered vehicle of today by a factor of as much as four to one. There are a number of reasons for that:

— Efficient heat management of components is a pressing issue in electric vehicles, due in part to the trend toward miniaturization and the resulting higher energy densities. Silicones filled with thermally conductive, inorganic materials are very well suited to meeting that need, serving as gap fillers that draw heat away from the battery. In the form of flowable potting compounds, silicones can be used for producing heat-dissipating circuit boards in power electronics fitted with components such as transformers and inductors.

— Voltage, charging currents and the resulting waste heat of battery-operated vehicles are constantly on the rise, with voltages of up to 800 Volt and charging currents of up to 350 Ampère no longer uncommon. For use in cables, the automotive industry therefore needs extrudable materials that will reliably retain their electrical insulation properties over a very broad range of temperatures and over long periods of time. Silicones are perfect for that.

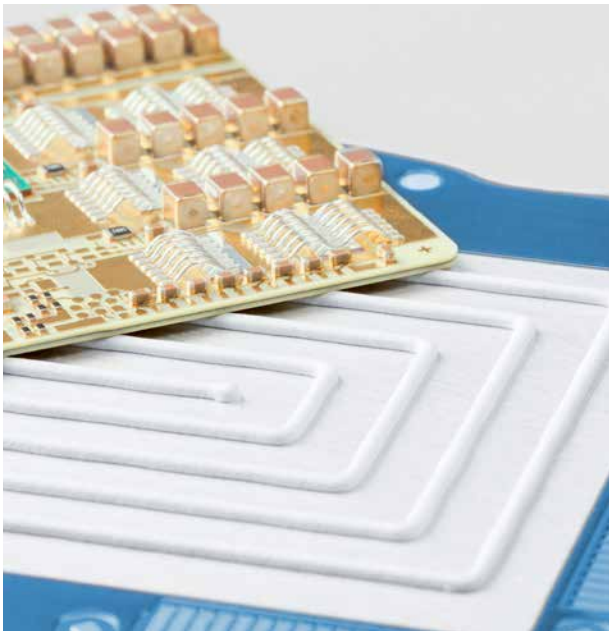
Modern electric cars contain up to four times more silicone than conventional vehicles



— Modern cars contain over 100 sensors. These sensors serve as a car's eyes and ears, delivering important data to keep the vehicle operating smoothly and to maximize safety and comfort. And the significance of these components continues to grow. According to a forecast produced by McKinsey, automotive industry sensor sales are expected to double by 2030. Silicone seals and potting compounds reliably protect sensors and electronic components from moisture, dust and road salt that would otherwise cripple these sensitive components.

— The transition to electric cars goes hand in hand with other trends, which are symbolized by phrases like digital transformation, connectivity and data-based services. All of these require screens as interfaces for communication between people and their cars. Silicones allow displays to work reliably and remain legible, even under thermal and mechanical stress (see diagram on page 14).

"Our product portfolio puts us in an excellent strategic position to support the rapidly growing business of electromobility in its entirety," says Julia Henn, director of global segment management for WACKER's Industrial Solutions unit and head of the Group's E-Mobility focus project. WACKER is one of the world's leading actors in the areas of potting compounds and silicone-based thermal interface materials, she goes on to say. "Our years of experience working in this field have allowed us to open up doors to new markets in the automotive industry."



Efficient heat management of components is a pressing issue in electric vehicles. Thermally conductive silicone gap fillers and pastes efficiently dissipate excess heat.

A Focus on EVBs

Electric-vehicle batteries (EVBs) are primarily installed below the passenger compartment of the car, where they take up a good deal of the space. Often these are lithium-ion batteries. They last eight to ten years and withstand at least 1,000 full charge cycles. The key factor for the battery lifespan, however, is the temperature, both when charging and when driving. According to experts, batteries last longest at temperatures between 15 and 25 degrees Celsius.

Operating and charging the battery generates heat, and in order to prevent that heat from accelerating any undesired processes, it must be dissipated quickly and efficiently. This is accomplished by coupling the battery to a heat sink as completely and with as few gaps as possible. Silicone-based gap fillers from WACKER are ideal for that job, as they can be pressed or injected into the corresponding spaces perfectly, even over large surfaces. In large-scale production, their excellent workability enables short cycle times, which translates to considerable added value. For power electronics, silicone-based potting compounds do more than simply dissipate heat. They also protect components from other environmental factors.

Many prominent automakers now produce their own battery modules and charging infrastructure components, resulting in a corresponding realignment in electric vehicle supply chains. "That opens up new opportunities for us," says Henn. In the past, the silicone materials WACKER had produced for automotive applications were sold almost exclusively to component manufacturers. Now, however, highly innovative silicone products such as heat-dissipating materials are needed on automakers' production lines as well. That puts WACKER in direct contact with original equipment manufacturers (OEMs) and also makes the company a frontline partner for new developments in the automotive industry. "We've prepared ourselves accordingly," Henn points out.

WACKER has recently certified portions of its production in Burghausen, Germany, and in Zhangjiagang, China, according to International Automotive Task Force (IATF) standard 16949. Demands are high – particularly those pertaining to quality management – making certification a virtual must for all direct suppliers. WACKER has now joined their ranks, supplying many of its silicone products directly to automakers and their system suppliers.

These materials are customized for the production processes and components of individual automobile manufacturers, and WACKER carries out corresponding development projects with virtually all of these OEMs throughout the world. Another advantage for the Group is that it manufactures nearly all of its own upstream products and intermediates for its specialty silicones, giving the company access to a wide array of raw materials and additives it can use for tailoring silicones to the needs of any given customer.

Its research and development capacities throughout the entire world also give WACKER the ability to respond quickly to new trends and business fields. A new technical competence center for electromobility was dedicated in China a few years ago, and an additional quality control laboratory at the Burghausen site conducts comprehensive testing. What is more, WACKER's Center of Excellence Electronics in South Korea has a long track record of researching new silicone materials for innovative displays. As Henn notes, "There's no other competence network like this anywhere in the world. That makes us a preferred development partner for the automotive industry and its suppliers."

New Approaches to Safety

In collaboration with the automotive industry, WACKER works on a variety of approaches to improve the future safety of high-performance batteries with exceptionally high energy densities. Extreme events caused by an overheated battery should pose as little danger to vehicle occupants as possible. The goal is to delay battery runaway for as long as possible so that all passengers have enough time to reach safety.

WACKER takes a number of different approaches here, working with silicone resins and silicone elastomers alike. While many sealing components in the battery housing are now made of fire-retardant silicone, there are many more ways that silicones can enhance safety.

In one project, for example, the chemical company is developing an innovative coating that addresses all technical and safety aspects of fire protection, efficient use of space, and process automation. The coating is a novel silicone rubber blend that is applied to the internal face of the battery housing and ceramifies completely when exposed to heat. Although it is is just a few millimeters thick, the ceramic layer can withstand temperatures higher than 1,000 degrees Celsius. Should thermal runaway occur, a coating like this protects the housing, giving vehicle safety a substantial boost. "Ceramifying silicones are extremely safe and can be applied by machine, which saves time," Henn explains. "That could revolutionize how to approach safety for EVBs in the coming years."

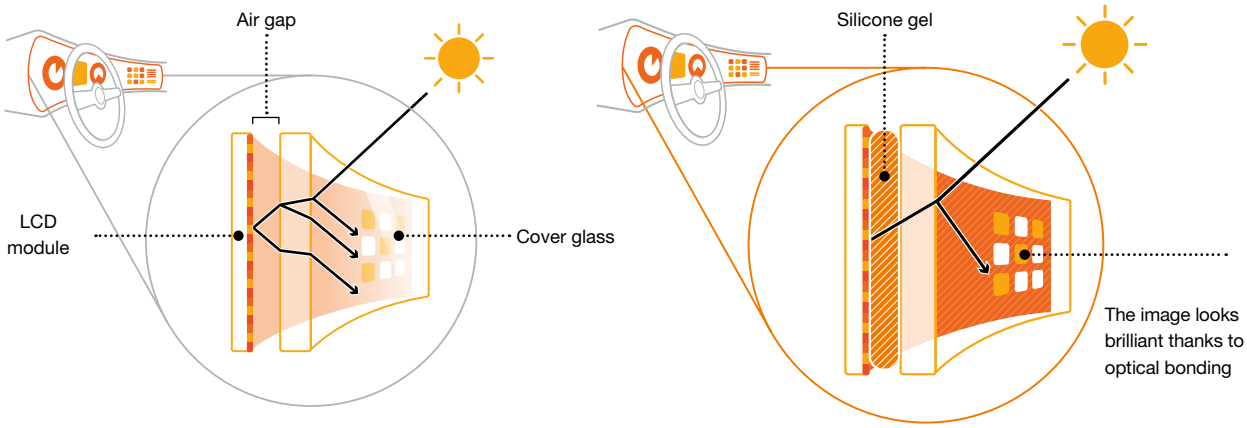
WACKER is currently pursuing a massive expansion of its silicone production capacities – and that also applies to thermally conductive silicone compounds, which are known in the profession as thermal interface materials (TIMs). A new, large-volume production facility will go on stream in Plzeň, Czechia, later this year. The innovative

Well Connected

In 1964, a commonly sold car made do with 180 meters of cables and a couple of connectors, whereas 3,000 meters of cable and up to 200 connectors are installed in the hybrid and purely electric cars of today. The demands placed on many of these cables and connectors are similar or even greater than those found in gasoline- or diesel-powered vehicles, where they have proven their worth a million times over. With its portfolio of ELASTOSIL®, SEMICOSIL® and WACKER SilGel® silicone rubber products, WACKER offers a wide range of solutions to meet even the challenges posed by electromobility.

Electrical lines have to be connected and disconnected during assembly and maintenance work. The fastest and most reliable way to do this is with electrical connectors, which often have a silicone seal to prevent ingress of moisture, dust and de-icing salt. WACKER offers both liquid and solid silicone rubber for applications like these. Electrical cables in a car's interior quite literally feel the heat, as copper wiring easily rises to temperatures over 180 degrees Celsius when the car is operating at full speed or being charged. No problem for heat-resistant specialty silicones. Cable sheathing and insulating materials made of silicone have other advantages as well: they are extremely flexible and firm, making them ideal for installing in the tightest spaces and around sharp metal edges and mounting fixtures.

Optical Bonding | Always a Brilliant Image



In modern electric cars, the traditional dashboard has given way to a fully electronic counterpart with a screen and communication system. Large, curved displays are now an indispensable element of today's vehicle interiors.

These screens have to withstand a lot too: vibrations, shocks, jolts, arctic cold and sizzling heat, all while remaining perfectly legible throughout the entire service life of the car. Silicone gels developed in house at WACKER can meet those standards. The silicones bond the entire surface of the display to the cover glass – the touch-sensitive element of touchscreens. The refractive index of silicone gels like these is similar to that of the two adjacent materials, thereby avoiding the distracting reflections that arise in screens where the space between the materials is filled with air.

Optical bonding makes the resulting image far more brilliant than is the case when the display and cover glass are glued to the frame, forming a bond only along their circumference.

Production of thermally conductive silicone compounds at the Burghausen site. For reasons of quality, the process of filling the transport drums is monitored constantly.

technical foundation for the production method came from WACKER's own Corporate Engineering and bears the "made in Burghausen" label, so to speak.

Being able to produce within one's own region is growing more and more important – especially in times hallmarked by supply bottlenecks and a tendency toward protectionism in trade. "Short transport routes are more sustainable than long ones," stresses Wilhelm. "Car manufacturers are noting more and more that long shipping routes for materials and components are liabilities when it comes to sustainability. Our production sites for liquid and solid silicone rubber in Europe, the us, India, South Korea, Japan and China put us in an outstanding position in that respect."

The unmistakable rise of electromobility also benefits the climate, of course. According to expert assessments, electric vehicles generate 65 to 80 percent fewer environmentally harmful emissions than cars with internal combustion engines. That argument for buying an electric car did not apply in the early 20th century, when the impact of CO_2 in car exhaust was not yet known. People back then appreciated electric cars for a completely different reason, however: drivers didn't have to roll up their sleeves and crank-start electric cars like they did with the gasoline-powered models of the day.

WACKER SILICONES – Strategy and Goals

Sustainability as a Growth Factor

Growth

Sales to increase by a factor of 1.5 – 2 compared to the past

Profitability

EBITDA margin > 20 percent
ROCE > 2x cost of capital

Specific investment focus

Capacity expansion in all regions, innovations, small-scale acquisitions

Focus markets

Electromobility, renewable energy sources, expansion of power grid, energy-efficient construction

WACKER SILICONES is focusing on high-margin specialty products and is expanding its leading position as a fully integrated producer of specialty silicones. The division is already the No. 1 in high-quality solid silicone rubber. Regionalization is another focus and enables the division's R&D, sales, technical service and production units to respond even faster to local trends and customer requests. The investment in Sico Performance Material, a Chinese specialty silane manufacturer, is a further step in expanding WACKER SILICONES' portfolio of high-quality specialty products in Asia. The division is the largest producer of silicones in India. The new plant for ready-to-use silicones in Panagarh is the division's second site devoted to silicones in India. WACKER SILICONES has set itself ambitious targets until 2030: **more than 5 billion euros** in sales, a roughly **6–10 percent** increase in volumes, an **EBITDA margin of more than 20 percent**, and a return on capital employed that is **more than twice our cost of capital**. As regards the procurement of raw materials, the division is aiming to become more resilient to price fluctuations and supply-chain problems. In this respect, the expansion of silicon-metal production at our Holla site in Norway and the establishment of local value chains play a key role. Sustainability is increasingly becoming a growth factor. **95 percent** of silicone products already meet our sustainability criteria. This figure will be **100 percent** by 2030. Biomethanol-based, resource-saving silicones are already an established part of our product portfolio. Silicones are indispensable in a great many sustainable applications, whether we're talking about electromobility, renewable energy sources, the expansion of the power grid or energy-efficient construction. That is why production is being ramped up across the globe. Small-scale acquisitions are in the pipeline to supplement our portfolio.

Polymers

Magic Cure for More Energy Efficiency in Buildings

WACKER is already a global market leader in dispersible polymer powders based on vinyl acetate-ethylene. Two important drivers of further growth in this business are energy efficiency and climate change mitigation. This is because energy-efficient refurbishment of building stock needs high-performance insulation materials, and this white powder plays a major role in this field. Polymers from WACKER help to reduce CO_2 emissions and energy costs worldwide.

Tanja Gebhard's face lights up whenever she talks about her products: "Our powders and dispersions are really like magic cures. You only have to add a small amount of them to dry-mix mortars, like tile adhesives and leveling compounds, to obtain new, much-improved properties," says the business chemist. Gebhard has been at WACKER for 15 years, where she manages the various market segments for the polymers business and sets out their global strategic direction. Dispersible polymer powders and dispersions based on vinyl acetate-ethylene, or VAE for short, are at the heart of the matter. WACKER has been producing such VAE dispersions since the 1930s, initially as adhesives for the wood industry or as binders for paper and textile fabrics, and later for applications in the construction sector.

Then, in the early 1950s, Max Ivanovits, a chemist at WACKER, had a brilliant idea while drinking a cup of instant coffee. He realized that it ought to be possible to make liquid dispersions using the same principle of "adding water to powder." Dry-mix mortars already contain added dispersible polymer powder and are simply mixed with water on site – obviating the need to mix liquid dispersions with other constituents in a time-consuming procedure to produce the finished mortar.

The construction sector is one of WACKER's key markets, with a particular focus on the insulation of buildings.

“Buildings account for 40 percent of the world’s primary-energy consumption.”

Tanja Gebhard
Business chemist and expert in polymers

Tanja Gebhard is a business chemist with responsibility for managing various polymers market segments.

It was quite a few years before the new dry-mixes became established on the market. Today, however, WACKER POLYMERS is by far the global market leader in VAE dispersible polymer powders. Last year, the business division sold some 400,000 metric tons all over the world, mostly to customers in the construction sector. More than 60 percent of its sales are generated with polymers destined for construction and renovation products. Among the most important applications is the thermal insulation of buildings.

Energy-Efficient Renovation of Buildings Is Becoming Very Popular

The reasons for this are plain to see. The need for climate change mitigation and the high cost of energy have made energy-efficient refurbishment attractive. Buildings consume a great deal of energy, mostly for heating and air conditioning. “Overall, they account for about 40 percent of

Paper Packaging on the Rise

Paper packaging is trending. The reasons for this are obvious: paper and cardboard are comparatively easy to recycle and readily lend themselves to ways of achieving a circular economy.

The Ellen MacArthur Foundation surveyed a total of 130 businesses in high-volume packaging industries, e.g. food and beverages, retail and cosmetics, about their packaging strategies. More than 340 different packaging examples were examined. The survey showed that the businesses’ preferred approach for the bulk of these examples – more than 70 percent – was a change of material. Substitution to paper packaging came out on top, at more than 25 percent. Paper and cardboard packaging needs the right adhesives – and that’s where VAE dispersions from WACKER come in. Water-borne solutions already make up 50 percent of the overall market for packaging adhesives. VAE accounts for one-fifth of that, or around 1.2 billion US dollars. At the same time, industry analysts from Smithers Pira expect the global market for water-borne packaging adhesives to grow 3.5 percent annually until 2027.

WACKER is already a market leader in VAE-based adhesives. The growing trend in favor of paper packaging – across bricks-and-mortar retailing and also online delivery services – opens up attractive growth opportunities for the WACKER POLYMERS business division.

Properly functioning building insulation slashes the CO_2 emissions of houses. This means that air-conditioning systems consume as much as two-thirds less electricity.

global primary-energy consumption, while being responsible for one-third of global CO_2 emissions," says Gebhard. Much of the energy input is lost before it is used. "Up to 40 percent of it just escapes through the external walls of a house – if they are not insulated," she adds.

The good news is that there is a simple, proven solution to this problem. Properly functioning building insulation slashes energy usage of houses and thus their CO_2 emissions. "That this applies not only to cold regions, but also to warm ones was demonstrated by a model house project that we conducted in Dubai in conjunction with a government scientific laboratory," stresses Gebhard. "Building insulation can cut the power consumption of air-conditioning systems by as much as two-thirds."

"35 million buildings will require energy-efficient refurbishment by 2030. The EU Commission estimates that this will entail annual investments of 275 billion euros."

Tanja Gebhard
Business chemist and expert in polymers

External insulation prevents walls from cooling down too much in winter and heating up unnecessarily in summer. However, the composite system must be carefully bonded to the walls and the individual layers must adhere firmly to each other to produce the optimum insulating effect. "That's exactly what our dispersible polymer powders do," she explains. The polymers also make the thin outer skin of the insulation system flexible, protecting it from cracks that would allow rainwater to penetrate through, for example, and from impact damage, such as that caused by hail. WACKER binders are therefore the key to an insulation system that offers long-term durability.

One thing Tanja Gebhard is certain of is that "The use of insulation systems on buildings will keep increasing in the coming years." In Europe, though, the greatest potential is to be found not in new construction, but rather in energy-efficient retrofits. The figures paint a clear picture. A study by the European Commission shows that around 90 percent of current building stock will still be in use in 2050. At the same time, three-quarters of buildings standing now are not energy efficient.

Under the European Green Deal, CO_2 emissions in Europe are to be reduced by more than 55 percent by 2030, compared to 1990 levels. The EU is also aiming to be net zero by 2050. "Reaching these goals will take a lot of heavy lifting, especially by the construction sector," Gebhard says, adding that she – like the entire construction industry – expects a veritable wave of renovations to wash over Europe in the coming years. Here, too, she references figures published by the European Commission, which show that 35 million buildings will require energy-efficient refurbishment by 2030. The Commission estimates that this will entail annual investments of 275 billion euros.

The insulating of buildings as an efficient contribution to climate change mitigation is not just a big talking point in Europe. It is trending strongly in other regions, too. China, for example, plans to become net zero by 2060 and is also looking to the construction sector to deliver on this goal. Beijing's current five-year plan for the energy efficiency of buildings envisages, among other things, retrofitting more than 350 million square meters of buildings to render them energy efficient. The global trend toward greater energy efficiency in the construction sector presents WACKER POLYMERS with excellent opportunities to keep growing its dispersible polymer powders business in the years ahead.

When it comes to VAE dispersible polymer powder, WACKER is by far the world market leader.

Recycled Concrete Instead of Sand

Sand is the most heavily traded solid resource in the world, with human consumption of the material estimated at 50 billion metric tons per year – and that figure is rising. Sand can be found in concrete, bricks, glass, roads, insulation and solar installations, among other applications.

One could be forgiven for thinking that there is no shortage of sand in the world. After all, there is plenty of it in the planet's great deserts. The problem is that desert sand is simply unsuitable as an aggregate in building materials. For one thing, those grains of sand have been worn smooth by winds over the millennia. For another, without edges, the grains cannot interlock with each other – but that is an important condition for use in building materials. Added to which, desert sand is too fine to be used in concrete. Consequently, sand destined for the construction sector is mainly extracted from rivers or seashores, and that has a significant environmental impact. The delta of the Mekong River in Vietnam, for example, is disappearing because of sand mining.

WACKER has now found a way to replace quartz sand in dry-mix mortars, and especially in tile adhesives, with recycled concrete. Tile adhesives have at least three constituents: binders, additives and aggregates. Cement or vinyl acetate-ethylene copolymers serve as the binders. These enhance the bond between the tiles and the substrate and make the tile adhesive more flexible – this is important for achieving a durable tiled surface.

Quartz sand is the most important aggregate in a tile adhesive and typically constitutes 50 to 60 weight percent of the finished product. Recent studies by WACKER have shown that up to half of the sand can be replaced with fine-grained, recycled concrete, without detriment to the tile adhesive's properties. On the contrary, it turns out that tile adhesives formulated with granules of recycled concrete even outperform conventional mixes in some respects. The higher the proportion of recycled concrete, the better the wetting ability and thus the higher the "open time" during which the tiles can be placed in the mortar before it sets – this is a considerable advantage for the tiler.

At the same time, measurements of the tensile adhesive strength show that the bond strength of tile adhesive containing recycled concrete is at least as good as that of conventional formulations. And that is down to WACKER's VINNAPAS® 8620 E dispersible polymer powder, which is responsible for the adhesive's high flexibility. Recycled concrete – as proved by WACKER's measurements – can therefore take the place of quartz sand in tile adhesives, which will conserve natural resources.

WACKER POLYMERS – Strategy and Goals

Intelligent Construction, Bonding and Coating

Growth

Sales to increase by a factor of 1.5–2 compared to the past

Profitability

EBITDA margin > 20 percent
ROCE > 2x cost of capital

Specific investment focus

Capacity expansion in all regions, innovations, small-scale acquisitions to supplement the division's portfolio

Focus markets

Construction, adhesives, packaging materials, coatings

WACKER POLYMERS is global market leader for dispersions and dispersible polymer powder based on vinyl acetate-ethylene. It plans to use this market position, which is rooted in a global network and strong regional presence, to spur further growth. The division intends to increase production considerably over the coming years, especially in Europe and Asia. There are plans **to double capacity by 2030**. WACKER POLYMERS is increasingly developing sustainable product solutions that are partly based on renewable raw materials. Also, customer-specific solutions are steadily gaining importance. The division wants to expand this portfolio. Customer demand at WACKER POLYMERS is growing constantly, buoyed by renovation, energy efficiency and sustainability. Numerous government programs around the world, such as the European Green Deal and China's plan to achieve net zero by 2060, create additional momentum for the construction industry. In addition, demand for sustainable solutions in the consumer sector is rising, with adhesives for packaging being one example. The trend here is toward solutions based on paper instead of plastic. WACKER POLYMERS aims to generate an **EBITDA margin of more than 20 percent** in 2030 and earn **more than twice its cost of capital**. To reach this goal, the division is continuing its capacity expansion program and is investing in all regions.

Biotechnology

The mRNA Mission

No one can tell which virus will trigger the next pandemic. But one thing's for sure: the international community needs to be better prepared. The new mRNA competence center in Halle demonstrates WACKER's active involvement and commitment in this regard – not only when it comes to vaccines: our mRNA technology is paving the way to the medicine of the future.

Melanie Käsmarker and Guido Seidel co-manage Wacker Biotech GmbH.

The year is 2025 and a virus is rapidly spreading around the globe. Sounds like déjà vu? Unfortunately, this kind of scenario is not unlikely. Pathogens from animals can spread to humans, causing infectious – also known as zoonotic – diseases (zoonoses). "Scientists reckon there will be more frequent outbreaks of pandemics in the future. Researchers predict their recurrence in cycles of three to five years," says Guido Seidel, a Ph.D. chemist and biotechnologist. Together with Melanie Käsmarker, who studied business administration, he is co-managing director at Wacker Biotech, a subsidiary of the Munich-based WACKER chemical group. Like Seidel, Käsmarker has been working in the biotech sector for many years. Both are currently involved in the herculean task of improving preparedness measures to combat future pandemics on the one hand and shaping the medicine of the future on the other:

"We are expanding our Halle site into a competence center for mRNA actives," says Käsmarker. "The Covid-19 pandemic acted in a way as a catalyst for mRNA technology, an area in which we see very great potential not only in the development of vaccines but also, for example, in developing novel approaches for treating cancer."

The Best Side Effect of the Coronavirus Pandemic

This technology has given the biopharma industry a powerful boost: "Almost half of all newly approved drugs are now biopharmaceuticals," says Seidel. "Patient treatment would nowadays be inconceivable without medical biotechnology." Experts believe that the share of mRNA therapeutics is likely to increase further – which is mainly due to their smart mode of action.

The abbreviation mRNA stands for messenger ribonucleic acid. In our cells, mRNA functions as a molecular messenger that conveys the blueprint for a specific protein from the genome in the nucleus to the relevant ribosomes, also known as the protein factories of the cell. These then produce the required protein. In the case of Corona vaccines, pharmaceutical companies such as Biontech and Moderna use a piece of the mRNA that codes the spike protein of the SARS-CoV-2 virus. This distinguishing feature on the envelope of the pathogen acts as a fingerprint that can easily be identified by our immune system. In the event of an actual infection, our immune system immediately recognizes the virus and can combat the intruder effectively. "However, this mode of action can also be used where proteins in our body are malfunctioning," says Seidel. "That's why mRNA therapeutics should also be suitable for autoimmune and cardiovascular diseases and tumors," he explains. A cancer vaccination, for example, would involve injecting the patient with the blueprint of a protein specific to an individual tumor. This component can be identified by analyzing the genome of the tumor cells. The vaccination would then help the immune system in distinguishing between healthy and diseased cells. That's when mRNA vaccines could come into the picture and reveal their true potential.

At its site in Halle, WACKER is building an mRNA competence center, which is scheduled to start operating in 2024.

Large-Scale Production of mRNA Actives

What's more, the Covid-19 pandemic showed that an effective vaccine is only half the story. That's because suitable production capacity is needed to make large quantities of vaccines available to the public within a short period of time, which is where WACKER's expertise comes in: "When it became apparent in early 2020 that the mRNA approach was suitable for large-scale vaccine production, we reacted immediately," recalls Käsmarker. "We quickly got in touch with the relevant pharmaceutical companies and created production capacity at our existing site in Amsterdam." The WACKER Group focuses all its biopharmaceutical activities within its Wacker Biotech subsidiary. "We learned a lot and gained expertise during this time. We are now benefiting from this as we construct our mRNA competence center in Halle," explains Käsmarker, who was born and raised there.

"The Covid-19 pandemic was something of a catalyst for mRNA technology."

Melanie Käsmarker
Managing Director of Wacker Biotech GmbH

Well Prepared for the Next Pandemic

The mRNA project in Halle is not only getting backing from the two committed Wacker Biotech managing directors, but also from the German government: in view of its experience with the initial vaccine shortage during the Covid-19 pandemic, the German government has introduced measures to ensure vaccine production and supply. Pandemic preparedness contracts have been concluded for the production of vaccines. Pharmaceutical companies with the corresponding know-how and capacities were invited to apply. Wacker Biotech and CordenPharma, a company specializing in the production of specific lipids and the filling of pharmaceuticals, applied as joint bidders and were awarded the contract along with four other companies. If needed, Wacker Biotech and CordenPharma will supply Germany with up to 80 million mRNA-based vaccine doses per year starting in 2024.

A
I
WACKER started to gather mRNA-related expertise in Amsterdam in 2020. mRNA actives are among the products that this site makes today.

B
I
The San Diego site is where Wacker Biotech produces plasmid DNA – the basis for making mRNA actives.

"It takes not only research-based pharmaceutical companies working on new active ingredients, but also contract manufacturers who have extensive expertise in bioprocess engineering together with the corresponding production capacities," Seidel explains. This means that Wacker Biotech, as a Contract Development and Manufacturing Organization (CDMO), is commissioned by pharmaceutical companies to produce their active pharmaceutical ingredients for the market and for the purpose of clinical trials. "The rapid successes in vaccine production would hardly have been possible without companies like us, because we can produce the new mRNA actives in larger quantities," says Seidel.

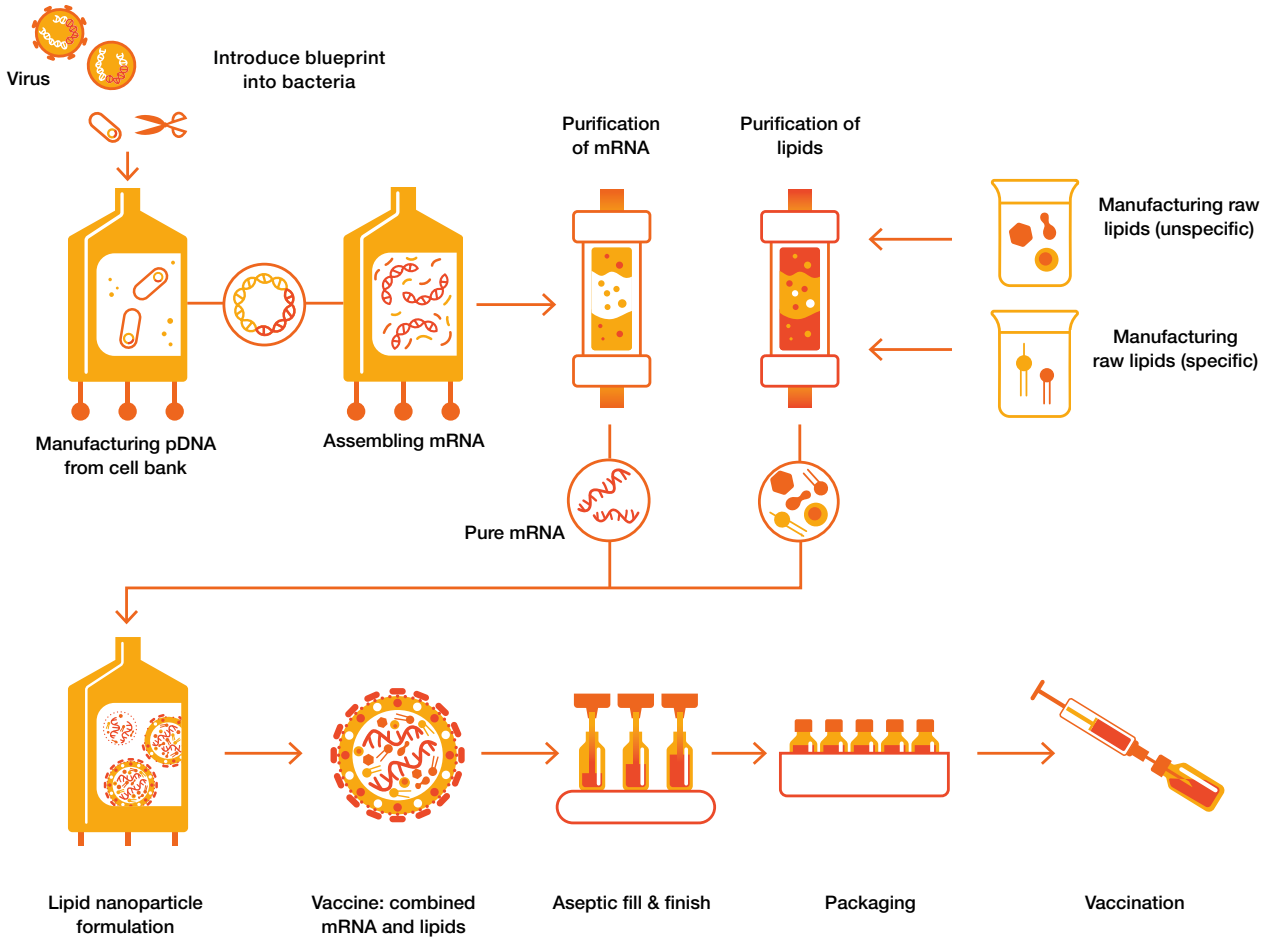
mRNA – made in Halle

There are several reasons why Wacker Biotech chose Halle as the site for its mRNA competence center, Käsmarker explains: "In order to secure vaccine supply in Germany, the government stipulated that highly critical production steps – which account for most of the production process – would be performed in our country." At the same time, the city of Halle has many advantages: "We are located in the middle of Central Germany's Chemical Triangle, and

"The rapid success in vaccine production would hardly have been possible without companies like us."

Guido Seidel
Managing Director of Wacker Biotech GmbH

From Bench to Bedside



we have close links to Halle University with its focus on science and engineering. We also benefit from our location at Weinberg Campus Technology Park, the innovation hub for the life science industry in the region." This also helps in attracting qualified personnel: Wacker Biotech plans to hire 200 new employees as part of the expansion.

In addition to technology platforms and production facilities, success requires above all the expertise and commitment of employees. "In order to make the best use of our global expertise and ensure that it all comes together at our new mRNA competence center, we need to actively involve people. We want them to join us in pursuing these projects and accompany us on our journey – and be proud of what they are doing for humanity," says Käsmarker, explaining the spirit that Wacker Biotech lives by.

mRNA at the Touch of a Button

All in all, this is a very good basis for the planned record growth in Halle: it will take just two years to build the new mRNA competence center. Four production lines for the manufacture of mRNA biopharmaceuticals are planned. This will more than triple capacity at the site.

When everything is in place in Halle as planned in 2024, the 'warm facility' concept will apply. The production facilities will be running, maintained and fully on standby. Staff will be on standby too. "Should we receive an order from the Center for Pandemic Vaccines and Therapeutics to produce mRNA vaccines, we will be able to deliver within just four months," explains Seidel. The Center for Pandemic Vaccines and Therapeutics (ZEPAI) based at the Paul-Ehrlich-Institut in Langen represents the German government in pandemic

matters. “Our capacity in Halle will enable us to produce various active ingredients simultaneously,” adds Käsmarker. WACKER uses about half of this capacity for its own projects, while the other half is reserved as standby capacity for the German government.

Wacker Biotech recognized the potential in mRNA technology early on: “We have been working on nucleic acid technologies since 2018, and we have been specifically expanding this up-and-coming field since 2020,” says Seidel. “Starting with our established biotech sites in Halle and Jena, we then added Amsterdam, a state-of-the-art production facility.” In 2021, Wacker Biotech acquired another site, this time in San Diego. This site has decades of experience in the production of plasmid DNA, or pDNA for short. This ring-shaped DNA is the template for subsequent mRNA active substances and thus the most important raw material. The construction of the mRNA competence center in Halle now brings things full circle.

Setting the Course for Further Growth

And the course for further growth has already been set: in Munich, WACKER is currently investing in the construction of a biotech research center, which is also scheduled to be operational in 2024. Here, WACKER is pooling and intensifying its research in the field of biotechnology. A number of research partnerships in the field of mRNA-based actives have been established. For Seidel and Käsmarker, these are further, very motivating signs.

The fact that Wacker Biotech recognized the potential of biopharmaceuticals and invested in the technology years ago is paying off today with the company playing a leading role. “We’re working on something that helps us all,” Seidel and Käsmarker answer when asked what motivates them most. “Add to that the potential of mRNA technology to cure cancer – one of mankind’s dreams.” We don’t know when that will be but we’re getting closer to fulfilling this dream.

Cyclodextrins for the Perfect Topping

Coffee beverages such as cappuccino and latte macchiato remain extremely popular. What’s more, there’s a constant stream of new lifestyle products such as bubble tea – a drink usually served cold. Originally from Asia, it is gaining ever more fans in other parts of the world. Such beverages usually come with a foamed topping, which has to meet certain requirements. The foam should have a particularly fine consistency and be as voluminous and stable as possible.

This is where WACKER’s alpha-cyclodextrins come in. The sugar molecules permit a higher, stable foam volume, while ensuring a creamy texture. And not only with milk in the traditional sense. The growing demand for vegan food is also turning the spotlight increasingly on to plant-based milk substitutes. Studies from WACKER’s Food Lab prove that cyclodextrins reveal their benefits particularly in plant-based milk alternatives. As they do in cold mixed drinks, which are particularly popular in Asia. Thanks to this WACKER ingredient, substantial foam can be produced that does not require any fats or proteins at all. In addition, the EU Commission has confirmed that the molecules have a health-promoting effect. Consuming alpha-cyclodextrin as part of a starchy meal helps to reduce the postprandial rise in blood sugar levels. By lowering blood sugar, alpha-cyclodextrins reduce the glycemic index (GI) of foods. This is not only important for diabetics. Products are thus digested more slowly, keeping blood sugar levels low at all times. By following an appropriate diet, you can thus reduce the risk of cardiovascular disease, obesity and diabetes.

Cyclodextrins are produced via enzymatic degradation of plant starch in a fermentation process. The molecules owe their effect to their three-dimensional structure. The interior of a ring-shaped sugar molecule is lipophilic (i.e. fat loving), while its exterior is hydrophilic (water loving), allowing it to interact with the food matrix in many different ways. Cyclodextrins not only influence the foaming properties of tea and coffee beverages. They are able to mask undesirable flavorings. They replace egg in sweet baked goods or in mayonnaise, enabling vegan recipes that are proving increasingly popular among consumers. This offers promising growth opportunities for WACKER BIOSOLUTIONS, which is constantly developing new applications for these versatile molecules in its food labs around the world.

WACKER BIOSOLUTIONS – Strategy and Goals

The Booming Biotech Market

Growth

Sales of 1 billion euros by 2030

Profitability

EBITDA margin > 25 percent
ROCE >> cost of capital

Specific investment focus

Capacity expansion in Europe and the USA, innovations, acquisitions

Focus markets

Biopharmaceuticals/drugs for innovative therapies, healthy nutrition/fermentatively manufactured ingredients based on renewable raw materials

Biotechnology is on course for growth. Studies predict that the market will grow annually by around 9 percent worldwide in the coming years. The goals set by WACKER's life science division are correspondingly ambitious. **Around 1 billion euros** - that's how much WACKER BIOSOLUTIONS is expected to generate in terms of sales in 2030. The **EBITDA margin** is expected to **exceed 25 percent** by that time. In addition, there are plans to increase profitability: **return on capital employed (ROCE)** is expected to **significantly exceed the cost of capital** in 2030. One pillar of the division's growth strategy is biologics – in particular the field of advanced medicines. This includes, for example, the production of both plasmid DNA and mRNA-based actives. The other pillar is the fermentation-based manufacturing of ingredients for foodstuffs and food supplements based on renewable raw materials. This involves, for example, devising solutions for the production of meat substitutes. The trend toward a healthy diet based on sustainably produced food is a key driver here. To accelerate growth at WACKER BIOSOLUTIONS, investments of more than **80 million euros** annually are earmarked for organic growth. Production capacity expansions are planned in the US and Europe, while research is to be intensified. As part of these measures, WACKER is currently investing in the construction of a new biotech research center at its Munich site. This center is scheduled to come on stream in 2024. The division aims to expand its product portfolio through innovation, partnerships and acquisitions. It has set itself the goal of making Life Science business a central pillar of the WACKER Group by 2030.

Polysilicon

Purity Is Our Recipe for Success

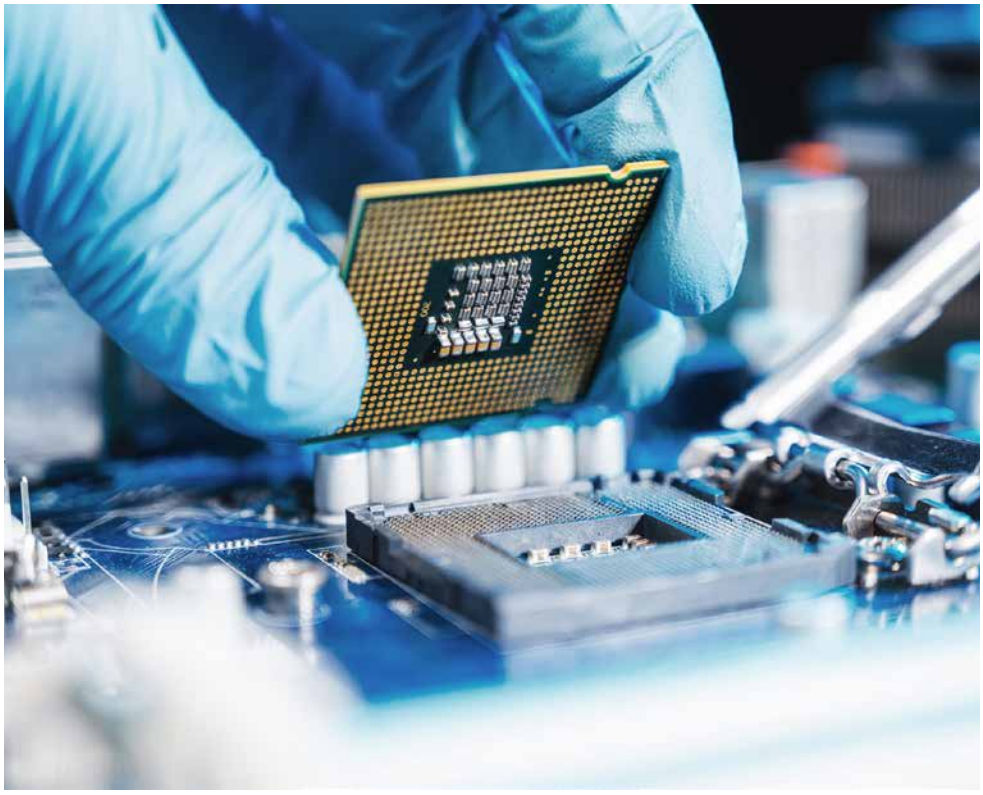
Polysilicon is indispensable for high-performance semiconductors and solar cells. WACKER is the only European company to rank among the global market leaders in this highly competitive business – a position primarily due to the exceptionally high quality that WACKER offers its customers. With its highly efficient production processes and uncompromising quality standards, the company has succeeded in maintaining and further expanding its position despite the high energy prices in Europe.

The plant is unusually quiet for a production environment. The reactors, which stand in long rows in a hall about the size of ten tennis courts, emit only a low hum. A plant operator takes a quick look through the small, round sight glasses to inspect the interior of the enormous metal domes, which give off an orange glow. Otherwise, the production hall is deserted.

We are standing in the deposition hall, the heart of polysilicon production in Burghausen. The reaction taking place here is known as the "Siemens process," which involves feeding trichlorosilane into reactors at a temperature of about 1,000 degrees Celsius, at which point high-purity polysilicon deposits onto seed rods. After several days, when the rods have grown to the desired diameter, the reactors are shut down and opened, and the polysilicon rods are removed and broken into smaller pieces. These then undergo an additional, complex cleaning process for semiconductor applications. Finished and packaged, the polysilicon pieces go to the customers – manufacturers of semiconductor and solar wafers all over the world.

What sounds so simple is actually a very complex process that requires sophisticated technology and, above all, decades of experience. "The production facilities we see here are almost entirely in-house developments," says Tobias Brandis, not without pride. "What's more, WACKER's

Divisional head Tobias Brandis (right) and market expert Wolfgang Storm (left) standing in the deposition hall, the heart of polysilicon production in Burghausen.



Polysilicon must be hyperpure if it is to be suitable for ever more powerful microchips.

been producing polysilicon since the late 1950s, first in Burghausen, then in Nünchritz starting in 2011 and, as of 2016, in Charleston."

"When it comes to electronic-grade silicon, WACKER is by far the world market leader."

Tobias Brandis
President of WACKER POLYSILICON

According to Brandis, who has a doctorate in law and has served as president of the WACKER POLYSILICON division since 2017, WACKER is now one of the global market leaders in this business. This is particularly true of polysilicon for semiconductors, which has to be much purer than the material for solar cells. "WACKER is by far the market leader in this area and the only supplier to offer products for all production processes – from polysilicon pieces in various sizes for crucible pulling to polysilicon rods for float-zone pulling. Almost every other microchip in the world is made with our polysilicon, whether it's in a supercomputer, a smartphone or a car," Brandis explains.

When asked about the recipe for success that has enabled WACKER to achieve this market position, Brandis has a clear answer: "Quality, quality and more quality." Everything revolves around the purity of the polysilicon – the indispensable prerequisite for ever more powerful microchips. Producing the starting material gets things going. Metallurgical silicon is converted to liquid trichlorosilane using hydrogen chloride and then purified in tall distillation columns. Other substances that are still contained in the silicon metal, such as iron, copper, nickel, boron and phosphorus, are almost completely removed in the process. The reason? Increasing the purity of the polysilicon allows manufacturers to make smaller and faster microchips. "We're talking about concentrations of critical impurities in the parts-per-trillion range," Brandis explains. One ppt corresponds to a concentration of 10 grams of sugar in ten billion liters of water – the volume of one million tank trucks.

Manufacturing electronic-grade silicon is an art mastered by very few other producers besides WACKER. But that alone is not enough to achieve market success, Brandis warns: "The second lever is cost." Having its production in Germany puts WACKER at a clear disadvantage relative to competitors in other regions. After all, production of polysilicon is extremely energy intensive. "Electricity is by far our single biggest cost

item in manufacturing," Brandis observes, cutting to the chase. In China, home to most of WACKER's competitors on the solar polysilicon market, electricity prices were four to five times lower than in Europe, he said. But electricity is also significantly cheaper in the US and other Asian countries than it is in Germany.

One of WACKER's answers to this challenge lies in integrated production, a system that involves either feeding byproducts and wastes back into the production cycle or processing them to make other products. Sophisticated energy management likewise reduces power consumption. The waste heat generated by cooling the polysilicon, for example, generates steam for distillation. Over the decades, WACKER has continuously optimized the energy efficiency of its polysilicon production. "Today, we need only half as much energy to produce one kilogram of polysilicon as we did 20 years ago," Brandis notes.

Uncompromising quality and energy efficiency in production – that's the formula WACKER has used in recent years to steadily expand its market position in polysilicon for semiconductors and ultrahigh-efficiency solar cells. "We've doubled our volumes of semiconductor polysilicon since 2017 and reduced our total costs by a quarter in the process," says Brandis, setting the tone for the future. His business division is aiming for yet another major increase in semiconductor material production volumes by 2030. At the same time, the company also intends to enhance quality still further in order to support the semiconductor industry as it continues to develop. The goal is to generate an EBITDA margin of more than 30 percent by the end of this decade and to earn twice the cost of capital. To accompany this planned growth, WACKER POLYSILICON is significantly increasing its investments, with some 100 million euros per annum going toward expansion projects over the next few years. The focus here is on capacities and on initiatives addressing the quality of the semiconductor material.

"Demand for semiconductor wafers will again increase significantly in the coming years."

Wolfgang Storm
Strategic Marketing for WACKER POLYSILICON

As Wolfgang Storm knows, the prospects for this growth are very good. Storm is an old hand when it comes to the polysilicon business. A Ph.D. physicist, he joined Chemitronic, the predecessor of today's Siltronic AG, back in 1996 and has worked in strategic marketing at WACKER POLYSILICON since 2009. Having analyzed the semiconductor and solar markets for decades, Storm has seen many ups and downs in the industry.

Monocrystalline solar cells with extremely high efficiencies are gaining ground worldwide.

"I have no doubt that demand for semiconductor wafers will again increase significantly in the coming years," he says with conviction. He estimates that semiconductor wafers with a surface area of around 115 billion square centimeters were sold worldwide last year – about as much as 1,600 soccer fields. That figure is expected to grow to about 170 billion square centimeters by 2030, or about 50 percent more than today. "That growth won't be linear, of course: we'll see fluctuations just as we have in the past, but the trend is clear," Storm believes. Driving that trend is the unrelenting advance of digitalization and the new applications it brings to every aspect of our lives. And more wafers automatically mean correspondingly greater demand for polysilicon of the highest quality.

WACKER is benefiting from the fact that the semiconductor industry's demands on its polysilicon suppliers are constantly increasing. The structures of microchips, the design rules, are becoming smaller and smaller in order to accommodate even more transistors on them and thus make them even more powerful. "We're now talking about a design rule of two nanometers for 300-millimeter wafers – one 25-thousandth of a human hair," Storm explains, adding that the only way to do that is with polysilicon which has virtually no impurities left. The requirements are similarly high for the production of CMOS image sensors, i.e. the light-sensitive chips in smartphone cameras, or for filters for 5G/6G mobile communications – indispensable components of self-driving vehicles.

In the short term, he believes it is unlikely that the expected growth of the semiconductor industry would prompt new competitors to begin producing polysilicon for demanding applications like these: "Basically, very few companies other than WACKER can make that kind of ultrapure polysilicon in any relevant quantities. And in the semiconductor industry, the process of qualifying a new supplier for material like that takes years." Ideal conditions, in other words, for WACKER to remain on the road to success in the semiconductor business in the years ahead, thanks to its technological edge.

Nearly half of all microchips worldwide are made with polysilicon supplied by WACKER.

Float-Zone Pulling for Power Electronics

Power semiconductors play an important role not only in the field of electrical infrastructure, but also for electromobility. Of particular interest here are "insulated gate bipolar transistors" (IGBTs), which are mainly found in hybrid and electric vehicles, in wind turbines and solar installations, as well as in smart grids. Unlike the Czochralski process, float-zone pulling does not involve drawing the monocrystal from a crucible. Instead, a polysilicon rod is melted with an induction coil, and, when in contact with a seed crystal, the original polycrystalline rod yields a monocrystal. This method allows manufacturers to produce wafers with very high, uniform electrical resistance values combined with the low oxygen content required for power electronics. WACKER is one of very few polysilicon manufacturers in the world to offer special polysilicon rods for the float-zone method. Up to 230 centimeters long, these rods are polished with exceptional precision to a diameter specified by the customer, and when appropriately surface-treated, can be used immediately in wafer production without any additional prep work.

WACKER POLYSILICON – Strategy and Goals

Gaining a Lead through Very High Quality

Growth

Twofold increase (volumes of electronic-grade silicon (EGS))

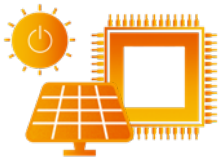
Profitability

EBITDA margin > 30 percent / ROCE > 2x cost of capital

Specific investment focus

Expansion of EGS capacity

Focus markets



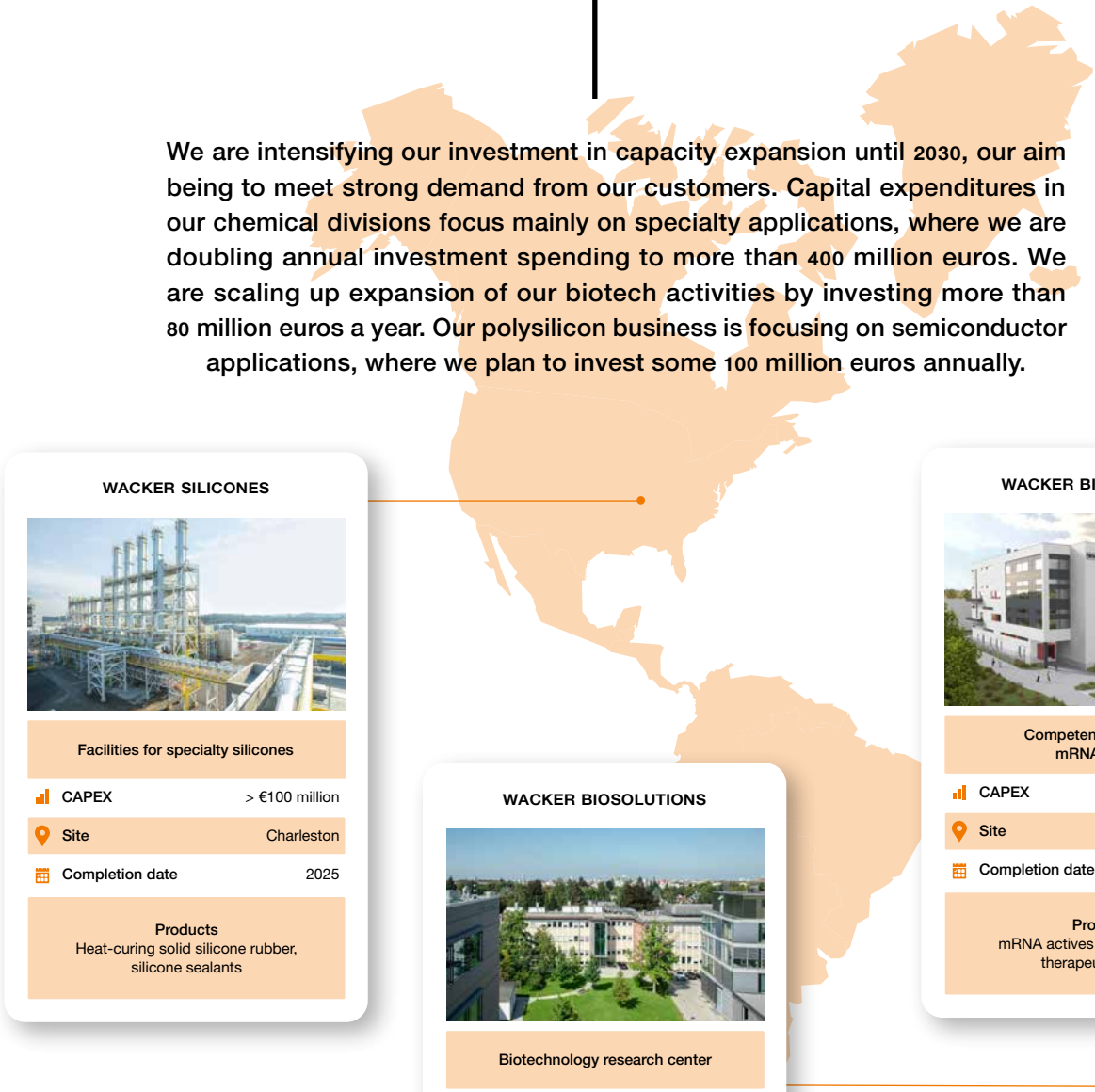
Semiconductor wafers, solar cells with extremely high efficiencies

WACKER is the clear No. 1 in polysilicon for the semiconductor sector. Nearly half of the computer chips produced worldwide use the division's hyperpure polysilicon. WACKER POLYSILICON has doubled sales in this high-growth market over the last five years and intends to continue strengthening its position in the semiconductor sector in the next few years. The division is aiming for yet another major increase in semiconductor-material production volumes by 2030. At the same time, the company also intends to enhance quality still further in order to support the semiconductor industry as it continues to develop. Absolute quality is likewise essential for the material that WACKER POLYSILICON supplies for solar applications. In this field, the division is one of the few suppliers capable of offering particularly high-quality polysilicon for monocrystalline solar cells with extremely high efficiencies. Another aim is to make production processes even more efficient so as to further reduce production costs. WACKER POLYSILICON intends to generate an **EBITDA margin of more than 30 percent** in 2030 and earn **more than twice its cost of capital**. To achieve this planned growth, WACKER POLYSILICON is significantly increasing its capital expenditures, with **some 100 million euros** per annum going toward expansion projects over the next few years. The focus here is on expanding EGS capacity. Long-term customer contracts will secure these investments.

Investment Projects

Higher Capital Expenditures for Future Growth

We are intensifying our investment in capacity expansion until 2030, our aim being to meet strong demand from our customers. Capital expenditures in our chemical divisions focus mainly on specialty applications, where we are doubling annual investment spending to more than 400 million euros. We are scaling up expansion of our biotech activities by investing more than 80 million euros a year. Our polysilicon business is focusing on semiconductor applications, where we plan to invest some 100 million euros annually.



WACKER SILICONES

Facilities for specialty silicones

CAPEX	> €100 million
Site	Charleston
Completion date	2025

Products
Heat-curing solid silicone rubber, silicone sealants

WACKER BIOSOLUTIONS

Biotechnology research center

CAPEX	< €100 million
Site	Munich
Completion date	2024

Products
Development of production methods for biopharmaceuticals and the fermentative production of ingredients for nutritional supplements

WACKER BIOSOLUTIONS

Competence center for mRNA actives

CAPEX	> €100 million
Site	Halle
Completion date	2024

Products
mRNA actives for vaccines and therapeutic agents

WACKER SILICONES

Facilities for specialty silicones

CAPEX	> €100 million
Site	Nünchritz
Completion date	2023–2024

Products
Hybrid polymers, silanes, liquid resins

WACKER SILICONES

Facilities for specialty silicones

CAPEX	< €100 million
Site	Burghausen
Completion date	2023–2024

Products
Silicone resins, silicone sealants, hydrogen chloride

WACKER POLYMERS

Facilities for dispersible polymer powders; infrastructure

CAPEX	> €100 million
Site	Nanjing
Completion date	2023

Products
Dispersible polymer powders for construction applications

WACKER POLYSILICON

Capacity expansion for electronic-grade silicon

CAPEX	> €100 million
Site	Burghausen
Completion date	2023–2026

Products
Polysilicon for semiconductor wafers; trichlorosilane for the production of polysilicon; specialty silanes

WACKER SILICONES

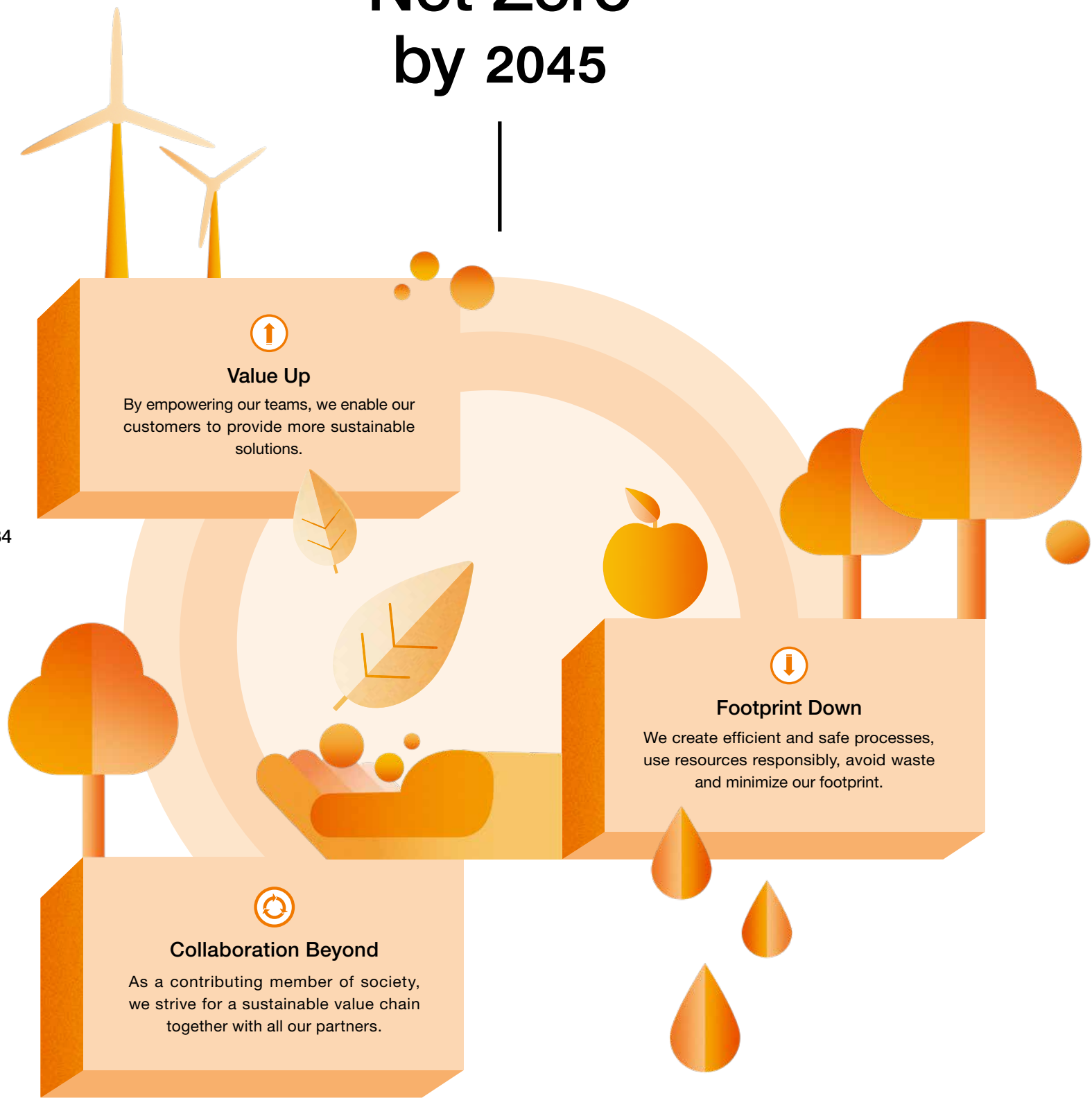
Facilities for specialty silicones

CAPEX	< €100 million
Site	Panagarh
Completion date	2023

Products
High-consistency and liquid silicone rubbers for applications in the fields of electromobility and medical technology

Sustainability

Net Zero by 2045



Value Up

By empowering our teams, we enable our customers to provide more sustainable solutions.

Footprint Down

We create efficient and safe processes, use resources responsibly, avoid waste and minimize our footprint.

Collaboration Beyond

As a contributing member of society, we strive for a sustainable value chain together with all our partners.

Extra Budget for Process Transformation

"Our most important sustainability goal is to reduce greenhouse gas emissions. We aim to cut those in half by 2030 – we're talking about absolute numbers, regardless of how much growth we experience. We are starting with our own products and processes to achieve this target. With our investment budget for sustainable process transformation, we support projects that cut greenhouse gases, other emissions and water consumption, or contribute to a circular economy. In the reporting year, we used this budget to approve projects that aim to achieve annual reductions of more than 100,000 metric tons of CO_2. In order to support and further promote our employees' commitment to sustainable process transformation, we started awarding our annual WACKER Net Zero Award, worth 10,000 euros, in 2022. This is our way of recognizing outstanding projects that significantly reduce our company's environmental footprint."

"We are starting with our own products and processes to reduce greenhouse gas emissions."

Peter Gigler
is responsible for the topic of sustainability.

Renewable Reductants in Silicon Production

"Silicon metal is one of the most important raw materials for WACKER and is used in the production of silicones and hyperpure polysilicon. The silicon metal produced in Holla, Norway, covers roughly one-third of demand. We are currently expanding the Holla site, which is playing a key role in helping us achieve net zero emissions. The coal employed as a reductant in the production of silicon metal is now being replaced with renewables, such as biocarbon sourced from sustainable forests. The use of biomass is deemed to be carbon-neutral, because combustion releases the carbon dioxide taken up by the plants while they were growing. In the downstream stage, we would like to capture this biogenic CO_2 again and either store it permanently or use it as a raw material in the production of chemicals. We will be installing a pilot plant for this in 2023."

"The coal employed in the production of silicon metal is being replaced with renewables."

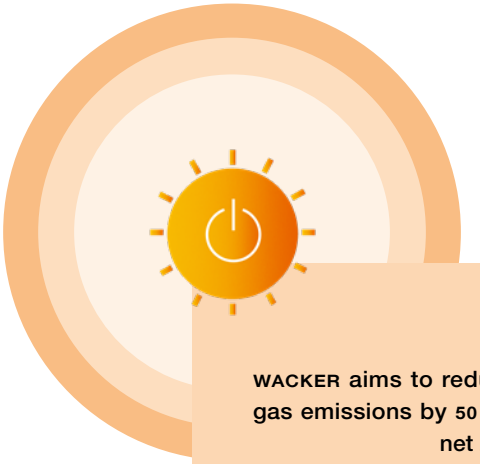
Torbjørn Halland
is the Holla site manager.

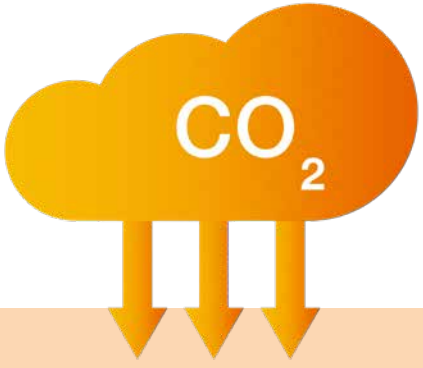
Green Electricity for Electrified Processes

"We are working on switching our production sites to green electricity. We have already succeeded in doing this at our Holla site – among other things by negotiating power purchase agreements with providers of wind and hydroelectric power. In 2022, our Holla site procured all its electricity from renewable energy sources. Over the coming years, we will switch our other production sites to green electricity worldwide. Due to increasing process electrification, our electricity consumption will rise in the next few years despite intensive efficiency measures. That's why we are working on fossil-free alternatives for steam generation, for example with heat pumps. This will allow us to utilize electricity even more efficiently and avoid fossil fuels such as natural gas."

"In 2022, our Holla site procured all its electricity from renewable energy sources."

Christian Essers
is in charge of energy procurement.





WACKER aims to reduce its absolute greenhouse gas emissions by 50 percent by 2030 and achieve net zero by 2045.

We press ahead with sustainable solutions using our certified WACKER Sustainable Solutions program and manage our product portfolio in line with defined sustainability criteria.

We prioritize climate-friendly technologies and our products facilitate renewable energy generation, electromobility, and climate-friendly construction techniques.

What we procure is sustainable: our suppliers have been inspected in line with the global TfS standard and can prove the sustainable nature of their business practices. We are reducing our absolute greenhouse gas emissions in our supply chains by 25 percent.

We save water by reducing our wastewater load through pretreatment, recycling and recirculation and by making efficient use of water in our production processes.

We prioritize safety by adopting safety strategies in our plants and by running programs designed to promote an awareness of safety.

For Our Shareholders

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WACKER has a clear strategy to accelerate growth. Our unique, diverse and solutions-driven product portfolio offers us big opportunities that we intend to make the most of.

a

For Our Shareholders

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Peace and freedom are the foundations for security and prosperity, and these foundations were thoroughly shaken by the Russian invasion of Ukraine on February 24, 2022. The war in Europe is an acid test for the entire world and has thrown the global economy off balance.

Amid this unpredictable and unstable situation, WACKER performed exceptionally well in 2022. With €8.2 billion in sales and EBITDA of €2.1 billion, it was by far the most successful year in the company's history – and this despite the strong headwinds we encountered in terms of energy, raw-material and logistics costs, which were €1.3 billion higher year over year.

Other key financial indicators also underscore just how strong our performance was in 2022.

At around €440 million, net cash flow remained at a high level, with a significant increase in capital expenditures having an impact. WACKER again posted net financial assets in the triple-digit-million range – totaling around €400 million. Net income for the year surpassed the high figure of 2021 by a wide margin, coming in at around €1.3 billion.

This will have a positive effect on the dividend. At the Annual Shareholders' Meeting in May, the Supervisory Board and Executive Board will propose a dividend of €12 per share. That means we are distributing around 50 percent of Group net income to you, our shareholders.

Achieving these results last year was no matter of course. Our success was down to a joint effort by all WACKER employees. Everyone made a contribution through their work, and I take this opportunity to thank all of you on behalf of the entire Executive Board. Thank you for all your excellent work. Thank you for this outstanding team effort, which deserves the utmost respect.

WACKER continued to grow in 2022. Every business division achieved double-digit growth rates in sales. Higher selling prices were the chief reason for this growth. In our chemical business, WACKER SILICONES posted significant growth in EBITDA in the first nine months of the year, before earnings slowed in the fourth quarter as customers ran down their inventories. WACKER POLYMERS grew its EBITDA by more than 10 percent thanks to higher selling prices and positive product-mix effects. Despite annual sales surpassing €300 million for the first time, EBITDA in the biotechnology segment declined year over year. Non-recurring factors such as integration costs as well as upfront costs for the new mRNA Competence Center in Halle impacted earnings. The polysilicon business performed particularly well, with higher selling prices and strong demand contributing to a surge in both sales and earnings.

Growth rates were strong not only for sales and earnings, but also for capital expenditures. Last year, we invested some €550 million to expand our production capacities in all regions across the globe. The lion's share went to our chemical divisions to further strengthen our market position with liquid and solid silicone rubber grades.

A lighthouse project in this context is our new silicones site in Panagarh, India, which came on stream in July 2022. India has been an attractive growth market for us for many years now, and its importance continues to grow rapidly. This year, India will chair the G20 forum, comprising the world's 20 largest economies. At the same time, India is set to become the most populous country on

Earth. India's economy grew by 7 percent last year, stronger than any country in Asia. This example underscores that we are active in the markets of tomorrow – and investing in them as well.

Another key project is the establishment of our mRNA Competence Center in Halle. In April 2022, we were selected by the German government as a partner in its Pandemic Preparedness Plan, with the goal of producing mRNA-based vaccines. This was a huge vote of confidence for us. It illustrates the expertise and innovative strength of WACKER BIOSOLUTIONS. By adding additional capacity at our Halle site, we are paving the way for the future of medicine.

All this investment spending is in line with the strategic goals we presented to the capital markets in London in March 2022. The core of our strategy is: faster growth, high profitability and better resilience in times of constant change.

But a strategy is worthless if it is not firmly entrenched in the corporate culture. That is why our employees' identification with the company, their attitude, principles and sense of responsibility are so important to the success of the strategy. Only by pulling together will we succeed in achieving our goals. We at WACKER have these strong cultural foundations, and we need to preserve and strengthen them.

In everything we do, our focus is on our customers. It is decisive that we align our innovations with our customers' needs. Without the trust of our customers, growth would not be possible. Their satisfaction is the key to our long-term success.

What are the specifics of our Group strategy?

Sales are planned to rise to over €10 billion by 2030, driven by volume growth and a better product mix. Up to now, the annual average growth rate has been between 4 and 5 percent. In the future, it should be higher, by a factor of between 1.5 and 2.

WACKER is focused on high profitability. We are aiming for an EBITDA margin of more than 20 percent by 2030. In relation to capital employed, our goal is to earn twice our cost of capital.

Higher capital expenditures are a key component of our strategy and an important stepping stone toward achieving our goals. WACKER has the financial strength needed for such capital expenditures. In the coming years, our capex is set to be substantially higher than depreciation/amortization. More than €400 million will be invested in in our chemical divisions, WACKER SILICONES and WACKER POLYMERS. WACKER BIOSOLUTIONS is to receive over €80 million, while around €100 million a year is destined for WACKER POLYSILICON.

Sustainability is an integral part of our strategy. For us, stronger growth and sustainable operations are not mutually exclusive. We at WACKER want to achieve both – we want to grow and continue down the path to net zero. We have significantly raised the bar for our sustainable development goals. By 2030, we want to reduce our CO_2 emissions by 50 percent – in absolute terms and regardless of volume growth. In the same period, we aim to reduce specific energy consumption and specific water withdrawal by 15 percent each.

On top of that, our product portfolio is to comply fully with defined sustainability standards. WACKER's business operations are to be net zero by 2045.

With our strategy, we have set the course for the coming years.

As far as we can judge at the moment, it will not be possible this year to continue WACKER's strong operational growth of the last two years.

The global economy has slowed significantly. Around the world, the economic and political environment remains volatile. Everywhere, we discern trends whose outcomes cannot be predicted. High energy prices, especially in Europe, are impacting our business.

We expect our sales and earnings this year to be lower than in the standout year of 2022. Sales are likely to be in the region of €7–7.5 billion. We expect EBITDA to come in between €1.1 billion and €1.4 billion. This year, WACKER will again increase its investment spending to make the most of future growth opportunities with our customers. Capital expenditures at our chemical divisions will focus mainly on expanding our portfolio of specialty products. In the biotechnology field, we will ramp up the ongoing expansion of our sites. In our polysilicon business, the focus will be on semiconductor applications.

Even though we currently face economic headwinds rather than tailwinds, we look to the future with optimism.

Our strategy provides us with clear goals: faster growth, high profitability and better resilience in times of constant change.

We will successfully pursue our chosen path because we are well-placed to do so: with our high-quality products, our strong presence in all the world's regions and our excellent workforce.

We are scaling up our capital expenditures. We have the necessary financial scope to add sustainable value.

We are focused on sustainability, which means we are doing our homework and leveraging our expertise in sustainable products and solutions to ensure the future success of our business.

All these factors are creating many possibilities and opportunities for us to continue growing profitably – and we will make systematic use of these. We remain the architect of our own success and will rely on our spirit, speed and confidence.

We would be pleased if you, our shareholders, would continue to accompany us on this path.

On behalf of the entire Executive Board, I thank you for the confidence you have placed in us thus far. I also wish to thank all our customers and suppliers for the partnership we enjoy with them. They are a key part of our global network.

Our job is to ensure WACKER continues advancing step by step. I can promise you this: We will continue to pursue this path with both resolution and enthusiasm.

Munich, March 2023

Dr. Christian Hartel

President & CEO of Wacker Chemie AG

Executive Board

DR. TOBIAS OHLER

Corporate Accounting and Tax
Corporate Controlling
Corporate Finance and Insurance
Investor Relations
Information Technology
Procurement & Logistics
Region: The Americas

ANGELA WÖRL

WACKER POLYMERS

Human Resources (Personnel Director)
Executive Personnel
Intellectual Property
Corporate Engineering
Region: Asia

DR. CHRISTIAN HARTEL
President & CEO

WACKER POLYSILICON
WACKER BIOSOLUTIONS

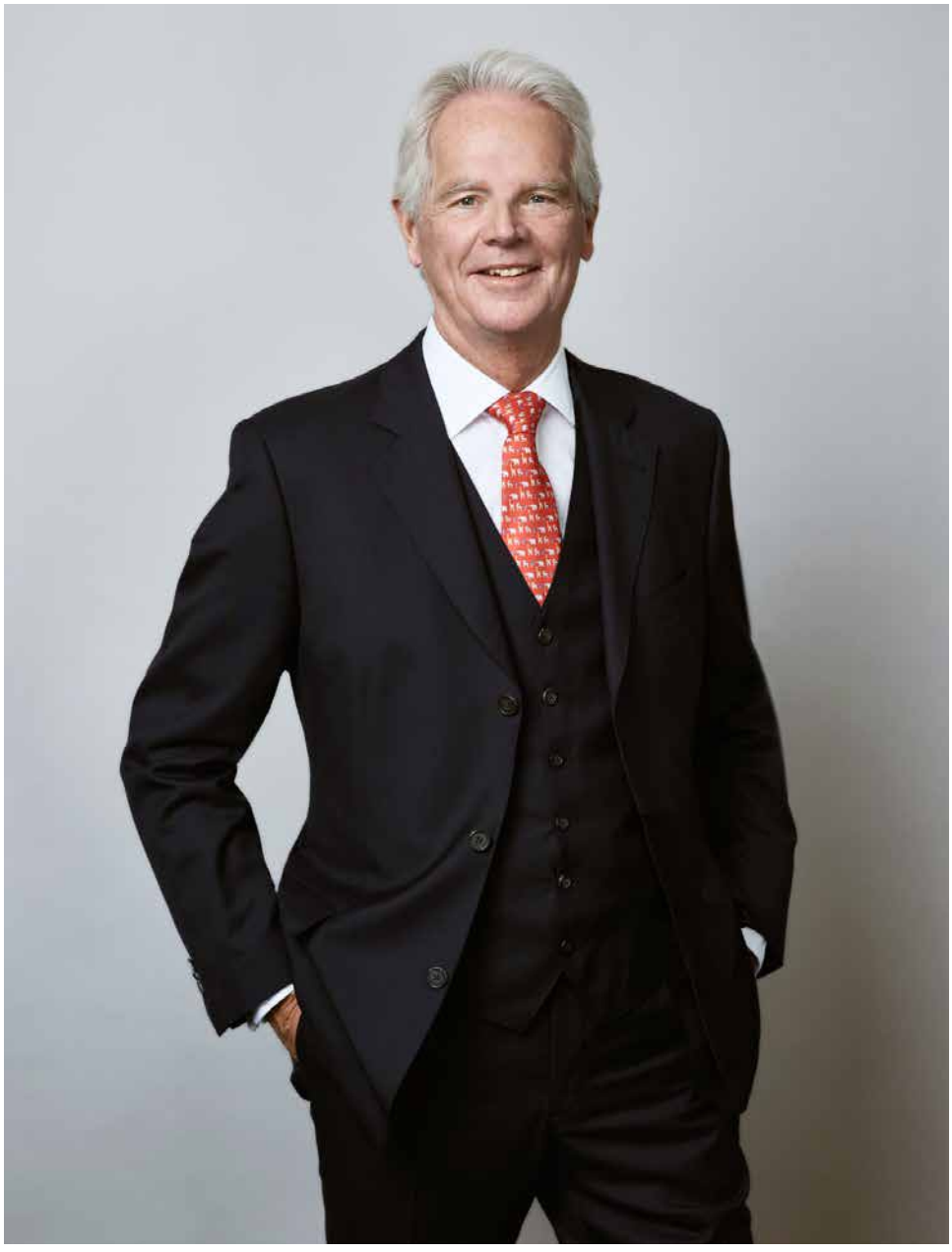
Corporate Development
Corporate Communications
Corporate Auditing
Legal
Compliance
Retirement Benefits

AUGUSTE WILLEMS

WACKER SILICONES

Sales & Distribution
Site Management
Research & Development
Corporate Security
Environment, Health, Safety
Product Stewardship
Regions: Europe, Middle East

Report of the Supervisory Board



DR. PETER-ALEXANDER WACKER
Chair of the Supervisory Board of Wacker Chemie AG

Dear Shareholders,

2022 was an exceptionally good year for WACKER and the most successful in our company's long history, setting new records for sales and earnings. This strong performance was driven by various factors, two of which were especially important given the unpredictable challenges we faced during this period.

We reacted quickly and resolutely to the emerging energy crisis, which was one of the keys to ensuring our business success. WACKER quickly recognized what was required to effectively manage the bottleneck in the energy supplies that are of existential importance to our company. This worked extremely well and was the result of a group effort at all levels, both inside and outside the company. The entire process chain – from procurement and logistics through to production and the customer side – worked hand in hand without any friction.

This tremendous team effort deserves the utmost recognition and respect. The Supervisory Board of Wacker Chemie AG wishes to thank all the company's employees for their exceptional achievement and extraordinary commitment.

The second key factor in our success was the high quality and unique properties of many of our products across all business divisions – along with our strategy of working together with customers to develop solutions geared to their specific needs. This value added that WACKER provides its customers once again proved its worth in a volatile economic environment and enabled us to achieve better prices for our products. The company has built up these lasting business relations over many decades, which is precisely what makes WACKER a preferred partner of many of its customers.

Even though the economic environment will not be easier in 2023, WACKER has the creativity and the capabilities to constantly come up with the new ideas and solutions that will ensure the company's future. Systematic research and innovation were the genesis of WACKER's history as a company. And they remain an indispensable driver of its success to this day – across all four business divisions.

WACKER BIOSOLUTIONS is a prime example of how WACKER continues to succeed in developing sophisticated, innovative products and transforming them into growth drivers. The division is creating promising prospects for the company in the technologies and markets of tomorrow. This protects the company's vitality and at the same time ensures its continued success. This long-term strategic approach and the company's sound financial underpinnings create the basis for capital spending on research and new production capacities – both of which are needed to fully tap the wide array of potential opportunities that present themselves.

WACKER's history has shown that the company has the strength to transform itself – time and again. It is this flexibility and adaptability that characterize the company to this very day.

Continuous Dialogue with the Executive Board

At WACKER, sound corporate governance and control are built on a relationship of trust between the Executive Board and Supervisory Board as they work closely together in the company's interest. In 2022, the Supervisory Board performed – with great diligence – the duties incumbent upon it under law, the Articles of Association and its own Rules of Procedure. The Supervisory Board was involved at an early stage in every decision of fundamental significance for the company.

In both written and oral reports, the Executive Board regularly provided us with timely and comprehensive information on corporate planning, strategic development, business operations, and on the current state of Wacker Chemie AG and the Group, including the risk situation, risk management, and compliance and sustainability issues. Beyond scheduled Supervisory Board meetings, the Chair of the Supervisory Board remained in close contact with the Executive Board, especially with the CEO, conferring on issues of strategy, business development, risk exposure, risk management and compliance, and was kept informed of current trends, the business situation, and key business transactions. Any deviations from business plans and targets were explained to the Supervisory Board in detail.

Wherever required by statutory provisions or the Articles of Association, the Supervisory Board voted on the reports and proposals of the Executive Board after detailed examination and discussion. The Supervisory Board met on a regular basis, sometimes without the Executive Board being in attendance.

In the reporting year, we paid particularly close attention to investment spending, the current earnings situation, including the risk position and risk management, as well as the company's liquidity and financial position. Our other points of focus in the reporting year were the company's sustainability strategy and its new Group goals for 2030.

The Supervisory Board held four ordinary meetings in 2022, two in the first half of the year and two in the second. In addition, directly after the Annual Shareholders' Meeting 2022, in which Prof. Anna Weber was elected as a new member of the Supervisory Board, an extraordinary Supervisory Board meeting was convened, in which she was elected as Chair of the Audit Committee and at which the Declaration of Conformity with the German Corporate Governance Code was updated. Above and beyond that, one resolution was adopted by written circular. One out of the total of five meetings was held via videoconference, while members attended the remaining four in person. Between meetings, the Executive Board informed us in detail by means of written reports about all projects and plans of particular importance to the Group. At its full meetings and in its committees, the Supervisory Board discussed in detail business transactions of importance to the company and referred to the reports submitted by the Executive Board. The full meetings were prepared by shareholder and employee representatives in their own separate sessions.

The Supervisory Board's Main Areas of Deliberation

The development of sales, earnings and employment at the Group and its individual segments were the subject of regular consultations in the full meetings of the Supervisory Board. At each meeting, the Supervisory Board evaluated the Executive Board's performance – on the basis of the reports submitted by the Executive Board – and discussed strategic development opportunities and other key topics with the Executive Board. There was no need for additional monitoring measures, such as the inspection of corporate documents or the appointment of experts.

The major areas of deliberation for the Supervisory Board were:

- Global market challenges, particularly the high raw-material and energy costs
- The effects of the war in Ukraine and its consequences for gas supplies in Germany
- Geopolitical developments and the resulting opportunities and risks for our business
- Disruptions in global trade and supply chains and their effects on world markets in general, and on WACKER in particular
- The effects of the ongoing coronavirus pandemic and the countermeasures needed
- Various M&A and capex projects
- Goals for 2030 and the new Group goals
- Financing activities
- Adjustments to the compensation system for Executive Board members
- Personnel matters due to changes in the membership of the Executive Board

The Supervisory Board discussed the WACKER Group's plans for 2023 at its meeting of December 7, 2022. On that occasion, the Supervisory Board also dealt with medium-term corporate plans for 2023–2027. In addition, it discussed and approved the capital-expenditure budget for 2023.

Work in the Committees

The Supervisory Board is assisted in its work by the committees it has constituted. WACKER's Supervisory Board has created three committees – an Audit Committee, an Executive Committee, and a Mediation Committee (the latter in accordance with Section 27 (3) of the German Co-Determination Act (MitbestG)). The tasks and the members of these committees are detailed in the Declaration on Corporate Management on page 261.

The Audit Committee met five times in person last year. In the presence of the auditors, it discussed the audit of the annual financial statements of Wacker Chemie AG and the Group for 2021 and the consolidated interim financial statements for the first half-year. It also examined the Group's quarterly financial figures as well as issues relating to risk management, the accounting process, the internal control systems, compliance and auditing. It monitored the audit, especially regarding quality, as well as the

independence of the auditors and the additional services they performed. Moreover, the Audit Committee submitted a recommendation to the Supervisory Board for the latter's proposal to the Annual Shareholders' Meeting for appointing an auditor for 2022. It then awarded the auditing contract for 2022 and determined the focus of auditing. In light of the statutory obligation to appoint new external auditors at the end of 2023, a further focal point of the committee's work in the reporting year was to prepare and put in place a transparent, non-discriminatory tender and selection procedure for the 2024 audit in accordance with Art. 16 (3) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014. Based on the results of this procedure, the Audit Committee made a recommendation to the Supervisory Board concerning the proposal to be made by the latter to the Annual Shareholders' Meeting to nominate the auditors for fiscal 2024.

The Executive Committee met a total of three times in 2022, twice in person and once via videoconference. The committee members discussed the compensation system for Executive Board members and personnel matters, in particular Executive Board succession planning and the committee's recommendations to the Supervisory Board to renew Dr. Christian Hartel's contract and to determine the Executive Board's total compensation for 2021 as well as set the performance goals for variable compensation in 2022. The Chair of the Supervisory Board also discussed matters of particular importance with the Executive Committee members between the regular meetings.

The Mediation Committee did not need to be convened in the reporting year.

The Supervisory Board was regularly informed about the committees' work.

Initial and Advanced Training

The members of the Supervisory Board are called upon to take part in training courses at regular intervals and are responsible for meeting this obligation themselves. The company supports the members in their educational endeavors, in particular by granting them generous expense allowances, which can and should be used for further training, among other things. When they take office, new Supervisory Board members receive an information package about their rights and obligations; it also includes information sheets on insider-trading bans and on personal transactions by managers. Where necessary, they are also informed about significant changes in legislation and court rulings affecting their work, or are able to take part in internal information events.

Personalized Disclosure of Attendance at Meetings

Last year, there was only one absence from a meeting, and the Supervisory Board member involved was excused. All committee members attended their respective committee meetings in 2022. Members' attendance at meetings of the Supervisory Board and at their respective committee meetings is disclosed in personalized form in the following table:

Full Supervisory Board	Attendance at meetings during period of office
Dr. Peter-Alexander Wacker	5/5
Manfred Köppl	5/5
Peter Áldozó	5/5
Prof. Andreas H. Biagosch	5/5
Dr. Gregor Biebl	5/5
Matthias Biebl	5/5
Markus Hautmann	5/5
Ingrid Heindl	5/5
Eduard-Harald Klein	5/5
Franz-Josef Kortüm	5/5
Barbara Kraller	5/5
Beate Rohrig	4/5
Dr. Birgit Schwab	5/5
Ann-Sophie Wacker	5/5
Dr. Susanne Weiss	5/5
Prof. Anna Weber (since May 20, 2022)	4/4
Prof. Ernst-Ludwig Winnacker (until May 20, 2022)	1/1
Executive Committee	
Dr. Peter-Alexander Wacker	3/3
Manfred Köppl	3/3
Franz-Josef Kortüm	3/3
Audit Committee	
Dr. Peter-Alexander Wacker	5/5
Manfred Köppl	5/5
Franz-Josef Kortüm (until May 20, 2022)	2/2
Prof. Anna Weber (since May 20, 2022)	3/3
Mediation Committee	
Dr. Peter-Alexander Wacker	0/0
Manfred Köppl	0/0
Franz-Josef Kortüm	0/0
Eduard-Harald Klein	0/0

Corporate Governance

Last year, the Supervisory Board again looked closely at corporate governance standards. In May 2022, we updated the Declaration of Conformity, because with the election of Prof. Anna Weber as Chair of the Audit Committee we now comply with the recommendation concerning the independence of the Audit Committee chair. We performed a routine review of WACKER's implementation of the German Corporate Governance Code at our meeting of December 7, 2022, and adopted the annual Declaration of Conformity that must be submitted jointly by the Executive and Supervisory Boards in accordance with Section 161 of the German Stock Corporation Act (AktG). The Declaration is available on the company's website and is also included in the Declaration on Corporate Management on page 261.

Further information on corporate governance at WACKER can likewise be found in the Declaration on Corporate Management on page 262.

At its meeting in December 2022, the Supervisory Board conducted a self-assessment and found that it works efficiently – for example, due to the regular preliminary discussions regarding the Supervisory Board meetings, the comprehensive reports provided by the Executive Board and the documents received well in advance of the meetings. Further information on the Supervisory Board's regular self-assessments can be found in the Declaration on Corporate Management on page 268.

Audit of the Annual Financial Statements of Wacker Chemie AG and the WACKER Group

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements of Wacker Chemie AG for 2022, the consolidated financial statements and the combined management report (as of Dec. 31, 2022), as prepared by the Executive Board. KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has audited Wacker Chemie AG and the WACKER Group since 2006. The persons responsible for signing the audit are Prof. Bernd Grottel (since 2022 in his capacity as German Public Auditor Responsible for the Engagement) and Ms. Angelika Huber-Straßer (since 2021).

The Supervisory Board's Audit Committee had awarded the auditing contract in accordance with the resolution of the Annual Shareholders' Meeting of May 20, 2022. The auditors conducted their audit in accordance with Section 317 of the German Commercial Code (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). They issued unqualified audit opinions.

The auditors also carried out a review with limited assurance of the separate non-financial report for Wacker Chemie AG and the Group. The outcome was that no issues were identified that would indicate that the report did not satisfy the statutory requirements in all material respects.

The financial-statement documents (including the auditors' reports, the combined management report and the Executive Board's proposal for the distribution of profits as well as the combined non-financial report for Wacker Chemie AG and the Group) were submitted to all the Supervisory Board members in good time.

At its meeting of February 21, 2023, the Audit Committee examined and discussed in detail the financial statements, the combined management report, the combined non-financial report for Wacker Chemie AG and the Group (as per Sections 289b and 315b of the German Commercial Code – HGB) as well as the auditors' reports. At its meeting of March 2, 2023, the full Supervisory Board closely examined and discussed the relevant annual accounting documents – including the combined non-financial report for Wacker Chemie AG and the Group – with knowledge and in consideration of both the report of the Audit Committee and the auditors' reports. The auditors, Ms. Angelika Huber-Straßer and Prof. Bernd Grottel, took part in the deliberations at both meetings. They reported on the main results of the audits – in particular, the key audit matters described in the auditors' reports and the results of non-financial reporting – and were available to answer questions and provide supplementary information.

After concluding our own examination, we have no objections to raise to the annual financial statements of Wacker Chemie AG, the consolidated financial statements, the combined management report, the combined non-financial report for Wacker Chemie AG and the Group, or the auditors' reports.

We therefore approve the annual financial statements of Wacker Chemie AG and the consolidated financial statements as of December 31, 2022, that were prepared by the Executive Board. The annual financial statements of Wacker Chemie AG are hereby adopted. We concur with the Executive Board's proposal for the distribution of retained profit.

The compensation report prepared in accordance with Section 162 of the German Stock Corporation Act was submitted to a formal review.

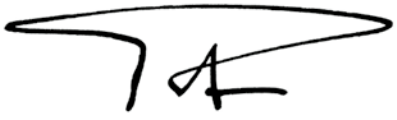
Changes in the Composition of the Supervisory and Executive Boards

With effect from May 20, 2022, Prof. Ernst-Ludwig Winnacker stepped down from Wacker Chemie AG's Supervisory Board. Prof. Anna Weber was appointed as his successor at the Annual Shareholders' Meeting on May 20, 2022. Employee representatives Peter Áldozó and Eduard-Harald Klein left the Supervisory Board effective December 31, 2022. Andreas Schnagl and Reinhard Spateneder were elected as replacement members effective January 1, 2023.

There were no changes in the composition of the Executive Board in 2022.

The Supervisory Board thanks the Executive Board and the company's employees and employee representatives for their dedication in helping make 2022 one of the most successful years in the company's history.

Munich, March 2, 2023
The Supervisory Board



Dr. Peter-Alexander Wacker
Chair of the Supervisory Board
of Wacker Chemie AG

WACKER Stock in 2022

Geopolitical crises and a turning point in fiscal policy marked the stock markets in 2022. These changes led to substantial losses on some stock markets across the globe. After early 2022 saw new records set in numerous asset classes, Russia's attack on Ukraine triggered an unprecedented surge in energy costs. Central banks hiked interest rates to fight growing inflation, resulting in slower economic activity, especially in the construction industry, and pushing the euro to a 20-year low. In addition, China's policy for combating the coronavirus pandemic dampened global economic growth. Lower domestic demand in China due to government restrictions meant growing import pressure amid sharp cost increases and declining demand for the global chemical industry outside China.

Strong energy-price hikes as well as increases in prices for raw materials, starting products and logistics led to production declines, plant shutdowns and disruptions in supplies for downstream products in the chemical industry. These factors also affected operating performance at WACKER. WACKER counteracted higher costs with substantially higher prices year over year for its products. At the same time, however, increasingly difficult economic conditions dampened demand markedly in the second half of the year.

The first half of 2022 went very well for WACKER, with the help of prudent energy hedging, advantageous inventory effects from raw materials, and strong demand. The share price reflected this trend with the stock reaching a high of €183.90 on June 8, 2022. But pressure on the share price mounted at year-end due to reduced demand in the chemical sectors, various profit warnings from customers in the paint and construction industries, and capacity expansion of competitors in the silicones and polysilicon industries.

In 2022, Germany's DAX index dropped by 12 percent and the MDAX by 28 percent. In the same period, WACKER stock declined by only about 9 percent.

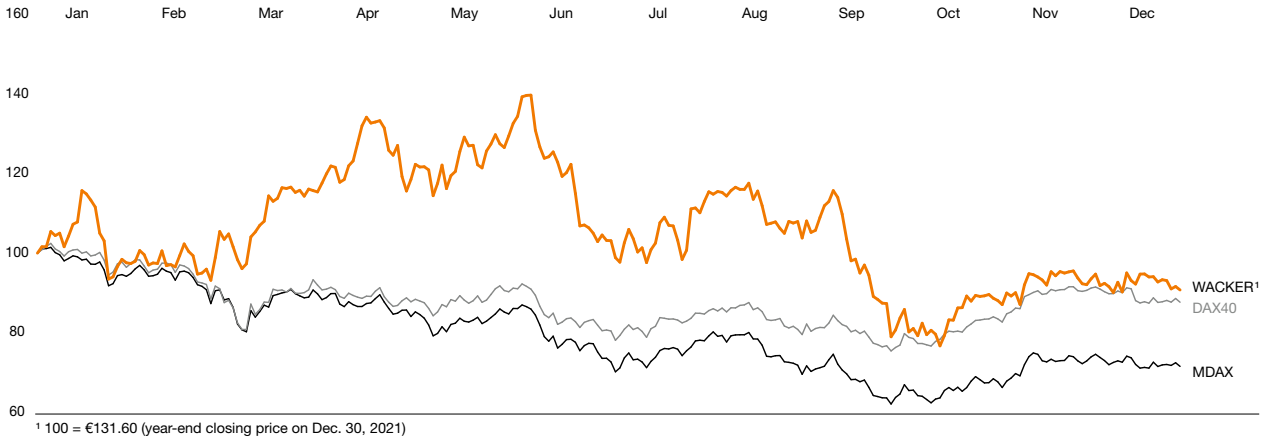
At the start of the year, WACKER stock stood at €131.60 (year-end closing price on Dec. 30, 2021). After an interim low of €122.60 on February 24 immediately after the start of the invasion in Ukraine, the share price regained some ground. A strong earnings trend and WACKER's Capital Market Day in late March also contributed to a more positive outlook. At this event, management informed analysts and investors of the Group's strategic goals for the period up to 2030. On June 8, WACKER stock reached its high of €183.90 for 2022. The economic environment weakened in the ensuing months, putting pressure on stock prices. WACKER stock reached its reporting-period low of €100.90 on October 14. In its Q3 Interim Report, WACKER confirmed and detailed its earnings projections for the full year. The prospect of historically high earnings then rejuvenated the share price, and WACKER stock ended trading on December 30, 2022, with a closing price of €119.40.

A.1 Facts & Figures on Wacker Chemie AG's Stock

€	
Year-high (on June 8, 2022)	183.90
Year-low (on Oct. 14, 2022)	100.90
Year-end closing price (on Dec. 30, 2021)	131.60
Year-end closing price (on Dec. 30, 2022)	119.40
Performance for the year (without dividend) (%)	–9.3
Year-end market capitalization (shares outstanding; prior year 6.54) (billion)	5.93
Average daily trading volume[1] (prior year: 27.9) (million)	18.1
Earnings per share from continuing operations (prior year: 16.24)	25.18
Dividend per share (proposal)	12.00
Dividend yield[2] (%)	8.6

[1] Trading platforms (Xetra, Germany's regional exchanges, Tradegate and Quotrix)
[2] Dividend yield based on an average volume-weighted share price of €138.76 in 2022

A.2 WACKER Share Performance (indexed to 100)[1]



[1] 100 = €131.60 (year-end closing price on Dec. 30, 2021)

Dividend Payment of €8.00 per Share

At the virtual Annual Shareholders' Meeting of Wacker Chemie AG on May 20, 2022, all Executive Board and Supervisory Board proposals were adopted by large majorities. The annual shareholders' meeting agreed on a dividend of €8.00 per dividend-bearing share (2020: €2.00). The dividend yield based on WACKER's average share price in 2021 was 6.0 percent (2020: 2.9 percent).

A.3 Dividend Trends

€	2021	2020	2019
Dividend	8.00	2.00	0.50
Dividend yield (%)	6.0	2.9	0.7
Net result for the year (allocable to WACKER's shareholders) (million)	806.9	189.2	–642.6
Dividend payout (million)	397.4	99.4	24.8
Distribution ratio (%)[1]	49.3	52.5	n.a.

[1] In relation to net income from continuing operations (allocable to WACKER's shareholders)

Shareholder Structure

Wacker Chemie AG's largest shareholder continues to be Dr. Alexander Wacker Familiengesellschaft mbH, Munich, which holds over 50 percent of the voting shares in Wacker Chemie AG (2021: over 50 percent). Blue Elephant Holding GmbH (Bad Wiessee, Germany) also had no voting-share changes to report in 2022, with its holding in Wacker Chemie AG remaining at over 10 percent (2021: over 10 percent).

A.4 Useful Information on WACKER Stock

ISIN	DE000WCH8881
WKN	WCH888
Frankfurt Stock Exchange	WCH
Bloomberg	CHM/WCH.GR
Reuters	CHE/WCHG.DE
Initial public offering	April 10, 2006
Capital stock	€260,763,000
Trading segment	Regulated market (Prime Standard), Frankfurt/Main Stock Exchange
Category of shares	Bearer shares
Number of shares (Dec. 31, 2021)	52,152,600
Number of shares outstanding	49,677,983
Paying agent	Deutsche Bank, Frankfurt/Main

Market Capitalization and Weighting (as of December 31, 2022)

WACKER's year-end market capitalization based on shares outstanding was €6.23 billion (Dec. 30, 2021: €6.97 billion). WACKER thus had an MDAX weighting of 1.23 percent and is currently ranked 32 (free float market capitalization) among the 50 companies in the index.

Trading Volume

In the reporting year, the average daily trading volume for WACKER stock on Xetra, Germany's regional exchanges, Tradegate and Quotrix was approximately 130,756 shares, around 37 percent below the prior-year figure of around 209,000 shares. The average daily turnover for the shares was €18.1 million, about 35 percent lower year over year (2021: €27.9 million).

WACKER Communicates Closely with Capital Markets

Key elements of corporate strategy are sustainability and a focus on specialty chemicals. Continuous and open communication with institutional investors, private investors and analysts reinforces these priorities. By using state-of-the-art conferencing and communication technologies, we maintained and expanded our contacts with investors despite the coronavirus pandemic and associated travel restrictions. During our first hybrid Capital Market Day at the end of March 2022, we combined publicly accessible presentations on the internet with in-depth, alternating discussion panels involving participating analysts and division heads. The rest of the year was dominated by questions regarding the trend in prices for solar-grade polysilicon, initiatives for re-regionalizing the solar industry as well as the effects of higher energy, raw-material and logistics costs on the company. Additional topics included price increases for our products and the trend in demand for our chemical division products in the second half of 2022.

The number of analysts covering WACKER was 19, in line with the number in the previous year (2021: 20). The consensus price target of analysts for WACKER stock declined during the year. At the beginning of the year, the average price target for WACKER stock was €163.15 (20 estimates, January 2022). At year-end, the average price was €154.11 (18 estimates) and was 6 percent lower than at the beginning of the year.

A.5 Banks and Investment Firms Covering and Rating WACKER

Baader Helvea	Landesbank Baden-Württemberg
Bank of America	Morgan Stanley
Barclays	Oddo BHF
Berenberg	On Field Investment Research
Citigroup	SRH Alster Research
Credit Suisse	Société Générale
DZ Bank AG	Stifel
Exane BNP Paribas	UBS Ltd.
HSBC	Warburg Research
J.P. Morgan	

As of the end of December 2022

Our website regularly reports consensus analyst expectations for the current year. It also offers extensive information on WACKER stock. In addition to the annual report, other financial reports, a Fact Book, presentations and publications (viewable online or downloadable), our website lists all our key financial calendar dates and contact persons for your questions. Videos of our annual press conference and other events are also available for online viewing or as an audio stream.

Combined Management Report

55 — 116

Volume growth and an enhanced product mix are the key to future growth. We want sales to exceed €10 billion in 2030.

b

Combined Management Report

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Group Business Fundamentals

Business Model of the Group

WACKER is a global company with state-of-the-art specialty chemical products found in countless everyday items, with applications ranging from tile adhesives to solar cells. Our portfolio includes more than 3,200 products supplied in over 100 countries.

Silicon Is Our Main Base Material

Most of our products are based on inorganic raw materials. Silicon-based products account for about 65 percent of WACKER sales, and primarily ethylene-related products for 35 percent. Our main customers are in the chemical, construction, electrical, electronics and photovoltaic sectors.

26 Technical Competence Centers Support Sales and Marketing Activities

WACKER operates all over the world. Our sales strategy is centered around expanding our presence in growth markets. Our sales organization is supplemented not only by a network of technical competence centers, where customers learn about WACKER's product portfolio, but also by the WACKER ACADEMY, where we offer technical training programs about our products and their application fields.

27 Production Sites

WACKER's integrated global production system consists of 27 production sites. Ten are in Europe, eight in the Americas and nine in Asia. The Group's key production site is Burghausen, Germany.

» See Figure B.2 on page 58

Legal Structure

In November 2005, WACKER became a stock corporation (AG) under German law. Headquartered in Munich, Wacker Chemie AG holds a direct or indirect stake in 50 companies belonging to the WACKER Group. The consolidated financial statements cover 46 fully consolidated companies. Four companies are accounted for using the equity method. In addition, Wacker Chemie AG and a number of its subsidiaries have branch offices, but these are of only minor significance for the Group.

» For more information about changes in the scope of consolidation and the resulting effects, please refer to the Scope of Consolidation section in the Notes to the Consolidated Financial Statements.

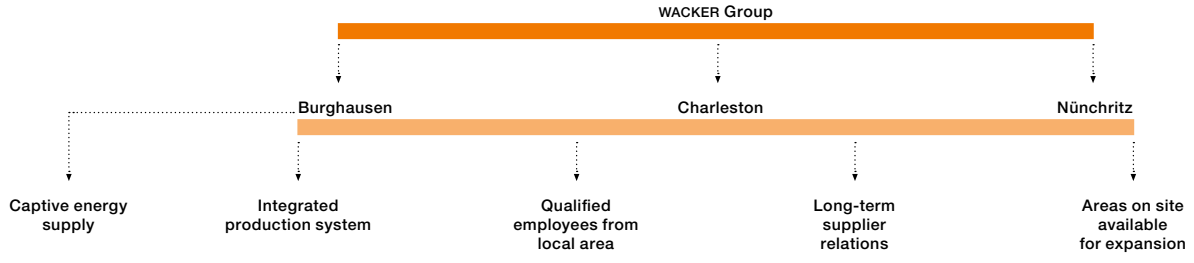
Four Business Divisions

WACKER has a matrix organization with clearly defined functions and four business divisions.

Each business division has global responsibility for its products, manufacturing facilities, markets, customers and results. Regional organizations are responsible for all business in their respective countries. WACKER's corporate departments primarily provide services for the whole Group, although some also have production-related functions.

» See Figure B.4 on page 60

B.1 Key Factors for Multidivisional Sites



B.2 WACKER's Production and Sales Sites and Technical Competence Centers[1]

North and South America

1 **Adrian, Michigan,** USA
2 **Allentown, Pennsylvania, USA**
3 **Ann Arbor, Michigan, USA**
4 **Calvert City, Kentucky, USA**
5 **Charleston, Tennessee, USA**
6 **Chino, California, USA**
7 **Dalton, Georgia, USA**
8 **Eddyville, Iowa, USA**
9 **North Canton, Ohio, USA**
10 **San Diego, California, USA**
11 **Jandira, São Paulo, Brazil**
12 **Bogotá, Colombia**
13 **Mexico City, Mexico**

Europe

14 **Burghausen,** Germany
15 **Halle (Saale),** Germany
16 **Jena,** Germany
17 **Cologne,** Germany
18 **Munich,** Germany
19 **Nünchritz,** Germany
20 **Riemerling,** Germany
21 **Stetten,** Germany
22 **Stuttgart,** Germany
23 **Lyon,** France
24 **Bracknell,** United Kingdom
25 **Milan,** Italy
26 **Amsterdam,** Netherlands
27 **Krommenie,** Netherlands
28 **Kyrksæterøra, Holla,** Norway
29 **Warsaw,** Poland
30 **Moscow,** Russia
31 **Solna,** Sweden
32 **Barcelona,** Spain
33 **León,** Spain
34 **Plzeň,** Czech Republic
35 **Istanbul,** Turkey
36 **Kyiv,** Ukraine
37 **Budapest,** Hungary

Asia

38 **Dhaka,** Bangladesh
39 **Beijing,** China
40 **Chengdu,** China
41 **Guangzhou,** China
42 **Hong Kong,** China
43 **Jining,** China
44 **Nanjing,** China
45 **Shanghai,** China
46 **Shunde,** China
47 **Zhangjiagang,** China
48 **Bengaluru,** India
49 **Delhi,** India
50 **Kolkata,** India
51 **Mumbai,** India
52 **Panagarh,** India
53 **Jakarta,** Indonesia
54 **Tokyo,** Japan
55 **Tsukuba (Akeno),** Japan
56 **Kuala Lumpur,** Malaysia
57 **Yangon,** Myanmar
58 **Makati City,** Philippines
59 **Singapore**
60 **Anyang,** South Korea
61 **Jincheon,** South Korea
62 **Seoul,** South Korea
63 **Ulsan,** South Korea
64 **Taipei,** Taiwan
65 **Bangkok,** Thailand
66 **Dubai,** United Arab Emirates
67 **Ho Chi Minh City,** Vietnam

Australia

68 **Melbourne, Victoria,** Australia

Production site
Sales site
Technical competence center

[1] Only majority-owned subsidiaries and joint ventures

Management and Supervision

In compliance with the German Stock Corporation Act (AktG), Wacker Chemie AG has a two-tier management system, comprising an Executive Board and Supervisory Board. The Executive Board has four members.

Wacker Chemie AG is the parent company and thus determines the Group's strategy, overall management, resource allocation, funding, and communications with key target groups (especially with the capital market and shareholders).

Executive Board and Supervisory Board in 2022

With effect from May 20, 2022, Prof. Ernst-Ludwig Winnacker stepped down from Wacker Chemie AG's Supervisory Board. Prof. Anna Weber was appointed as his successor at the Annual Shareholders' Meeting on May 20, 2022. Employee representatives Peter Áldozó and Eduard-Harald Klein left the Supervisory Board effective December 31, 2022. Andreas Schnagl and Reinhard Spateneder were elected as replacement members effective January 1, 2023.

There were no changes in the composition of the Executive Board in 2022.

» For details about Executive Board responsibilities, please refer to the Further Information section.

Declaration on Corporate Management

The declaration on corporate management required by Section 315d in combination with Section 289f of the German Commercial Code (HGB) is included in the corporate governance report. This declaration, which does not form part of the combined management report, is also available online. It contains the Executive and Supervisory Boards' work procedures, the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), and information on key corporate management practices. It also includes: targets for the proportion of women on the Supervisory Board and Executive Board, and in the two levels of management below the Executive Board, as well as deadlines for implementation; statutory minimum quotas to be observed when filling Supervisory Board positions; and information on the company's diversity strategy.

» www.wacker.com/corporate-governance

Non-Financial Statement for the Group

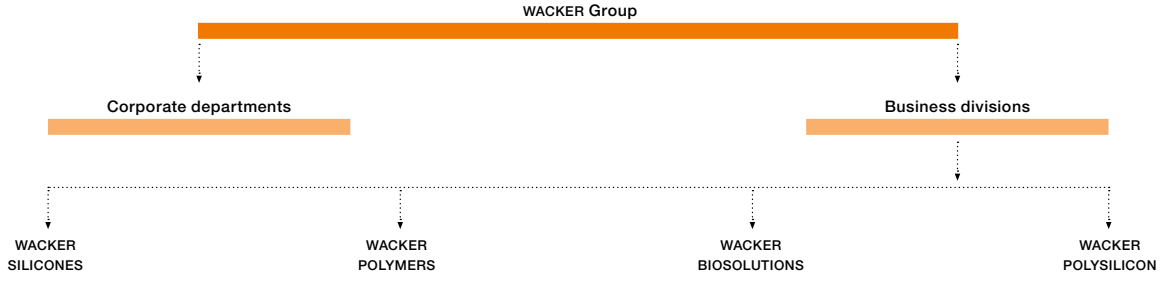
The non-financial statement that is to be submitted in accordance with Sections 315b and 315c, and 289b and 289c of the German Commercial Code (HGB) is included in the annual report in the form of a non-financial report for the Group and does not form part of the combined management report. It is also available on the internet, in the online Annual Report for 2022. In addition, it is published in Germany's Company Register. This non-financial report includes a description of the Group's business model and details of environmental concerns, social issues and personnel matters, as well as information on respect for human rights, and on combating corruption and bribery. The auditors of the consolidated financial statements reviewed the Group's non-financial report within the scope of a limited assurance engagement.

» https://www.wacker.com/annual-report

Executive Board and Supervisory Board Compensation

Executive Board compensation contains both fixed and variable components. The main features of the compensation system for the Executive Board and Supervisory Board are described in the compensation report. The compensation report is published separately and is not part of this annual report.

B.3 Group Structure



Key Products, Services and Business Processes

Overall, the range of products and services at each of our divisions remained unchanged in 2022. In several application areas, however, we expanded our product portfolio.

WACKER SILICONES is the business division with the broadest range of products. Two raw materials – silicon metal and methanol – are the basis for making over 2,800 silicone products in seven product groups: silanes, siloxanes, silicone fluids, silicone emulsions, silicone elastomers, silicone resins and pyrogenic silica. Silicones have numerous chemical, mechanical and tactile properties that can be precisely adjusted and newly combined time and again. No other synthetic material offers this kind of versatility and range of applications. Silicones are extremely durable, stress-resistant, water-repellent and UV-resistant. They are just as indispensable in everyday applications as they are in developing innovative, new technologies.

WACKER POLYMERS makes state-of-the-art binders and polymeric additives (such as dispersible polymer powders and dispersions). They are used in diverse industrial applications or as basic chemicals. The main customer for polymer binders is the construction industry. Other customers include the paint, coating, paper and adhesive industries.

WACKER BIOSOLUTIONS supplies customized biotech and catalog products for fine chemicals. Products include pharmaceutical proteins, vaccines, cyclodextrins, cysteine, polyvinyl acetate solid resins (for gumbase) and acetylacetone. The division focuses on customer-specific solutions for growth areas, such as pharmaceutical actives, food additives and agrochemicals.

WACKER POLYSILICON produces hyperpure polysilicon for the semiconductor and solar sectors.

Integrated Production System – WACKER's Greatest Strength

A key competitive advantage for WACKER is the highly integrated material loops at its major production sites in Burghausen, Nünchritz, Charleston and Zhangjiagang. The basic principle of integrated production is to use the byproducts from one stage as starting materials for making other products. The auxiliaries required for this, such as silanes, are recycled in a closed loop. Waste heat from one process is utilized in other chemical processes. Integrated production cuts energy and resource consumption, lastingly improves raw-material use and makes environmental protection an intrinsic part of the production process.

Major Sales Markets and Competitive Positions (unaudited section)

WACKER's three largest divisions rank among the top three suppliers worldwide.

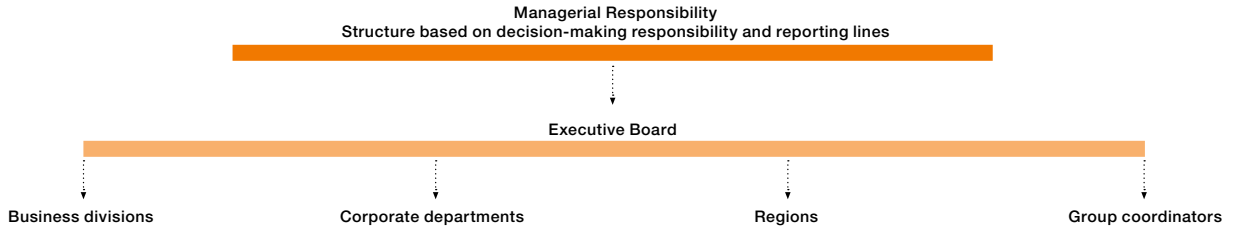
Competitive Positions of WACKER's Divisions

WACKER SILICONES is No. 2 globally and leads the market in Europe. In building-protection silicones, WACKER is the global market leader. Silicones are used in every major industry due to their versatile properties. The greatest growth potential is in Asia.

WACKER POLYMERS is the world's largest producer of VAE dispersions and dispersible polymer powders. We are the only company in the market with a complete supply chain for dispersions and dispersible polymer powders in Europe, the Americas and Asia. We consider Asia to offer the largest growth potential.

WACKER BIOSOLUTIONS focuses on customer-specific solutions in sectors with strong growth, such as food ingredients, pharmaceutical actives and agrochemicals. We have achieved a strong market position in contract

B.4 Group Structure in Terms of Managerial Responsibility



manufacturing of pharmaceutical proteins, plasmid DNA, live microbial products (LMPS) and vaccines based on bacteria, and we are expanding it. WACKER BIOSOLUTIONS is the global leader in cyclodextrins and vegetarian-grade cysteine.

WACKER POLYSILICON is one of the leading producers of hyperpure polysilicon worldwide. According to in-house analyses, the division is the global No. 1 for both polysilicon supplied to the semiconductor sector and n-type monocrystalline silicon used in highly efficient solar cells. Due to the development of the market environment in the global solar industry, competition in this business remains very intense.

Economic and Legal Factors

WACKER sells its products and services to virtually every industry. Although our business divisions are not immune to economic fluctuations, their onset and impact may vary. Our product portfolio and broad customer base enable us to mitigate the magnitude of such fluctuations.

Orders

The terms for orders placed with WACKER vary from division to division. Most orders received by WACKER SILICONES are short term, though a small number are long term. At WACKER POLYMERS, business is based on contracts and framework agreements with terms of up to one year in some cases. At WACKER POLYSILICON, we conclude short- and long-term contracts. A proportion of incoming orders are short-term ones, with prices based on market benchmarks. Due to varying order-placement procedures at the Group, order-level reporting is not very meaningful and hence does not serve as an indicator in our monthly reports.

Operational Metrics as Leading Indicators of Future Developments

By referring to specific leading indicators based on operational metrics, we try to factor potential developments into our business plans and to allocate capacities accordingly. Since our operations are based on diverse businesses and markets, we use a number of leading indicators to gain insights into potential developments at each of our business divisions. Indicators include trends in raw-material and energy prices, as well as data from our own market research and discussions with customers.

Economic Factors Impacting Our Business

The main economic factors influencing WACKER's business remained unchanged in many areas.

Raw-Material and Energy Costs

As a chemical company, we belong to an energy-intensive industry and require diverse raw materials to manufacture our products. Consequently, increases in raw-material and energy costs have a significant effect on our cost structure. WACKER strives to keep costs at a competitive level. It does so by using multiple suppliers for most of its key raw materials and structuring its supply contracts so as to grant it the greatest possible flexibility as regards volumes, and by monitoring commodity price indexes to ensure competitive procurement prices. We try to pass on higher raw-material costs to our customers, for the most part by adjusting our selling prices. Amendments to the regulatory framework – such as to grid charges, to energy and electricity taxes, to CO_2 certificates in the European Emissions Trading Scheme (ETS) and to the German Renewable Energy Act (EEG) – can have both direct and indirect negative effects on WACKER's energy costs. On the one hand, the EEG surcharge was not relevant in 2022, because the EEG costs were paid by the German government. On the other hand, electricity

and natural gas prices paid at European industrial sites increased more quickly than in other regions, due to Russia's attack on Ukraine. The politically induced supply shortage on the European electricity market – shutting down conventional capacities while at the same time not providing for sufficient additional renewable capacities – also affected electricity prices. That is why WACKER advocates the introduction of an industrial electricity price or, alternatively, a green transformation electricity price at internationally competitive terms, and is lobbying policymakers to achieve its aim.

B.5 WACKER's Competitive Positions

	Number 1	Number 2	Number 3
WACKER SILICONES	Dow	WACKER	KCC + Momentive
WACKER POLYMERS	WACKER	Celanese	Dairen
WACKER POLYSILICON semiconductor applications	WACKER	Hemlock	Tokuyama

(Table B.5 unaudited)

Exchange-Rate Fluctuations

As a rule, WACKER hedges against exchange-rate fluctuations. We hedge about half of our dollar exposure for the following year with a mix of currency-hedging transactions. In determining sensitivity, we simulate a 10-percent devaluation of the US dollar against the euro. Without hedging, such an increase in the euro against the US dollar would have a negative impact on EBITDA of around €75 million. In 2022, we also concluded hedging transactions in Japanese yen (JPY).

State-Regulated Incentive and Feed-In Tariff Programs for Renewable Energy Sources

As one of the world's leading suppliers of hyperpure polycrystalline silicon, we are affected by regulatory changes to incentive and feed-in tariff programs for renewable energy sources. Substantially lower prices for solar modules and cells have greatly increased the competitive advantage of solar energy over fossil fuels and other methods of power generation. The cost of manufacturing photovoltaic products is expected to continue decreasing, which will further reduce dependence on state-regulated incentive and feed-in tariff programs over the next few years. Our assumption is that, in a few years, solar energy will do well even without special incentives, particularly in combination with cost-efficient storage options.

Goals and Strategies

Strategy of the WACKER Group

WACKER pursues five overarching strategic goals. The core elements are profitable growth, leading competitive positions in our business divisions and achieving sustainability. WACKER published new strategic goals for the Group and for each business division in late March 2022. These goals cover the period up to 2030 and are the compass for our business success. The element that binds together our overarching strategic goals and operational goals is our corporate purpose: Our solutions make a better world for generations.

Our new goals for the period up to 2030 are:

- Accelerate our growth.
  In the future, sales growth – the result of higher volumes and a better product mix – should be between 1.5 and 2 times the historic rate of 4 to 5 percent per year. WACKER aims to achieve sales of over €10 billion in 2030.

- Enhance our profitability.
  We want our chemical-division EBITDA margins to be above 20 percent by 2030 and the margin at WACKER BIOSOLUTIONS to be around 25 percent. WACKER POLYSILICON's target is above 30 percent. Return on capital employed (ROCE) is to rise by 2030 to more than twice the cost of capital at the chemical divisions and at WACKER POLYSILICON. We want ROCE at WACKER BIOSOLUTIONS to be substantially higher than the cost of capital.

- Increase our capital expenditures.
  We are intensifying our investment in capacity expansion to meet strong demand from our customers. To this end, we will systematically pursue our specialty chemicals strategy in the chemical divisions. WACKER will double its investment spending to over €400 million annually. We are actively scaling up our biotech activities with capital expenditures of over €80 million a year. In the polysilicon business, around €100 million annually is to be invested in semiconductor applications.

- Focus on sustainability as a powerful driver of future growth.
  WACKER's products and solutions help its customers to become more sustainable. Two-thirds of WACKER's product portfolio already contributes to sustainable solutions. Increasing demand in this area is creating additional growth opportunities, which we want to leverage effectively.

- Work systematically on our own sustainability.
  In December 2021, WACKER published specific sustainable development goals for the period up to 2030. The main goal is to reduce absolute greenhouse gas emissions by half during that time frame. WACKER's target is to achieve a net zero carbon footprint by 2045.

» For further information, visit www.wacker.com

Strategy at Each Business Division

In the chemical divisions WACKER SILICONES and WACKER POLYMERS, sales are to grow by a factor of 1.5–2 annually. At the same time, profitability is to continue rising. The EBITDA margin is planned to surpass 20 percent by 2030. The previous target for the chemical divisions was 16 percent. ROCE is to be more than twice the cost of capital. To intensify growth in specialties, capacity will be expanded in the local regions and markets where customers do business. Investment spending is to double to over €400 million annually.

WACKER SILICONES is scaling up its efforts to to establish customer proximity in the regions. This strategy is underscored by the investment in the Chinese specialty silane manufacturer SICO Performance Material. With its new plant in Panagarh (India), which specializes in silicone end products, the division is continuing to strengthen its market leadership in India. It also plans to create additional new capacity for specialties at Charleston, Tennessee (USA).

WACKER POLYMERS will significantly expand its capacities in Europe and Asia in the coming years – the plan is to double them by 2030. The portfolio for sustainable product solutions will be expanded, including those based on renewable raw materials. The same applies to customer-specific solutions.

WACKER BIOSOLUTIONS will reach new dimensions by 2030. By that point in time, annual sales are planned to rise to around €1 billion, driven by organic growth and targeted acquisitions, while the EBITDA margin is to reach around 25 percent. One pillar of this strategy is biologics – in particular, advanced medicines. The second pillar is fermentation-based manufacturing of ingredients for nutritional supplements based on renewable raw materials. The plan is to expand the division's product portfolio with internal innovation, partnerships and further acquisitions. Annual investment spending is to exceed €80 million.

At WACKER POLYSILICON, the EBITDA margin is to exceed 30 percent by 2030. ROCE is to be more than twice the cost of capital. The division wants to continue strengthening its position, particularly in the semiconductor business. The share of electronic-grade hyperpure silicon in the division's total output will continue to rise. Investment spending should reach around €100 million annually.

Management Processes

Value-Based Management Is Integral to Our Corporate Policies

Value-based management is an integral part of our corporate policies. Its purpose is to achieve long-term and sustainable growth in our company's value. In our management processes, we distinguish between performance parameters and budget parameters. Performance parameters serve the financial management of the company. They include the EBITDA margin and ROCE. The EBITDA margin indicates how successful the company is compared with the competition, while ROCE shows how efficiently the company employs its capital. The budget parameters EBITDA and net cash flow are also important for management control. In addition to these indicators, BVC (business value contribution) is a dedicated budget parameter used when calculating variable compensation for Executive Board members. The EBITDA trend is considered to be the most important financial indicator for communication with capital markets.

Key Financial Performance Indicators for the WACKER Group

In 2022, the key financial performance indicators for value-based management remained unchanged:

- EBITDA margin (EBITDA in relation to sales). We compare historical performance with planned performance as well as with that of the competition, and use the results to calculate a target EBITDA margin. We calculate the weighted divisional average as our target margin for the Group.

- ROCE, or return on capital employed. ROCE is defined as earnings before interest and taxes (EBIT) divided by capital employed. Capital employed comprises the average value, calculated over four quarters, of working capital and of noncurrent assets required for business operations. It is determined retroactively for the previous quarter. Investment income from Siltronic AG and the corresponding carrying amount in equity are not included when ROCE is calculated. ROCE is a clear indicator of how profitably the capital required for business operations is being employed.

— EBITDA (earnings before interest, taxes, depreciation and amortization). This shows the company's operational performance capability before considering the cost of capital. We set absolute EBITDA targets for the business divisions and take the cost of capital into account by using BVC (Business Value Contribution) to determine the internal budget target. We calculate BVC by deducting the cost of capital, non-operational factors, and depreciation/amortization and impairments from EBITDA. The BVC trend depends mainly on changes in EBITDA.

— Net cash flow (defined as the sum of cash flow from operating activities and long-term investing activities before securities). Net cash flow shows whether we can finance ongoing operations and necessary investments with the funds from our own operating activities. WACKER's aim is to generate a sustained positive net cash flow. Apart from profitability, the main factors affecting net cash flow are the effective management of net current assets and the level of capital expenditures.

Supplementary financial performance indicators

Our key financial performance indicators are supplemented by additional performance indicators that provide us with information on the Group's sales and liquidity situation and on its debt levels.

These supplementary financial performance indicators include:

— Sales: profitable growth is an important factor in increasing the company's value over the long term and one of the main drivers of a positive cash flow trend.

— Capital expenditures: in the course of our medium-term planning, we set capital-expenditure priorities and an investment budget. Capital expenditures do not include right-of-use assets from lease accounting.

— Net financial debt: defined as the sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.

Non-Financial Performance Indicators Are Not Intended for Groupwide Management Control

None of the non-financial indicators we employ are used universally for corporate decision-making.

Development of Key Financial Performance Indicators in 2022

EBITDA margin: we expected the EBITDA margin in 2022 to be slightly higher than a year earlier. The Group actually achieved an EBITDA margin of 25.4 percent.

B.6 Planned and Actual Figures

€ million	Reported for 2022	Forecast 2022	2021
EBITDA margin (%)	**25.4**	Substantially lower than last year	24.8
EBITDA	**2,080.9**	€1,200 — €1,500 million	1,538.5
ROCE (%)	**34.7**	Substantially higher than the cost of capital	28.3
Net cash flow	**438.8**	Clearly positive, substantially lower than last year	760.8

EBITDA: WACKER had expected EBITDA for 2022 to come in between €1.2 billion and €1.5 billion (2021: €1.54 billion). We raised our EBITDA guidance twice during the year. At year-end, EBITDA totaled €2.08 billion.

B.7 ROCE and BVC

€ million	2022	2021
EBIT	**1,678.8**	1,134.3
Capital employed[1]	**4,526.6**	3,782.2
ROCE[2] (%)	**34.7**	28.3
Pre-tax cost of capital (%)	**10.1**	10.0
BVC[3]	**1,067.8**	708.2

[1] Capital employed is the sum of average noncurrent assets (less noncurrent securities and deferred tax assets), plus inventories and trade receivables (less trade payables). It is the variable used in calculating the cost of capital.
[2] Return on capital employed is a ratio indicating how profitably capital is employed. Investment income from Siltronic AG and the corresponding carrying amount in equity are not included when ROCE is calculated.
[3] BVC is calculated by adjusting EBIT for non-operational factors.

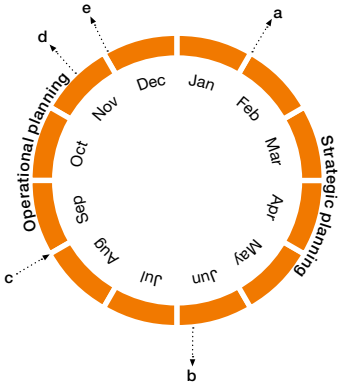
ROCE: we expected ROCE to be clearly positive and higher than the cost of capital. WACKER's ROCE for 2022 was 34.7 percent.

Net cash flow: our guidance was for a markedly positive figure, but much lower than the prior year. At €438.8 million, net cash flow was markedly positive and 42 percent lower than a year earlier.

Planning Cycle

Strategic planning determines how we can meet value-related and corporate goals. First, our divisions identify their market and competitive positions, and their value-related strength. We then use these results to formulate recommendations regarding strategic positioning and planned steps. All of this is supplemented by innovation and CapEx projects, and approved by the Strategy Conference.

B.8 Strategic and Operational Planning



a Forecasts made for current year
b Strategy Conference
c Strategy implemented in operational planning
d Planning Conference
e Operational planning approved (by Supervisory Board)

Operational planning in the second half of the year addresses strategic-planning decisions with a five-year timeline. The Executive and Supervisory Boards jointly approve the annual plan, which then forms the basis for determining basic forecasts for the current year in early February. We monitor whether we are meeting our forecasts by means of monthly comparisons of planned and actual figures.

Financing Strategy

The goal of WACKER's financing strategy is to ensure sustainable growth and stability for the Group. This strategy comprises both financing through our own resources and the use of debt instruments.

We ensure the Group's ongoing solvency with rolling cash-flow management and an adequate volume of contractually agreed lines of credit. Financing requirements are calculated for the entire Group, with loans usually being taken out at the corporate level. In individual cases, financing is available for specific projects or regions.

» For details of the financing measures implemented in 2022, please refer to the Financial Position section.

Operational Control Instruments

We control operational processes via our integrated management system (IMS). This system defines uniform standards throughout the Group for issues relating to quality, environmental protection, and health and safety. We have our Group management system analyzed by an international certification organization in accordance with uniform standards based on ISO 9001 (quality) and ISO 14001 (environment).

Statutory Information on Takeovers

B.9 Information Required by Section 315a (1) of the German Commercial Code (HGB)

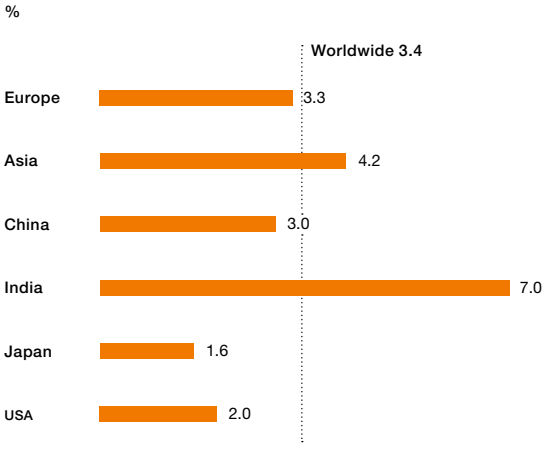
	The following table contains information required by Section 315a (1) of the German Commercial Code (HGB):	
§315a (1) 1	Composition of subscribed capital:	Wacker Chemie AG's subscribed capital comprises 52,152,600 non-par value voting shares. No other share classes have been issued. The total number of shares currently includes 49,677,983 held by external shareholders and 2,474,617 held by Wacker Chemie AG itself. WACKER's treasury shares were acquired by repurchasing Wacker Chemie GmbH shares in August 2005, when it was still a private limited company. The Executive Board may use or sell 1,692,317 of these treasury shares with the consent of the Supervisory Board; use or sale of the remaining 782,300 shares requires Supervisory Board approval as well as a resolution by the Annual Shareholders' Meeting.
§315a (1) 2	Restrictions on voting rights or on the transfer of shares:	There are no restrictions on voting rights or the transfer of shares.
§315a (1) 3	Direct or indirect capital stakes:	Each of the following holds a stake of over 10 percent of the subscribed capital: Dr. Alexander Wacker Familiengesellschaft mbH, based in Munich; Blue Elephant Holding GmbH, based in Pöcking; and Dr. Peter-Alexander Wacker, resident in Bad Wiessee and to whom the voting shares of Blue Elephant Holding GmbH are attributable.
§315a (1) 4	Owners of shares with special rights:	Shareholders have not been given any special rights that bestow powers of control.
§315a (1) 5	Method of voting-right control in the case of employee participation:	Insofar as employees hold shares in Wacker Chemie AG's capital, they exercise their resulting control rights directly.
§315a (1) 6	Statutory provisions and articles of association regarding the appointment and dismissal of executive board members and amendments to said articles:	The provisions to appoint and dismiss Wacker Chemie AG's Executive Board members are based on Section 84 et seq. of the German Stock Corporation Act (AktG). Wacker Chemie AG's Articles of Association do not contain any further provisions in this respect. Pursuant to Article 4 of the Articles of Association, the number of Executive Board members is fixed by the Supervisory Board, which also appoints an Executive Board member as President&CEO. Amendments to the Articles of Association are covered by Sections 133 and 179 of the German Stock Corporation Act. In accordance with Section 179 (1) sentence 2 of the Act, the Supervisory Board has been empowered to amend the Articles of Association if only the wording thereof is affected.
§315a (1) 7	Authority of the executive board to issue or buy back shares:	In accordance with a resolution passed at the Annual Shareholders' Meeting on August 4, 2020, Wacker Chemie AG's Executive Board was authorized – in compliance with the legal provisions set out in Section 71 (1) no. 8 of the German Stock Corporation Act – to acquire treasury shares totaling a maximum of 10 percent of capital stock. No capital has been authorized for the issue of new shares.
§315a (1) 8	Major agreements associated with changes of control due to a takeover bid:	Various agreements with joint-venture partners include change-of-control clauses, which stipulate what is to happen if one of the joint-venture partners is taken over. These arrangements comply with the usual standards for such joint-venture agreements. In addition, several loan agreements contain change-of-control clauses. Here, too, the clauses are typical of this type of agreement.
§315a (1) 9	Severance agreements with the executive board or employees in the event of a takeover bid:	There are no severance agreements or similar with employees or with Executive Board members in the event of a takeover bid.

Business Report

Economic Trends

Economic growth slowed in 2022 as a consequence of Russia's war of aggression against Ukraine. According to the International Monetary Fund (IMF), global GDP grew by 3.4 percent. That was significantly less than the growth rate recorded in 2021 during the recovery from the pandemic. According to figures published by the Organisation for Economic Co-operation and Development (OECD), GDP stagnated in Q2 2022, with production in both Ukraine and Russia falling sharply. In China, the economy contracted as a result of production stoppages attributable to the country's zero-Covid policy. Amid economic recovery in China and the United States, global growth picked up again in the course of the year, but remained moderate. Higher energy prices were the biggest dampener on growth in many economies, especially in Europe.

B.10 GDP Trends in 2022



Sources – worldwide: IMF; Europe: OECD; Asia: ADB; China: National Bureau of Statistics; India: ADB; Japan: OECD; USA: IMF

Sector-Specific Conditions

We supply products to a wide range of industries. Our main customers are in the chemical, construction, electrical, electronics and photovoltaic sectors.

Chemical Industry Growth Slows

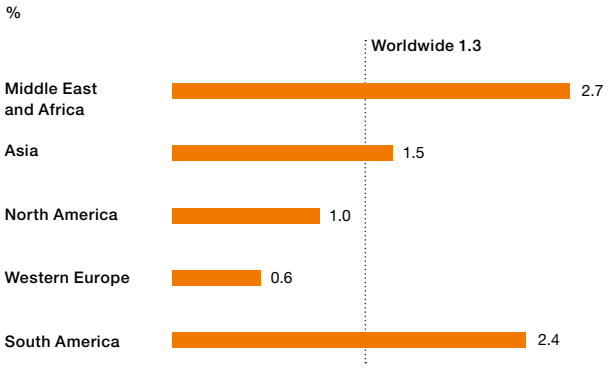
Growth in the chemical industry slowed in 2022. High costs on the one hand and declining demand on the other occasionally hampered chemical and pharmaceutical production. Lockdowns in China as part of the country's policy of tackling coronavirus throttled production from time to time. In Europe, surging energy and raw-material costs in some cases led to production cutbacks. According to the German Chemical Industry Association (VCI), the chemical industry's global sales (including pharmaceuticals) totaled €5.8 trillion in 2021, with Asia accounting for almost 60 percent. In recent years, the centers of growth have shifted increasingly toward emerging markets. Investment activities are intensifying in countries with low energy and raw-material costs. This trend continued in 2022. With its strong trade ties and innovative capacity, Europe is able to profit from growth in other regions.

In 2022, Germany's chemical and pharmaceutical industry had to deal, in particular, with the effects of the energy crisis. Production in what is the country's third-largest industry decreased by 6 percent – not counting the pharma segment, the decline was as much as 10 percent. Numerous companies curbed production. While enormous pressure from high energy and raw-material prices caused product prices to rise sharply – chemical goods were 22 percent more expensive year over year – costs still rose faster than selling prices. As a result, a survey of VCI member companies conducted at the end of the year revealed some 80 percent had seen their profits decline. According to the VCI, industry sales in 2022 rose by 17.5 percent to €266.5 billion.

Construction Industry Grows Sales

The construction industry, especially in Europe, was marked in 2022 by supply bottlenecks for numerous building products and materials and by rising raw-material prices. Higher prices in particular resulted in sales growth in many cases, while the volumes sold grew less vigorously. According to market research institute B+L Marktdaten GmbH, construction expenditure increased in all markets. The most dynamic regions were South America, the Middle East and Africa, while the European construction industry was more severely affected by the war in Ukraine. Based on preliminary figures, global construction volume increased by 1.3 percent to around US$ 9.46 trillion (2021: US$ 9.34 trillion).

B.11 Growth Rate in Construction by Region in 2022



Source: B+L Marktdaten GmbH, Dec. 2022

Electrical and Electronics Industry Posts Increase

According to estimates of the German Electrical and Electronic Manufacturers' Association (ZVEI), the global electrical and electronics market grew by 11 percent in 2022. This sales growth was attributable in part to inflation-induced price rises. Volumes grew by around 9 percent in advanced economies, while the increase was even more pronounced in emerging economies, at 13 percent.

Photovoltaics Pivotal to Global Energy Supply

The global solar industry continued to expand in 2022. Various market studies and our own market surveys show that some 250 gigawatts (GW) were newly installed worldwide (2021: about 170 GW). That was an increase of almost 50 percent year over year. The amount of installed photovoltaic (PV) capacity worldwide reached around 1.2 terawatts (1,200 GW) at year-end 2022. About half of the new capacity in 2022 was added in China, Japan and the USA. Key factors in the global expansion of PV installations were incentives coupled with low system costs. Photovoltaics have become competitive with electricity generated from conventional energy sources. In several solar auctions in sun-rich regions, the trading price for solar power was even less than US$ 15 per megawatt-hour. Despite the global rise in new installations, conditions in the PV industry remained challenging. In the USA and India, tariffs on imported solar cells and modules are pushing up prices and impeding growth. In China, growth increased year over year despite the difficult underlying conditions. Strong competitive pressure persists throughout the supply chain.

B.12 Installation of New PV Capacity in 2022 and 2021

	Installation of new PV capacity (MW)		Growth in 2022
€ million	2022	2021	%
Germany	7,900	5,300	49
Spain	7,500	4,900	53
Rest of Europe	29,600	19,800	49
USA	18,600	23,600	–21
Japan	6,500	6,500	–
China	87,400	54,900	59
India	14,000	12,000	17
Other regions	78,500	43,000	83
Total	250,000	170,000	47

Sources: Germany's Federal Network Agency, SolarPower Europe (SPE), Solar Energy Industries Association (SEIA), China National Energy Administration, market studies, and WACKER's own market surveys.
(Table B.12 unaudited)

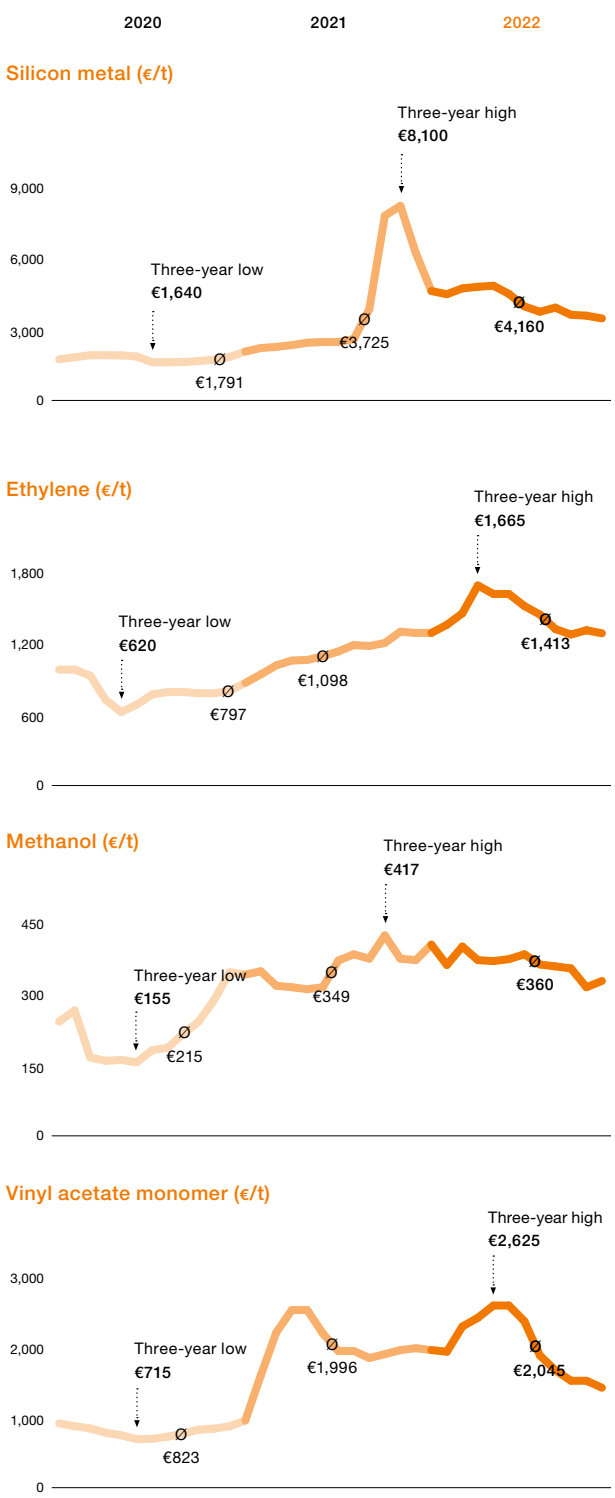
Diverse Raw-Material Price Trends

In 2022, raw-material price trends differed, in some cases producing contrary effects. Higher prices for basic products like crude oil, natural gas and coal triggered a sharp increase in the production costs of a whole range of derivatives. In the second half of the year, lower demand for and better availability of raw materials caused prices to fall. On the supply side, the picture was also mixed. Whereas the supply of many raw-material groups improved, technical problems restricted the supply of a number of other raw materials. High energy costs, too, led to raw-material shortages in some areas. On the whole, however, higher raw-material prices generated additional costs for WACKER in 2022 of around €800 million year over year (excluding energy costs).

Prices for ethylene and methanol, two important raw materials for WACKER, moved largely in lockstep with the prices of the basic materials used in their manufacture. The market price of vinyl acetate, a key raw material, remained very high due to the high price of the precursor acetic acid, especially in the first half of the year. This was attributable to big surcharges as a result of production outages in the Western Hemisphere that were caused by technical problems. The supply situation for acetic acid eased in the second half of the year, which in turn led to a decline in the market price of vinyl acetate. Whereas shortages of metallurgical silicon caused the market price of this material to soar at the end of 2021, prices declined again in 2022. However, they did not return to the levels of recent years, instead remaining twice as high. This was down to substantially higher production costs, driven especially by electricity and coal prices. Whereas WACKER was not yet

affected by this trend in 2021 due to its existing procurement contracts, the company had to absorb substantially higher costs in 2022.

B.13 Market-Price Trends for WACKER's Key Raw Materials in Europe



Ø Annual average in each case
(Table B.13 unaudited)

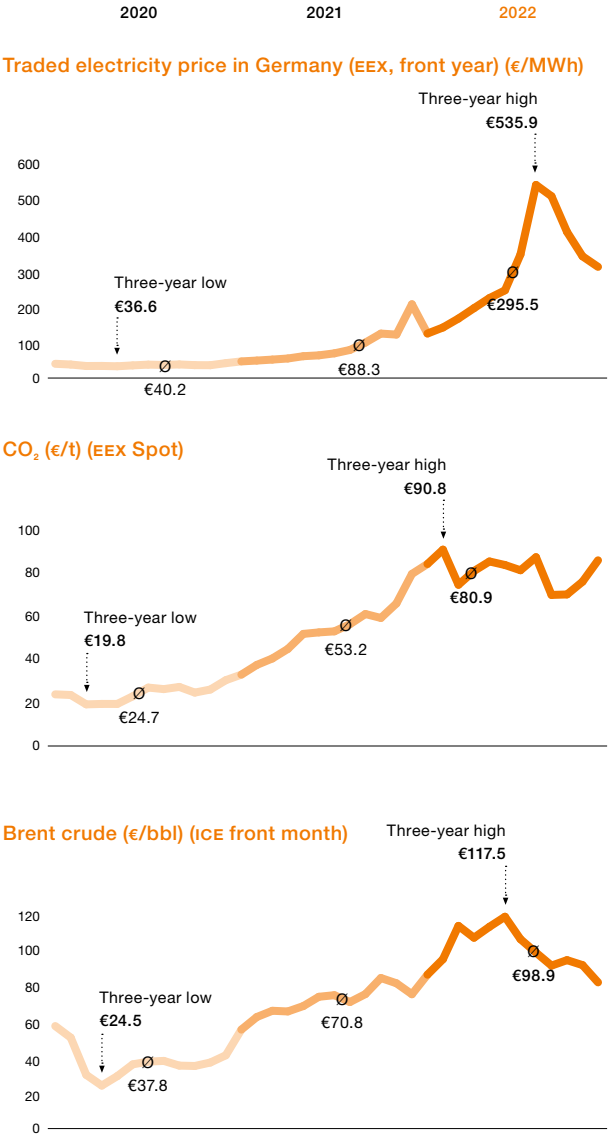
Surge in Electricity, Natural Gas and CO_2 Prices

Across the globe, prices for coal and natural gas reached historic highs in 2022 and were more volatile than ever before. Owing to the Ukraine war and resulting supply shortages in Europe, natural-gas prices reached peaks that were ten times higher than the long-term average. As natural gas is the fuel most often used to set electricity prices, the latter also increased by a corresponding factor. In addition to higher electricity generation costs, a supply shortage caused by reduced nuclear power capacity in France also helped push up electricity prices.

Coal prices rose as well, due to increased demand. Compared with coal and natural gas, crude oil prices rose only slightly, remaining well below US$ 120 per barrel on a monthly average. The CO_2 price at times climbed to over €90 per metric ton, but was on average around €80 per metric ton. The reasons for the rise were stricter regulation and strong demand due to higher emissions from coal and oil-based products.

Gas and electricity prices in Europe declined significantly in Q4 2022 due to moderate gas consumption levels and increased supplies of liquefied gas. At the end of 2022, however, prices were still four times higher than at the start of the Ukraine war. Thanks to its existing supply contracts and price hedges, WACKER was only partially affected by soaring prices. Nonetheless, higher prices meant the company had to absorb a year-over-year increase in energy costs of around €470 million in 2022. Energy costs were thus around twice as high as a year earlier.

B.14 Market-Price Trends for Energy Sources Relevant to WACKER



Ø Annual average in each case
(Table B.14 unaudited), source: Montel

Overall Statement by the Executive Board on Underlying Conditions

In 2022, global economic growth was significantly affected by the repercussions of the war in Europe, in particular the extreme increase in energy prices, as well as by rising interest rates and the disruptions to global supply chains caused by government measures to contain the coronavirus pandemic. From the middle of the year onwards, WACKER, like the rest of the chemical industry, felt the effects of an economic slowdown on customer orders. Initially, this was particularly noticeable in the construction industry, but silicones in other segments were impacted toward the end of the year as well. On top of that, domestic demand in China remained below its potential due to pandemic-related restrictions. That resulted in growing import pressure and falling prices outside of China.

Amid these challenging market conditions, WACKER performed exceptionally well, posting new records for both sales and earnings in 2022. All of the company's business divisions notched up substantially higher sales year over year. EBITDA also rose strongly for WACKER's polysilicon, silicones and polymers business. Only at WACKER BIOSOLUTIONS was EBITDA down year over year, due to various non-recurring effects.

Sales grew significantly in all regions. Growth was particularly strong in percentage terms in the Americas, where sales grew by 44 percent to €1.29 billion. Sales increased by 40 percent in Asia and by 19 percent in Europe.

Key Events Affecting Business Performance

Acquisitions and Investments

WACKER bolstered its silicone business in China in 2022 and acquired a 60-percent stake in specialty silane manufacturer SICO Performance Material (Shandong) Co., Ltd. Organofunctional silanes are important ingredients in high-performance adhesives and sealants, as well as in coatings and composites. The transaction was completed in early May 2022 after the necessary regulatory and antitrust approvals were granted. WACKER paid around €170 million to cover the purchase price and a proportionate share of the company's working capital.

Divestitures

The Federal Ministry for Economic Affairs and Climate Action did not issue the foreign trade clearance required for the merger of Siltronic AG with GlobalWafers Co., Ltd. by the deadline for the close of the transaction on January 31, 2022. As a result, the planned merger did not materialize. Consequently, the irrevocable undertaking signed by WACKER and GlobalWafers was void. Under this agreement, WACKER had undertaken to sell its 30.83-percent stake in Siltronic to GlobalWafers. As a result, WACKER no longer recognized this investment as assets held for sale, but once again as an equity-accounted investment.

Capital Expenditures

As planned, capital expenditures increased markedly year over year, coming in at €546.8 million (2021: €343.8 million). Spending was focused on expanding capacity at all four business divisions and included increasing liquid silicone rubber capacity at our sites in Burghausen (Germany) and Adrian, Michigan (USA). In India, facilities for high-temperature vulcanizing solid silicone rubber came on stream at the new Panagarh site. We are expanding our capacities in Nanjing, China, with a new reactor for dispersions and a spray dryer for dispersible polymer powders. We are transforming our site in Halle (Germany) into a competence center for mRNA actives, while a new biotech research facility is being built at our Corporate R&D Center in Munich (Germany). At our fully integrated sites of Burghausen and Nünchritz in Germany, we also invested in several projects for intermediates used in the manufacture of specialty silicones, as well as in facilities to produce hyperpure polysilicon.

Comparing Actual with Forecast Performance

WACKER achieved and, in some cases, significantly exceeded the targets for 2022 published in its 2021 Annual Report. Fiscal 2022 was the best year in the company's history, mainly due to the higher selling prices WACKER achieved for its products.

At the start of 2022, WACKER forecast full-year sales of around €7 billion. The EBITDA margin was expected to be substantially lower than the previous year, while EBITDA was forecast to come in between €1.2 billion and €1.5 billion. ROCE was expected to be substantially higher than the cost of capital. Net cash flow was expected to be clearly positive, though substantially lower than the previous year. Capital expenditures would come in between €550 million and €600 million, with depreciation and amortization amounting to around €400 million. For 2022, WACKER aimed to post positive net financial assets.

Sales Forecast Revised Upward after Close of First Quarter

When publishing its figures for Q1 in April 2022, WACKER revised its forecast for Group sales upward, to around €7.5 billion. For all the other key financial performance indicators, the full-year forecast remained unchanged.

Based on the positive business trend in the second quarter, WACKER announced on June 13, 2022, that it was revising and raising its full-year forecast. According to the update published in the interim report for Q2, full-year Group sales were now expected to come in between €8.0 billion and €8.5 billion. At that point in time, EBITDA was expected to be between €1.8 billion and €2.3 billion. The lower end of the forecast EBITDA range already included additional risks in relation to future natural-gas supplies. WACKER took the precaution of factoring in a further €200–250 million in additional costs, on top of the energy and raw-material price increases already taken into account. Without this additional cost burden, the company considered it possible that full-year EBITDA for 2022 would come in between €2.0 billion and €2.3 billion and now expected its EBITDA margin to be slightly higher than in the previous year.

On publication of its interim statement for Q3, WACKER confirmed its full-year EBITDA forecast of July 28, 2022, in the upper half of the range. Accordingly, EBITDA was expected to come in between €2.1 million and €2.3 million. As the levels in German gas reservoirs were high, the company considered the risk of gas supply shortages for its own production facilities to be low at that point in time. Continuing high polysilicon prices were a further reason for WACKER's updated earnings forecast. The new forecast for EBITDA also changed the estimate for the full-year EBITDA margin, with WACKER now expecting its EBITDA margin to be slightly higher than the previous year. Full-year capital expenditures were expected to come in at around €550 million. WACKER continued to expect full-year sales to come in between €8 billion and €8.5 billion.

WACKER Ends 2022 with New Highs for Sales and Earnings

In 2022, WACKER posted sales of €8.21 billion (2021: €6.21 billion), up 32.2 percent year over year. Higher selling prices were the main factor in this year-over-year growth. Sales also benefited from positive exchange-rate effects due to the stronger US dollar. On the other hand, overall volumes were down somewhat versus the previous year, dampening sales. At €2.08 billion, EBITDA was 35.3 percent higher year over year (2021: €1.54 billion). On the other hand, the sharp increase in energy, raw-material and logistics costs reduced EBITDA by around €1.3 billion year over year. At 25.4 percent, the EBITDA margin was up slightly (2021: 24.8 percent).

Net cash flow, at €438.8 million, was still firmly in positive territory but, as expected, significantly lower year over year (2021: €760.8 million). This decrease was due chiefly to the sales-related growth in working capital and to higher capital expenditures. At 34.7 percent, ROCE was substantially higher than the cost of capital.

In 2022, capital expenditures reached €546.8 million (2021: €343.8 million), well above the year-earlier figure.

At year-end, WACKER recognized net financial assets of €409.2 million (2021: €546.5 million).

B.15 Expenses by Cost Type

% of sales	2022	2021
Personnel costs	**19.5**	23.9
Raw-material costs	**29.9**	28.9
Energy costs	**10.1**	5.6[1]
Depreciation/amortization	**4.9**	6.5

[1] Updated definition of energy costs takes into account both the cost of on-site generation and relevant subsidies

B.16 Comparing Actual with Forecast Performance

Key Financial Performance Indicators	Results in 2021	Forecast March 2022	Forecast April 2022	Forecast July 2022	Forecast October 2022	Results in 2022
EBITDA margin (%)	24.8	Substantially lower than last year	–	On par with last year	Slightly higher than last year	**25.4**
EBITDA (€ million)	1,538.5	€1.2 – 1.5 billion	–	€1.8 – 2.3 billion	€2.1 – 2.3 billion	**2,080.9**
ROCE (%)	28.3	Substantially higher than cost of capital	–	–	–	**34.7**
Net cash flow (€ million)	760.8	Clearly positive, substantially lower than last year	–	–	–	**438.8**
Supplementary Financial Performance Indicators						
Sales (€ million)	6,207.5	Around €7.0 billion	Around €7.5 billion	€8.0 – 8.5 billion	–	**8,209.3**
Capital expenditures (€ million)	343.8	€550 – 600 million	–	–	Around €550 million	**546.8**
Net financial assets (€ million)	546.5	Positive net financial assets	–	–	–	**409.2**
Depreciation/amortization (€ million)	404.2	Around €400 million	–	–	–	**402.1**

Earnings

At €8.21 Billion, Group Sales 32 Percent Above Prior-Year Figure of €6.21 Billion

In 2022, the WACKER Group posted markedly higher sales than in the prior year, with higher selling prices the main growth driver across all business divisions. Changes in exchange rates also had a positive effect. WACKER SILICONES recorded annual sales of €3.45 billion (2021: €2.60 billion), up by 33 percent year over year, primarily due to higher prices. Sales at WACKER POLYMERS came in at €2.00 billion in 2022 (2021: €1.67 billion), up 19 percent. Sales at WACKER BIOSOLUTIONS increased by 12 percent to €331.1 million (2021: €296.4 million). Sales at WACKER POLYSILICON increased by 50 percent to €2.29 billion (2021: €1.53 billion), especially due to higher selling prices.

» For further information on the business divisions, please refer to the Segments section starting on page 76.

WACKER generated the majority of its sales outside of Germany. International sales came in at €7.04 billion (2021: €5.25 billion), accounting for 86 percent of the total.

» For further information, please refer to the Regions section starting on page 78.

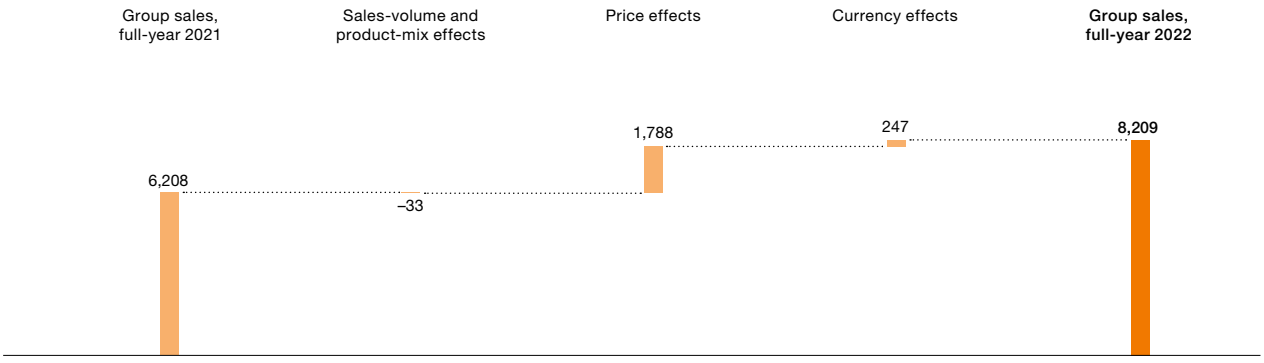
Group EBITDA at €2.08 Billion, with EBITDA Margin at 25.4 Percent

Group EBITDA grew by 35 percent year over year, amounting to €2.08 billion (2021: €1.54 billion). The EBITDA margin of 25.4 percent was higher than in the previous year (2021: 24.8 percent). In addition to a substantial increase in sales, WACKER achieved reductions in current non-personnel and functional costs. That had a positive effect on EBITDA. However, high raw-material, energy and logistics costs weighed heavily on EBITDA. The reversal of an impairment loss on an equity-accounted investment increased EBITDA by €72.4 million.

» For further information on the business divisions, please refer to the Segments section starting on page 76.

B.17 Year-over-Year Sales Comparison

€ million



B.18 Reconciliation of EBITDA to EBIT

€ million	2022	2021	Change in %
EBITDA	2,080.9	1,538.5	35.3
Depreciation/ amortization and (reversals of) impairments of fixed assets	**–402.1**	–404.2	–0.5
EBIT	1,678.8	1,134.3	48.0

EBIT Reaches €1.68 Billion

Group earnings before interest and taxes (EBIT) totaled €1.68 billion in the reporting period (2021: €1.13 billion), yielding an EBIT margin of 20.5 percent (2021: 18.3 percent). In 2022, depreciation and amortization amounted to €402.1 million (2021: €404.2 million).

B.19 Reconciliation of EBIT to Net Income for the Period

€ million	2022	2021	Change in %
EBIT	1,678.8	1,134.3	48.0
Financial result	**–62.6**	–40.7	53.8
Income before income taxes	1,616.2	1,093.6	47.8
Income taxes	**–334.6**	–265.8	25.9
Net result for the year	1,281.6	827.8	54.8
Of which			
Attributable to Wacker Chemie AG shareholders	**1,251.0**	806.9	55.0
Attributable to non-controlling interests	**30.6**	20.9	46.4
Earnings per share (€) (basic/diluted)	25.18	16.24	55.0

Cost of Goods Sold Higher Year over Year

At €2.16 billion, gross profit from sales was 29 percent higher year over year (2021: €1.67 billion). The cost of goods sold reached €6.05 billion (2021: €4.54 billion). The gross margin was 26.3 percent (2021: 26.9 percent). Although WACKER was able to leverage efficiency gains to slow the increase in the cost of goods sold, the combination of high raw-material and energy costs still caused that indicator to rise sharply. The Group's cost-of-sales ratio rose from 73 percent to 74 percent year over year.

Functional Costs Increase

Other functional costs (selling, R&D and general administrative expenses) climbed by 13 percent year over year, coming in at €704.1 million (2021: €620.6 million). This increase was mainly due to higher selling costs and administrative expenses. Higher personnel costs were one of the reasons for the rise in costs at all divisions.

Other Operating Income and Expenses

In 2022, the balance of other operating income and expenses was €20.4 million (2021: €19.9 million). In the reporting year, income of €29.1 million from canceled long-term contracts was recognized in profit or loss. Foreign currency losses of €–15.5 million (2021: gains of €4.7 million) reduced the other operating result.

Result from Investments

Compared with the previous year, investment income rose substantially, amounting to €201.7 million (2021: €62.5 million). The main components of income from joint ventures and associates were Siltronic AG, at €108.6 million, and the reversal of an impairment loss of €72.4 million on the equity-accounted investment in Dow Siloxane (Zhangjiagang) Holding Co., Private Ltd., Singapore.

Financial and Net Interest Result

WACKER's financial result declined year over year, coming in at €–62.6 million (2021: €–40.7 million). Interest income was €10.1 million (2021: €6.2 million) and interest expenses reached €28.6 million (2021: €22.5 million). The net interest result was €–18.5 million (2021: €–16.3 million).

The other financial result came in at €–44.1 million (2021: €–24.4 million) In particular, remeasurement effects in connection with higher interest rates led to higher financial expenses. On the other hand, interest-rate effects of provisions for pensions and other provisions remained constant year over year.

Income Taxes

In 2022, WACKER reported tax expenses of €334.6 million (2021: €265.8 million). The Group's effective tax rate was 20.7 percent (2021: 24.3 percent). The effective tax rate in the reporting year was lower due to tax-free income and to tax income for previous years.

Group Net Income

As a result of the effects mentioned, Group net income was €1,281.6 million, compared with €827.8 million in the previous year.

Return on Capital Employed (ROCE)

The return on capital employed (ROCE) is the ratio of earnings before interest and taxes (EBIT) to capital employed for business activities. Investment income from Siltronic AG and the corresponding carrying amount in equity are not included when ROCE is calculated.

In the reporting year, ROCE was 34.7 percent (2021: 28.3 percent). The main reason for this increase was a marked improvement in EBIT. The amount of capital employed rose from €3.78 billion to €4.53 billion in the reporting year.

Segments

WACKER SILICONES

Sales at WACKER SILICONES rose substantially in 2022, coming in at €3.45 billion (2021: €2.60 billion). This year-over-year increase of 32.8 percent was attributable to significantly higher selling prices as well as product-mix and exchange-rate effects. In regional terms, WACKER SILICONES' sales grew in the Americas, Asia and Europe.

EBITDA, too, increased significantly year over year, reaching €876.4 million (2021: €552.9 million). This increase of 58.5 percent was due mainly to higher selling prices. In addition, the reversal of an impairment loss on an equity-accounted joint venture in China increased WACKER SILICONES' EBITDA by €72.4 million. The EBITDA margin was 25.4 percent (2021: 21.3 percent).

Capital expenditures increased by 39.5 percent year over year, coming in at €199.8 million (2021: €143.2 million). The funds were invested in new facilities for intermediates and downstream products for liquid silicone rubber at the Adrian, Michigan site in the USA and at Burghausen, as well as for high-temperature vulcanizing solid silicone rubber at the Panagarh site in India. Other projects included expanding capacity at the Nünchritz site and at our subsidiary SICO Performance Material in Jining, China. As of December 31, 2022, the division had 6,019 employees (Dec. 31, 2021: 5,211).

B.20 Key Data: WACKER SILICONES

€ million	2022	2021	2020	2019	2018
Total sales	**3,452.9**	2,599.1	2,244.0	2,453.0	2,499.6
EBITDA	**876.4**	552.9	387.8	478.5	616.6
EBITDA margin (%)	**25.4**	21.3	17.3	19.5	24.7
EBIT	**752.8**	421.0	276.8	375.3	536.7
Capital expenditures	**199.8**	143.2	96.9	193.6	222.7
R&D expenses	**70.9**	64.7	60.2	65.0	60.9
Employees (December 31, number)	**6,019**	5,211	5,076	5,267	5,114

WACKER POLYMERS

WACKER POLYMERS' sales increased significantly in 2022, growing by 19.3 percent to €2.00 billion (2021: €1.67 billion) due to substantially better selling prices and to product-mix and exchange-rate effects. All three key regions – the Americas, Asia and Europe – recorded sales growth.

At €288.7 million, (2021: €252.6 million), EBITDA was up by 14.3 percent year over year, due predominantly to higher prices. The EBITDA margin was 14.5 percent (2021: 15.1 percent).

Capital expenditures increased slightly versus the prior year, coming in at €107.3 million (2021: €100.1 million). Some of the funds were invested in construction of a dispersion reactor and spray dryer at the Nanjing site in China. As of December 31, 2022, the number of employees at the division was 1,603 (Dec. 31, 2021: 1,595).

B.21 Key Data: WACKER POLYMERS

€ million	2022	2021	2020	2019	2018
Total sales	**1,996.2**	1,673.6	1,298.5	1,315.1	1,282.2
EBITDA	**288.7**	252.6	270.5	194.2	147.7
EBITDA margin (%)	**14.5**	15.1	20.8	14.8	11.5
EBIT	**238.3**	198.7	229.3	153.7	108.0
Capital expenditures	**107.3**	100.1	35.6	62.4	71.0
R&D expenses	**35.2**	35.1	32.2	33.9	30.0
Employees (December 31, number)	**1,603**	1,595	1,540	1,630	1,600

WACKER BIOSOLUTIONS

In 2022, WACKER BIOSOLUTIONS grew its sales by 11.7 percent to €331.1 million (2021: €296.4 million), chiefly due to higher selling prices. Sales growth was strong in the Americas and Asia, while sales in Europe were down marginally year over year.

At €16.7 million, EBITDA was substantially lower year over year (2021: €38.6 million). Factors negatively impacting EBITDA were the temporary outage of a production facility in Burghausen, integration costs for the San Diego site in the USA and upfront costs for establishing the mRNA Competence Center in Halle. The EBITDA margin was 5.0 percent (2021: 13.0 percent).

Capital expenditures increased significantly year over year, rising from €33.5 million to €102.6 million in 2022. CapEx was focused on further expansion of the Amsterdam site and construction of the new mRNA Competence Center in Halle.

As of December 31, 2022, the number of employees at the division had increased to 835 (Dec. 31, 2021: 751).

B.22 Key Data: WACKER BIOSOLUTIONS

€ million	2022	2021	2020	2019	2018
Total sales	**331.1**	296.4	246.1	243.0	227.0
EBITDA	**16.7**	38.6	38.1	31.1	23.5
EBITDA margin (%)	**5.0**	13.0	15.5	12.8	10.4
EBIT	**–4.7**	20.7	21.6	14.0	9.8
Capital expenditures	**102.6**	33.5	19.9	13.2	17.9
R&D expenses	**4.8**	5.6	5.7	6.4	6.3
Employees (December 31, number)	**835**	751	764	754	709

WACKER POLYSILICON

WACKER POLYSILICON's sales grew by 49.5 percent in 2022, coming in at €2,287.2 million (2021: €1,529.8 million). Higher selling prices were the chief driver of this increase. Compared with the prior year, the share of electronic-grade silicon in the portfolio was higher. Asia was once again the division's key sales region in 2022.

EBITDA rose by 25.7 percent to €825.7 million (2021: €656.7 million). Higher prices were the main growth driver, while increases in energy and raw-material costs dampened earnings. The EBITDA margin was 36.1 percent (2021: 42.9 percent).

WACKER POLYSILICON's capital expenditures were higher at €91.9 million (2021: €30.6 million) and were focused on semiconductor applications. The number of employees as of December 31, 2022, totaled 2,283 (December 31, 2021: 2,219).

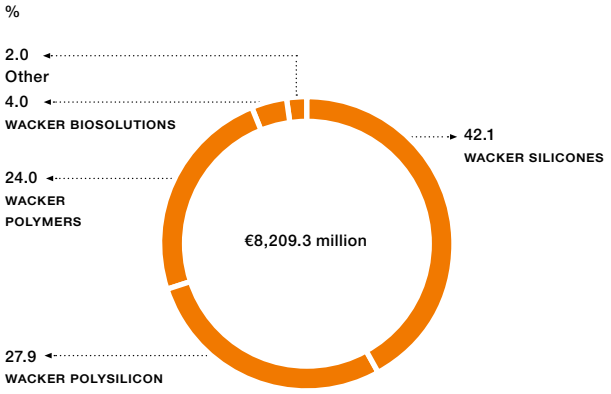
B.23 Key Data: WACKER POLYSILICON

€ million	2022	2021	2020	2019	2018
Total sales	**2,287.2**	1,529.8	792.2	780.0	823.5
EBITDA	**825.7**	656.7	4.7	56.9	72.4
EBITDA margin (%)	**36.1**	42.9	0.6	7.3	8.8
EBIT	**705.3**	528.9	–147.8	–1,012.9	–257.3
Capital expenditures	**91.9**	30.6	24.9	35.3	62.2
R&D expenses	**27.0**	21.3	21.3	30.0	32.8
Employees (December 31, number)	**2,283**	2,219	2,180	2,333	2,549

Other

Sales reported under "Other" totaled €170.5 million in 2022 (2021: €129.0 million), with WACKER posting increased business with customers at the Burghausen site.

B.24 Divisional Shares in External Sales



"Other" EBITDA amounted to €72.8 million in the reporting year (2021: €38.5 million). This growth was chiefly attributable to high investment income from Siltronic.

"Other" EBIT was €–13.5 million (2021: €–34.2 million).

As of December 31, 2022, "Other" had 4,985 employees (Dec. 31, 2021: 4,630). This WACKER segment includes the site management and employees of the infrastructure units in Burghausen and Nünchritz, and the Group's corporate departments.

Regions

WACKER's operations are highly international. Of the Group's €8.21 billion in sales (2021: €6.21 billion), 85.7 percent came from international business (2021: 84.5 percent). Germany accounted for 14.3 percent of sales.

Asia Region Records Strong Increase in Sales

Sales in Asia grew markedly in 2022, rising by 40.1 percent to €3.69 billion (2021: €2.64 billion). Sales in Greater China climbed to €2.45 billion (2021: €1.79 billion). Asia accounted for 45.0 percent of Group sales (2021: 42.5 percent).

Double-Digit Percentage Growth in Europe Too

WACKER's business in Europe was also positive. Sales increased to €2.83 billion (2021: €2.37 billion), a gain of 19.4 percent. The region delivered 34.5 percent of Group sales (2021: 38.2 percent).

B.25 External Sales by Customer Location

€ million	2022	2021	2020	2019	2018
Europe	**2,830.3**	2,370.7	1,927.2	2,004.0	2,096.7
The Americas	**1,286.6**	895.7	832.9	919.5	878.2
Asia	**3,694.2**	2,637.1	1,687.7	1,763.8	1,756.9
Other regions	**398.2**	304.0	244.4	240.3	247.0
Total sales	8,209.3	6,207.5	4,692.2	4,927.6	4,978.8

Strong Sales Growth in the Americas

Sales in the Americas increased by 43.6 percent to €1.29 billion (2021: €895.7 million) and accounted for 15.7 percent of Group sales (2021: 14.4 percent).

B.26 External Sales by Group Company Location

€ million	2022	2021	2020	2019	2018
Europe	**7,063.3**	5,091.4	3,798.2	3,977.5	4,018.3
The Americas	**1,659.0**	1,166.9	1,134.6	1,249.7	1,106.1
Asia	**1,656.2**	1,235.9	918.2	980.5	979.5
Other regions	**14.4**	11.3	11.2	13.1	13.0
Consolidation	**–2,183.6**	–1,298.0	–1,170.0	–1,293.2	–1,138.1
Total sales	8,209.3	6,207.5	4,692.2	4,927.6	4,978.8

Rising Sales in Other Regions

Sales in the other regions of the world increased by 31.0 percent to €398.2 million (2021: €304.0 million), accounting for 4.8 percent of Group sales (2021: 4.9 percent).

Net Assets

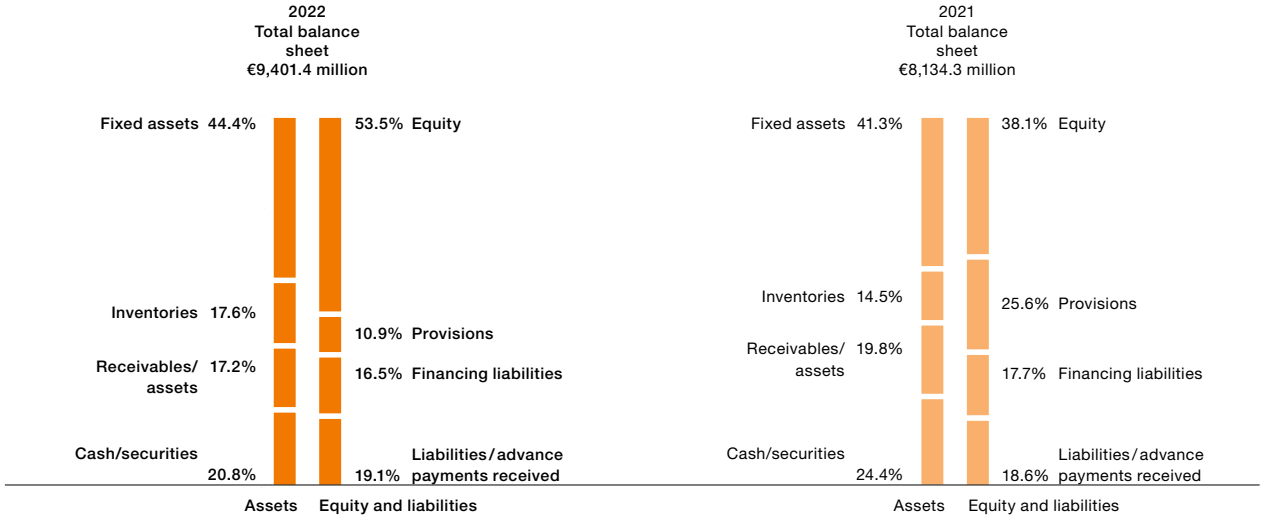
WACKER's total assets were 15.6 percent higher compared with December 31, 2021. Climbing by €1.27 billion, they amounted to €9.40 billion as of December 31, 2022 (Dec. 31, 2021: €8.13 billion). The biggest changes concerned the Group's noncurrent intangible and tangible assets and its inventories. Due to high sales volumes and increased raw-material prices, WACKER recognized inventories of €1.66 billion as of December 31, 2022. On the equity and liabilities side, provisions for pensions decreased due to higher discount rates. Equity rose substantially, due to the Group's high net income for the year and to the reduction in actuarial losses on provisions for pensions recognized in equity.

On May 1, 2022, WACKER signed a share purchase agreement to acquire SICO Performance Material (Shandong) Co., Ltd., China. The assets acquired through this transaction increased intangible assets and property, plant and equipment by €219.7 million.

B.27 Trends: Assets

€ million	2022	2021
Intangible assets, property, plant and equipment, investment property and right-of-use assets	**3,175.6**	2,653.9
Investments in joint ventures and associates accounted for using the equity method	**999.5**	708.9
Other noncurrent assets	**566.3**	923.5
Noncurrent assets	4,741.4	4,286.3
Inventories	**1,655.8**	1,177.0
Trade receivables	**916.2**	824.8
Other current assets	**2,088.0**	1,846.2
Current assets	4,660.0	3,848.0
Total assets	9,401.4	8,134.3

B.28 Asset and Capital Structure



Increase in Fixed Assets Due to Capital Expenditures and Right-of-Use Assets from Leases

Relative to the end of the previous year, fixed assets (including equity-accounted investments) increased by €812.3 million to €4.18 billion (Dec. 31, 2021: €3.36 billion). Property, plant and equipment rose to €2.72 billion (Dec. 31, 2021: €2.47 billion). Capital expenditures increased to €546.8 million (2021: €343.8 million). Investment spending focused mainly on WACKER SILICONES and WACKER POLYMERS, as well as on WACKER BIOSOLUTIONS. Over half of the funds were invested in Germany. Current depreciation/amortization amounted to €402.1 million. Assets from the acquisition of SICO Performance Material (Shandong) Co., Ltd., China, increased intangible assets and property, plant and equipment by €219.7 million. Right-of-use assets from leases amounted to €243.2 million as of the reporting date (Dec. 31, 2021: €138.8 million). Financing liabilities from leases amounted to €261.1 million as of the reporting date (Dec. 31, 2021: €153.7 million).

As of December 31, 2022, €860.9 million was recognized in the statement of financial position for the equity-accounted investment in Siltronic AG (Dec. 31, 2021: €659.0 million). That figure included the profit of €108.0 million generated by the investment. The reversal of an impairment loss on Dow Siloxane Co. Ltd., China increased the value of equity-accounted investments by €72.4 million.

Noncurrent Assets

Other noncurrent assets totaled €566.3 million as of December 31, 2022 (Dec. 31, 2021: €923.5 million), down 38.7 percent year over year. Noncurrent securities were reclassified as current in preparation for repayment of a US$-denominated loan in Q2 2023. Deferred tax assets declined markedly, from €569.7 million to €272.9 million, reflecting higher discount rates on provisions for pensions.

Working Capital Up 36 Percent

Current assets grew 21.1 percent year over year and amounted to €4.66 billion (Dec. 31, 2021: €3.85 billion). The increase was due mainly to higher working capital. As of December 31, 2022, working capital was up 36.0 percent versus the 2021 reporting date and amounted to €1.69 billion (Dec. 31, 2021: €1.24 billion).

Inventories grew by 40.7 percent, rising from €1,177.0 million to €1.66 billion, mainly due to higher raw-material prices year over year. The increase of 11.1 percent in trade receivables to reach €916.2 million (Dec. 31, 2021: €824.8 million) was due to higher sales volumes. Trade payables rose 16.2 percent, also due to higher raw-material prices.

B.29 Working Capital

€ million	2022	2021	Change in %
Trade receivables	**916.2**	824.8	11.1
Inventories	**1,655.8**	1,177.0	40.7
Trade payables	**–885.6**	–761.9	16.2
Working capital	1,686.4	1,239.9	36.0

Liquidity at €1.96 Billion

Securities, fixed-term deposits, and cash and cash equivalents are major components of other current assets. Current securities and fixed-term deposits amounted to €877.1 million at the end of Q4 2022 (Dec. 31, 2021: €738.2 million). Cash and cash equivalents came in at €894.7 million as of December 31, 2022 (Dec. 31, 2021: €926.6 million). Overall, liquid assets (current and noncurrent securities, cash and cash equivalents) were virtually unchanged at €1.96 billion (Dec. 31, 2021: €1.98 million). Current gross cash flow was sufficient to finance Wacker Chemie AG's dividend payment of €397.4 million (2021: €99.4 million) and capital expenditures of €561.2 million (prior year: €321.3 million).

B.30 Trends: Equity and Liabilities

€ million	2022	2021
Equity	**5,030.7**	3,100.4
Noncurrent provisions	**981.5**	2,061.1
Financing liabilities	**1,085.6**	1,064.0
Other noncurrent liabilities	**376.3**	196.9
Of which noncurrent advance payments	**224.4**	56.3
Noncurrent liabilities	**2,443.4**	3,322.0
Financing liabilities	**461.4**	372.8
Trade payables	**885.6**	761.9
Other current provisions and liabilities	**580.3**	577.2
Current liabilities	**1,927.3**	1,711.9
Liabilities	**4,370.7**	5,033.9
Total equity and liabilities	**9,401.4**	8,134.3
Capital employed	**4,526.6**	3,782.2

Equity Ratio at 53.5 Percent

Group equity increased substantially year over year and amounted to €5.03 billion as of December 31, 2022 (Dec. 31, 2021: €3.10 billion). The corresponding equity ratio was 53.5 percent (Dec. 31, 2021: 38.1 percent). The net profit for the year increased retained earnings by €1.28 billion (Dec. 31, 2021: €827.8 million). The dividend payment of Wacker Chemie AG reduced retained earnings by €397.4 million. The adjustment of pension provisions recognized directly in equity resulted in an increase in other comprehensive income of €902.1 million and increased equity. Currency translation had a positive impact on equity of €61.1 million. The share of equity attributable to non-controlling interests amounted to €166.9 million as of the reporting date (Dec. 31, 2021: €81.9 million). Owing to the acquisition of a 40-percent stake in SICO Performance Material (Shandong) Co., Ltd., China, non-controlling interests increased by €72.1 million.

Liabilities Lower Due to Decline in Provisions for Pensions

WACKER's liabilities declined by €663.2 million compared with the previous year, down 13.2 percent to €4.37 billion. Provisions for pensions decreased by €1,044.5 million year over year and totaled €768.9 million. This was due to the application of significantly higher discount rates to Wacker Chemie AG's pension obligations. The discount rates were 3.71 percent in Germany (Dec. 31, 2021: 1.24 percent) and 4.98 percent in the USA (Dec. 31, 2021: 2.66 percent). Other noncurrent provisions mainly comprised anniversary provisions, and provisions for environmental protection and phased early retirement.

Other noncurrent liabilities came to €376.3 million (Dec. 31, 2021: €196.9 million). They mainly comprised contract liabilities in the shape of advance payments received and noncurrent income tax liabilities. Trade payables rose markedly, to €885.6 million (Dec. 31, 2021: €761.9 million). The main causes of this growth were higher raw-material and energy costs and extended payment terms. Other current provisions and liabilities climbed 0.5 percent to €580.3 million (Dec. 31, 2021: €577.2 million), with various factors playing a role. Performance-based compensation for 2022 was higher year over year, increasing liabilities. Current advance payments received amounted to €80.8 million as of the reporting date (Dec. 31, 2021: €155.5 million).

Financing Liabilities Rise

Current and noncurrent financing liabilities rose by €110.2 million to €1.55 billion as of the reporting date (Dec. 31, 2021: €1.44 billion). Financing liabilities of some €400 million falling due in 2023 were reclassified as current. Exchange-rate effects led to a slight increase in financing liabilities. Financing liabilities are mostly denominated in euros and US dollars. Fixed interest is payable on the majority of the financing liabilities.

As of December 31, 2022, WACKER recognized lease liabilities of €261.1 million (Dec. 31, 2021: €153.7 million).

For further information on our financing liabilities, please refer to Note 15 in the Notes to the Consolidated Financial Statements. For further information on financial management and its goals, please refer to Note 20 in the Notes to the Consolidated Financial Statements.

Financial Position

Financial-Management Principles and Goals

Our key financial-management goal is to secure WACKER's financial strength over the long term. The central task is to sufficiently cover the financial needs of our operations and investment projects. Financial management at WACKER comprises capital structure management, cash and liquidity management, and the management of market-price risk (currencies and interest rates). Capital structure management involves shaping the capital structure of the Group and its subsidiaries.

In liquidity management, WACKER continuously monitors cash flows from operations and from financial transactions. WACKER covers the resulting liquidity needs via suitable instruments such as intra-Group lending, or through external loans from local banks.

WACKER pursues a careful financing policy that targets a balanced financing portfolio, a diversified maturity portfolio and a comfortable liquidity buffer.

WACKER's key source of liquidity is the operations of its Group companies and the resulting incoming payments. This centralized system of internal transfers reduces our interest expense and the need for debt financing. The purpose of managing market-price risks is to limit the effects of fluctuations in exchange rates and interest rates on the Group's bottom line.

New Financing Measures in 2022

In May 2022, WACKER drew down a loan for €290 million that had been agreed with the European Investment Bank (EIB) in 2020, with a five-year maturity starting the date the loan was drawn. In July 2022, a syndicated loan in the amount of €400 million from 2016 was replaced before maturity by a new syndicated loan agreement for the same amount. The latter also has a five-year maturity and two extension options of one year each. This line of credit and another syndicated loan for €200 million from 2021, which was extended in December 2022 for a further year until 2027, serve as backup lines for the Group and have not been drawn down yet. In December 2022, bilateral fixed-interest bank loans were signed for a total amount of €110 million and maturing in 2028. They will be disbursed in January 2023, along with further bilateral loans for a total amount of €90 million. All these loans have either fixed rates or the interest rates are secured by means of interest-rate hedges. These financing instruments are the product of long-term financial planning.

Financial Analysis

The Group's cash flow is a key instrument of liquidity management. Net cash flow serves as the internal indicator for measuring the liquidity of operating activities.

Net Cash Flow

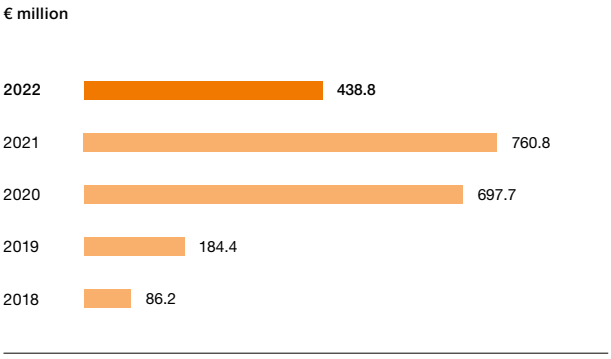
WACKER's long-term objective is to finance its capital expenditures primarily from its own cash flow. This target was clearly achieved in 2022. Net cash flow totaled €438.8 million in 2022 (2021: €760.8 million).

B.31 Net Cash Flow

€ million	2022	2021	Change in %
Cash flow from operating activities (gross cash flow)	**1,125.5**	1,064.4	5.7
Cash flow from long-term investing activities before securities	**–686.7**	–303.6	>100
Net cash flow	438.8	760.8	–42.3

Net cash flow is defined as the sum of cash flow from operating activities and cash flow from long-term investing activities (excluding securities).

B.32 Net Cash Flow

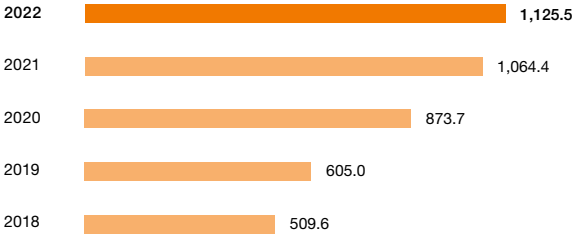


Gross Cash Flow

In 2022, cash flow from operating activities (gross cash flow) totaled €1.13 billion (2021: €1.06 billion). Net income for the year amounting to €1.28 billion (2021: €827.8 million) improved gross cash flow year over year. The change in working capital was €–472.0 million (2021: €–53.7 million). Higher raw-material costs resulted, in particular, in increased inventories. The depreciation and amortization of €402.1 million (2021: €404.2 million) included in net income for the period had a positive impact on cash flow from operating activities. Conversely, the profit of €200.9 million (2021: €62.4 million) from investments in joint ventures and associates that is included in net income for the year reduced cash flow from operating activities.

B.33 Cash Flow from Operating Activities (Gross Cash Flow)

€ million

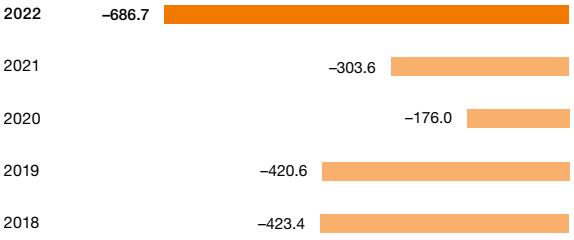


Cash Flow from Long-Term Investing Activities

The Group's investment projects are the key factor influencing cash flow from long-term investing activities. In 2022, cash payments of €–561.7 million for capital expenditures were significantly higher year over year (2021: €–321.6 million). More than half of the capital expenditures were made in Germany. The acquisition of SICO Performance Material (Shandong) Co., Ltd., China involved capital expenditures (less acquired cash) of €135.8 million. Cash flow from long-term investing activities amounted to €–686.7 million in 2022 (2021: €–303.6 million).

B.34 Cash Flow from Long-Term Investing Activities before Securities

€ million



Cash Flow from Financing Activities

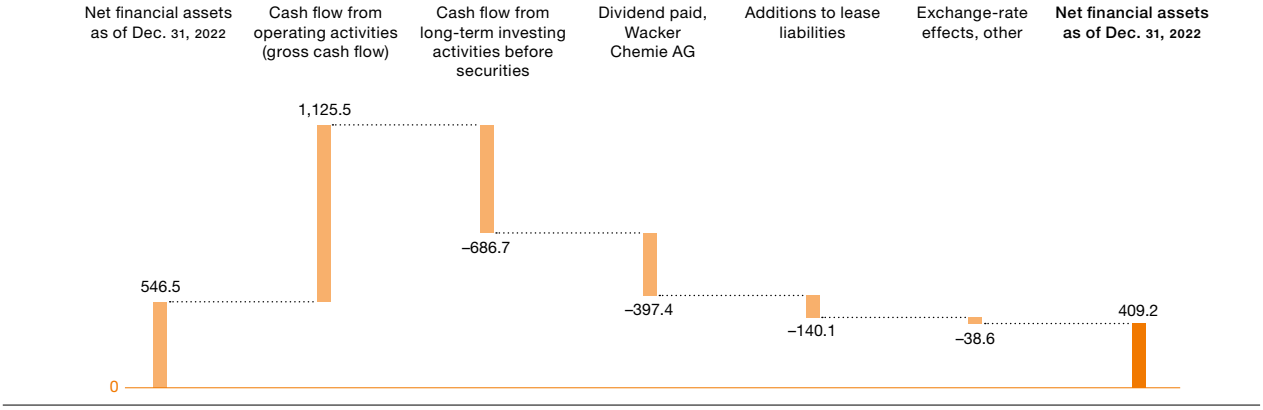
Cash flow from financing activities totaled €–458.5 million in the reporting year (2021: €–153.9 million). It included the repayment of financing liabilities of €331.2 million (2021: €14.5 million) and new financing liabilities of €315.5 million (2021: €2.4 million). Wacker Chemie AG's dividend payment of €–397.4 million led to a cash outflow in the second quarter. Repayments of lease liabilities amounted to €–36.2 million (2021: €–31.4 million).

Cash and Cash Equivalents

Cash and cash equivalents decreased to €894.7 million (2021: €926.6 million). Liquidity in the form of cash and cash equivalents and noncurrent and current securities was on par with the previous year at €1.96 billion (2021: €1.98 billion).

B.35 Net Financial Assets

€ million



WACKER Reports Net Financial Assets

WACKER defines net financial debt/assets as the balance of gross financial debt (current and noncurrent financing liabilities) and existing noncurrent and current liquidity, consisting of securities, cash and cash equivalents. Net financial assets totaled €409.2 million as of December 31, 2022 (Dec. 31, 2021: €546.5 million).

Aside from the financing liabilities disclosed in the report on net assets, WACKER has at its disposal an adequate amount (around €600 million) in unused lines of credit with maturities of over one year. Our existing lines of credit provide us with enough financial scope to secure the Group's continued growth. The Group does not engage in any off-balance-sheet financing.

Rating

As WACKER has sufficient lines of credit with banks and does not issue rated financing instruments such as bonds and commercial paper, it has not published a credit rating thus far.

Proposal on Appropriation of Profits

In 2022, Wacker Chemie AG posted a retained profit of €2,028.6 million under German Commercial Code accounting rules. The Executive and Supervisory Boards will propose a dividend of €12.00 per share at the Annual Shareholders' Meeting. Based on the number of shares entitled to dividends as of December 31, 2022, the total cash dividend corresponds to a payout of €596.1 million. Calculated in relation to WACKER's average share price in 2022, the dividend yield is 8.6 percent.

Executive Board Statement on Business Development and on the Group's Economic Position

In 2022, WACKER again set new records for sales and earnings. All of our business divisions contributed to last year's strong sales growth, which was due to substantially higher prices for our products. These higher prices enabled us to more than offset the sharp increases in energy, raw-material and logistics costs. Demand was stable in many of our customer sectors, but weakened in the chemical divisions in the second half of the year. Overall, our chemical divisions posted double-digit growth rates for sales. WACKER BIOSOLUTIONS surpassed €300 million in annual sales for the first time. Polysilicon sales were particularly strong, rising by 50 around percent.

EBITDA developed well at all divisions, with the exception of WACKER BIOSOLUTIONS. EBITDA grew strongly year over year at WACKER POLYSILICON and WACKER SILICONES. WACKER POLYMERS, too, posted substantially higher earnings. On the other hand, EBITDA was lower year over year at WACKER BIOSOLUTIONS. This decline was due to integration costs at one of the division's production sites, upfront costs for the new mRNA Competence Center and the temporary outage of a production facility. WACKER's ROCE improved significantly year over year as well.

Personnel expenses rose in absolute terms, but decreased as a percentage of sales. The cost of goods sold rose sharply in absolute terms and slightly in relation to sales, mainly due to higher raw-material and energy costs. Depreciation and amortization were on par with the previous year and considerably lower in relation to sales.

At €5.03 billion, Group equity was substantially higher year over year, chiefly due to higher net income for the year and to the adjustment in provisions for pensions, which was recognized in other comprehensive income. The equity ratio increased from 38.1 percent to 53.5 percent. WACKER was again able to post net financial assets, which totaled €409.2 million as of December 31, 2022. Capital expenditures increased significantly year over year and, at €546.8 million, were higher than depreciation/amortization. Net cash flow, at €438.8 million, was still firmly in positive territory, but less than the high figure of the previous year.

Even though the economic environment remains demanding in 2023, WACKER's business prospects continue to be positive in the medium-to-long term.

Further Information on R&D, Employees, Procurement, Production, Sales and Marketing

Research and Development

WACKER's research and development (R&D) activities pursue three goals:

- We contribute to our customers' market success by searching for solutions that meet their needs.
- We optimize our methods and processes in order to be a technology leader and to operate sustainably.
- We concentrate on creating innovative products and applications for new markets and on serving highly promising fields such as energy storage, renewable energy generation, electromobility, modern construction and biotechnology.

WACKER's R&D ratio – research and development spending as a percentage of Group sales – was 2.2 percent. While that was less than the previous year (2021: 2.6 percent), R&D spending was higher in absolute terms.

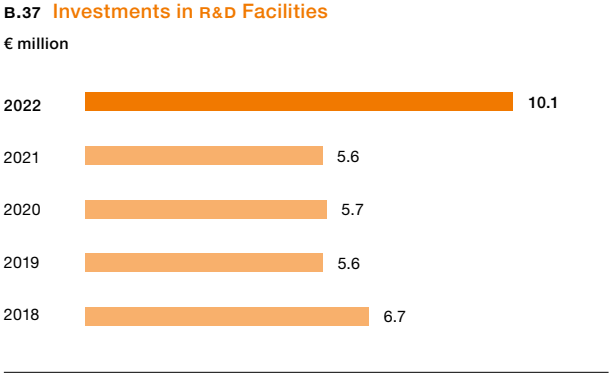
B.36 R&D Expenses

€ million	2022	2021	2020	2019	2018
Research and development expenses	**178.4**	164.2	156.6	173.3	164.6

In 2022, we filed 53 patent applications (2021: 77). As part of the Shape the Future program, we have continued to slim down our patent portfolio in line with our patent strategy. It now contains about 3,300 active patents worldwide, with about 1,200 patent applications currently pending. We license only a small amount of know-how from third parties. In our research partnerships with entities such as universities, our policy is to ensure that the results are made available to us by transfer of rights of use.

We have invested in laboratories and equipment, as well as in pilot reactor technologies and pilot plants. At the silane facilities at the Burghausen and Nünchritz sites, we are advancing new techniques to further enhance energy efficiency. In a pilot plant at the Ulsan site in South Korea, we are developing new technologies for polymeric binders. We have further automated our innovation management system and linked the international R&D competence centers even more closely with the aid of digital technologies. We have enhanced our research capabilities in Brazil by expanding the Jandira site's laboratory infrastructure. At the Ann Arbor, Michigan, site in the United States, we opened an Innovation Center for silicone specialty products, especially for the medical and biotech industries. We are expanding the competence center for mRNA actives at the Halle site. Our biotech research activities will be combined and intensified at the Consortium für elektrochemische Industrie, WACKER's corporate research facility in Munich, where we are investing in a new Biotechnology Center.

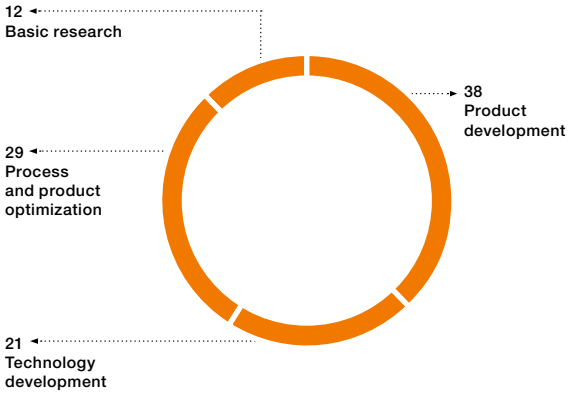
B.37 Investments in R&D Facilities



WACKER is active in many highly promising fields including, in particular, medicine and biotechnology, energy, electronics, automotive, consumer care and nutrition, as well as construction applications. We are devoting particular attention to efficient energy utilization, energy storage and renewable-energy generation. We are examining the use of renewable raw materials and carbon dioxide in our value chain. The development of products and production methods accounted for a large share of R&D costs.

B.38 Breakdown of R&D Expenditures

%



The aim of our New Solutions initiative is to develop technically and commercially superior solutions for new applications. We combine our company-wide expertise and apply it across different divisions as needed.

Some of our research projects are subsidized by government grants. In the reporting period, these projects were focused on process development, electromobility, lightweight construction, carbon recycling, artificial intelligence and biotechnology. The following are a few sample projects:

- Together with XL-protein GmbH and Ludwig-Maximilians-Universität (LMU) Munich, we are developing a long-acting immunosuppressive anti-CD40 antibody. The antibody fragment is expected to reduce toxic side effects and suppress organ rejection, which occurs especially in cardiac xenotransplantation using hearts of discordant species. It could also find application in the treatment of autoimmune diseases. The CD40 project is funded by the Bavarian Research Foundation.

- Together with partners, we are developing a material and cell configuration for lithium-ion batteries with high energy density in the PerForManZ project. The new configuration replaces the graphite in the anode with silicon. We are developing the anode material using a new manufacturing process. The Federal Ministry of Education and Research is funding this partnership.

- In our Glycoside Production project, we are conducting research into enzymes for the production of human milk oligosaccharides (HMOs). These are used as nutritional supplements in infant formula to stimulate the immune system as well as brain development.

- We are working with partners to develop antimicrobial peptides (AMPs). These amino-acid chains occur in the human body and repel pathogens. With this property, they can be used as a preservative in dairy products such as yogurt. The bioactive compounds offer potential for further applications in food and beverages, personal hygiene, animal breeding and crop protection. This AMPuro project is funded by the Bavarian Ministry of Economic Affairs, Regional Development and Energy (StMWi) and focuses on the development, large-scale production and purification of AMPs.

Research and Development at Two Levels

WACKER conducts R&D at two levels: centrally at our Corporate Research&Development department (Corporate R&D) and locally at our business divisions, where the focus is on specific applications. Corporate R&D coordinates activities on a company-wide basis and involves other departments. We use Project System Innovation (PSI) software to steer the Group's product and process innovations by systematically evaluating customer benefit, sales potential, profitability, technology position and contribution to sustainability.

Collaboration with Customers and Research Institutes

We collaborate with customers, scientific institutes and universities to achieve research successes more quickly and efficiently. These partnerships cover topics such as electrolysis, recycling and construction applications, as well as process simulation and development.

Back in 2006, Wacker Chemie AG joined forces with the Technical University of Munich (TUM) to establish the WACKER Institute of Silicon Chemistry, located on TUM's Garching research campus near Munich, and has funded the institute ever since.

Now WACKER and TUM are deepening their partnership with the founding of the TUM WACKER Institute for Industrial Biotechnology. The goal is to ensure research in the field of industrial biotechnology in Germany is conducted at the

highest international level. The two partners will bring their combined forces to bear on researching new approaches to manufacturing products for the pharmaceutical, food and chemical industries from renewable resources as a basis for sustainable business management. Under a six-year contract, WACKER is funding research at the institute with more than €6 million. The new institute commenced its work in the 2022/2023 winter semester.

Research Work at WACKER

In 2022, the Group had 794 R&D staff (2021: 762), accounting for 5.0 percent of the workforce (2021: 5.3 percent). Of these, 599 were employed at R&D units in Germany and 195 abroad.

Alexander Wacker Innovation Award

The Alexander Wacker Innovation Award, a €10,000 prize conferred since 2006 for outstanding performance in product innovation, process innovation and basic research, is presented at the annual WACKER Innovation Days research symposium. The German-Spanish team of researchers honored with the 2022 award developed a more efficient fermentation process for producing L-cysteine by significantly increasing the natural fermentation power of the E. coli strains employed. Through their work, the team has set new standards for converting glucose into cysteine and achieved improved space-time yields.

Corporate R&D Topics

Our work in Corporate R&D is focused on projects to advance sustainability, such as the circular economy, silicon-containing battery materials and techniques for electrolysis. We are conducting research into the use of sustainable raw materials to continuously reduce the carbon footprint of our products. One key research area centers on biotechnology, where we are increasingly automating and digitalizing our work. In fermentation, we collect extensive process data for computer-assisted simulation and optimization of production methods. In microbiology, we have prioritized two areas. One of these is to develop and improve technologies for the production of proteins and nucleic acids (DNA, RNA) for the pharmaceutical sector. The other main research area involves work on production systems for new food ingredients using fermentation and biotransformation.

Divisional Research Projects

Sustainability and carbon-footprint reduction are at the heart of WACKER SILICONES' innovative activities. Our research work is aimed at using renewable raw materials, degradability and product recycling. To achieve these aims, we are combining silicones with degradable organic raw materials. We are using pyrogenic silica as a substrate for absorbing and selectively releasing carbon dioxide. We are researching technologies to convert crosslinked silicones into recyclable materials. In global competence centers, WACKER SILICONES is working on trends such as electromobility, electronics and sustainability. One of the focus areas concerns thermally conductive filling materials and their surface treatment. The work of the Electronic Excellence team in South Korea is centered on optically transparent silicone systems for electromobility applications. To enhance battery safety, we are working on fireproof fiber composites in which silicone resin binders are used to ensure thermal stability and lightweight construction. We support regional markets with competence centers like the one for medical care in the USA, where we are developing silicone systems that can selectively release active substances in adhesive-bandage applications.

Research at WACKER POLYMERS is centered on sustainable functional polymer binders for use in consumer goods and the construction industry. We continually evaluate our product portfolio and work to improve it in terms of sustainability criteria. We are focused on bringing renewable raw materials into our production processes and on developing solutions for the circular economy. Areas of emphasis include product solutions for biodegradable items and recycling options such as using recycled concrete to replace sand in dry-mix mortars. In the reporting period, we launched functionalized polymer dispersions, dispersible polymer powders and polymer resins, which our customers use, for example, to make high-performance adhesives and dry-mix mortars. We held a symposium on resource-conserving construction with the Karlsruhe Institute of Technology (KIT), which we have supported in setting up an innovation platform for sustainable construction.

» https://changelab.exchange

WACKER BIOSOLUTIONS is strengthening its biotech expertise for biopharmaceutical and food applications. During the reporting period, we continued to develop our ESETEC® protein production platform and further improved the capacity to supply pharmaceutical proteins, which are difficult to produce. We are optimizing processes for producing plasmid DNA (pDNA), which we offer to our customers under the LIBATEC® brand, in compliance with Good Manufacturing Practice (GMP) quality guidelines. We have continued refining our LIBATEC® technology to enable the production of live bacteria for use as pharmaceutical active ingredients. At the Amsterdam site, we are able to produce mRNA-based actives for pharmaceutical customers in line with GMP. We are establishing a new mRNA competence center at the Halle site. For the food industry, WACKER BIOSOLUTIONS is developing fermentation-based methods for the production of high-quality bio-based ingredients. In the market for cell-based meat ("cultivated meat"), we see ourselves as a supplier of high-quality medium components, and we are also working with partners on production technologies and product offerings. We are developing applications for cyclodextrins in the food, agriculture and pharmaceutical industries.

In the reporting year, WACKER POLYSILICON continued its Quality LeaP (Quality Leadership in Polysilicon) project, seeking to reinforce its leadership in quality amid increasingly stringent customer requirements regarding purity. In the solar modules segment, huge technological progress is being made at every stage of the supply chain, and this trend is reflected in continually rising cell efficiencies. Maximum cell efficiencies are attainable only with hyperpure polycrystalline silicon of the grade produced by WACKER POLYSILICON. Reference studies such as the International Technology Roadmap for Photovoltaics (ITRPV) show efficiencies that now exceed 22 percent for monocrystalline solar cells produced with PERC (passivated emitter rear cell) technology. Efficiency is a measure of how much of the radiant energy absorbed by a solar cell is transformed into electricity. High-efficiency monocrystalline cells (such as heterojunction or interdigitated back-contact solar cells) achieve efficiencies of 23 to 25 percent. High-performance segments like these need polysilicon of the highest quality – the kind that WACKER supplies. We are a member of the Ultra Low-Carbon Solar Alliance (ULCSA), which advocates for the use of photovoltaic components that reduce the carbon footprint of solar systems.

» https://ultralowcarbonsolar.org/

Employees

Following the socially responsible implementation of the Shape the Future restructuring and efficiency program initiated in 2020, the employee headcount increased by 9.2 percent in 2022. The principal factors behind the increase were strong growth coupled with increased investment and project spending. 66.3 percent of WACKER's employees work in Germany and 33.7 percent at international sites.

B.39 Number of Employees as of December 31

	2022	2021	2020	2019	2018
Germany	**10,424**	10,006	10,096	10,356	10,291
International	**5,301**	4,400	4,187	4,302	4,251
Group	15,725	14,406	14,283	14,658	14,542

B.40 Personnel Expenses

€ million	2022	2021	2020	2019	2018
Personnel expenses	**1,595.0**	1,475.1	1,329.4	1,253.8	1,231.5

At €1,595.0 million, personnel expenses were higher versus the previous year (2021: €1,475.1 million). They included outlays for social benefits and the company pension plan totaling €312.6 million (2021: €319.9 million).

At the end of the reporting year, employees on standard payscales at the German sites received the full €3,000 inflation-relief payment provided under the collective bargaining agreement for the chemical industry. Non-standard-payscale employees were given a similar payment to compensate for inflation. Part-time employees received prorated inflation-relief payments of not less than €1,000. Trainees received €1,000 each.

WACKER considers a company pension to be an important component of compensation. It is provided at most of our German and international sites. In Germany, employees who joined WACKER through the end of 2021 receive a pension through Wacker Chemie AG's pension fund (Pensionskasse der Wacker Chemie VVaG). Employees can supplement their company pensions by making their own additional

contributions. As provided for in collective bargaining agreements, WACKER supports employees' supplementary contributions. Employees in Germany receive an additional supplementary pension for that portion of their salary that exceeds the pension insurance contribution assessment ceiling. The pension fund has roughly 18,000 members and provides pension payments to some 9,300 retirees. The average pension paid in the reporting year was €701 per month. WACKER pays in up to four times an employee's annual pension contributions, with the exact amount being determined by the type of agreement.

WACKER has reformed the company pension plan for future pension entitlements to make it future-proof, attractive and more flexible. This will relieve the burden on the company, also when interest rates are low. Corporate management and employee representatives have agreed on a model under which existing plans and vested benefits are preserved for current employees. The lifelong pension model will continue to exist for this group of employees, accompanied by new payout options aligned with a person's particular life situation. For new employees joining the company since January 2022, the company pension is designed to provide an attractive direct pension commitment on a funded basis together with high risk cover for reduced earning capacity or death. As a one-time initiative, the new plan will also be opened for employees covered by existing plans. In 2021, a contribution of €250 million was made to a trust company to partially finance WACKER's pension obligations from the direct commitments it made in the past. This contribution relates to company pension benefits that go beyond the basic pension provided by Pensionskasse der Wacker Chemie VVaG and are for employees who joined WACKER up to the end of 2021.

Procurement and Logistics (unaudited section)

In 2022, WACKER's procurement volume rose to €5.5 billion (2021: €3.9 billion). The increase was mainly due to substantially higher raw-material and energy prices, with the quantities procured having risen only marginally. At 68 percent, the procurement rate – expenditures for raw materials, services and other materials as a percentage of sales – was clearly above the prior-year level (2021: 62 percent). The number of suppliers, at around 10,000, was on par with the prior year.

The Group spent €3.9 billion to procure energy, raw materials and packaging, roughly 50 percent more than in the previous year (2021: €2.6 billion). About two-thirds of this increase stemmed from higher raw-material prices, the rest being due to higher energy prices.

B.41 Procurement Volume (Including Procurement for Capital Expenditures)

€ million	2022	2021	2020	2019	2018
Procurement volume	**5,579**	3,856	2,847	3,414	3,603

Production (unaudited section)

Production output declined by a mid-single-digit percentage year over year. Production costs, on the other hand, rose by more than 20 percent.

B.42 Plant Utilization in 2022

%	Plant utilization rate
WACKER SILICONES	92
WACKER POLYMERS	85
WACKER POLYSILICON	100

Capital expenditures for 2022 amounted to €546.8 million (2021: €343.8 million). Maintenance costs totaled around €504.7 million.

B.43 Key Start-Ups

Location	Projects	Year
Adrian	Multifunctional emulsion plant	2022
Burghausen	Production plant for vinyl polymers	2022

Priorities of the Productivity Program

The ongoing WACKER Operating System (WOS) program is helping us boost productivity along the entire value chain. The most important goal is to continue reducing specific operating costs each year. In 2022, we handled more than 1,000 improvement projects that once again delivered savings spanning all cost types. The focus of improvement measures in 2022 was to increase capacity amid high utilization of production facilities. Emphasis was also placed on measures to reduce specific energy consumption in the interests of sustainability, as well as on digitalization and automation measures aimed at improving labor productivity.

At the WOS ACADEMY, over 100 employees were trained in the Six Sigma and Lean process improvement methods in online and classroom courses, while optimization projects were implemented simultaneously.

Sales and Marketing (unaudited section)

WACKER recorded significant increases in sales at all business divisions in 2022. High sales volumes and better prices were the main drivers. The largest percentage increase was achieved by WACKER POLYSILICON, at around 50 percent. WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS each increased their sales by a double-digit percentage.

WACKER's chemical business is geared to three customer groups: key accounts, regional customers and distributors. WACKER currently has 40 key accounts, through which it generated around 26 percent of its total chemical sales in 2022. More than 50 percent of sales stemmed from active business connections with about 5,000 other customers. Our distributors account for some 22 percent of sales.

Marketing communication plays a central role in supporting branding and the sale of products. In 2022, WACKER spent €8.5 million on marketing communication (2021: €5.7 million).

54 tradeshows took place (2021: 48). We analyze the success of tradeshow communication in both qualitative and quantitative terms.

Management Report of Wacker Chemie AG

(Additional Information Pursuant to the German Commercial Code)

The management report of Wacker Chemie AG and the Group management report for 2022 are combined in accordance with Section 315 (5) in connection with Section 298 (2) of the German Commercial Code (HGB). The annual financial statements of Wacker Chemie AG (prepared in accordance with the German Commercial Code) and the combined management report are published simultaneously in the electronic version of Germany's Federal Gazette.

The combined management report includes all reporting elements pertaining to Wacker Chemie AG that are required by law. Further to our report on the WACKER Group, we explain here developments at Wacker Chemie AG.

Wacker Chemie AG is the parent company of the WACKER Group and has its headquarters in Munich, Germany. The parent company operates through four business divisions – WACKER SILICONES, WACKER POLYMERS, WACKER BIOSOLUTIONS and WACKER POLYSILICON – which generate a substantial portion of the Group's sales. Wacker Chemie AG's directly and indirectly held subsidiaries and investments located in Germany and abroad have a strong influence on its business. The company has a total of 50 subsidiaries, joint ventures and associated companies, and also provides the Group with corporate functions. Wacker Chemie AG's Executive Board exercises key management functions for the Group as a whole, which include determining the Group's strategy, allocating resources (such as funds for investment spending), and bearing responsibility for managing executive personnel and corporate finances. Wacker Chemie AG's Executive Board also oversees communications with the company's key stakeholders, especially with the capital markets and shareholders.

The key performance indicators used in corporate management are implemented groupwide in the business divisions. Corporate goals are defined and reported for the divisions on a groupwide basis. Even though Wacker Chemie AG is an independent entity, no separate key performance indicators are defined or reported for it. For more information, please refer to the respective details provided for the WACKER Group as a whole.

The general business conditions of Wacker Chemie AG are essentially the same as those of the Group.

The annual financial statements of Wacker Chemie AG were prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). These statements differ substantially from the IFRS figures in relation to fixed assets, depreciation/amortization and impairments, financial instruments, right-of-use assets and financial liabilities in connection with lease accounting, provisions for pensions, and deferred taxes. As regards EBITDA, there are only slight differences between IFRS and HGB figures.

B.44 Statement of Income

€ million	2022	2021
Sales	6,437.4	4,811.6
Changes in inventories	202.7	86.7
Other capitalized self-constructed assets	40.0	36.9
Gross profit from sales	6,680.1	4,935.2
Other operating income	258.3	180.1
Cost of materials	–3,660.2	–2,341.5
Personnel expenses	–1,247.7	–1,079.7
Depreciation/amortization	–149.5	–149.9
Other operating expenses	–983.8	–721.6
Operating result	897.2	822.6
Result from investments in subsidiaries, joint ventures and associates, including (reversals of) impairments	164.9	99.2
Net interest result	–46.1	–105.1
Other financial result	–19.1	21.5
Financial result	99.7	15.6
Income before income taxes	996.9	838.2
Income taxes	–305.8	–202.5
Net result	691.1	635.7
EBITDA[1]	1,046.7	972.5

[1] EBITDA is the operating result before depreciation/amortization and (reversals of) impairments of fixed assets.

Wacker Chemie AG's Earnings Pursuant to the German Commercial Code

Wacker Chemie AG's earnings again developed well in 2022, showing a significant increase in operating performance and EBITDA. At year-end, Wacker Chemie AG posted net income of €691.1 million (2021: €635.7 million). That was a year-over-year increase of €55.4 million.

Wacker Chemie AG's sales once again rose substantially, climbing by 34 percent to reach €6.44 billion (2021: €4.81 billion). All of the business divisions contributed to this growth. At WACKER SILICONES, sales of €2.57 billion were up 32 percent (2021: €1.95 billion). WACKER POLYMERS' sales grew to €1.12 billion (2021: €1.0 billion), an increase of 12 percent. Sales at WACKER BIOSOLUTIONS increased by €25.3 million to €181.2 million (2021: €155.9 million). In 2022, WACKER POLYSILICON posted significant growth in sales, with an increase of 49 percent to €2.29 billion (2021: €1.53 billion). Overall operating performance rose by €1.74 billion to €6.68 billion.

The cost of materials increased by €1.32 billion in 2022 to reach €3.66 billion (2021: €2.34 billion), chiefly due to higher energy costs. Procurement prices for strategic raw materials rose in 2022, with higher silicon metal prices having the biggest impact. Prices for methanol, ethylene and acetic acid increased as well. The material-to-sales ratio in 2022 was 54.8 percent (2021: 47.4 percent).

Personnel costs climbed by 15.6 percent to €1.25 billion (2021: €1.08 billion), driven by collective-bargaining agreements that included inflation-relief payments, higher variable compensation components due to be disbursed in 2023 and increased allocations to provisions for pensions. At year-end 2022, Wacker Chemie AG had 10,073 employees (Dec. 31, 2021: 9,724). The employee-expense ratio declined to 18.7 percent (2021: 21.9 percent).

Depreciation and amortization decreased by €0.4 million to €149.5 million (2021: €149.9 million) and were thus on par with the prior year.

The other operating result (other operating income less other operating expenses) fell by €184.0 million to €–725.5 million (2021: €–541.5 million). Other operating expenses include not only exchange-rate losses, but also selling expenses, maintenance, other contractor work, rents, servicing costs, R&D costs and costs assumed on behalf of subsidiaries. Selling expenses, in particular, were higher in 2022 due to increased logistics costs. Expenses for maintenance and other contractor work also increased slightly in 2022. The foreign currency result declined by €20.7 million to €–46.2 million (2021: €–25.5 million). The operating result was €897.2 million, up 9 percent (2021: €822.6 million). Sales growth in 2022 was the main reason for this increase.

The result from investments in subsidiaries, joint ventures and associates mainly comprised income from profit-and-loss transfer agreements and dividend payments. This income of €164.9 million was higher than the prior-year figure of €99.2 million. The increase was primarily attributable to higher earnings at the subsidiaries in Germany and to Siltronic AG's significantly higher dividend payment. In addition, an impairment loss on the shares in Dow Siloxane (Zhangjiagang) Holding Co. Private Ltd., Singapore, was reversed in the amount of around €70 million. An impairment loss in the amount of €12.9 million was recognized on the stake in WACKER Química do Brasil Ltda., Jandira – São Paulo, Brazil.

The net interest result improved, reaching €–46.1 million (2021: €–105.1 million). This was mainly attributable to lower interest expense of €51.8 million on provisions for pensions (2021: €93.8 million).

Income tax expenses came to €–305.8 million (2021: €–202.5 million). The effective tax rate was 30.7 percent.

Net income came to €691.1 million. Retained profit for 2022 – calculated as the profit carried forward from the previous year less €397.4 million in dividends paid – totaled €2.03 billion (2021: €1.73 billion).

Net Assets and Financial Position of Wacker Chemie AG Pursuant to the German Commercial Code

Wacker Chemie AG's total assets increased by 13 percent year over year to €7.94 billion (Dec. 31, 2021: €6.99 billion). The individual items in the statement of financial position did not develop uniformly.

B.45 Statement of Financial Position

€ million	2022	2021
Assets		
Intangible assets	**5.7**	5.2
Property, plant and equipment	**1,160.2**	1,015.7
Financial assets	**3,115.7**	2,940.8
Fixed assets	4,281.6	3,961.7
Inventories	1,001.3	663.7
Trade receivables	**438.1**	438.6
Other receivables and other assets	**692.6**	391.8
Receivables and other assets	1,130.7	830.4
Securities and fixed-term deposits	**753.2**	712.9
Cash on hand and bank deposits	**718.3**	770.5
Current assets	3,603.5	2,977.5
Prepaid expenses	52.4	54.5
Total assets	7,937.5	6,993.7
Equity and Liabilities		
Subscribed capital	**260.8**	260.8
Less nominal value of treasury shares	**–12.4**	–12.4
Issued capital	248.4	248.4
Capital reserves	**157.4**	157.4
Other retained earnings	**1,000.0**	1,000.0
Retained profit	**2,028.6**	1,734.9
Equity	3,434.4	3,140.7
Provisions for pensions and similar obligations	**962.6**	828.5
Other provisions	**610.3**	568.2
Provisions	1,572.9	1,396.7
Financing liabilities	**1,818.5**	1,632.8
Trade payables	**585.2**	446.4
Other liabilities	**512.2**	361.4
Liabilities	2,915.9	2,440.6
Deferred income	14.3	15.7
Total equity and liabilities	7,937.5	6,993.7

In 2022, fixed assets increased to €4.28 billion (2021: €3.96 billion). Property, plant and equipment increased year over year, as capital expenditures in the amount of €293.3 million (Dec. 31, 2021: €183.1 million) exceeded depreciation of €146.1 million (Dec. 31, 2021: €146.6 million). Financial assets also increased, from €2.94 billion to €3.12 billion. Overall, fixed assets accounted for 54 percent of total assets, compared with 57 percent in the prior year.

Inventories increased year over year. They amounted to €1,001.3 million (Dec. 31, 2021: €663.7 million), up 51 percent. This was primarily due to the sharp increase in raw-material costs, especially for silicon metal. At €438.1 million as of the reporting date, trade receivables were on par with the prior year (Dec. 31, 2021: €438.6 million).

Other receivables and other assets amounted to €692.6 million as of the reporting date (Dec. 31, 2021: €391.8 million), up 77 percent. This was due chiefly to increased receivables from affiliated companies, which amounted to €515.7 million (Dec. 31, 2021: €291.0 million). They were attributable mainly to intercompany charges for project services.

As of December 31, 2022, Wacker Chemie AG held €753.2 million in securities and fixed-term deposits with maturities of over three months (Dec. 31, 2021: €712.9 million). Wacker Chemie AG's bank deposits amounted to €718.3 million as of December 31, 2022 (Dec. 31, 2021: €770.5 million).

Equity came to €3.43 billion as of the reporting date (Dec. 31, 2021: €3.14 billion), yielding an equity ratio of 43.3 percent (Dec. 31, 2021: 44.9 percent). At Wacker Chemie AG's annual shareholders' meeting, a resolution was passed to distribute a dividend of €397.4 million from the retained profit for 2021. The remaining retained profit of €1,337.5 million was carried forward. As of December 31, 2022, retained profit totaled €2,028.6 million and mainly comprised current net income of €691.1 million for 2022 and the profit carried forward from the preceding year.

Provisions for pensions and similar obligations increased by €134.1 million year over year to €962.6 million (Dec. 31, 2021: €828.5 million), owing to pension adjustments and the lower discount rate. Other provisions – primarily comprising those for personnel, taxes and environmental protection – increased by €42.1 million in 2022, coming in at €610.3 million (Dec. 31, 2021: €568.2 million). This increase was attributable, in particular, to higher provisions for personnel, higher inflation-related costs in relation to provisions for environmental protection and a rise in provisions in connection with the contract manufacturing of polysilicon. Provisions accounted for 20 percent of total equity and liabilities, unchanged over the prior year.

As of the reporting date, financial liabilities were €1,818.5 million (Dec. 31, 2021: €1,632.8 million), up 11 percent. Bank loans amounted to €1,048.6 million (Dec. 31, 2021: €1,054.5 million). Liabilities due to affiliated companies grew by €191.8 million to €763.6 million as of the reporting date (Dec. 31, 2021: €571.8 million). As in the previous year, financial liabilities accounted for 23 percent of total equity and liabilities.

Trade payables grew by €138.8 million year over year to €585.2 million (Dec. 31, 2021: €446.4 million), due largely to sharp increases in procurement prices for raw materials. As of the reporting date, other liabilities amounted to €512.2 million (Dec. 31, 2021: €361.4 million). The main reason for this increase was advance payments received, especially for polysilicon, which went up by €91.6 million to €295.3 million (Dec. 31, 2021: €203.7 million).

Deferred income came to €14.3 million as of the reporting date (Dec. 31, 2021: €15.7 million) and mainly comprised a payment by Siltronic AG to Wacker Chemie AG for the transfer of employees.

Cash flow from operating activities declined year over year, from €702.6 million to €584.6 million, predominantly due to the build-up of inventories.

Wacker Chemie AG's cash outflow from investing activities amounted to €–411.8 million (2021: €–453.4 million). Available funds were invested in securities and fixed-term deposits in the amount of €175.6 million (2021: €348.8 million). Net cash flow – defined as the sum of cash flow from operating activities and cash flow from long-term investing activities (excluding securities and fixed-term deposits) – decreased to €348.4 million in the reporting year (2021: €598.0 million). The main factor in this decline was reduced cash flow from operating activities, but increased capital expenditures on property, plant and equipment and a loan to a subsidiary in China also had an impact.

Cash flow from financing activities totaled €–225.0 million (2021: €57.9 million). Intra-Group financing resulted in a cash inflow of €178.3 million (2021: €161.1 million), mainly attributable to existing cash pooling with US subsidiaries. The dividend paid for 2021 led to a cash outflow of €–397.4 million.

Liquidity – defined as the sum of securities, the fund WMM Universal Fonds, and cash on hand and bank deposits – amounted to €1,786.0 million as of December 31, 2022. In the prior year, liquidity had amounted to €1,799.2 million. As a result, net financial receivables – the balance of liquidity and liabilities to financial institutions – totaled €737.4 million (prior year: €744.7 million).

Risks and Opportunities

Wacker Chemie AG's business performance is subject to essentially the same risks and opportunities as the WACKER Group. Wacker Chemie AG's exposure to the risks associated with its subsidiaries and investments depends on the size of its stakes in the respective entities. The measurement of holdings is affected in particular by the risks specified in the Risk Management Report. Through our subsidiaries and investments, we could face impairments arising from legal or contractual contingencies (especially financing). These contingencies are explained in the Notes to the financial statements of Wacker Chemie AG. As the parent company of the WACKER Group, Wacker Chemie AG is integrated in the groupwide risk management system.

» For further details, see the Financial Instruments section of this Annual Report. A description of the internal control system for WACKER Chemie AG, as mandated by Section 289 (5) of the German Commercial Code (HGB), can be found in the section on the Internal Control System (ICS) and the Internal Control System for Accounting.

Outlook

WACKER's main planning assumptions relate to raw-material and energy costs, personnel expenses and exchange rates. For 2023, we anticipate a euro exchange rate of US$ 1.10. The expectations for Wacker Chemie AG's business performance in the year ahead are essentially the same as those for the WACKER Group, which are explained in full in the Group's Outlook section.

The risks to the economy will continue in 2023. We currently expect Wacker Chemie AG's sales this year to be substantially lower than last year. Net income for the year will be significantly lower than last year.

Publication

The annual financial statements of Wacker Chemie AG have been submitted to the publisher of Germany's Company Register and can be viewed on the corresponding website. KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements and issued an unqualified audit certificate for them. The statement of financial position and statement of income are the main parts of the annual financial statements published in this Annual Report. Wacker Chemie AG's annual financial statements are published together with those of the WACKER Group. The annual financial statements can be requested from Wacker Chemie AG, Hanns-Seidel-Platz 4, 81737 Munich, Germany. They are also available online.

Risk Management Report

Description and Statement Relating to Risk and Compliance Management

Integrated Approach to Risk and Compliance Management

Risk and compliance management are an integral part of corporate management at WACKER. As a global company, we are exposed to numerous risks directly attributable to our operational activities. Starting from an acceptable overall level of risk, the Executive Board decides which risks we should take to seize the opportunities available to the company. The goal of risk management at WACKER is to identify risks as early as possible, to evaluate them adequately and to take appropriate steps to reduce them. We define risks as internal and external events that may have a negative effect on the attainment of our targets and forecasts. Compared with the previous year, we made no fundamental changes to our existing risk management system in 2022.

As a chemical company, we have a particular responsibility to ensure plant safety and protect human health and the environment. At all our production sites, there are employees who are responsible for plant and workplace safety and for health and environmental protection. Our risk management system complies with the statutory requirements and is integral to all our decisions and business processes. The Executive and Supervisory Boards are regularly informed about the current risk status in the Group and at each business division.

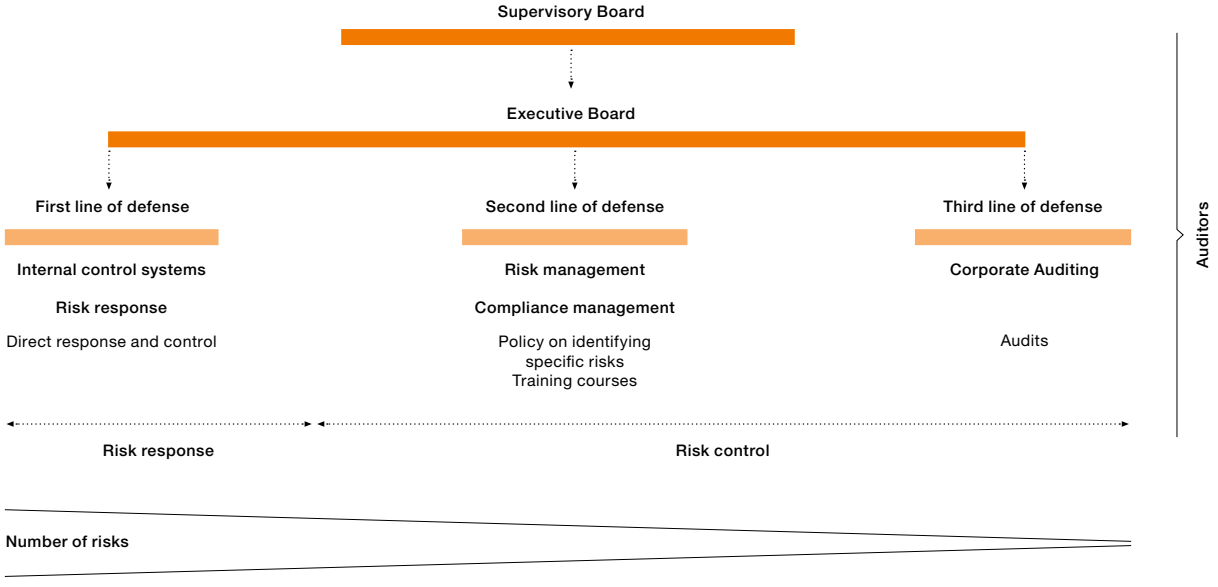
WACKER follows the Three Lines of Defense model to effectively manage corporate risks and ensure compliance with legal provisions and the ethical principles of corporate management.

» See Figure B.46 on page 96.

The first line of defense lies with the managers of operating activities. They are responsible for handling risks there, including risk responses and risk control. This involves setting up functioning internal control systems in their operational units.

The second line of defense is formed by risk management and compliance management. Risk management involves systematically tracking the main risks facing operational units and reporting on the risks to the Executive Board. Compliance management ensures that the ethical principles of corporate management are observed. The Compliance Management team identifies the relevant legal requirements and amendments, forwards them to all affected corporate units and holds courses on compliance for employees. The tax compliance management system ensures that Wacker Chemie AG and its subsidiaries comply fully and punctually with their obligations under tax law. Early involvement of the

B.46 Three Lines of Defense Model



tax department and checks on preliminary tax-related processes help minimize the corresponding risks.

The third line of defense is provided by the Corporate Auditing department, which acts as an independent monitoring body for the Executive Board. This department conducts audits at regular intervals to review the risk management activities in place at the various corporate units and to check whether the internal control systems run by the operational units are effective. Corporate Auditing also liaises with the Compliance Management team, for example if anti-corruption investigations are undertaken or related measures implemented.

Internal Control System (ICS) and Internal Control System for Accounting

Our internal control system (ICS) is an integral component of our risk management system.

The objective of the internal control system for accounting is to ensure consistent compliance with legal requirements, generally accepted accounting principles and International Financial Reporting Standards (IFRSs), and thus avoid misstatements in Group accounting and external reporting.

In addition to the ICS principles already mentioned, we perform assessments and analyses to help identify and minimize any risks that may directly influence financial reporting. We enlist the support of external experts to reduce the risk of accounting misstatements in complex and challenging issues, such as pensions.

Our internal accounting control system is designed to ensure that our accountants process every business transaction promptly, uniformly and correctly, and that reliable data on the Group's earnings, net assets and financial position are available at all times. Our approach here complies with statutory provisions, accounting standards and internal accounting rules. The accounting manual, which is applicable groupwide and available on the WACKER intranet, represents a key accounting guideline. The manual specifies binding rules for groupwide accounting and assessment. The Group regulation on accounting contains uniform stipulations for the organizational responsibility of accounting-related topics. The organizational workflow is also defined in accounting and organizational regulations, and in book-entry instructions. Corporate Accounting is the central unit for monitoring compliance with reporting obligations and deadlines. By breaking down financial functions into the categories accounting, statement analysis and strategy, we ensure that potential errors are identified prior to finalization of the statements and that accounting standards are complied with.

Our subsidiaries ensure that all regulations are implemented locally. Corporate Accounting assists them in this task and monitors the process. The reported data is verified both by automatic system validation, and by reports and analyses. We safeguard the effectiveness of controls not only by gathering feedback from the employees involved, but also by continually monitoring key financial indicators in our monthly management reports and in system-based test runs. Moreover, regular external reviews and audits are carried out at the end of each year as well as at the end of the first six months of each year.

Each quarter, managers at our divisions, corporate departments and subsidiaries confirm for their areas that all key issues for the quarterly and annual financial statements have been reported.

B.47 Risk Management System

The Supervisory Board is also integrated into the internal control system through its Audit Committee. In particular, the Audit Committee monitors the accounting process, the effectiveness of the internal-control and risk-management systems, and the auditing procedures. Further, the Committee reviews the documents for Wacker Chemie AG's separate financial statements and the WACKER Group's annual and quarterly consolidated financial statements, as well as the combined management report for these statements, and discusses them with the Executive Board and the auditors.

We deploy user authorization systems, data release policies and access restrictions to protect all financial systems from misuse. However, even with adequate and functioning systems in place, we cannot guarantee that the internal control system will be 100-percent effective.

Risk Response

WACKER focuses on identifying, evaluating, responding to, and monitoring risks as part of a transparent risk management and control system for all company processes. The system is based on a defined risk strategy and an efficient reporting procedure. The Executive Board regularly reviews and enhances the risk strategy and provides the Supervisory Board's Audit Committee with regular briefings on existing risks.

All corporate areas are integrated into the risk management system. It consists of three intermeshed aspects:

- Division-specific risk management and early-warning systems
- Groupwide risk coverage
- Groupwide risk mapping

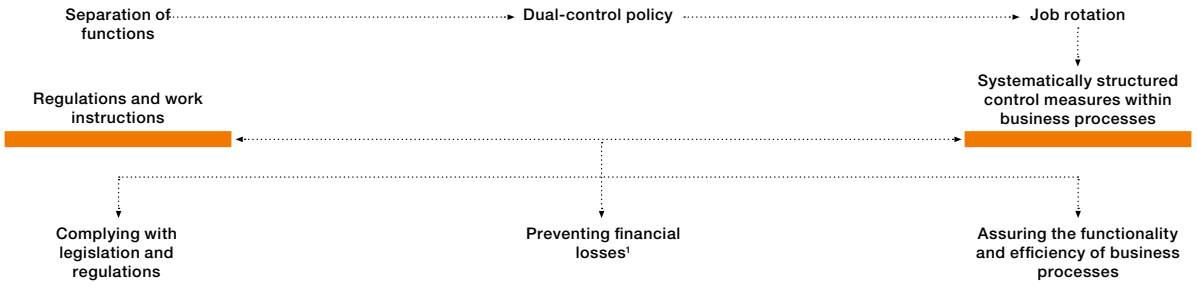
The CFO has overall responsibility for the appropriateness and effectiveness of the risk management systems. The internal control system is the subject of regular inspections carried out by WACKER's internal auditing and of the audits carried out by the Integrated Management System (IMS). These inspections detected no material faults. Pursuant to Sec. 317 (4) of the German Commercial Code, when auditing our financial statements, the auditors also examine our early warning system for detecting risks and the internal accounting control system. There were no matters that would have required reporting. Risk management, internal auditing, compliance management and sustainability matters are also the subject of regular reports to the Audit Committee. The Executive Board declares that at the time this report was prepared, there had been no issues that would give rise to the assumption that the internal control and risk management systems were not appropriate or effective.

Risk Management Structures and Tools

This groupwide system draws on existing organizational and reporting structures, supplemented by additional elements:

- The risk management manual: contains the system's principles and processes. It explains reportable levels of risks and how risks are to be covered and mapped.
- The risk management regulation: stipulates groupwide reporting requirements and when a specific committee must be informed.
- The risk management coordinator: oversees the risk management system and is supported by local risk coordinators.

B.48 Basis of Our Internal Control System (ICS)



[1] Possible financial losses due to the intentional or inadvertent misconduct of our employees or third parties

— The risk list: contains specific risks faced by our business divisions and other corporate sectors. Reporting is mandatory for individual risks where the effect on earnings would exceed €5 million.

Risk Identification

WACKER identifies risk on two levels: divisional and Group. We employ various instruments to detect and recognize risk. These include monitoring order-intake trends, market and competition analyses, customer talks, and ongoing observation and analysis of the economic environment.

Assessment, Quantification and Management of Risks

We analyze each identified risk's probability of occurrence and potential effect on earnings. Corporate Controlling compiles a monthly report to inform the Executive Board of current and expected business developments and their associated risks. We evaluate risks and opportunities at regular meetings with our divisions and weigh them up against each other.

Corporate Controlling's task is to ensure that our risk management standards are implemented and our risk management process enhanced. It is responsible for recording all significant risks groupwide and evaluating them systematically. Significant risks and those endangering the company's continued existence are communicated immediately via ad-hoc reports. As WACKER's business divisions are responsible for their own results, this process is closely interwoven with operational controlling. Individual divisional risks are identified and evaluated on a monthly basis.

The Corporate Finance and Insurance department is responsible for managing financial risks and customer receivables.

Compliance Management

WACKER's ethical principles of corporate management exceed the statutory requirements. The Compliance Management department is responsible for ensuring that these principles and all related legislation are observed throughout the company. Training courses on compliance raise employees' awareness of the relevant risks and convey binding rules of behavior for daily work routines. These aspects are covered by WACKER's compliance regulation. Employees are instructed to inform their supervisors, the compliance officers, the employee council or their designated HR contacts of any violations that come to their attention. They also have the option of reporting suspected violations anonymously via a protected channel. We have introduced a groupwide whistleblower system in line with EU requirements. It enables WACKER's employees and business partners who detect potential violations of rules and regulations to report them to the company – directly, confidentially and anonymously.

The Group's compliance officers are responsible for ensuring that the compliance system is observed, and are on hand to advise employees on all compliance-related matters.

Prevention is a key aspect of the compliance officers' work. They train, inform and advise employees and management on, for example, strategies and measures to prevent corruption and other breaches of the law. In 2022, no major infringements of compliance were identified that were subject to the above-mentioned reporting threshold of an effect on earnings of more than €5 million.

Corporate Auditing

The third line of defense is provided by WACKER's Corporate Auditing department, which acts as an independent monitoring body for the Executive Board. This department shares responsibility for effective internal control systems throughout the various operational processes and systems. When setting up an internal control system, the operational units must apply certain principles, such as a policy of dual control. These principles are defined in an internationally applicable regulation, where they are explained in more detail for critical functions.

On behalf of the Executive Board, Corporate Auditing performs regular, mainly process-specific, reviews of all relevant functions and corporate units, focusing on internal control systems. Audit topics are selected using a risk-driven approach. This takes account of risk management reporting, as well as the reports and information provided by the corporate departments, business divisions and major joint ventures/associates. The auditing schedule is supplemented and approved by the Executive Board, and discussed with the Audit Committee. If necessary, the schedule can be adjusted flexibly during the year to accommodate any changes in underlying conditions.

Any process-optimization measures derived from the audits are implemented and systematically monitored by the Corporate Auditing department. The latter provides the Executive Board and Audit Committee with regular reports on the results and implementation status of the various measures.

Nothing came to our attention in the year under review that would endanger the proper functioning of the internal control systems or have an effect on earnings that exceeded the above-mentioned reporting threshold of €5 million.

Audits

When auditing our annual financial statements, the external auditors examine our early-warning system for detecting risks. The auditors then report to the Executive and Supervisory Boards.

Central Risk Areas

Defining the Probability and Impact of Risk Occurrence

We have defined categories to describe the probability that risks we identify will occur. This provides a framework for understanding our assessment of individual areas of risk. In percentage terms, our categories define the range of probability as follows:

- Unlikely: under 25 percent
- Possible: 25–75 percent
- Likely: over 75 percent

We also use categories to describe how the occurrence of the risks listed might affect the Group's earnings, net assets or financial position. We assess the possible effect on earnings using the net method, i.e. after taking appropriate countermeasures, such as establishing provisions or hedging. The following categories define the ranges:

- Low: up to €25 million
- Medium: up to €100 million
- High: over €100 million

The table shows our estimation of the probability of risks and of how the occurrence of those risks might affect the Group's earnings, net assets or financial position. The statements refer to the forecast period, i.e. 2023.

Overall Economic Risks

Scenario: Economic slowdown.

Impact on WACKER: Production-capacity utilization drops, specific production costs rise, and the Group's sales and earnings decline.

Measures: We counter this risk by continuously monitoring economic trends in our key sales markets. Should the economy weaken, we take early precautions to quickly adjust production capacities, resources and inventories to customer demand. In such a case, we concentrate capacity utilization on production locations with the best cost position, for example.

B.49 Probability and Possible Impact of Our Risks in 2023

Risk/category	Probability	Possible impact
Overall economic risks	Possible	High
Sales-market risks		
Chemicals	Possible	Medium
Polysilicon	Possible	Medium
Procurement-market risks	Likely	High
Investment risks	Possible	Medium
Production and environmental risks	Unlikely	Medium
Financial risks		
Credit risk	Unlikely	Low
Currency-exchange and interest-rate risks	Possible	Medium
Liquidity risk	Unlikely	Low
Pensions	Possible	Medium
Legal risks	Unlikely	Low
Regulatory risks		
Energy transition in Germany	Possible	High
Polysilicon trade restrictions	Possible	High
New regulations for production processes and products	Likely	Low
IT risks	Possible	Medium
Personnel-related risks	Unlikely	Low
External risks	Possible	Medium

Evaluation and Risk Assessment: Accelerating inflation rates worldwide, rising interest rates, extremely high energy prices in Europe and consumers' increasing reluctance to spend were already a considerable drag on the economy in 2022. Moreover, global bottlenecks for certain product

groups – for example, in the chip industry – and for logistics are still having an impact. Economists expect this trend to continue in 2023 and predict that a number of eurozone countries will enter recession. We have already included these possibilities in our planning. Due to the ongoing risks, however, we consider it possible that the global economy will fall short of current expectations for 2023. Should global economic activity prove much weaker than currently anticipated, that would potentially have a high impact on WACKER's earnings.

Sales-Market Risks

Scenario 1: Overcapacity at our chemical divisions.

Impact on WACKER: Price and volume pressure on our products.

Measures: We minimize this risk by adjusting our production capacity and by ensuring plant utilization through volume control and the intense cultivation of growth markets. It remains our goal to increase the share of cyclically resilient product lines in our portfolio and to rank among the global leaders in those lines.

Evaluation and Assessment: We already noted a drop in orders in a number of sectors in summer, especially in the construction industry. Prices of standard silicones are declining in China and Europe, and in some segments, like the textile industry, demand is weak. This makes it more difficult to keep prices for our products at a good level. In view of current economic forecasts, we expect this trend to continue at least in the first half of 2023.

Overall, we consider it possible that specific areas of our chemical business will face overcapacity and resultant price pressure in 2023. Should such a scenario materialize, it would likely have a medium impact on the Group's earnings.

Scenario 2: Overcapacity and very low prices for solar-grade silicon, growing market power of major solar-wafer manufacturers, difficult market conditions due to the paring back of programs to expand the use of photovoltaics, potential financial difficulties for solar-industry customers following a market slump.

Impact on WACKER: Volume risks arise if excessive and hurried cuts to governments' solar-incentive programs negatively impact photovoltaic market growth. Massive excess capacity in China in the coming years at all points in the solar industry's value chain and, in particular, as regards polysilicon could result in intense price competition, putting pressure on margins. Both factors could lower sales and earnings.

Measures: We counter this risk by continuously improving our cost positions and by optimizing our product and customer portfolio in line with market developments, for example by expanding our market share for electronic-grade silicon. Regions such as the USA, India and Europe are looking to promote the establishment of new local photovoltaic production capacities. This will potentially open up new solar-industry markets for WACKER outside of China as well. We respond to customers' potential liquidity problems by requesting security.

Evaluation and Risk Assessment: Prices of solar-grade silicon climbed markedly last year and remain at a comparatively high level, even though they did decline noticeably in the final weeks of last year. Demand for our particularly high-quality polysilicon remains robust in both the semiconductor and solar sectors. At the same time, Chinese competitors have announced plans to add new polysilicon capacity to the market. As a result, polysilicon prices could come under pressure again during 2023. Such a development has been factored into our planning and forecasts. Should demand for solar-grade polysilicon clearly exceed supply, this would presumably lift WACKER POLYSILICON's earnings. Conversely, a slump in demand for WACKER's solar-grade polysilicon would probably have a medium impact on earnings in this business. In our view, there is a possible risk that prices will decline.

Procurement-Market Risks

Scenario: Higher raw-material and energy prices; bottlenecks in the supply of certain raw materials; change to key relief regulations for energy-intensive industries.

Impact on WACKER: Earnings dampened by higher raw-material and energy prices. Supply bottlenecks could lead to longer customer delivery times and reduce the volumes sold.

Measures: Close cooperation between Procurement and our business divisions helps ensure that higher procurement costs are for the most part passed on to our customers, so that WACKER's margins remain stable. For strategic raw materials and energy, we prepare systematic annual procurement plans, which include an evaluation of the procurement risk. Wherever possible, we take

appropriate countermeasures for any procurement risk classed as relevant. Such countermeasures include: long-term supply contracts; structured procurement policies for multiple suppliers under contracts of differing lengths; a wider supplier base; a higher level of safety stocks. We reduce our dependence on external suppliers by means of partial vertical integration, for example by producing our own silicon metal and vinyl acetate. As far as energy procurement is concerned, we endeavor to protect ourselves against extreme price hikes by deploying a rolling hedging strategy and utilizing all possible relief options. Moreover, WACKER is advocating a Europe-wide industrial electricity price.

Evaluation and Risk Assessment: WACKER's good position in raw-material and energy procurement enables us to manage risks effectively during economic upturns and downturns. If the world economy were to weaken significantly, our purchasing terms for key raw materials would allow us to adjust contractual volumes flexibly and – wherever possible – to benefit from price decreases through appropriate pricing models. Should global growth become unexpectedly strong, our volume guarantees are so extensive that we do not see any major risks to raw-material security.

As regards electricity costs, current German law partially exempts energy-intensive companies from paying various levies and surcharges. WACKER, too, benefits from these rules. Any restriction on the exemption rules would significantly reduce the competitiveness of specific business activities. In general, energy price trends (wholesale prices, infrastructure costs and ancillary costs) will remain heavily dependent on how German and European policymakers organize the energy transition. Further factors that could influence future energy price trends are the effects of the war in Ukraine and falling energy production capacity in Germany due to plant shutdowns triggered by the energy transformation. Both these factors could lead to higher energy prices.

Above all in the first half of 2022, raw-material and energy prices rose very strongly, especially in Germany. In the meantime, prices have retreated somewhat from last year's highs. But electricity and gas prices in particular remain substantially above the long-term average The intermittent risk of gas shortages in Germany during the past year has now decreased due to the high levels in the country's gas reservoirs, yet the situation could become more critical again in the course of 2023. Overall, there is a high probability that in 2023 energy prices will again be significantly higher than their long-term average. We are endeavoring to counter this by raising the selling prices of our products wherever possible. Our planning is based on this scenario. Experience has shown, however, that the opportunities for raising market prices during an economic downturn are limited. If we do not succeed in passing on at least part of our higher energy costs through higher selling prices, this could have a high impact on earnings.

Investment Risks

Scenario: Bad investments, higher-than-expected investment costs, postponed plant start-ups, deterioration of original market projections, and the assumption of risks from investments in joint ventures and associates.

Impact on WACKER: Bad investments could lead to idle-capacity expenses and/or impairments of assets and investments. The possible effect on earnings could be substantial. Higher investment costs mean higher cash outflows and, in the future, will lead to higher expenses for depreciation / amortization and impairments in our operating result. Postponed start-ups expose us to the risk of being unable to fulfill supply contracts and of posting lower sales and earnings. Should Siltronic AG's market capitalization fall substantially, WACKER might have to recognize a corresponding impairment on the carrying amount of its equity-accounted investment, which could negatively affect WACKER's earnings.

Measures: WACKER has numerous measures in place to counter investment risks. Investment projects are subject to a risk management process and their planning is thoroughly checked for completeness and plausibility. Economic feasibility is assessed using comparative studies that look at other projects, including those of competitors. Major capital expenditure is approved in stages only. Stringent project-budget management helps minimize or prevent delays.

Evaluation and Risk Assessment: Our capital expenditures will further increase in 2023 due to capacity-expansion projects across all divisions. The currently high level of inflation could make the construction of production facilities more expensive. The risk that investment spending will be higher than expected is currently considered to be possible.

If this risk were to materialize, the impact on our earnings, net assets and financial position would probably be in the medium range. We currently consider it unlikely that any negative trend in Siltronic AG's market capitalization will pose a risk to our financial position. Overall, we consider it possible that investment risks could materialize. Were these risks to materialize, they would probably have a medium impact on our earnings, net assets and financial position.

Production and Environmental Risks

Scenario: Risks relating to the production, storage, filling and transport of raw materials, products and waste.

Impact on WACKER: Personal injury; property damage and environmental impairment; production downtimes and operational interruptions; and the obligation to pay damages.

Measures: WACKER coordinates its processes through its integrated management system (IMS). This system regulates workflows and responsibilities, attaching equal importance to productivity, quality, the environment, and health and safety. The IMS is based on statutory regulations, and on national and international standards, such as Responsible Care® and the UN Global Compact, which go far beyond legally prescribed standards. We focus on securing the highest possible level of operational safety at our production sites by monitoring maintenance extensively and by performing regular plant inspections. We conduct thorough safety and risk analyses, from the design stage through to commissioning, to ensure the safety of our plants. We regularly hold seminars on plant and workplace safety, and protection against explosion damage. Every WACKER site has an emergency response plan in place to regulate cooperation between internal and external emergency response teams, and with the authorities. We are insured against loss events at our plants and the potential consequences of such events. Our insurance cover is in line with customary chemical-industry standards. When we work with logistics providers, we ensure that shipments of hazardous goods are always checked prior to loading. Any deficiencies are systematically recorded and tracked.

Evaluation and Risk Assessment: Experience has shown that risks stemming from the production, storage, filling and transport of raw materials, products and waste can never be completely ruled out. Although there is a general possibility that such risks will occur, we currently consider a serious loss event to be unlikely. Should such an event occur, though, it could have a medium impact on WACKER's earnings.

Financial Risks

WACKER's ongoing operations and financing expose it to financial risks. These include credit, market-price, financing and liquidity risks. The Notes to the Consolidated Financial Statements provide extensive information about risk hedging with derivative financial instruments.

Credit Risk

Scenario: Customers or business partners fail to meet their payment obligations.

Impact on WACKER: Losses on trade receivables, and failure of banks to fulfill their obligations to WACKER.

Measures: We use a variety of instruments to reduce the risk of any loss on receivables. Depending on the nature of the product or service provided and the amount involved, we require security. Our preventive measures range from obtaining references and performing credit checks to evaluating payment histories. We limit default risks by means of credit insurance, advance payments and bank guarantees. We reduce counterparty risk with respect to banks and contractual partners by carefully selecting these partners. We usually transact cash investments and derivative dealings with banks that have at least a defined minimum rating.

Evaluation and Risk Assessment: We consider it unlikely that credit risks stemming from customer business will materialize. We consider our risk concentration with regard to bank failures to be low, given our approach to counterparty risk. If, contrary to expectations, bank failures were to occur, their impact on WACKER's earnings would probably be low.

Currency-Exchange and Interest-Rate Risks

Scenario: Fluctuations in exchange rates and interest rates.

Impact on WACKER: Effect on earnings, liquidity, and financial assets and liabilities.

Measures: Currency risks arise mainly from exchange-rate fluctuations for receivables, liabilities, cash and cash equivalents, and financial liabilities not held in euros. The currency risk with respect to the US dollar is of particular importance. WACKER hedges any net exposure above a certain level by using derivative financial instruments. Foreign exchange hedging is carried out mainly for the US dollar. We also counter exchange-rate risks through production sites that are not in the eurozone.

Interest-rate risks arise due to changes in market rates. Such changes affect future interest payments for variable-rate loans and investments. We currently have adequate interest-rate hedges in place in this area.

The use of derivative financial instruments requires an underlying operating transaction and is governed by internal regulations.

Evaluation and Risk Assessment: We hedge part of our US dollar business. Possible gains or losses from exchange-rate fluctuations are partially cushioned by hedges. At the present time, we consider it possible that exchange-rate and interest-rate changes in 2023 will differ substantially from our planning assumptions. We believe that this would have a medium impact on Group earnings.

Liquidity Risk

Scenario: Lack of funds for payments and tougher access to credit markets.

Impact on WACKER: Higher financing costs and impact on further investment projects.

Measures: Liquidity risk is managed centrally at WACKER. Our Corporate Finance and Insurance department employs efficient systems for both cash management and rolling liquidity planning. To counter financing risks, WACKER holds adequate, contractually agreed long-term lines of credit, and has set aside sufficient liquidity. We invest liquid funds only in issuers or banks that have a solid investment-grade credit rating. Cash pooling means liquid funds are passed on internally within the Group as required.

Evaluation and Risk Assessment: WACKER's liquidity totaled €1.96 billion as of the reporting date. At the same time, there were unused lines of credit with terms of over one year totaling around €600 million. We consider the occurrence of financing and liquidity risks to be unlikely. At the moment, we see no risks relating to financial-covenant infringements. If financing or liquidity bottlenecks did occur, their impact on Group earnings would be low. If unused lines of credit were tapped, net financial debt would rise.

Pensions

Scenario: rising life expectancy of those entitled to a pension; pay and pension adjustments; falling discount rates; significant changes in the composition of invested fund assets and in capital-market interest rates.

Impact on WACKER: A rise in pension obligations, a decline in fund assets and a possible injection of financial resources into the pension fund or into the plan assets will affect the financial position and earnings of the Group. Further factors with a substantial impact on WACKER's equity and earnings are the higher life expectancy of pension-fund beneficiaries, adjustments to pay and pensions, and the discount factor (used to calculate the present value of future cash flows).

Measures: A large portion of WACKER's pension commitments are covered by the Wacker Chemie VVaG pension fund, by other pension-related funds and special-purpose assets, and by insurance plans. The investment portfolio is diversified to ensure a sufficient rate of return and to limit investment risks. The pension fund optimizes all asset items so that it attains the required return within specified risk limits. As one of the sponsoring entities, WACKER makes payments to the fund when necessary, thereby ensuring sufficient coverage for pension obligations. We periodically adjust the calculation parameters (e.g. life expectancy) for the other defined-benefit pension commitments. Since 2022, WACKER has been offering new employees in Germany a company pension solely in the form of direct commitments on a funded basis. These commitments are secured via a contractual trust arrangement (CTA), which finances the company's pension obligations. Employees covered by the old pension plans are to have the option of voluntarily switching to the new system. WACKER also wants to offer these employees a voluntary capital option, which allows them to choose a lump sum or installment payments instead of a lifelong pension. These measures, in conjunction with last year's increase in discount rates, have already brought about a substantial decrease in WACKER's provisions for pensions, in turn relieving the burden on the balance sheet.

Evaluation and Risk Assessment: Employee beneficiaries of the pension fund are steadily getting older and capital-market interest rates have been very low in recent years. By adopting the above-mentioned measures to reform our company pension system, we are countering the effects of these trends on our financial position. We do not assume that special payments to the pension fund will be necessary in 2023. For the foreseeable future, however, the existing plans will continue to dominate WACKER's company pension arrangements. In consequence, we consider it possible that more special payments to the fund will be needed in the next few years, that pension expenses and pension payments will rise further, and that higher provisions for

pensions will weigh on the company's financial position. This would probably have a medium impact on WACKER's earnings, net assets and financial position.

Legal Risks

Scenario: Diverse legal risks related to tax, trademarks, patents, competition, antitrust proceedings, the environment, labor and contracts could arise from our international business.

Impact on WACKER: Drawn-out legal disputes, which could be detrimental to our company's operations, image and reputation, and which could be costly.

Measures: We limit legal risks through centralized contract management and through reviews by our Legal department. Where necessary, we also have recourse to external legal experts.

Our Intellectual Property department protects and monitors patents, trademarks and licenses. Before launching R&D projects, we conduct searches to determine whether existing third-party patents and intellectual property rights could obstruct these projects.

We use compliance programs to limit risks arising from possible legal infringements. WACKER's Code of Conduct defines and stipulates binding rules of behavior for all employees. WACKER enhances awareness of these issues through training programs.

Evaluation and Risk Assessment: Due to the varied nature of our business activities, it is always conceivable that legal risks could arise. We currently do not foresee any legal disputes, patent infringements or other legal risks that could significantly influence our business, and consider the probability of such risks materializing to be fundamentally unlikely. Should such an individual case occur, we would expect its impact on WACKER's earnings to be low.

Regulatory Risks

Energy transition in Germany

Scenario: The transformation of Germany's energy supply system that is necessary to achieve the CO_2-reduction targets set for 2030–2050 will likely lead to huge and repeated legislative amendments to the regulatory framework. This will affect not only the electricity sector, the mainstay of future energy supplies, but also natural gas and the hydrogen economy. We expect to see major changes from revisions of energy legislation, regulations and aid, for example as regards Germany's Energy Financing Act, grid fee regulations (including individual grid fees) and the regulations governing national and European emissions trading.

Impact on WACKER: Higher energy costs due to rising government-regulated charges and levies if exemption levels for energy-intensive industries are not maintained; as well as the additional effort to comply with new administrative requirements.

Measures: We continually monitor regulatory activity in Germany and in the EU. Whenever we anticipate changes in the current legal situation, we try to introduce our viewpoint into legislative procedures through discussions with policymakers and by participating in the work of trade associations.

Evaluation and Risk Assessment: Changes in grid fee reductions and in the calculation basis for grid levies have already caused WACKER's level of relief from grid charges to decline in recent years. Legislation governing the energy supply system remains subject to constant change. For example, the ordinance regulating interruptible loads – an instrument that WACKER, too, had utilized – expired in 2022 and was not replaced. In addition, terms for the energy subsidies were changed in 2022. We consider it possible that, in certain circumstances, this could result in WACKER being obligated to repay subsidies it has already received. Should this be the case, the impact on WACKER's earnings would probably be high.

Polysilicon Trade Restrictions

Scenario: On January 20, 2020, the Chinese Ministry of Commerce decided (following an expiry review) to extend the existing anti-dumping and anti-subsidy tariffs on US-made solar-grade silicon for another five years. As a result, the USA imposed tariffs on solar modules and cells (Section 201) and ultimately on almost all imports from China to the USA (Section 301). The negotiations to resolve this conflict led to a trade agreement in 2020 that also included regulations for solar-grade silicon produced in the USA. Nonetheless, China did not rescind its tariffs on US solar-grade silicon. This means that WACKER is still

unable to export solar-grade silicon from its Charleston plant in the USA to China at competitive conditions. In 2022, the US Department of Commerce announced a review of its tariffs on Chinese goods. An extension for a further four years is under consideration, but also adjustments regarding the products affected. Given the current political climate, the outcome of this review is uncertain. In addition, in 2022 the US administration imposed restrictions on the export to China of semiconductor materials and production technologies used to manufacture advanced chips. These restrictions could possibly also impact polysilicon for semiconductor applications.

Impact on WACKER: Due to China's high tariffs on US-produced solar-grade polysilicon, Chinese solar-industry customers are not buying any such product from WACKER's Charleston site for their production plants in China. The USA's anti-dumping tariffs and countervailing duties, as well as its restrictions on exports to China's semiconductor sector, could possibly have an unfavorable impact on the company's earnings, net assets and financial position and a negative impact on sales volumes and long-term customer relations.

Measures: It is difficult to assess the odds of an amicable settlement in this trade dispute. In the meantime, however, most of the major wafer producers outside of China have qualified the electronic-grade silicon from our Charleston site. As a result, we have achieved a substantial increase in the proportion of our sales volume accounted for by electronic-grade silicon. What is more, new opportunities to sell solar-grade silicon in countries other than China are constantly emerging. This trend is also being strengthened by programs incentivizing the expansion of local photovoltaic value chains in the USA, Europe, India and Southeast Asia.

Evaluation and Risk Assessment: Demand for solar-grade silicon outside of China is constantly increasing. On top of that, many countries and regions are promoting the development of their own photovoltaic value chains in order to increase their independence and resilience. We can therefore assume that the coming years will see growth in new capacity for solar wafers, which we will be able to supply with our US-produced polysilicon. This will result in additional opportunities for WACKER to increase its sales volumes and, potentially, to largely mitigate the effects of China's trade restrictions on US-produced solar-grade polysilicon. Given our broad customer and product portfolio, we also do not currently expect the USA's export restrictions on semiconductor products to have any notable effects on our business in electronic-grade silicon. However, we do consider it possible that ongoing trade disputes worldwide and increasing geopolitical tensions could have consequences for WACKER's polysilicon business. The potential impact on our 2023 earnings would then probably be high.

New Regulations for Production Processes, Products and Their Applications

Scenario: Due to new legislation, the production and use of chemical substances is regulated more strictly. New regulations make it necessary to modify our production processes or reformulate our products. They also impose more extensive information requirements on us and, in some cases, on our customers as well. Additional legal provisions in individual countries raise the expense of necessary registrations.

Impact on WACKER: Additional investments in production facilities, conversion costs, revenue losses in certain application fields, plus extra costs for the required audits and registrations.

Measures: WACKER continually monitors the regulatory environment surrounding its products and production processes so that it can react promptly to impending changes. We are continuously optimizing our production processes. Any other necessary measures will be aligned with the changed regulatory environment in each specific situation.

Evaluation and Risk Assessment: It is always possible that new legal provisions necessitate modifications to our product portfolio or production processes. We consider it likely that new legal provisions will require additional investment in our production facilities or changes to our product portfolio. Should such changes occur, their short-term impact on WACKER's earnings in 2023 would probably be low. In the medium term, though, they could have a medium-to-high impact.

IT Risks

Scenario: Attacks, system errors and unauthorized access to our IT systems and our production plants and networks, resulting in a threat to data confidentiality, integrity or security.

Impact on WACKER: Negative impact on the company's earnings, net assets and financial position, on its reputation and on its production processes and workflows; loss of know-how.

Measures: WACKER constantly monitors the information technology it uses and also invests in protecting its IT systems and applications, thereby safeguarding the functionality and stability of its computer-based business processes. Our IT-security and risk-management specialists are responsible for handling hazards in a cost-efficient way. They achieve this through the operation and continuous improvement of our Information Security Management System (ISMS) in line with the ISO 27001 standard. Reliable backup and recovery processes are an essential element in safeguarding the availability of our systems. In order to cope with emergencies, processes and procedures in the shape of regularly tested emergency plans (IT service continuity management) have been put in place. We minimize project-related IT risks by applying uniform project/quality management methods. These ensure that project outcomes and possible changes to IT services are integrated into our system landscape in a controlled manner and in accordance with defined processes.

During the IT risk management process, we log and evaluate any operations-related risks that arise and take appropriate technical and organizational countermeasures. Our Cyber Defense Center (CDC) continually monitors the security of our IT landscape and our applications. If the CDC identifies any vulnerabilities, it has them rectified in a timely manner. Our authorization systems, which are regularly updated to meet new requirements and technologies, are based on the need-to-know and least-privilege principles. We protect our IT systems against attacks by means of various state-of-the-art IT security systems, which are continuously adapted and expanded in response to emerging threats. We have set up an international security team that takes organizational and technical measures to counter risks to the confidentiality, integrity and availability of information and systems. IT security events and training courses ensure that our employees are appropriately sensitized. In addition, we regularly conduct comprehensive penetration tests, audits and assessments at our German and international sites. We continually observe and evaluate the techniques of potential attackers and, where necessary, realign our defense strategies accordingly. In addition, we constantly exchange information with other companies and interest groups on the subjects of cyber and data security.

Evaluation and Risk Assessment: A long-term failure of IT systems or a major loss of data could considerably impair WACKER's operations. As in previous years, there were a large number of attempted attacks on our IT systems and infrastructure in 2022. It cannot be ruled out that such attacks could succeed in certain cases despite the precautions we have taken. We thus consider such events possible. If, as a result of such an event, any of our IT systems faced downtime and service disruption that affected a significant number of users or lasted for a substantial period, the impact on WACKER's earnings would be of medium scale.

Personnel-Related Risks

Scenario: Demographic change, lack of qualified technical and managerial employees, and problems in filling executive positions.

Impact on WACKER: A lack of technical and managerial employees could impede our continued growth and cause us to lose our technological edge.

Measures: We limit these risks through our personnel policies. In particular, we have a talent management process in place, which we use to draw up development plans for our employees. In addition, we offer a wide variety of training programs, attractive social benefits and performance-oriented compensation. We also offer our employees in Germany a wide range of working-time models and arrangements to better balance career demands with the different phases of their lives.

WACKER has a detailed, groupwide succession planning process in place for all key positions in the company, including all positions held by senior executives (OFKs). WACKER's succession planning process distinguishes between short-term needs (up to two years) and medium-term needs (two to four years). In addition, WACKER has appointed deputies for senior executives in the event of a lengthy absence or illness.

Evaluation and Risk Assessment: Demographic change will increase the risk of not being able to find sufficiently qualified personnel for technical and managerial positions in the medium to long term. We consider it unlikely that risks to our personnel needs will arise in 2023. Should these risks materialize, the impact on Group earnings would probably be low.

External Risks

Scenario: Pandemic, natural disaster, war or civil war.

Impact on WACKER: Impairment of our company's capacity to act; supply bottlenecks; production outages; supply-chain disruptions; loss of trade receivables; impact on sales and earnings.

Measures: Our management entities and our sites have prepared and communicated plans and measures to minimize the effects of a pandemic on the health of our employees and on our business processes. Our pandemic-preparedness plan ensures a uniform, coordinated approach. The financial impact of damage to our production plants due to natural disasters is partly covered by insurance. As WACKER has production sites on various continents, it can always ensure a certain degree of manufacturing and delivery capability even if individual plants fail.

Evaluation and Risk Assessment: Risks from pandemics, natural disasters, and acts of war or civil war can never be ruled out entirely. The coronavirus pandemic and the war in Ukraine are clear evidence of this. In 2022, the pandemic and the government measures to contain it and protect public health once again hampered the economy, especially supply chains. Thanks to our detailed action plans, we have thus far succeeded in limiting the impact of Covid-19 on our company. Nevertheless, infections are still not completely under control in all countries. If the pandemic begins increasing again worldwide, we consider it possible that WACKER could once again be subject this year to risks from the pandemic and to the effects of measures taken by the authorities. If such a scenario occurs, it could have a medium impact on WACKER's earnings.

Opportunities Report

Opportunity Management System

WACKER's opportunity management system remained unchanged from the previous year. It is both a divisional and Group-level instrument. We identify operational opportunities and leverage them in our business divisions, as they have the detailed product and market expertise required for these tasks. We continuously use market observation and analysis tools to obtain, for example, a well-structured evaluation of industrial, market and competitor data. In addition, we conduct customer interviews to evaluate future opportunities. The monitoring process – how WACKER seizes opportunities – is based on key indicators (such as rolling forecasts and current-status reporting).

Strategic opportunities of overriding importance – such as strategy adjustments, potential acquisitions, collaborations and partnerships – are handled at the Executive Board level. Such opportunities are incorporated into WACKER's annual strategy-development and planning process, with current issues discussed at regular Executive Board meetings. As a general rule, we elaborate different scenarios and risk-opportunity profiles for these issues before making decisions.

WACKER has identified a whole range of opportunities for advancing the Group's success over the next few years.

Overall Economic Opportunities

Despite the slowdown in global economic output projected by many economic analysts for 2023, WACKER continues to see good opportunities to grow faster than global chemical production in the medium term, especially in young markets and sales regions. The strongest momentum, in our view, will continue to come from Asia, especially India and Southeast Asia. We are constantly expanding our presence in these markets in order to seize the opportunities there. Our technical competence centers and the WACKER ACADEMY are pivotal in achieving WACKER's high standard of service and customer proximity. Additional growth potential for WACKER stems from programs in the USA and Europe to strengthen critical technologies and industry sectors, or to bring the corresponding value chains onshore again. These include not only semiconductor production, but also the individual stages in the photovoltaic value chain.

Sector-Specific Opportunities

Sector-specific opportunities primarily result from our broad product portfolio, which puts us in an excellent position to meet global megatrends. For example: the advance of urbanization, the trend toward conserving natural resources and energy, efforts to reduce carbon emissions, the world's increasing mobility needs, and the growing demand for products that enhance the quality of life. These trends remain as important as ever to our business.

Rising affluence in emerging-market economies, particularly in Asia, coupled with ever more stringent market and customer requirements, is fueling demand for products incorporating high-value silicones. To benefit from this trend, WACKER intends to keep raising the percentage of high-value specialty silicones in its portfolio versus standard products. Areas of special focus range from the automotive and cosmetics sectors to personal care, health, medicine, electronics and clothing. Our aim is to meet this growth with innovative products and technologies.

We see good growth prospects for WACKER SILICONES in the electrical and electronics market, especially in automotive electronics. Growth is being spurred by digitalization, connectivity and electromobility. Electronic automotive assistance systems, for example, are becoming increasingly important and are indispensable for autonomous driving. Silicone gels and silicone encapsulants reliably protect the sensors and electronic components needed in such vehicles. In the coming years, electromobility is likely to gain further momentum. Forecasts put the global number of electric vehicles at 116 million in 2030. That would be a tenfold increase in the global EV fleet compared with 2020. Electric vehicles also require high-performance batteries. That is why we have developed thermally conductive silicones. These enable effective thermal management, thus ensuring long-lasting, maintenance-free batteries.

At WACKER POLYMERS, growth potential stems from the rising affluence of emerging economies, from increasing urbanization, and from the trend toward conserving natural resources and cutting carbon dioxide emissions. The shift away from conventional building materials and construction methods to value-added systems is set to continue. A key aspect here is the use of dispersible polymer powders for modifying cement. The addition of these powders enables mortar mixtures not only to be processed more easily and applied more thinly, but also to have substantially improved properties. At the moment, unmodified dry-mix mortars account for some 70 percent of the total used in the building sector. In many regions, construction experts have only just started to appreciate the benefits of polymer-modified dry-mix mortars. WACKER POLYMERS also sees growth potential in environmentally friendly water-based paints and coatings.

WACKER BIOSOLUTIONS expects major growth opportunities from bioengineered products. One focal point here is on the production of actives based on messenger ribonucleic acid (mRNA) for therapeutic agents and vaccines. Through the sites acquired in Amsterdam (2018) and San Diego (2021), the division has considerably expanded its capacities and expertise in these fields. The ongoing transformation of our Halle site into a technical competence center for mRNA will consolidate and strengthen our position in this highly promising market segment. In cyclodextrins, we are developing new applications, including for food supplements with anti-inflammatory and antioxidant properties.

The main growth opportunities for our polysilicon activities stem from the strong demand for semiconductors and for the monocrystalline silicon used in highly efficient solar cells. We produce polysilicon of consistently very high quality – the kind that is crucial for making increasingly powerful semiconductors. Polysilicon from WACKER can already be found in nearly half the computer chips worldwide. In the photovoltaics segment, the trend toward monocrystalline solar cells continues to gather pace. Monocrystalline silicon of particularly high purity (known as "n-type mono") is needed to achieve the highest possible conversion efficiency. WACKER considers itself to be the world's leading provider in this segment. In order to make the most of the opportunities presented by these trends, WACKER POLYSILICON has placed its strategic focus firmly on the manufacture of polysilicon of the highest quality. Additional opportunities for the business division stem from programs in the USA and Europe to strengthen critical technologies like semiconductor and photovoltaic production in the respective local regions, or to bring the corresponding value chains onshore again.

Strategic Opportunities

In order to make the most of our divisions' opportunities for further growth, we will concentrate on meeting rising customer demand and bolstering our downstream-product capacity, particularly for specialties. The capital expenditures required for this will continue to increase in 2023. The focus here is on expanding capacities at all of our four business divisions. At our Nünchritz and Burghausen sites in Germany, Panagarh in India and Charleston, Tennessee in the USA, we are currently building new facilities for a range of specialty silicones, such as solid and liquid silicone rubber for electromobility and medical-technology applications. At Nanjing in China, we are building new production facilities for dispersible polymer powders to supply the construction sector. WACKER BIOSOLUTIONS is currently expanding the Halle site in Germany, transforming it into a technical competence center for mRNA actives. We are also expanding our capacities for electronic-grade silicon at Burghausen.

Performance-Related Opportunities

WACKER has a number of opportunities for improving its cost structures, processes and productivity. At WACKER POLYSILICON, we are continuing to implement our program to cut production costs. At our chemical divisions, we are tapping further cost-cutting potential with our productivity and efficiency program – the WACKER Operating System. Our various cost-cutting levers include: specific costs for auxiliaries; productivity advances on the manufacturing side; and broadening our choice of suppliers to secure more attractive purchasing terms.

Executive Board Evaluation of Overall Risk

The Executive Board evaluates the overall risk situation on the basis of information from the risk management system. The system compiles all risks identified by our divisions, corporate departments and regional entities. It is regularly reviewed by the Executive Board and discussed in Audit Committee meetings.

As of the publication date of this report, the Executive Board does not see any individual or aggregate risk that could seriously endanger WACKER's future. The risks posed, in particular, by geopolitical and trade conflicts, by high energy prices and inflation in general, and by emerging recessionary trends in a number of countries are quite considerable. But, thanks to our extensive product portfolio, with its high proportion of specialty products, and to our firm regional footing, we see good opportunities to expand our leading market positions and achieve further growth. We remain confident that WACKER is strategically and financially so well placed that we can take advantage of any opportunities that arise.

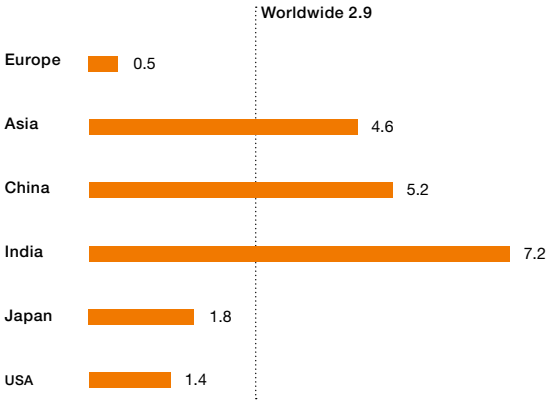
Outlook

Underlying Economic Conditions

The global economy faces growing challenges. Economic analysts assume that persistently high inflation, more restrictive monetary policy, higher interest rates, weak household incomes and the high energy prices that are in part the result of Russia's attack on Ukraine will impede growth in 2023. The Organisation for Economic Co-operation and Development (OECD) expects global economic growth of 2.2 percent in 2023, well below the rate expected prior to outbreak of the Ukraine war. The prognosis for 2024 is for a global growth rate of 2.7 percent – underpinned by initial steps in several countries to lower key interest rates. The International Monetary Fund (IMF) also expects growth to slow further due to the effects of the war on Ukraine. According to the IMF, global gross domestic product (GDP) will rise by 2.9 percent in 2023.

B.50 GDP Trends in 2023

%



Sources – worldwide: IMF; Europe: OECD; Asia: ADB; China: IMF; India: ADB; Japan: OECD; USA: IMF

Sector-Specific Conditions

In 2023, economic trends in the industries relevant to our business will continue to be affected by the war in Ukraine. The combination of the energy crisis, high raw-material costs and an ongoing shortage of materials is likely to weaken overall industrial output, while inflation, rising interest rates and unabated geopolitical risks will also weigh on consumption and investment spending.

Slight Growth for the Chemical Industry

After slowing in 2022, chemical industry growth is likely to weaken further in 2023. The German Chemical Industry Association (VCI) expects global chemical production (excluding pharmaceuticals) to grow by only 0.4 percent in 2023. According to the VCI, chemical and pharmaceutical production in Germany will contract markedly. Sales are also likely to decline. Beyond this, the VCI is not providing a quantitative forecast for 2023 due to the highly volatile environment.

Given the ongoing uncertainties, risks for WACKER's chemical divisions remain. But the strength of our broad product portfolio has already proved itself in the crises of recent years. Despite the current dip in demand in some areas – such as the construction industry – we expect WACKER to continue growing in many markets with its specialty chemical products. That applies in particular to energy, electromobility, pharmaceutical and medical applications, and to label manufacturing, where we are benefiting, for example, from the burgeoning mail-order sector. We supply high-purity silanes and gases to the electronics industry, where expansion of the 5G mobile network and increasing deployment of artificial intelligence are stoking demand. Following a drop in demand at the end of last year, we expect the textile industry to turn the corner in 2023.

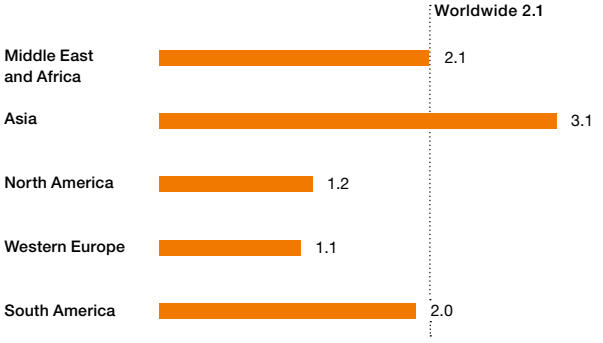
What is more, the long-term growth trends for our business have not changed and will accelerate in some cases. We see medium-term growth opportunities in all regions due to innovations arising from today's megatrends, like the ongoing digital transformation. Rising affluence in emerging economies is likely to bolster our sales in countries such as China and India, and across Southeast Asia. WACKER's portfolio has many high-value products that appeal to new customer groups, spurring stronger demand from our industrial customers. Moreover, part of our product portfolio is used in highly automated, industrial manufacturing processes. In these areas, WACKER is generating above-average growth, including in advanced economies.

Positive Medium-Term Trend in the Construction Industry

According to market research institute B+L Marktdaten GmbH, global construction volume will expand over the medium term. On average, it is expected to rise by 2.1 percent annually through 2025. In many markets, energy-efficient building renovation will gain further momentum. Capital expenditure on construction projects is likely to be strongest in Asia.

B.51 Construction-Industry Growth Rates by Region, 2023–2025

%



Source: B+L Marktdaten GmbH, Dec. 2022

WACKER POLYMERS, too, expects to see slight volume growth in 2023, driven by renovation, energy efficiency and sustainability. The main focus of growth will probably be in Asia, while uncertainty could prevail in Europe in the short term. In the medium-to-long term, numerous government programs around the world, such as the European Green Deal and China's plan to achieve climate neutrality by 2060, should create additional momentum for the construction industry.

WACKER SILICONES projects that the proportion of value-added specialty products will continue to increase in many segments. Even though demand is likely to weaken in the construction industry, especially in the first part of the year, there are still opportunities for growth in 2023 – for instance with hybrid polymers, which are used to formulate high-performance adhesives and sealants, and with silane-based cement additives. In the thermal insulation segment, we anticipate rising demand for applications for efficient heat and cold insulation. Further opportunities will arise for our eco products, which are manufactured using resource-efficient raw materials.

Positive Trend in Electrical Engineering and Electronics Sector

The German Electro and Digital Industry Association (ZVEI) forecasts further growth in 2023. This positive development will be driven by the ongoing electrification and digitalization trends. The ZVEI expects global market volume to expand by about 5 percent, with growth of 7 percent in emerging economies and 3 percent in advanced economies.

WACKER continues to see good growth prospects in the automotive industry, fueled for example by the increasing use of driver-assistance systems, sensors and optical displays. The electromobility trend also remains unbroken, with more and more flame-retardant silicon-based temperature management products being installed.

Further Increase in Installed Photovoltaic Capacity

Economic conditions for photovoltaics (PV) will remain dynamic and challenging in 2023. On the one hand, intense competition is creating market uncertainty. On the other, levelized costs for solar power continue to drop, making PV more competitive relative to other energy sources. Solar energy is also an important component in achieving global climate-protection targets, since it significantly reduces specific carbon dioxide emissions compared with fossil fuels. Both the cost effectiveness of PV and the political goal of keeping global warming below 2 °C are opening up new markets. The PV market is expected to continue growing in 2023, with China remaining the world's largest

and most important market. Other markets adding large amounts of capacity are the USA, Europe, Japan and India. Highly promising growth regions include Central and South America, Southeast Asia, the Middle East and Africa. Programs in the USA and Europe to strengthen the photovoltaic industry in the respective local regions are likely to have an additional positive impact on demand. Based on its own market surveys and those of third parties, WACKER expects newly installed PV capacity to be between 300 and 350 gigawatts (GW) in 2023.

B.52 Photovoltaic-Market Trend in 2023

	Installation of new PV capacity (MW)		
	2023		2022
	Lower Range	Upper Range	
Germany	7,000	10,000	7,900
Spain	7,000	10,000	7,500
Rest of Europe	36,000	40,000	29,600
USA	25,000	30,000	18,600
Japan	6,000	8,000	6,500
China	100,000	120,000	87,400
India	15,000	20,000	14,000
Other regions	104,000	112,000	78,500
Total	300,000	350,000	250,000

Sources: Germany's Federal Network Agency, SolarPower Europe (SPE), Solar Energy Industries Association (SEIA), China National Energy Administration, market studies, WACKER's own market research
(Table B.52 unaudited)

B.53 WACKER's Key Customer Sectors

Sectors	Trend in 2022	Trend in 2023
Chemicals	Growth	Growth
Construction	Growth	Growth
Energy and electrical	Growth	Growth
Photovoltaics	Growth	Growth

The WACKER Group's Prospects

Our scenario assumes that the global economy will grow slightly in 2023. The speed of growth will depend, among other things, on the further course of the war in Ukraine, with its negative impacts on the global economy. We expect the strongest growth impetus to come from Asia. The USA and Europe are also expected to deliver growth, albeit weaker.

Capital Expenditures and Production

Our capital expenditures in 2023 will be focused mainly on production plants for intermediates and downstream products. At around €650 million, capital expenditures will be markedly higher than both last year's level and depreciation/amortization. WACKER SILICONES will account for the largest share of investment spending. The division's capital expenditures include construction of a new plant for silicone resins in Burghausen. In the course of the year, WACKER POLYMERS will continue expanding its production facilities, including in Nanjing. At WACKER BIOSOLUTIONS, a new fermentation line will come on stream at the Amsterdam site.

B.54 Facility Start-Ups in 2023/2024

Location	Projects	Start-up
Amsterdam	New fermenter for biopharmaceuticals	2023
Burghausen	Capacity expansion for silicone resins	2023
Nanjing	Spray dryer for dispersions	2023
Nünchritz	New production capacity for liquid resins	2023
Burghausen	Expansion of chlorosilane capacity	2023
Halle	mRNA Competence Center	2024
Burghausen	Capacity expansion for intermediates for silicone applications	2024
Nünchritz	Plant for hybrid polymers	2024
Nünchritz	Capacity expansion for silicone adhesives and sealants	2024

Future Products and Services

WACKER SILICONES is leveraging diverse applications in the construction, electronics, automotive, health and renewable-energy industries. In the construction sector, we will offer new application options for silane-modified hybrid polymers, e.g. as sealants or adhesives. Our silane-based cement additives are also highly promising. They enhance the storage stability and performance capability of cement and concrete, and reduce energy consumption during the manufacture of cement. WACKER is also developing silicone resin binders for composite stone. Such composite materials are UV-resistant and lend themselves to outdoor applications, too. Other priorities include fiber composites. Silicone resins enable materials to be made that meet more stringent fire-safety regulations. In our electronics focus field, we are working on several product innovations: printable elastic electrode materials

for sensors; resin-filled, optically transparent systems for optical bonding applications; and electroactive silicone laminates for making cutting-edge touchscreens. We see significant growth potential in today's soaring demand for silicone elastomers, silicone resins and thermal gap fillers in the health, automotive and electromobility sectors. Our new surface-modified, silicon-based filler systems improve the cooling and thermal management of electronic components and electrical storage modules. We are also working on flame-retardant silicones and silicone-based fiber composites, which protect the passengers of EVs against the risk of fire. We are currently testing a novel type of silicone-based artificial leather as a seat upholstery for cars. This innovative hard-wearing material has a very pleasant feel, is resistant to UV light and is colorfast. Unlike conventional faux leather, it is free of plasticizers. In the chip industry, there is growing demand for our electronic chemicals as processing auxiliaries. In the renewable-energy field, we are active in fuel-cell engineering. Our silicone-based heat transfer fluids – for concentrated solar thermal power production and the climate-neutral generation of industrial process heat – are another promising product. We have recently begun developing sustainable defoaming agents for the detergent industry. These are based on renewable raw materials that are almost entirely biodegradable.

WACKER POLYMERS continues to intensify its activities in polymeric binders for sophisticated construction, coating and bonding applications. A key trend here is rising customer demand for sustainable, environmentally compatible solutions. The division is actively pursuing these market opportunities, developing corresponding product lines and sustainable formulations together with its customers. For instance, it is able to supply a commercial-scale line of dispersions based on vinyl acetate-ethylene (VAE) copolymers that incorporate renewable raw materials like bio-based acetic acid. We employ the mass balance approach to increase the use of renewable raw materials, the corresponding products being marketed as part of our VINNAPAS® eco line. In addition, we continue to advance the use of bio-based raw materials in the production of binders. The portfolio also includes VAE-based binders for preservative-free applications in the paints and coatings segment. Moreover, in tile laying, we are helping to cut cement consumption and thus reduce carbon emissions through the switch from thick-bed to thin-bed techniques. Our dispersions make a further contribution to energy-efficient building and living by enabling the manufacture of durable, high-quality external thermal insulation composite systems that improve the energy efficiency of buildings, thus helping reduce carbon emissions and bring down energy costs.

The pharma and food markets offer growth potential for WACKER BIOSOLUTIONS. The pharma market is steadily shifting toward bioengineered medicines. As a contract development and manufacturing organization (CDMO) for biologics, we are meeting growing demand through our sites in Jena, Halle, Amsterdam and San Diego. In the biologics segment, we are systematically expanding our mRNA-based therapeutics. At our Amsterdam site, we have been building up expertise since 2020 and are already producing mRNA-based actives. At the San Diego site we acquired in 2021, we produce plasmid DNA (pDNA) – the starting material for mRNA actives and other innovative therapeutic agents, such as nucleic-acid-based gene therapies and viral vectors. We are also developing a process for making lipid nanoparticles – another essential component in the production of mRNA-based actives. We are transforming our Halle site into an mRNA competence center and focusing our expertise in this segment there. In the food market, we are catering to the healthy-eating trend, e.g. with our range of functional ingredients that support the circulatory system and promote heart health. We are continuously expanding our portfolio in this area. Among other things, we are currently working on a process for fermentation-generated biotin. We also offer solutions for making meat substitutes – our L-cysteine is an ideal raw material for savory flavorings. Cyclodextrins help with the formulation of alternative proteins. Moreover, we are developing media proteins, which will be used to produce cell culture meat. Our cyclodextrins also play an ever greater role in the formulation of active ingredients. For example, they enhance the bioavailability of curcumin. We are also registering growing interest in cyclodextrins to improve the foam properties of conventional and plant-based milk.

In the coming years, demand for high-quality polysilicon will continue to climb in both the semiconductor and solar industries. In semiconductors, polysilicon of increasingly higher purity is needed, owing to stricter requirements in chip manufacturing and the development of new technologies. In line with this trend, WACKER POLYSILICON is constantly increasing the proportion of ultrapure polysilicon it produces for the semiconductor industry. In the solar sector, demand is growing above all for monocrystalline cells made of n-type silicon. According to the German Mechanical Engineering Industry Association (VDMA), by 2032 more than 70 percent of all silicon wafers will be manufactured using this technology. n-type solar cells are more efficient and have a longer life than the currently dominant p-type cells. With our hyperpure polysilicon, we are ideally placed to supply this fast-growing segment.

Programs in the USA and Europe to strengthen the photovoltaic industry in the respective local regions are likely to have an additional positive impact on demand for polysilicon.

Outlook for 2023

WACKER's main planning assumptions relate to raw-material and energy costs, personnel expenses and exchange rates. For 2023, we anticipate a euro exchange rate of US$ 1.10 (2022: US$ 1.05). Energy costs should be slightly higher than last year, while average prices of our key raw materials are expected to be below last-year's level. The majority of our raw-material and energy supplies are secured for 2023.

Performance Indicators and Value-Based Management

WACKER's key performance indicators are the same as last year.

Group Sales in 2023 to Benefit from Volume Growth

In 2023, WACKER expects to see lower average selling prices, but rising volumes and positive product-mix effects at its chemical divisions. Changes in exchange rates will have a marginally negative effect on sales. After a record-breaking 2022, we expect sales across all regions to be slightly lower in 2023. Overall, Group sales are likely to range between €7.0 billion and €7.5 billion.

Various uncertainties and risks may cause the actual performance of the WACKER Group and its divisions to diverge from our assumptions, either positively or negatively. Changes in the economic environment are among the factors than can cause such divergences. We expect selling prices to decline substantially in 2023. At the same time, however, we anticipate further volume growth. WACKER sees further potential for higher volumes, provided that the economy recovers in the course of the year, the economic effects of the coronavirus pandemic can be overcome and there is no further escalation in the Ukraine war or the energy crisis.

Outlook for Key Performance Indicators at the Group Level

From today's standpoint, the key performance indicators will develop as follows at the Group level.

EBITDA margin and EBITDA: the EBITDA margin is expected to be significantly lower than last year. EBITDA is likely to come in between €1.1 billion and €1.4 billion, down due to significantly lower selling prices. We expect Group net income to be substantially lower than last year.

ROCE: ROCE will be higher than the cost of capital, but substantially lower than last year.

Net cash flow: we expect net cash flow to be positive in 2023, though significantly lower than last year, due to higher capital expenditures and lower earnings.

Outlook for Supplementary Performance Indicators at the Group Level

Capital expenditures: in 2023, capital expenditures will amount to around €650 million, up markedly compared with last year. They will significantly exceed depreciation and amortization, which will be around €450 million and thus higher than last year. Capital expenditures will be driven by future customer demand, focusing, for example, on a new dispersible polymer powder facility at the Nanjing site, capacity expansion for silicones at Burghausen and Nünchritz, and construction of an mRNA competence center in Halle.

Net financial debt: we expect to post a small net financial debt in 2023.

Divisional Sales and EBITDA Trends

We expect WACKER SILICONES to post sales in the region of €3.1–3.3 billion in 2023. This decline in sales will be due to lower average selling prices, which volume growth in specialty applications will not be able to offset. We anticipate sales will be lower across all regions. The EBITDA margin is expected to be around 15 percent.

At WACKER POLYMERS, we expect sales to come in at around €1.8 billion, due to lower selling prices and volumes for dispersions and dispersible polymer powders. Product-mix effects will have a marginally positive effect on sales. Here, too, we expect sales to be lower in all regions. The EBITDA margin is expected to be slightly higher than last year.

B.55 Outlook for 2023

Key financial performance indicators	Reported for 2022	Outlook for 2023
EBITDA margin (%)	25.4	Substantially lower than last year
EBITDA (€ million)	2,080.9	€1,100–1,400 million
ROCE (%)	34.7	Higher than cost of capital, substantially lower than last year
Net cash flow (€ million)	438.8	Positive, substantially lower than last year
Supplementary financial performance indicators		
Sales (€ million)	8,209.3	€7,000—7,500 million
Capital expenditures (€ million)	546.8	Around €650 million
Net financial assets (€ million)	409.2	Low net financial debt
Depreciation/amortization (€ million)	402.1	Around €450 million

We expect WACKER BIOSOLUTIONS to grow its sales by a low-double-digit percentage, with growth fueled by bioengineered products, particularly biologics. EBITDA should be significantly higher than last year.

We expect WACKER POLYSILICON to post sales of between €1.6 billion and €1.8 billion in 2023, with volumes likely to be lower than last year due to product-mix effects. Average polysilicon prices are also expected to be lower than last year. We will continue improving our product mix and systematically lowering costs. EBITDA should range between €300 million and €500 million, with slightly higher energy prices, especially at the company's sites in Germany, having a negative impact.

Future Dividends

Our goal is to distribute about half of Group net income to shareholders, provided that the business situation permits this and the decision-making bodies agree.

Financing

The main features of our financing policy remain in place. We are confident that we have a strong financial profile with a sound capital structure and healthy maturities for our debt. As of December 31, 2022, WACKER had around €600 million in unused lines of credit with residual maturities of over one year.

Executive Board Statement on Overall Business Expectations

The risks to the economy will remain in 2023. Global economic growth will continue to be influenced by the effects of Russia's war of aggression against Ukraine. In particular, high energy prices will have a heavy impact on enterprises, especially in Europe. According to economic analysts' forecasts, global GDP will grow only slightly. Some countries, including Germany, could slip into recession in 2023. After a record-breaking 2022, we expect our business performance to decline slightly in 2023. Sales are likely to range between €7.0 billion and €7.5 billion, while EBITDA should amount to between €1.1 billion and €1.4 billion. The EBITDA trend will be dampened by significantly lower selling prices and higher energy costs. We expect the EBITDA margin to be substantially lower than last year.

WACKER will increase its capital expenditures in 2023 to underpin the future growth of its divisions. At around €650 million, CapEx will be markedly higher than last year. Depreciation and amortization should total around €450 million. Though remaining in positive territory, net cash flow will be substantially lower than last year. We should post a small net financial debt.

We assume chemical-division sales will be slightly lower in 2023. Given our excellent product portfolio, however, we are confident of being able to return to our growth trajectory in the medium-to-long term. WACKER BIOSOLUTIONS should continue growing in 2023. We expect WACKER POLYSILICON's sales to be lower in 2023 than last year.

As of the preparation date of these financial statements, nothing had changed as regards our guidance.

C

Consolidated Financial Statements

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Earnings-fueled growth: Our chemical-division EBITDA margins are to increase to over 20 percent by 2030.

C

Consolidated Financial Statements

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C.1 Statement of Income

January 1 to December 31

€ million	Notes	2022	2021
Sales	01	**8,209.3**	6,207.5
Cost of goods sold	02	**–6,048.5**	–4,535.0
Gross profit from sales		**2,160.8**	1,672.5
Selling expenses		**–342.5**	–297.6
Research and development expenses		**–178.4**	–164.2
General administrative expenses		**–183.2**	–158.8
Other operating income	02	**176.6**	88.6
Other operating expenses	02	**–156.2**	–68.7
Operating result		**1,477.1**	1,071.8
Result from investments in joint ventures and associates	03	**200.9**	62.4
Other investment income	03	**0.8**	0.1
EBIT (earnings before interest and taxes)		**1,678.8**	1,134.3
Interest income	03	**10.1**	6.2
Interest expenses	03	**–28.6**	–22.5
Other financial result	03	**–44.1**	–24.4
Financial result		**–62.6**	–40.7
Income before income taxes		**1,616.2**	1,093.6
Income taxes	04	**–334.6**	–265.8
Net income for the year		**1,281.6**	827.8
Of which			
Attributable to Wacker Chemie AG shareholders		**1,251.0**	806.9
Attributable to non-controlling interests	12	**30.6**	20.9
Earnings per common share (€) (basic/diluted)	19	**25.18**	16.24

C.2 Statement of Comprehensive Income

January 1 to December 31

€ million	2022	2021
Net income for the year	1,281.6	827.8
Items not subsequently reclassified to the statement of income		
Remeasurement of defined benefit plans	902.1	533.9
Of which income tax effects	–327.5	–194.3
Sum of items not reclassified to the statement of income	902.1	533.9
Of which result from investments accounted for using the equity method	92.0	50.9
Items subsequently reclassified to the statement of income		
Difference from foreign currency translation adjustment	61.1	174.3
Of which recognized in profit or loss	–	–
Changes in the value of securities (FVOCI)	–8.7	–1.1
Of which income tax effects	3.5	0.5
Of which recognized in profit or loss	–	–
Changes in fair value of derivative financial instruments (cash flow hedge)	26.1	–15.9
Of which income tax effects	–10.1	6.2
Of which recognized in profit or loss	18.5	–4.2
Sum of items reclassified to the statement of income	78.5	157.3
Of which result from investments accounted for using the equity method	27.3	19.1
Income and expenses recognized in equity	980.6	691.2
Of which		
Attributable to Wacker Chemie AG shareholders	990.2	685.8
Attributable to non-controlling interests	–9.6	5.4
Total income and expenses reported in the fiscal year	2,262.2	1,519.0
Of which		
Attributable to Wacker Chemie AG shareholders	2,241.2	1,492.7
Attributable to non-controlling interests	21.0	26.3

C.3 Statement of Financial Position

As of December 31

€ million	Notes	Dec. 31, 2022	Dec. 31, 2021
Assets			
Intangible assets	05	213.0	45.9
Property, plant and equipment	05	2,717.9	2,466.9
Right-of-use assets	06	243.2	138.8
Investment property	07	1.5	2.3
Investments in joint ventures and associates accounted for using the equity method	08	999.5	708.9
Securities	11	184.4	318.5
Other financial assets	10	42.1	18.8
Other receivables and assets	10	66.9	16.5
Deferred tax assets	04	272.9	569.7
Noncurrent assets		4,741.4	4,286.3
Inventories	09	1,655.8	1,177.0
Trade receivables	10	916.2	824.8
Other financial assets	10	54.2	33.4
Other receivables and assets	10	215.4	118.1
Income tax receivables	10	46.6	29.9
Securities and fixed-term deposits	11	877.1	738.2
Cash and cash equivalents	11	894.7	926.6
Current assets		4,660.0	3,848.0
Total assets		9,401.4	8,134.3
Equity and Liabilities			
Subscribed capital of Wacker Chemie AG		260.8	260.8
Capital reserves of Wacker Chemie AG		158.9	157.4
Treasury shares		–45.1	–45.1
Retained earnings		4,287.1	3,433.5
Other equity items		202.1	–788.1
Equity attributable to Wacker Chemie AG shareholders		4,863.8	3,018.5
Non-controlling interests		166.9	81.9
Equity	12	5,030.7	3,100.4
Provisions for pensions	13	768.9	1,813.4
Other provisions	14	212.6	247.7
Financing liabilities	15	1,085.6	1,064.0
Other financial liabilities	16	24.9	13.4
Income tax liabilities	16	90.2	117.5
Contract liabilities	16	224.4	56.3
Other liabilities	16	1.2	–
Deferred tax liabilities	04	35.6	9.7
Noncurrent liabilities		2,443.4	3,322.0
Other provisions	14	39.5	21.8
Financing liabilities	15	461.4	372.8
Trade payables	16	885.6	761.9
Other financial liabilities	16	41.5	30.5
Income tax liabilities	16	92.2	69.0
Contract liabilities	16	91.8	168.3
Other liabilities	16	315.3	287.6
Current liabilities		1,927.3	1,711.9
Liabilities		4,370.7	5,033.9
Total equity and liabilities		9,401.4	8,134.3

C.4 Statement of Cash Flows

January 1 to December 31

€ million	Notes	2022	2021
Net income for the year		1,281.6	827.8
Depreciation, amortization and (reversals of) impairments of fixed assets		402.1	404.2
Result from disposal of fixed assets		–3.4	3.3
Other non-cash expenses and income		53.9	–116.8
Result from equity accounting		–200.9	–62.4
Net interest income		18.5	16.3
Interest paid		–28.4	–21.6
Interest received		8.8	6.7
Income tax expense		334.6	265.8
Taxes paid		–392.3	–151.0
Dividends received		27.7	23.0
Change in inventories		–493.0	–165.9
Change in trade receivables		–67.6	–185.2
Change in trade payables		88.6	297.4
Change in non-financial assets		–69.2	–38.0
Change in financial assets		–14.8	–10.9
Change in provisions		42.8	–262.8
Change in non-financial liabilities		28.1	126.9
Change in financial liabilities		19.3	17.6
Change in contract liabilities		89.1	90.0
Cash flow from operating activities (gross cash flow)	21	1,125.5	1,064.4
Investments in intangible assets, property, plant and equipment, and investment property		–561.2	–321.3
Investments in financial assets		–0.5	–0.3
Proceeds from the disposal of fixed assets / financial assets		10.8	46.8
Cash payments for acquisitions		–135.8	–28.8
Cash flow from long-term investing activities before securities		–686.7	–303.6
Cash receipts from the disposal of securities and fixed-term deposits		824.4	496.8
Cash payments for the acquisition of securities and fixed-term deposits		–839.1	–832.9
Cash flow from investing activities	21	–701.4	–639.7
Dividends paid		–397.4	–99.4
Dividends paid to non-controlling interests		–9.2	–11.0
Additions to financing liabilities		315.5	2.4
Repayment of financing liabilities		–331.2	–14.5
Lease liabilities repaid		–36.2	–31.4
Cash flow from financing activities	21	–458.5	–153.9
Change due to exchange-rate fluctuations		2.5	29.8
Change in cash and cash equivalents	11	–31.9	300.6
At the beginning of the year		926.6	626.0
At the end of the year		894.7	926.6

C.5 Statement of Changes in Equity

January 1 to December 31

€ million	Subscribed capital	Capital reserves	Treasury shares	Retained earnings	Other equity items	Total	Non-controlling interests	Total
Jan. 1, 2021	260.8	157.4	–45.1	2,726.0	–1,473.9	1,625.2	66.6	1,691.8
Net income for the year	–	–	–	806.9	–	806.9	20.9	827.8
Income and expenses recognized in equity	–	–	–	–	685.8	685.8	5.4	691.2
Total comprehensive income	–	–	–	806.9	685.8	1,492.7	26.3	1,519.0
Dividends paid	–	–	–	–99.4	–	–99.4	–11.0	–110.4
Dec. 31, 2021	260.8	157.4	–45.1	3,433.5	–788.1	3,018.5	81.9	3,100.4
Jan. 1, 2022	260.8	157.4	–45.1	3,433.5	–788.1	3,018.5	81.9	3,100.4
Net income for the year	–	–	–	1,251.0	–	1,251.0	30.6	1,281.6
Income and expenses recognized in equity	–	–	–	–	990.2	990.2	–9.6	980.6
Total comprehensive income	–	–	–	1,251.0	990.2	2,241.2	21.0	2,262.2
Dividends paid	–	–	–	–397.4	–	–397.4	–9.2	–406.6
Other*	–	1.5	–	–	–	1.5	73.2	74.7
Dec. 31, 2022	260.8	158.9	–45.1	4,287.1	202.1	4,863.8	166.9	5,030.7

*Changes in scope of consolidation / share-based payments.

C.6 Reconciliation of Other Equity Items

January 1 to December 31

€ million	Changes in fair value of securities – FVOCI	Impairments of securities – FVOCI	Difference from foreign currency translation adjustment	Changes in fair value of derivative financial instruments (cash flow hedge)	Remeasurement of defined benefit plans	Effects of net investments in foreign operations	Total
Attributable to Wacker Chemie AG shareholders							
Jan. 1, 2021	–	–	19.3	11.0	–1,500.5	–3.7	–1,473.9
Changes recognized in equity	–1.2	0.1	–	–11.7	533.9	–	521.1
Reclassification to the statement of income	–	–	–	–4.2	–	–	–4.2
Changes in exchange rates	–	–	168.9	–	–	–	168.9
Dec. 31, 2021	–1.2	0.1	188.2	–4.9	–966.6	–3.7	–788.1
Jan. 1, 2022	**–1.2**	**0.1**	**188.2**	**–4.9**	**–966.6**	**–3.7**	**–788.1**
Changes recognized in equity	**–8.7**	**–**	**–**	**7.6**	**902.1**	**–**	**901.0**
Reclassification to the statement of income	**–**	**–**	**–**	**18.5**	**–**	**–**	**18.5**
Changes in exchange rates	**–**	**–**	**70.7**	**–**	**–**	**–**	**70.7**
Dec. 31, 2022	**–9.9**	**0.1**	**258.9**	**21.2**	**–64.5**	**–3.7**	**202.1**
Attributable to non-controlling interests							
Jan. 1, 2021	–	–	–10.7	–	–	–	–10.7
Changes in exchange rates	–	–	5.4	–	–	–	5.4
Dec. 31, 2021	–	–	–5.3	–	–	–	–5.3
Jan. 1, 2022	**–**	**–**	**–5.3**	**–**	**–**	**–**	**–5.3**
Changes in exchange rates	**–**	**–**	**–9.6**	**–**	**–**	**–**	**–9.6**
Dec. 31, 2022	**–**	**–**	**–14.9**	**–**	**–**	**–**	**–14.9**

C.7 Segment Information by Division

January 1 to December 31

€ million	Silicones	Polymers	Biosolutions	Polysilicon	Other	Consolidation	Group
2022							
External sales	3,452.8	1,967.7	331.1	2,287.2	170.5	–	8,209.3
Internal sales	0.1	28.5	–	–	–	–28.6	–
Total sales	3,452.9	1,996.2	331.1	2,287.2	170.5	–28.6	8,209.3
EBIT	752.8	238.3	–4.7	705.3	–13.5	0.6	1,678.8
Depreciation, amortization and (reversals of) impairments	123.6	50.4	21.4	120.4	86.3	–	402.1
EBITDA	876.4	288.7	16.7	825.7	72.8	0.6	2,080.9
EBIT includes: result from investments in joint ventures and associates	76.5	–	–	–	124.4	–	200.9
Impairment of fixed assets	–	–	–	–	–	–	–
Asset additions[1]	199.8	107.3	102.6	91.9	45.2	–	546.8
Additions to financial assets	–	–	–	–	0.5	–	0.5
Asset additions	199.8	107.3	102.6	91.9	45.7	–	547.3
Assets (Dec. 31)	2,699.5	1,021.3	469.5	991.8	4,219.4	–0.1	9,401.4
Liabilities (Dec. 31)	1,128.1	450.0	184.2	692.5	1,916.1	–0.2	4,370.7
Net assets (Dec. 31)	1,571.4	571.3	285.3	299.3	2,303.3	0.1	5,030.7
Investments in joint ventures and associates included in net assets (Dec. 31)	124.2	–	–	–	875.3	–	999.5
Research and development expenses	70.9	35.2	4.8	27.0	40.5	–	178.4
Employees (Dec. 31)	6,019	1,603	835	2,283	4,985	–	15,725
Employees (average)	5,790	1,595	790	2,207	4,880	–	15,262
2021							
External sales	2,599.0	1,653.3	296.4	1,529.8	129.0	–	6,207.5
Internal sales	0.1	20.3	–	–	–	–20.4	–
Total sales	2,599.1	1,673.6	296.4	1,529.8	129.0	–20.4	6,207.5
EBIT	421.0	198.7	20.7	528.9	–34.2	–0.8	1,134.3
Depreciation, amortization and (reversals of) impairments	131.9	53.9	17.9	127.8	72.7	–	404.2
EBITDA	552.9	252.6	38.6	656.7	38.5	–0.8	1,538.5
EBIT includes: result from investments in joint ventures and associates	3.9	–	–	–	58.5	–	62.4
Impairment of fixed assets	–0.7	–	–	–	–	–	–0.7
Asset additions[1]	143.2	100.1	33.5	30.6	36.4	–	343.8
Additions to financial assets	–	–	–	–	0.3	–	0.3
Asset additions	143.2	100.1	33.5	30.6	36.7	–	344.1
Assets (Dec. 31)	1,955.7	980.2	332.9	972.0	3,893.7	–0.2	8,134.3
Liabilities (Dec. 31)	996.1	538.8	122.1	583.5	2,793.9	–0.5	5,033.9
Net assets (Dec. 31)	959.6	441.4	210.8	388.5	1,099.8	0.3	3,100.4
Investments in joint ventures and associates included in net assets (Dec. 31)	49.3	–	–	–	659.6	–	708.9
Research and development expenses	64.7	35.1	5.6	21.3	37.5	–	164.2
Employees (Dec. 31)	5,211	1,595	751	2,219	4,630	–	14,406
Employees (average)	5,157	1,591	742	2,195	4,667	–	14,352

[1] Intangible assets; property, plant and equipment; investment property; excluding right-of-use assets.

The segment information by division is an integral part of the Notes to the Consolidated Financial Statements. For explanations of the key indicators, **see Note 22.**

C.8 Segment Information by Region

January 1 to December 31

€ million	Germany	Rest of Europe	The Americas	Asia	Other regions	Consolidation	Group
2022							
External sales by customer location	1,170.8	1,659.5	1,286.6	3,694.2	398.2	–	8,209.3
External sales by Group company location	6,421.8	641.5	1,659.0	1,656.2	14.4	–2,183.6	8,209.3
Asset additions[1]	329.1	48.7	30.8	138.1	0.1	–	546.8
Additions to financial assets	0.5	–	–	–	–	–	0.5
Asset additions	329.6	48.7	30.8	138.1	0.1	–	547.3
Assets (Dec. 31)	9,009.0	2,465.6	2,061.9	1,396.9	12.6	–5,544.6	9,401.4
Liabilities (Dec. 31)	4,294.5	252.5	670.1	544.8	7.7	–1,398.9	4,370.7
Net assets (Dec. 31)	4,714.5	2,213.1	1,391.8	852.1	4.9	–4,145.7	5,030.7
Noncurrent assets[2]	2,344.3	254.7	903.6	680.3	5.4	–	4,188.3
Research and development expenses	176.6	0.8	18.2	16.3	–	–33.5	178.4
Employees (Dec. 31)	10,424	776	1,879	2,582	64	–	15,725
2021							
External sales by customer location	961.8	1,408.9	895.7	2,637.1	304.0	–	6,207.5
External sales by Group company location	4,854.1	237.3	1,166.9	1,235.9	11.3	–1,298.0	6,207.5
Asset additions[1]	191.1	33.1	27.5	92.1	–	–	343.8
Additions to financial assets	0.3	–	–	–	–	–	0.3
Asset additions	191.4	33.1	27.5	92.1	–	–	344.1
Assets (Dec. 31)	8,097.5	2,319.0	1,800.5	1,100.3	11.8	–5,194.8	8,134.3
Liabilities (Dec. 31)	4,858.0	173.2	478.3	432.5	7.6	–915.7	5,033.9
Net assets (Dec. 31)	3,239.5	2,145.8	1,322.2	667.8	4.2	–4,279.1	3,100.4
Noncurrent assets[2]	1,858.7	225.4	887.3	393.0	4.8	–	3,369.2
Research and development expenses	164.8	1.0	13.5	12.7	–	–27.8	164.2
Employees (Dec. 31)	10,006	728	1,723	1,882	67	–	14,406

[1] Intangible assets; property, plant and equipment; investment property; excluding right-of-use assets.
[2] Noncurrent assets as per IFRS 8 (excluding financial instruments, deferred tax assets and post-employment benefits).
The segment information by region is an integral part of the Notes to the Consolidated Financial Statements. For explanations of the key indicators, **see Note 22.**

Notes of the WACKER Group

Accounting Principles and Methods

The WACKER Group (WACKER) is a global chemical company with core activities in the fields of silicone and polymer chemistry, specialty and fine chemistry, and polysilicon production. The activities of the individual segments are explained in the Group management report. The Group's parent company, Wacker Chemie AG, is a listed company under the laws of the Federal Republic of Germany and has its headquarters in Munich, Germany (entered in Munich's commercial register under HRB 159705). Its registered office is at Hanns-Seidel-Platz 4, 81737 Munich, Germany.

The consolidated financial statements, the combined management report and any other documents subject to disclosure requirements are published in Germany's Company Register and on WACKER's website. KPMG AG Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements and the combined management report of Wacker Chemie AG and issued an unqualified audit opinion for them.

» www.wacker.com/annual-report

Wacker Chemie AG and its subsidiaries are included in the consolidated financial statements of Dr. Alexander Wacker Familiengesellschaft mbH, Munich. The consolidated financial statements of Dr. Alexander Wacker Familiengesellschaft mbH, Munich, are published in Germany's Company Register.

The Executive Board and Supervisory Board of Wacker Chemie AG have submitted the declaration concerning the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) and made it accessible to the public on WACKER's website.

» www.wacker.com/corporate-governance

Wacker Chemie AG's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), and the supplementary rules in Section 315e (1) of the German Commercial Code (HGB). The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were applicable in the year under review have also been implemented.

The fiscal year corresponds to the calendar year. Assets and liabilities are reported in the statement of financial position in line with their maturities. The Group classifies assets and liabilities as current if it expects to realize or settle them within 12 months of the reporting date. The statement of income is prepared using the cost-of-sales method. To improve the clarity of presentation, various items in the statement of income and in the statement of financial position have been combined. These items are shown and explained separately in the Notes.

The Group's reporting currency is the euro. Unless stated otherwise, all amounts are shown in millions of euros (€ million). There may be slight deviations in the additions, as all amounts have been rounded up to the nearest whole number after the decimal point.

Material events occurring after the reporting date are described in detail in Note 25. The Executive Board of Wacker Chemie AG approved the consolidated financial statements on March 2, 2023. They were submitted to the Supervisory Board for approval at its meeting on March 2, 2023.

New Accounting Standards

No new accounting standards and interpretations that have a material effect on WACKER have been applied for the first time in these consolidated financial statements. Other standards and interpretations to be applied for the first time are not applicable due to the absence of relevant circumstances. The table below lists amendments to existing standards used by WACKER, where such changes are of relevance to the company.

Accounting Standards/Interpretations Not Applied Prematurely

The International Accounting Standards Board (IASB) has published standards, interpretations, and amendments to existing standards, the application of which is not yet mandatory and which WACKER is not applying earlier than required. WACKER evaluates every new standard to determine its impact on the consolidated financial statements.

As of year-end 2022, WACKER had not identified any new or amended standards or interpretations that would be of future relevance to the consolidated financial statements.

Standard/ interpretation		Mandatory from	Endorsed by EU	Impact on WACKER
Amendments to IFRS 3	Business Combinations – Definition of a Business	Jan. 1, 2022	April 22, 2020	The amendments have changed the definition of a business in IFRS 3. A business exists only if, at a minimum, a substantive process contributing to creating outputs exists or has been acquired. If an acquisition's fair value is focused solely on purchased assets, it is not considered a business and IFRS 3 is therefore not applied. WACKER will be affected by these amendments for future acquisitions.
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022	June 28, 2021	The change specifies that the cost of fulfilling a contract comprises all costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts. WACKER only enters into contracts that will not be onerous when the contract is concluded. Thus, no changes result from the first-time application.
Amendments to IAS 1 and IAS 8	Definition of Material	Jan. 1, 2022	Dec. 10, 2019	The amendments clarify that information is material if omitting or misstating it could reasonably be expected to influence decisions that the primary users of financial statements make. Primary users of financial statements are existing investors, lenders or other creditors. WACKER already applies these materiality criteria in its published consolidated financial statements.

Scope of Consolidation

The consolidated financial statements include the financial statements of Wacker Chemie AG and all companies over which Wacker Chemie AG has direct or indirect control as defined in IFRS 10, or can exercise joint control as defined in IFRS 11. Depending on their structure, companies over which a WACKER Group company exercises joint control are either included proportionately as joint operations in the consolidated financial statements (line-by-line) or accounted for as a joint venture using the equity method. In the absence of other limiting contractual agreements, holding a majority of the voting rights usually leads to control. Joint control generally exists when voting rights are equally balanced, unless other (contractual) rights result in control by one shareholder. Currently, one company with joint control is accounted for using the equity method.

Associates over which WACKER can exercise significant influence as defined in IAS 28 are likewise accounted for using the equity method. Unless the opposite can be clearly demonstrated, significant influence is presumed if a WACKER Group company directly or indirectly holds 20 percent of the voting rights in the investment.

Structured entities are consolidated in the manner described in IFRS 10 if the economic substance of the relationship indicates the existence of control.

Companies in which Wacker Chemie AG has a shareholding of less than 20 percent or over which it does not exercise significant influence are shown as investments under noncurrent financial assets.

A detailed list of the companies included in the consolidated financial statements and of Wacker Chemie AG's entire shareholdings is shown in the Breakdown of Shareholdings section in accordance with Sections 285 and 313 of the German Commercial Code.

» See Note 23

Composition of the Group

Number	2022	2021
Fully consolidated subsidiaries (including parent company)	46	45
Germany	8	8
International	38	37
Associates and joint ventures	4	4
Germany	1	1
International	3	3
Non-consolidated companies	1	–
Germany[1]	1	–
International	–	–
Total	51	49
Germany	10	9
International	41	40
Structured entities	1	1
Germany	1	1
International	–	–

[1] The company in question is WBCP Advanced Medicines GmbH&Co. OHG, Munich, the influence of which on the Group's earnings, net assets and financial position is of minor significance.

A total of 50 companies were included in the consolidated financial statements as of December 31, 2022 (Dec. 31, 2021: 49 companies).

Acquisitions

Since December 31, 2021, the scope of consolidation has been expanded to include another subsidiary.

Wacker Chemicals (China) Co., Ltd., Shanghai, China, signed a share purchase agreement on October 27, 2021, to acquire a stake of 60 percent in SICO Performance Material (Shandong) Co., Ltd., Jining, China. The transaction closed on May 1, 2022. SICO is a leading manufacturer in China of organofunctional silanes, an important component in high-performance adhesives, sealants, coatings and composites. The purchase price was €178 million, of which €171 million was paid entirely in cash. WACKER will pay 5 percent of the purchase price (equivalent to €7 million) in three years.

WACKER acquired assets in the amount of €113 million and liabilities of €21 million. Cash and cash equivalents accounted for €36 million of the acquired assets and trade receivables for €18 million. The 40-percent non-controlling interest in net assets amounted to €36 million. The difference between the purchase price and the proportional share of the net assets was €123 million. The purchase price allocation resulted in the revaluation of intangible assets such as the customer base and technology in the amount of €113 million and a revaluation of property, plant and equipment and inventories in the amount of €6 million. Deferred tax liabilities of €30 million were recognized on revalued assets. €36 million of the revalued assets was allocated to non-controlling interests. Goodwill came to €70 million. WACKER did not revalue the goodwill of non-controlling interests. The goodwill results mainly from non-recognizable future expectations of market developments and from synergy effects. The acquired production know-how, especially in relation to the manufacture of organofunctional silanes, expands WACKER SILICONES' portfolio, particularly in Asia. The purchase price allocation was completed in Q3 2022. The costs of the transaction were expensed and were insignificant. Since being acquired, the company has posted sales of €75 million and recognized positive EBITDA of €17 million. If the acquisition had taken place at the start of the year, sales would have amounted to €130 million and EBITDA to €42 million.

Restrictions and Regulatory Constraints on IP

Statutory, contractual or regulatory restrictions and protective rights concerning non-controlling interests can limit the Group in its ability to retain access to assets, to transfer these to or from other companies unhindered within the Group, or to settle Group debts. The distribution of dividends can be limited by the need to prioritize retirement of shareholder loans. As of the reporting date, there were no material restrictions due to protective rights to the benefit of non-controlling interests. For further details, please refer to the Notes (Equity / Non-Controlling Interests / Capital Structure Management).

» See Note 12

In certain countries, regulatory requirements or local corporate-law stipulations can limit the Group's ability to transfer assets to or from other companies within the Group. Cash and cash equivalents are subject to local foreign-exchange restrictions in some Asian and South American countries. Capital may be exported from such countries only by means of capital measures (dividends, capital reductions) and only with prior approval from government authorities. There are no other significant limitations on the utility of assets within the Group.

Consolidation Methods

The consolidated financial statements include subsidiaries, joint operations, joint ventures and associates. The reporting date for all of these entities is December 31.

Business combinations are recognized by applying the acquisition method as defined in IFRS 3. The assets acquired and liabilities assumed are recorded at their respective fair values applicable on the date that WACKER gained control.

Goodwill is the amount on the acquisition date by which the acquisition costs exceed the Group's share in the acquired entity's net assets measured at fair value. The fair value is always calculated without reference to the magnitude of any non-controlling interests. Negative differences are recognized in profit or loss immediately after performing an additional review of the purchase price allocation.

For each acquisition, the individual option exists of measuring any shares not acquired either at fair value or at the proportionate share of the fair value of the acquired entity's net assets. These non-controlling interests are recognized in the statement of financial position under the line item of the same name.

Costs associated with the business combination are recognized as other operating expenses insofar as they are not costs for issuing debt instruments or equity securities.

Investments accounted for using the equity method are initially measured at cost when the acquisition is made. If the cost exceeds the prorated share of the remeasured net assets, the difference (goodwill) is included in the carrying amount of the investment. The carrying amount has to be tested for possible impairment losses as of the reporting date. The carrying amounts of these entities are increased or decreased annually to reflect their prorated earnings, dividend payouts or other changes in equity. If there is any indication that the value of the investment has been permanently reduced, an impairment is recognized in profit or loss.

Interim results, sales, expenses, income, receivables and liabilities between the consolidated companies, as well as prorated profits and losses resulting from transactions with associates, are eliminated.

Estimates and Assumptions Used in Acquisitions and Consolidation

Determining the fair values of the acquired assets and liabilities requires certain estimates and assumptions, especially concerning the acquired intangible assets and property, plant and equipment, as well as the liabilities assumed and the useful lives of the acquired intangible assets and property, plant and equipment.

Measurement is based to a large extent on anticipated cash inflows and outflows. If actual cash inflows and outflows vary from those used to calculate fair values, this may affect future Group net income.

In the case of material business combinations, a purchase price allocation is performed with the assistance of independent third-party valuation specialists. The valuations are based on the information available at the acquisition date.

Discretionary decisions can be made whenever it is necessary to evaluate whether control, joint control or significant influence exists for entities in which WACKER holds less than 100 percent of the voting rights. Primarily in cases where WACKER holds 50 percent of the voting rights, it must be assessed whether there are additional contractual rights or, in particular, factual circumstances that could result in WACKER having the authority to make decisions regarding the potential subsidiary, or whether joint control exists.

Changes to the contractual agreements or factual circumstances are monitored and assessed in terms of their possible impact on the evaluation of whether control or joint control exists.

Foreign Currency Translation

In the Group companies' separate financial statements, all of the receivables and liabilities in foreign currencies are translated at the rate prevailing on the reporting date, regardless of whether or not they have been hedged. Forward contracts that, from an economic point of view, are used for hedging are reported at fair value. The resulting translation differences are recognized in profit or loss or, if cash flow hedges are in place, in other equity items.

The financial statements of consolidated companies that are prepared in foreign currencies are translated on the basis of the functional currency principle using the modified closing rate method. This means that items in the statement of financial position are translated from the functional currency to the reporting currency using the average rates of exchange prevailing on the reporting date, whereas items in the income statement are translated using the average exchange rates of the reporting period.

As the Group's subsidiaries conduct their business in financial, economic and organizational autonomy, their functional currencies are basically identical to their respective local currencies. Any net gains or losses arising from the translation of equity are recognized in other equity items. Translation differences resulting from divergent exchange rates in the statement of income are likewise included there. If Group companies are removed from the scope of consolidation, any corresponding translation difference is reclassified from equity to profit or loss. The exchange rates between the most important currencies reported in these financial statements and the euro were as follows:

	ISO code	Exchange rate as of		Average exchange rate	
		Dec. 31, 2022	Dec. 31, 2021	2022	2021
US dollar	USD	**1.07**	1.13	**1.05**	1.18
Chinese renminbi	CNY	**7.41**	7.20	**7.08**	7.63

Estimates and Assumptions Used in Preparing Consolidated Financial Statements

The preparation of the consolidated financial statements in compliance with IFRS necessitates assumptions and estimates affecting the amounts and the disclosure of the recognized assets and debts, income and expenses, and contingent liabilities and contingent assets. These assumptions and estimates comply with the conditions and appraisals prevailing on the reporting date. In this regard, they also impact the amount of income and expenses recognized for the fiscal years in question. The assumptions on which the estimates are based relate primarily to the uniform determination of useful lives throughout the Group, the ascertainment of fair values of financial instruments, the recognition and measurement of provisions, the realizability of future tax relief, estimates relating to lease accounting, and the determination of discounted cash flows made in connection with impairment tests and purchase price allocations.

In individual cases, the actual values may differ from the assumptions and estimates that were made. Changes in value are recognized as soon as they become apparent and affect the net results of the period when the change occurred and, where applicable, of future reporting periods.

Intangible Assets Including Goodwill / Property, Plant and Equipment / Equity-Accounted Investments

The expected useful lives of intangible assets and of property, plant and equipment, together with their residual values and amortization/depreciation schedules, are based on past experience, planning and estimates. This includes estimates of the period and allocation of future cash inflows derived from the investments made, as well as future technical advancements and ongoing replacement and development cycles.

Impairment tests are performed for assets if specific indicators point to a possible impairment loss or reversal of an impairment loss. In the case of a possible impairment, an estimate must be made of the recoverable amount of the affected asset that corresponds to the higher of either the fair value less costs to sell or the value in use. To ascertain the value in use, it is necessary to determine the affected asset's discounted future cash flows. The estimate of the discounted future cash flows contains significant assumptions, in particular those regarding future selling prices and sales volumes, costs, maintained capex and discount rates. These assumptions relate to a planning phase of at least five years and are based on past experience and on management's expectations of market trends. Although WACKER assumes that the estimates of the relevant expected useful lives and of discounted future cash flows, as well as the assumptions regarding the general economic conditions and the development of the economic sectors, are reasonable, a change in the assumptions or circumstances might necessitate a change in the analysis. The trends in the sales prices of WACKER products and in raw-material and energy prices will have the most significant impact on future cash flows, particularly at WACKER POLYSILICON due to its highly volatile selling prices. This could result in significant deviations from the figures posted, which may lead to additional impairment losses or reversals of impairment losses.

Goodwill impairment tests are performed on the basis of cash-generating units, which largely correspond to WACKER's business units. Should impairment be required, the first step is to write off the existing goodwill in full, where necessary. If, subsequently, there is still a need for impairment, this is allocated to the other assets of the cash-generating units.

» See Note 05

Leases

Lease liabilities are accounted for on the basis of the contractual lease terms. Assumptions and estimates are necessary to determine the lease term and the underlying discount rate. The lessee is unaware of the interest rate contained in the lease, which is why WACKER calculates the incremental borrowing rate using a risk-free interest rate plus an extrapolated credit spread that reflects WACKER's refinancing level.

» See Note 06

Financial Instruments

Financial instruments are measured at fair value, while other financial assets and liabilities are disclosed at fair value in the notes to the financial statements. Calculation of the fair value of financial instruments may require making estimates, which may be more or less extensive depending on the extent to which non-observable input parameters are taken into account. When calculating fair value, WACKER strives to include as many observable input parameters as possible and to keep the use of non-observable factors to a minimum. If the fair value cannot be calculated reliably, the carrying amount is taken as an approximate figure to determine it.

In accordance with IFRS 13, financial instruments that are measured or recognized at fair value in the consolidated financial statements must be measured and classified in accordance with the fair value hierarchy. This hierarchy consists of three levels, to which the input parameters are assigned according to the extent to which they are observable during the corresponding measurement process.

» See Note 20

Impairments of Financial Assets

Impairments of financial assets are based on credit-default risk and expected loss rates. When preparing these assumptions and selecting inputs to calculate impairment, WACKER exercises discretion on the basis of past experience, current market conditions and forward-looking estimates as of the end of the reporting period. The most important assumptions and inputs are based on credit ratings and credit insurance, as well as on macroeconomic analyses, all of which provide the basis for classification in risk classes.

» See Note 10

Provisions

Significant risks inherent in environmental protection provisions and in provisions for damages and onerous contracts include possible changes in future cost/benefit estimates, changes in the likelihood of their utilization, and expanded statutory rules concerning the elimination and prevention of environmental damage. Changes in the discount rate also lead to adjustments in noncurrent provisions, reflecting the interest-rate environment. A floor of zero applies to the discount rates used, meaning negative interest rates are not taken into account.

» See Note 14

Provisions for pensions and similar obligations are accounted for in accordance with actuarial valuations and assumptions regarding plan assets. The valuations are based on statistical and other factors in order to anticipate future events. The factors in question include the discount rate, expected salary and pension increases, the mortality rate and rate increases for preventive health care. Property valuations are used for measuring the plan assets, while fair values are the basis for loans, fixed-interest securities, stocks and funds. If market and economic conditions change, these assumptions could vary considerably from actual developments, consequently leading to major changes in pension and similar obligations, as well as in associated future expenses.

» See Note 13

The pension obligation is determined by discounting the WACKER-specific, expected future cash flows. The discount rate is derived from the yield curve of high-grade fixed-interest corporate bonds with maturities matching the pension obligations, as calculated at the reporting date. The bonds are all denominated in the same currency as their underlying pension obligations. In Germany, WACKER uses Markit iBoxx EUR AA Corporate Bond Index bonds.

Moreover, it applies the composite yield curve of four countries' government bonds (Austria, Belgium, Finland and France), which are currently rated AA and have a maximum maturity of about 100 years. Any negative discount rate derived from these parameters is taken into account when determining the present value of the pension provisions and other long-term employee benefits, such as anniversary provisions.

WACKER is active worldwide and subject to local tax laws. Although we believe we have reasonably assessed tax uncertainties, we cannot ensure that the actual outcome will match the original assessment. If the actual results diverge from this assessment, this could impact the tax liabilities and deferred taxes in the specific period of recognition. Tax liabilities contain uncertain tax positions for cases where it might not be possible to realize the amounts stated in tax returns.

Deferred Taxes

At each reporting date, the Group assesses whether the probability of future tax benefits being realized is sufficient to recognize deferred tax assets. Among other things, this requires management to evaluate the tax benefits resulting from currently available tax strategies and future taxable income, and also to take additional positive and negative factors into account. In the case of entities that, in the past, reported tax losses within the meaning of IAS 12, deferred tax assets are capitalized only in exceptional cases, where there is convincing evidence that they can be realized.

Climate Protection and Sustainable Development

WACKER has new, ambitious sustainable development goals for addressing climate-change risks up to 2030.

» See the Sustainability Report and the Goals and Strategies section of the combined management report.

The new targets to cut greenhouse gases are science-based because they are consistent with the goal of keeping the global rise in temperature below 1.5 degrees Celsius and therefore comply with the Paris Agreement. The chemical industry is resource-intensive. Integrated production clearly dictates the most efficient and responsible use of resources possible as well as the application of circular-economy principles. Ambitious targets for reducing carbon emissions and the utilization of renewable and recycled raw materials are core components of WACKER's strategy. WACKER is continually working to improve its production processes. That is why current developments and measures as regards climate change and sustainability have not fundamentally changed our expectations in relation to the useful lives or value of noncurrent assets such as property, plant and equipment. Nor have they resulted in any need to adjust our provisions for environmental or demolition/dismantling obligations. In isolated cases, however, facilities may have to be shut down where it is deemed necessary to protect the environment.

At present, WACKER sees a risk that the EU Taxonomy – with its fragmentary rules on reporting sustainable products and activities – will not enable the company to adequately present the importance of its products for climate change mitigation. In 2022, there were no material activities that WACKER could report as being in alignment with the EU Taxonomy Regulation. Even polysilicon, a vital raw material for producing solar modules, cannot be defined as taxonomy-eligible, since polysilicon activities are not cited in the EU regulation. This could be disadvantageous if this key factor influences financing decisions of investors or government subsidy programs. In its decisions regarding capital expenditures, WACKER assumes there will be enough reasonably priced green energy available in the future. There is a risk that both the quantity and the price of energy will diverge from what is expected. The significantly higher electricity and gas prices triggered by the current energy crisis have been factored into WACKER's planning and are taken into account when remeasuring the value of its noncurrent assets.

The latest sustainability figures are disclosed in the current Sustainability Report. It forms part on the Non-Financial Report in this Annual Report.

Further details about estimates, accounting and valuation principles, and their effects on these consolidated financial statements, are contained in the individual sections of the Notes.

Accounting and Valuation Principles

The financial statements of Wacker Chemie AG and its German and international subsidiaries are prepared in accordance with uniform accounting and valuation principles.

The accounting and valuation methods correspond to those used for the last consolidated financial statements as of the end of the previous fiscal year. They have been supplemented by new accounting standards to be applied for the first time in the reporting year. The Group's consolidated financial statements are based on acquisition and production costs (historical costs), with the exception of items measured at fair value, which include financial assets, derivatives, and plan assets within the scope of pension obligations.

Sales

Sales comprise revenue from contracts with customers and from other sources. The consideration expected to be received in exchange for transferring goods or services to a customer in the ordinary course of business is reported as revenue from contracts with customers. Revenue is recognized when a performance obligation has been satisfied and the customer has obtained control of the goods or services. A prerequisite is the customer's willingness to acknowledge and accept performance. Revenue recognition can occur either over a period of time or at a point in time and involves a five-step system. First, a contract with a customer and its performance obligations are identified. Then, the transaction price is determined and allocated. Revenue must be recognized for each individual performance obligation when the customer obtains control of the goods or services. In certain transport clauses, transport costs represent a separate performance obligation since the freight/transport performance is not concluded until control has been transferred to the customer. Revenue recognition usually takes place when the goods are transferred to the customer or as stipulated in the agreed transport terms. Certain revenues from services are generated over a period of time, during which the services are rendered and documented in accordance with contractual milestones. Revenue recognition takes place when a milestone is completed, at which point the right to payment arises.

Other revenue concerns the proceeds of sales that are not from contracts with customers; revenue of this kind is recognized at the fair value of the consideration received or receivable for the goods or services sold.

Revenue is reported net of VAT and other taxes incurred in connection with the sales and after accounting for discounts and price reductions. Sales are not reported if there are risks attached to the receipt of the consideration. In the case of risks from returns of finished goods and merchandise, warranties and other complaints, provisions are recognized using the principle of individual evaluation.

When a contracting party (customer or supplier) has fulfilled its contractual obligations, an entity must present the contract as a contract asset or contract liability depending on whether the entity has completed performance or the customer has made payment. An entity must show every unconditional right to receive consideration as a separate receivable. WACKER recognizes contract liabilities in its statement of financial position. These liabilities include advance payments made by customers for polysilicon deliveries and advance payments made by WACKER BIOSOLUTIONS customers. Customer-specific discount accruals are also reported as contract liabilities. Discount accruals are contractually agreed discounts that are granted when certain thresholds are exceeded and that reduce sales in the current period. These accruals are estimated on the basis of past experience and usually settled in the following period at the latest. At WACKER BIOSOLUTIONS, assets required for the provision of services are recognized as contract assets.

Functional Costs

The cost of goods sold shows the cost of the products, merchandise and services sold. It includes not only directly attributable costs, such as material costs, personnel expenses and energy costs, but also indirect costs, such as depreciation/amortization, impairments and inventory write-downs. It also includes the cost of outward freight. Selling expenses include costs incurred by the sales organization as well as the cost of advertising and market research. This item also includes commission expenses. General administrative expenses include the prorated payroll and costs of corporate control functions, human

resources, accounting and information technology, unless they have been charged as an internal service to other cost centers and thus, in certain circumstances, to other functional areas.

Research and Development Expenses
Research expenses also 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 are not capitalized. Development costs are capitalized only if all the prescribed recognition criteria have been met, the research phase can be separated clearly from the development phase, and the costs incurred can be allocated to the individual project phases without any overlaps. There must also be sufficient certainty that future cash inflows will take place.

Income Taxes
Income taxes include all domestic (German) and international taxes that are based on taxable earnings. They include both current income taxes and deferred taxes. Current income taxes are calculated based on the taxable earnings and the applicable tax regulations in each country in the reporting year. Income taxes also contain adjustment amounts for any tax payments/refunds from tax returns for prior years or from tax audits.

Income tax liabilities are recognized to cover cases in which it might not be possible to realize the amounts stated in tax returns (uncertain tax positions). Their amount is calculated using the best possible estimate of the expected tax payment for the specific item (the most likely value of the tax uncertainty). Income tax receivables from uncertain tax positions are recognized if it is likely that they can be realized. No income tax liability or income tax receivable is posted for these uncertain tax positions if, and only if, a tax loss carryforward or an unused tax credit exists. In all other cases, the uncertain tax position is offset against the unused tax loss carryforward or the unused tax credit, insofar as no restrictions apply to the offset.

Deferred tax assets and liabilities are recognized for temporary differences between tax bases and carrying amounts, and for consolidation measures recognized in the statement of income. Deferred tax assets include tax relief entitlements resulting from the anticipated use of existing loss carryforwards in future years, the realization of which is sufficiently probable. Deferred taxes are determined on the basis of the tax rates which, under current law, will be applicable or are anticipated in the individual countries when they are realized. Deferred tax assets and liabilities are netted out only to the extent possible under the same tax authority. Deferred tax assets and liabilities are recognized in the statement of income. In cases where profits or losses are recognized directly in equity, the deferred tax asset or liability is likewise posted under other equity items.

Intangible Assets
Pursuant to IAS 38, acquired and 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. They are measured at cost and, if their useful lives can be determined, amortized on a straight-line basis. The useful life is taken to be between 3 and 15 years unless indicated otherwise, e.g. by the life of a patent. The useful life is reviewed annually and, if necessary, adjusted to correspond to the latest expectations. Amortization of intangible assets is allocated to the functional areas that use the assets. Intangible assets with indefinite useful lives undergo an annual impairment test. At present, no intangible assets with indefinite useful lives have been capitalized.

Goodwill is not amortized. Existing goodwill undergoes an annual impairment test. If the impairment test indicates a recoverable amount that is lower than the carrying amount, the goodwill is reduced to its recoverable amount and an impairment loss is recognized. An impairment test is also performed when events or circumstances indicate a possible impairment. Impairments of goodwill are disclosed

under other operating expenses. Impairment losses on goodwill are not reversed. The recoverable amount is determined in each case by applying the value in use. Planning approved by management and the related cash flows for the next five or more years are used where there are legitimate grounds for extending the detailed-planning period. For the time period thereafter, a terminal value is calculated by extrapolating the last detailed planning year as a perpetual annuity. Planning is based on experience, current business performance and management's best possible estimate of future development of specific influencing factors, such as raw-material prices and profit margins. Macroeconomic and industry-specific sources are consulted when making assumptions on market trends such as market growth.

Any cash-flow discounting required by impairment tests is done using the weighted post-tax cost of capital as determined by the capital asset pricing model. Components of the formula used in this model are the risk-free interest rate, the market risk premium and an adjustment of the credit risk based on the specific peer group (spread).

Property, Plant and Equipment

Property, plant and equipment is capitalized at (acquisition or production) cost and depreciated on a straight-line basis over its expected economic life. A residual value is determined in exceptional cases only. The useful life is reviewed annually and, where necessary, adjusted to correspond to expectations. Acquisition costs include not only the purchase price, but also incidental acquisition costs as well as any costs incurred in the demolition, dismantling and/or removal of the relevant asset from its site, and in the restoration of that site. Any reductions in the price of acquisition reduce the acquisition costs. The (production) cost of internally generated assets includes all costs directly attributable to the production process as well as an appropriate portion of the production-related overheads. Financing costs that were incurred in connection with particular qualifying assets and can be attributed directly or indirectly to them are capitalized as part of acquisition or production costs until the assets are used for the first time.

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.

Grants from third parties reduce acquisition and production costs. Unless otherwise indicated, these grants (investment subsidies or development loans) are provided by government bodies. Income grants for which there are no future expenses are recognized as income. Grants are recognized as separate assets until receipt of the funds.

WACKER recognizes assets under construction for as long as the asset or a component thereof is being built or when advance payments are made prior to delivery of services charged. Property, plant and equipment under construction is not depreciated. Depreciation commences when the assets are ready for operation, at which time they are reclassified as property, plant and equipment. This occurs independently of when WACKER actually commissions the items.

If property, plant and equipment is permanently retired, sold or given up, the acquisition or production costs are derecognized, along with the corresponding cumulative depreciation.

Any gain or loss resulting from the difference between the sale proceeds and the residual carrying amount is recognized under other operating income or expenses.

Depreciation of property, plant and equipment is generally based on the following useful lives:

In years	Useful life
Production buildings	10–40
Other buildings and similar rights	10–30
Technical equipment and machinery	6–12
Motor vehicles	4–10
Factory and office equipment	3–12

An impairment test is carried out when relevant events or changes in circumstances indicate that it might no longer be possible to realize the net carrying amount of intangible assets, or property, plant and equipment. At the end of each reporting period, WACKER 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 of either the fair value less costs to sell or the value in use. The value in use is calculated based on the present value of the estimated future cash flows from the use of the asset, taking into account pre-tax interest rates that have been adjusted to reflect the segment-specific risk. In order to determine the cash flows, assets are combined at the lowest level for which cash inflows can be identified separately (cash-generating units). If the reasons for recognizing impairments no longer exist, impairment losses are reversed. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized. Impairments are reported under other operating expenses and reversals of impairment losses under other operating income.

Government Grants

If their inflow is sufficiently certain, government grants for assets are deducted from the asset's carrying amount and recognized as income using a reduced depreciation/amortization charge over the depreciable/amortizable asset's useful life. Provided their inflow is sufficiently certain, government grants that compensate the Group for incurred expenses are deducted from the corresponding expenses in the same period in which the expenses to be compensated are incurred.

Investment Property

Like property, plant and equipment, investment property is measured at cost and depreciated on a straight-line basis. It consists of land and buildings that are held to earn rental income or for capital appreciation. The fair value of this property is regularly measured by means of independent property appraisals. This item in the statement of financial position also includes right-of-use assets from long-term subleases.

Leases

At the start of a contract, WACKER assesses whether the agreement constitutes or contains a lease. This is the case if the agreement grants control over use of an identifiable asset against payment of a fee for a specific term. When the agreement is concluded or modified, the agreed fee must be divided up into a lease component and a non-lease component. WACKER does not perform this separation, however, since all its identified leases are solely of a lease-fee nature.

WACKER recognizes a right-of-use asset, initially measured at cost and corresponding to the lease liability. As initially measured, the lease liability comprises payments made plus any initial costs, less possible costs for dismantling or for restoration of the site. The right-of-use asset is then amortized on a straight-line basis over the lease term. If WACKER assumes control of the asset at the end of the lease, or if the lease liability contains a purchase option, the asset is amortized over its useful life.

The lease liability is initially measured at the present value of the remaining lease payments as of the date of availability and discounted at the Group's incremental borrowing rate. To calculate its incremental borrowing rate, WACKER uses interest rates from various external financing sources with a similar rating to Wacker Chemie AG in certain maturity bands. In the case of property leases, adjustments are made due to the leased property's security-related function. The evaluation includes both fixed and variable lease payments. The latter are tied to an index or interest rate, and calculated for the first time on the date of availability. Lease payments from extension options or payments from purchase options are included only if it is sufficiently certain they will be exercised. Penalty payments from premature termination are recognized if WACKER is certain premature termination will take place.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured if the contract is modified or the estimates regarding exercise of the options are amended.

Right-of-use assets are shown as a separate line item in the statement of financial position. Lease liabilities are recognized under financing liabilities. WACKER has decided not to recognize right-of-use assets and lease liabilities if the assets in question are of low value or the leases are short term (including for IT equipment). The lease payments are recognized as expenses. Leased company cars for employees are not recognized as subleases, but rather as salary components under IAS 19 "Employee Benefits."

If it is the lessor, WACKER classifies a lease as being either a finance lease or an operating lease. WACKER acts as a lessor where property subleases are concerned. This classification takes account of indicators such as whether the lease comprises the predominant part of the economic use of the asset or right-of-use asset. The Group recognizes main leases and subleases separately if it acts as an intermediary lessor. It classifies a sublease on the basis of the right of use from the corresponding main lease.

Investments, Associates and Joint Ventures
Shares in non-consolidated affiliated companies and investments are measured and recognized at market value or at cost. Changes in market value are recognized in the consolidated statement of income upon realization through disposal or if the market value falls below the acquisition cost. Loans granted are measured at amortized cost, except for non-interest-bearing and low-interest loans, which are recognized at their present value.

Investments in joint ventures and associates are accounted for using the equity method, with the carrying amount reflecting the Group's prorated share of equity. Prorated net profits and losses are recognized in the consolidated statement of income, and the carrying amount is increased or decreased accordingly. Any changes in equity recognized directly in the investee's equity are also recognized directly in equity in the consolidated financial statements. Dividends paid by joint ventures and associates reduce their equity and are therefore deducted from the carrying amount without affecting profit. If a joint venture or associate faces losses that have exhausted its equity, no further losses are taken into account. Exceptions can be made if there are noncurrent unsecured receivables against the company, or the Group has entered into additional obligations or made payments for the company. The carrying amount is not increased until the loss carryforward has been compensated for and the equity is positive again.

In addition, an impairment test is carried out in the presence of corresponding indications and, where necessary, an impairment loss is recognized. The recoverable amount is determined in accordance with IAS 36. If the reasons for an impairment loss no longer apply, it is reversed. Impairment losses and reversals of impairment losses are recognized in the result from investments in joint ventures and associates.

Financial Instruments
Financial assets and liabilities are recognized in the consolidated financial statements when WACKER becomes a contracting party to the financial instrument. They are derecognized when the contractual rights or liabilities are fulfilled or rescinded, or when they expire.

In the case of normal market purchases or sales, however, the settlement date – i.e. the date on which the asset is delivered to or by WACKER – is relevant for initial recognition and derecognition. As a rule, financial assets and financial liabilities are not netted. A net amount is presented in the statement of financial position if, and only if, the entity currently has a right to net the recognized amounts and intends to settle on a net basis.

Financial instruments are measured at fair value on initial recognition. The transaction costs directly attributable to the acquisition must be taken into account for all financial assets and liabilities not subsequently measured at fair value through profit or loss. The fair values recognized in the statement of financial position generally correspond to the market prices of the financial assets and liabilities. If these are not directly available, they are calculated using standard measurement models on the basis of current market parameters.

Financial assets at WACKER include, in particular, cash and cash equivalents, trade receivables and derivatives, as well as financial assets that are held to collect or held for trading. As a general rule, financial liabilities must be settled

using cash or another financial asset. Financial liabilities include, in particular, the Group's own bonds and other securitized liabilities, trade payables, liabilities to banks, lease liabilities, promissory notes (German Schuldscheine) and derivative financial liabilities. WACKER does not elect to measure financial assets and liabilities at fair value through profit or loss on initial recognition (fair value option).

Subsequent measurement of financial assets and financial liabilities depends on the measurement categories of IFRS 9.

IFRS 9 stipulates that each financial asset must be classified and measured on the basis of the entity's business model for managing the financial assets and the asset's contractual cash flow characteristics. On initial recognition, each financial asset is classified as measured either at fair value through profit or loss (FVPL), at amortized cost or at fair value through other comprehensive income (FVOCI).

The "held to collect" and "held to collect and sell" business models both require that the cash flows from the financial instrument be solely payments of principal and interest (SPPI). Subject to use of the fair value option, which is still available under certain circumstances, instruments that satisfy the SPPI test are measured at amortized cost in the "held to collect" business model, and at fair value through other comprehensive income (FVOCI) in the "held to collect and sell" business model. Financial instruments that fail the SPPI test are measured at fair value through profit or loss (FVPL) and classified under the "trading" business model. IFRS 9 provides for an exception for interests that are not held for trading, such as company stock. Since they do not meet the SPPI test criteria, equity instruments must be measured at fair value, but upon initial recognition there is an irrevocable election to present subsequent changes in fair value in other comprehensive income. WACKER currently makes no use of this election.

At WACKER, trade receivables, as well as other financial receivables, certain securities, fixed-term deposits, and cash and cash equivalents, are assigned to the "held to collect" business model and measured at amortized cost. If it is both intended and, in economic terms, to be expected with sufficient certainty that securities or fixed-term deposits will be held to collect, they are measured at amortized cost using the effective interest method. Otherwise, securities are measured at fair value provided they meet the SPPI criteria, with changes in fair value recognized in other comprehensive income (FVOCI). Unrealized gains and losses are recognized in other equity items after adjusting for deferred taxes. When financial instruments are derecognized, the cumulative gains and losses recognized in equity are recognized in profit or loss.

As fund shares and investments generate cash flows from dividends and other distributions, and thus do not satisfy the SPPI criterion, they are assigned to the "trading" business model and measured at fair value through profit or loss (FVPL). The investments in question are primarily small, regional ones in non-profit organizations operating infrastructure facilities. As no active market values are available for these companies, they cannot be measured at fair value. WACKER considers the historical cost of these equity instruments to be the best approximation of their fair value. Derivative financial instruments do not fall into any measurement category: they are measured at fair value through profit or loss. If they are intended for strategic hedging relationships, they are accounted for directly in equity.

Primary financial liabilities are subsequently measured at amortized cost using the effective interest method. Under reverse-factoring agreements, WACKER places its trade payables on a platform for its suppliers, enabling them, where necessary, to initiate payment of their invoices earlier than the agreed payment date. The items in question are still recognized as trade payables because the original payment deadlines are unchanged. WACKER is not exposed to any liquidity risk, as no extended payment deadlines are agreed with the factor and no other changes are made to the original liability. In the case of reverse-factoring agreements, liabilities with long payment deadlines outside the normal business cycle are reclassified to financial liabilities.

Impairments of Financial Assets

IFRS 9 stipulates that, with the exception of derivative financial instruments, trade receivables and other financial assets must be recognized at amortized cost. Securities are measured at fair value or amortized cost either through other comprehensive income or through profit or loss. Risk provisioning takes place in the form of loss allowances. Loss allowances are recognized for receivables on initial recognition of the financial assets on the basis of the potential losses expected at that point in time. If the credit risk is not significantly higher on the reporting date than it was on initial recognition, WACKER recognizes a loss allowance in the amount of the 12-month expected credit losses (Level 1) – meaning the credit losses that can be expected to arise from possible default events within the next 12 months. IFRS 9 requires recognition of a loss allowance in the amount of the default of receivables expected over the full remaining term to maturity for those financial assets whose credit risk has become significantly higher (Level 2) and of assets that are defaulted as of the reporting date (Level 3). WACKER considers the credit risk to have become significantly higher if the counterparty's credit rating has been downgraded substantially and the receivable is more than 30 days past due. The main indicators WACKER uses to determine whether an asset has become defaulted (Level 3) are insolvency, internal dunning level 4 and more than 90 days past due. Regardless of this, each case must be assessed individually in line with the credit management process. In this process, the assets – particularly trade receivables – are assigned to internally defined risk classes. The internal credit classes contain forward-looking information and take account of both macroeconomic factors and payment behavior history.

WACKER applies the simplified approach when calculating impairments of trade receivables. Under this approach, the loss allowance is determined immediately upon origination on the basis of the lifetime expected credit losses. Further changes in the credit risk (expected credit loss, ECL) do not need to be tracked. The expected credit losses are determined using an impairment matrix, which defines fixed default rates per past-due category on the basis of the risk classes of the past-due receivables.

The lifetime expected credit losses reflect all possible default events that could occur until the expected maturity of the financial asset. WACKER determines the expected credit loss by taking into account the entire contractual period during which the Group is exposed to the credit risk.

WACKER applies three key parameters to assess the expected credit loss for noncurrent and current interest-bearing receivables (loans and fixed-interest securities): the probability of default (PD), the loss given default (LGD) and the estimated exposure at default (EAD). In the case of loans and fixed-interest securities, WACKER determines a loss allowance equivalent to the 12-month expected credit losses, as the former are financial instruments with a low credit risk.

A financial asset is derecognized if the company no longer has any expectation of receiving the corresponding outstanding cash flow. Before a receivable is derecognized, a special assessment of the individual case is carried out. That includes offsetting against the gross value of the receivable – and thus utilizing – any impairments recognized. Expenses from expected impairments are reported under other operating expenses.

Cash and cash equivalents comprise cash in hand, demand deposits, and financial assets that can be converted into cash at any time, are subject to only slight fluctuations in value and have a term of up to three months. They are measured at amortized cost, which is equivalent to their nominal values.

The general impairment model is applied to bank deposits and fixed-term deposits. These are classified as financial instruments with a low credit risk, given that WACKER enters into banking relationships only with investment-grade counterparties. Impairments are not recognized for deposits with banks participating in Germany's Deposit Protection Fund because these deposits are secured via the fund. Any impairments that arise are immaterial.

If the contractual conditions of an asset are modified and the modification does not result in its derecognition under IFRS 9, a gain or loss is recognized in the income statement. The amount recognized is the difference between the original contractual cash flows and the modified cash flows (both discounted using the original effective interest rate). For WACKER, however, modifications of this kind are exceptional, and none have arisen to date.

Derivative Financial Instruments

Derivative financial instruments are used solely for hedging purposes, the aim being to reduce both the Group's exposure to exchange-rate, interest-rate and commodity-price risks arising from operating activities and the resulting financing requirements. Derivative financial instruments are recognized as of the trade date. They are always recognized at fair value, irrespective of the purpose or intention for which they were concluded. Positive fair values are recognized as receivables and negative fair values as liabilities. Differences are recognized in profit or loss separately from hedge accounting.

Where derivative financial instruments are used to hedge risks stemming from future cash flows or to hedge items in the statement of financial position, WACKER applies hedge accounting in accordance with the requirements of IAS 39. Changes in the market values of financial instruments used to hedge risks stemming from cash flows (cash flow hedges) are recognized in other equity items – taking deferred taxes into account – until the hedged item has been realized. When the hedged item is realized, the profit contribution of the hedging transaction is recognized in the statement of income under other operating income/expense or under net interest income. If such a derivative is sold or the hedging relationship is discontinued, the change in its value continues to be recognized in other equity items until the underlying transaction occurs. Ineffective parts of the hedging transaction are recognized immediately in profit or loss. Fair value hedges of recognized assets or liabilities and/or unrecognized fixed contractual obligations entail the recognition in profit or loss of market value changes for both the hedged item and the financial derivative (as the hedging instrument). At the moment, WACKER does not hedge any net investments in foreign operations.

Contracts concluded for the purpose of receiving or delivering non-financial goods in accordance with WACKER's own needs are not recognized as derivatives, but rather as pending transactions. In exceptional cases, contract clauses may result in a contract being treated as a derivative financial instrument. Such instruments are recognized at fair value under other operating income/expense in the statement of income. Hedge accounting is applied if the prerequisites for it are met.

Currency hedges for planned sales are recognized under other operating income and expenses, while interest rate hedges are recognized under net interest income. Currency hedges from intra-Group financing and foreign-exchange derivatives concluded to hedge financing liabilities in foreign currencies are shown under other financial result. Changes in the fair value of commodity hedges are recognized under cost of goods sold.

Inventories

Inventories are measured at cost using the average cost method. Lower net realizable values or prices as of the reporting date are taken into account by writing down inventories to their fair value less costs to sell. The cost of goods sold includes directly attributable costs, appropriate portions of indirect material and labor costs, and straight-line depreciation. Costs for the company pension plan and voluntary social benefits are also included if they are production-related. Due to the relatively short-term nature of the production processes, no financing costs are recognized. For production-related reasons specific to the chemical industry, unfinished and finished goods are reported together. Raw materials and supplies also include spare parts for the day-to-day maintenance of production facilities. They are measured in accordance with their periods of storage and potential usability.

Emissions certificates allotted free of charge are recognized at a nominal value of zero. Emissions allowances acquired against payment are carried at cost. If the fair value is lower as of the reporting date, the carrying amount is reduced accordingly. Utilization is determined via the running average value of certificates, whether they were allotted free of charge or acquired against payment, and recognized pro rata as expenses under cost of goods sold on the basis of the quarterly emissions. Guarantees of Origin (GoOs) for renewable electricity are recognized at cost. On utilization, they are expensed under cost of goods sold.

Income Tax Receivables and Other Non-Financial Assets

Income tax receivables and other non-financial assets are recognized at amortized cost. Changes in income tax receivables are posted under income taxes in the statement of income. Income tax receivables also contain uncertain tax positions. Noncurrent receivables that are non-interest-bearing or low-interest-bearing are discounted.

Provisions for Pensions and Similar Obligations

Defined-benefit pension plans are measured in accordance with the projected unit credit method. This method takes account not only of known pensions and entitlements to future pensions as of the reporting date, but also of expected increases in salaries and pensions. Moreover, measurement is based on actuarial valuations and takes account of biometric and financial calculation principles. The fair value of the plan assets is subtracted from the present value of the pension obligations (defined benefit obligation, DBO), resulting in either a net liability or net asset of the defined benefit plans. The prior year's underlying DBO assumptions are used to determine the current service cost. The net interest cost for the fiscal year is determined by applying the discount rate set at the beginning of the year to the net liability calculated at the same time. The net interest from the net pension liability is the difference between the calculated interest income from plan assets and the interest expense from the defined benefit obligation. Remeasurements comprise actuarial gains and losses stemming from the difference between the estimate at the start of the period and actual developments during the period – or a newer estimate as of the reporting date – in relation to probable mortality rates, retirement and salary trends, or discount rates. Remeasurements are recognized directly in other comprehensive income. Similarly, differences between the interest income from plan assets calculated at the start of the period and the actual income from plan assets determined at the end of the period are recognized in other comprehensive income.

If the present value of a defined benefit obligation changes due to a plan amendment or curtailment, WACKER recognizes the resulting effect as past service cost. This is recognized in profit or loss as soon as it occurs. The profits and losses resulting from settlement are also recognized in the statement of income as soon as settlement takes place. Administrative expenses that are not related to the management of plan assets are also recognized in profit or loss when incurred.

The expense from current and past service cost is allocated to the costs of the functional areas concerned. The net interest is shown under other financial result.

Provisions for phased early retirement and anniversaries are measured and recognized in accordance with actuarial appraisals. Owing to their structure, provisions for phased early retirement also constitute other noncurrent employee benefits in accordance with IAS 19, since they are linked to the rendering of future service. WACKER uses only a block model when structuring phased-early-retirement agreements. The corresponding provisions are recognized pro rata over the service period of the claim during the work phase.

Provisions

Provisions are recognized in the statement of financial position for present legal or constructive obligations toward third parties if an outflow of resources to settle these obligations is probable and its amount can be estimated reliably. The amounts recognized are those estimated to be required to cover the Group's future payment obligations, identifiable risks and contingencies.

Noncurrent provisions are measured at the discounted settlement value as of the reporting date. The discount rate applied is the market interest rate for risk-free investments with terms corresponding to the residual term of the obligation to be settled. Expected refunds, provided that they are sufficiently secure or legally enforceable, are not offset against provisions. Instead, they are capitalized as separate assets if their realization is virtually certain.

Provisions for restructuring costs are recognized if a detailed formal plan for restructuring has been drawn up and conveyed to the affected parties. Provisions for contingent losses arising from onerous contracts are recognized if the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the contractual obligations. Provisions for environmental protection are recognized if future cash outflows for complying with environmental legislation or for cleanup

measures are likely, the costs can be estimated with sufficient accuracy and no future acquired benefit can be expected from the measures.

If an amended estimate results in a reduction in the scope of the obligations, a proportion of the provision is reversed and the earnings are allocated to the functional area originally charged with the expense when the provision was recognized.

Financing Liabilities and Other Financial Liabilities

On initial recognition, primary financial liabilities are measured at fair value less any transaction costs incurred. They are subsequently measured at amortized cost using the effective interest method. Derivative financial instruments are recognized at fair value. Lease liabilities are shown as financing liabilities at the present value of the future lease installments.

Contingent Liabilities / Contingent Assets

Contingent liabilities are potential obligations toward third parties or existing obligations for which an outflow of resources is unlikely or the amount of the obligation cannot be estimated with sufficient certainty. Contingent liabilities are not recognized in the statement of financial position.

Contingent assets are potential assets resulting from past events and whose existence will not be confirmed until the occurrence of one or more uncertain future events that are beyond the Group's influence.

01. Revenues from Contracts with Customers

Revenues from sales comprise those from contracts with customers and those from other sources:

Breakdown of Revenues

€ million	2022	2021
Revenues from contracts with customers		
Proceeds from deliveries of products and merchandise	8,032.0	6,101.9
Proceeds from other services	172.8	101.5
Total revenues from contracts with customers	8,204.8	6,203.4
Other revenues	4.5	4.1
Total revenues	8,209.3	6,207.5

WACKER recognizes the majority of its sales at specific delivery dates. WACKER's customary business model is to sell chemical products on the basis of binding individual orders from customers with or without framework agreements. Customer orders usually result in a specific performance obligation, which is satisfied at a point in time. Revenue is recognized when economic control has been transferred to the customer in accordance with Incoterms. WACKER POLYSILICON also uses medium- and long-term supply contracts for predefined purchase quantities and advance payments. Here, too, revenues are recognized at a point in time.

In the case of customer-specific orders at WACKER BIOSOLUTIONS, sales are recognized over time. Its business model entails providing development services to the pharmaceutical industry under service contracts that are fulfilled and documented using milestones. The right to payment arises when a milestone is reached. The division also manufactures customer-specific products in connection with supply contracts for pharmaceutical intermediates. The right to payment in this case arises on acceptance by the customer. In certain cases, customers make advance payments before a product is delivered or provision of a service commences. WACKER BIOSOLUTIONS also concludes medium-term contracts. To a minor extent, income is realized through the licensing of process know-how. In 2021, the division recognized revenue of €16.6 million in reservation fees from a contract manufacturing agreement for Covid-19 vaccine production. No further reservation fees were recognized after termination of the agreement, since it was reassessed in accordance with IFRS 15.

No long-term payment terms exist that could qualify as a financing component. As a general rule, payment is due within 30 to 90 days. Deliveries to customers with poor credit ratings are contingent upon advance payment or provision of a bank guarantee. The statutory warranty obligations for quality defects apply at WACKER, and exact specifications are defined in framework agreements with customers.

The majority of services are posted under WACKER's "Other" segment and comprise the supply of media to, and the administration of, chemical-industry parks on behalf of third-party companies, particularly at the site in Burghausen, Germany. Sales of salt and lye are another component of the revenues recognized under "Other." For both media supply and deliveries of salt and lye, revenues are recognized at a specific point in time, namely on delivery.

At WACKER, the sales revenue per segment corresponds to the Group's different product categories. The differences between chemical products, and also between market and customer groups, are evident in the segments. The particular region to which WACKER supplies its products also has a major impact on revenue.

The following table shows the breakdown of revenues:

Breakdown of Revenues

	WACKER SILICONES		WACKER POLYMERS		WACKER BIOSOLUTIONS		WACKER POLYSILICON		Other/ consolidation			Total
€ million	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue by region												
Europe	**1,489.1**	1,203.1	**881.9**	787.3	**140.0**	145.0	**177.7**	127.4	**141.6**	107.9	**2,830.3**	2,370.7
The Americas	**618.7**	426.5	**519.9**	365.0	**110.5**	88.8	**37.4**	15.4	**0.1**	–	**1,286.6**	895.7
Asia	**1,115.8**	808.9	**440.3**	405.7	**66.0**	49.9	**2,072.1**	1,372.1	**–**	0.5	**3,694.2**	2,637.1
Other regions	**229.3**	160.6	**154.1**	115.6	**14.6**	12.7	**–**	14.9	**0.2**	0.2	**398.2**	304.0
Total	3,452.9	2,599.1	1,996.2	1,673.6	331.1	296.4	2,287.2	1,529.8	141.9	108.6	8,209.3	6,207.5
Of which revenues outside the scope of IFRS 15	**0.8**	–	**–**	–	**–**	–	**–**	–	**3.7**	4.1	**4.5**	4.1
Time of revenue recognition												
Point in time	**3,452.9**	2,599.1	**1,996.2**	1,673.6	**278.4**	210.9	**2,287.2**	1,529.8	**141.9**	108.6	**8,156.6**	6,122.0
Over time	**–**	–	**–**	–	**52.7**	85.5	**–**	–	**–**	–	**52.7**	85.5
Total	3,452.9	2,599.1	1,996.2	1,673.6	331.1	296.4	2,287.2	1,529.8	141.9	108.6	8,209.3	6,207.5

Trade receivables mainly comprise receivables from contracts with customers.

» For further details, see Note 10.

The contract liabilities recognized by WACKER in its statement of financial position include customers' advance payments for polysilicon deliveries, advance payments by customers of WACKER BIOSOLUTIONS and advance payments by customers to the "Other" segment for chemical-industry park infrastructure projects. When an individual polysilicon delivery is made to the customer, a specified share of the advance payment received by WACKER POLYSILICON is recognized as revenue, thereby reducing the liability. At WACKER BIOSOLUTIONS, customer advance payments are recognized upon the achievement of designated milestones.

In the "Other" segment, sales are realized over the contractual period agreed with the customer. Advance payments received mainly comprise those from customers for polysilicon deliveries taking place over periods of up to 11 years. The increase in advance payments received chiefly comprised advance payments received for polysilicon contracts.

In addition, discount accruals are recognized as contract liabilities. Discount accruals are contractually agreed discounts that are granted when certain thresholds are exceeded and that reduce sales in the current period. These accruals are estimated on the basis of past experience and usually settled in the following period at the latest.

Development of Contract Liabilities

€ million	Advance payments received	Discount accruals	Total
As of Jan. 1, 2022	211.8	12.8	224.6
Revenues recognized as advance payments in prior period	–66.6	–	–66.6
Revenues less discounts	–	6.5	6.5
Reversals recognized in income	–22.6	–0.4	–23.0
Cash receipts (+)	219.2	–	219.2
Revenues recognized in 2022 from cash receipts (–)	–36.6	–	–36.6
Cash payments (–)	–	–7.9	–7.9
Exchange-rate differences	–	–	–
Change in the scope of consolidation	–	–	–
As of Dec. 31, 2022	305.2	11.0	316.2

€ million	Advance payments received	Discount accruals	Total
As of Jan. 1, 2021	117.8	16.3	134.1
Revenues recognized as advance payments in prior period	–48.8	–	–48.8
Revenues less discounts	–	11.7	11.7
Reversals recognized in income	–15.0	–4.1	–19.1
Cash receipts (+)	216.6	–	216.6
Revenues recognized in 2021 from cash receipts (–)	–59.1	–	–59.1
Cash payments (–)	–	–11.3	–11.3
Exchange-rate differences	0.3	0.2	0.5
Change in the scope of consolidation	–	–	–
As of Dec. 31, 2021	211.8	12.8	224.6

Under multi-year framework agreements, WACKER guarantees some customers the availability of specific quantities per year. The actual quantities and prices are usually set for a maximum period of one year only and agreed in detailed negotiations that take place during the year. Minimum purchase quantities result in future performance obligations (orders on hand) with terms as shown in the following table:

Orders on Hand

€ million	Dec. 31, 2022	Dec. 31, 2021
Up to 2 years	3,248.6	2,514.2
Over 2 years to 3 years	1,090.5	962.5
Over 3 years to 4 years	1,091.2	770.0
Over 4 years to 5 years	616.8	722.3
Over 5 years	1,461.7	1,618.7
Total orders on hand	7,508.8	6,587.7

02. Cost of Goods Sold / Other Operating Income / Other Operating Expenses

€ million	2022	2021
Cost of goods sold	**–6,048.5**	–4,535.0
Cost of goods sold includes the following reversals (+) / recognitions (–) of valuation allowances on inventories	**–34.9**	99.5
Other operating income		
Income from currency transactions	**105.4**	42.2
Income from reversal of provisions	**4.6**	6.6
Insurance compensation	**0.5**	1.2
Income from reversal of valuation allowances on trade receivables	**–**	2.0
Income from disposal of property, plant and equipment and financial assets	**0.4**	1.5
Income from incentives/grants	**7.6**	3.8
Income from the termination of long-term supply contracts / damages	**29.1**	15.0
Other operating income	**29.0**	16.3
Total	**176.6**	88.6
Other operating expenses		
Losses from currency transactions	**–120.9**	–37.5
Losses from valuation allowances on trade receivables	**–3.0**	–9.5
Losses from disposal of assets	**–4.4**	–4.7
Losses from impairment of fixed assets	**–**	–0.7
Losses from restructuring	**–**	–0.1
Other operating expenses	**–27.9**	–16.2
Total	**–156.2**	–68.7

The cost of goods sold included depreciation and amortization of €402.1 million (prior year: €404.2 million). No impairment losses were recognized in 2022.

At WACKER POLYSILICON, income of €29.1 million from the termination of long-term supply contracts (prior year: €15.0 million) was recognized in profit or loss under other operating income.

03. Income from Investments in Joint Ventures and Associates / Other Investment Income / Net Interest Income / Other Financial Result

€ million	2022	2021
Result from investments in joint ventures and associates	**200.9**	62.4
Of which share of income from joint ventures	**0.9**	1.1
Of which share of income from associates	**200.0**	61.3
Other investment expenses / income	**0.8**	0.1
Total	**201.7**	62.5
Net interest income		
Interest income	**10.1**	6.2
Of which from financial instruments (FVOCI)	**–0.2**	–
Of which from financial instruments (amortized cost)	**10.0**	6.2
Interest expenses	**–28.6**	–22.5
Of which from financing liabilities (excluding leases)	**–19.0**	–19.2
Total	**–18.5**	–16.3
Other financial result		
Interest effect of interest-bearing provisions / liabilities	**–22.5**	–19.3
Other financial expenses / income	**–21.6**	–5.1
Total	**–44.1**	–24.4

Income from investments in joint ventures and associates relates to the investments in Siltronic AG and to companies in Asia and the United Kingdom. It includes not only the prorated net income for the year, but also the effects of the elimination of prorated interim profits and losses, the effects of remeasurement gains / losses and other Group adjustments. Due to debt reduction and improved cash inflows, the impairment loss on the investment in Dow Siloxane (Zhangjiagang) Holding Co. Private Ltd., Singapore was reversed in 2022, returning the carrying amount to the Group's prorated share in the investment's equity. The reversal amounted to €72.4 million and was recognized under WACKER SILICONES.

Borrowing costs of €2.6 million were capitalized in the reporting period (prior year: €0.8 million), resulting in a corresponding improvement in the net interest result. The annual average borrowing interest rate applied by the Group in the reporting year was 2.1 percent (prior year: 1.5 percent).

The interest effect of interest-bearing provisions includes net interest expenses from the unwinding of discounted pension obligations and calculated returns from plan assets totaling €21.9 million (prior year: €19.0 million), and net interest expenses from the discounting of provisions and unwinding of discounted provisions in the amount of €0.6 million (prior year: €0.3 million).

Other financial income and expenses resulted primarily from interest-rate effects in connection with financial transactions and their hedging, the effects of remeasurement gains/losses on securities, and interest on tax positions.

04. Income Taxes

This item comprises income taxes paid or owed in the individual countries as well as deferred taxes. In Germany, in addition to a corporate tax of 15.0 percent (prior year: 15.0 percent), a solidarity surcharge of 5.5 percent applies (prior year: 5.5 percent). Trade income tax of 13.0 percent (prior year: 13.0 percent) must also be paid. It varies depending on the municipality in which a company is located.

As a result, deferred taxes of German companies are measured based on a total tax rate (including solidarity surcharge) of 28.8 percent (prior year: 28.8 percent). The current taxes of foreign subsidiaries are determined in accordance with domestic tax laws and rates valid in the country in which the respective company is based. The respective current income tax rates applied in each country for our foreign companies ranged from 9.0 percent (prior year: 9.0 percent) to 35.0 percent (prior year: 31.0 percent).

Deferred taxes on undistributed profits of subsidiaries were recognized only where distribution is planned. The amount of €714.5 million is available for distribution (prior year: €432.7 million). WACKER did not recognize a deferred tax liability of €10.3 million (prior year: €6.2 million not recognized) for the resultant temporary difference of €35.7 million (prior year: €21.6 million), as it is able to control the timing.

Income taxes include current tax expenses of €2.2 million from earlier years (prior year: €0.3 million) and deferred tax income of €4.5 million (prior year: €3.8 million).

Reconciliation of Actual Tax Result

€ million	2022	2021
Current taxes, Germany	**–305.1**	–202.6
Current taxes, international	**–67.0**	–52.9
Current taxes	**–372.1**	–255.5
Deferred taxes, Germany	**–0.5**	–34.7
Deferred taxes, international	**38.0**	24.4
Deferred taxes	**37.5**	–10.3
Income taxes	**–334.6**	–265.8
Derivation of the effective tax rate		
Income before taxes	**1,616.2**	1,093.6
Income tax rate for Wacker Chemie AG (%)	**28.8**	28.8
Expected tax income/expenses	**–465.5**	–315.0
Tax rate divergences	**25.3**	15.2
Tax effect of non-deductible expenses	**–19.1**	–22.9
Tax effect of tax-free income	**6.8**	25.2
Taxes relating to other periods (current earnings)	**2.3**	3.5
Effects of loss carryforwards and temporary differences	**57.8**	9.9
Group profit from investments in joint ventures and associates	**57.9**	18.0
Other differences	**–0.1**	0.3
Total income tax	**–334.6**	–265.8
Effective tax rate (%)	**20.7**	24.3

Of the income of €37.5 million on deferred tax assets in the reporting period (prior year: expense of €10.3 million), €45.4 million (prior year: €0.0 million) resulted from previously unrecognized deferred tax assets of US subsidiaries. Specifically, deferred taxes were capitalized on temporary differences in the amount of €33.3 million and on loss carryforwards (including tax credits) in the amount of €12.1 million.

Allocation of Deferred Taxes

€ million	2022		2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	8.5	28.1	13.7	6.6
Property, plant and equipment	66.4	38.1	60.4	26.9
Financial assets	2.0	–	–	–
Right-of-use assets	–	57.7	–	30.6
Sundry assets	141.0	20.1	114.8	3.8
Provisions for pensions	46.9	1.4	357.0	0.5
Other provisions	27.3	0.2	38.2	–
Lease liabilities	61.0	–	31.6	–
Other liabilities	18.3	2.8	15.7	4.1
Loss carryforwards / tax credits	14.3	–	1.1	–
Setting off for companies with group taxation	–1.1	–1.1	–14.5	–14.5
Total	384.6	147.3	618.0	58.0
Setoffs	–111.7	–111.7	–48.3	–48.3
Amount recorded in statement of financial position	272.9	35.6	569.7	9.7

The decline in deferred tax assets was attributable chiefly to the change in temporary differences in relation to provisions for pensions brought about by the significant year-over-year increase in discount rates.

The changes in deferred tax assets and liabilities of €37.5 million were recognized as income (prior year: expense of €10.3 million), while €–334.1 million (prior year: €–187.6 million) was recognized directly in other comprehensive income. The changes mainly comprise deferred tax assets from variations in actuarial gains and losses stemming from pension provisions.

The existing tax loss carryforwards can be utilized as follows:

€ million	2022	2021
Within 1 year	–	–
Within 2 years	–	–
Within 3 years	–	–
Within 4 years	–	–
Within 5 years or later	97.9	64.0
Total	97.9	64.0

The total loss carryforwards generated amounted to €97.9 million (prior year: €64.0 million). Of this total amount, €53.1 million is unlikely to be realized (prior year: €59.6 million). No deferred tax assets were recognized on that portion of the loss carryforwards. Had they been recognized, however, they would have amounted to €14.0 million (prior year: €15.4 million). Of the loss carryforwards that are not realizable for tax purposes, the amount of €53.1 million (prior year: €42.8 million) is unlimited as to time and amount.

In 2022, loss carryforwards of €50.7 million (prior year: €19.7 million) were utilized for which no deferred tax assets had previously been recognized. This reduced actual tax expenses by €12.4 million (prior year: €4.3 million).

As of December 31, 2022, no deferred tax assets were recognized for tax-deductible temporary differences in the amount of €537.6 million (prior year: €662.8 million). This year-over-year decrease was largely attributable to the smaller amount not recognized for temporary differences on the impairment of fixed assets.

Deferred tax assets in the amount of €272.9 million (prior year: €569.7 million) were recognized on temporary differences and tax loss carryforwards; no deferred tax liabilities for a corresponding amount were posted. WACKER assumes that future taxable income will be sufficient to realize these deferred tax assets.

05. Intangible Assets and Property, Plant and Equipment

€ million	Intangible assets	Land, buildings and similar rights	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Property, plant and equipment
2022						
Balance as of Jan. 1, 2022	**193.3**	**1,668.8**	**8,615.5**	**630.7**	**344.0**	**11,259.0**
Additions	3.6	23.7	91.3	26.6	401.6	543.2
Disposals	–1.5	–0.9	–24.5	–15.5	–0.9	–41.8
Transfers	0.5	29.1	120.9	5.0	–155.3	–0.3
Changes in the scope of consolidation	188.2	7.3	10.6	0.9	16.5	35.3
Exchange-rate differences	–10.0	29.4	118.7	2.2	–4.2	146.1
Gross carrying amount as of Dec. 31, 2022	**374.1**	**1,757.4**	**8,932.5**	**649.9**	**601.7**	**11,941.5**
Cumulative depreciation/ amortization and impairments	–161.1	–1,130.7	–7,537.3	–555.6	–	–9,223.6
Changes in the scope of consolidation	–0.3	–1.2	–3.3	–0.5	–	–5.0
Carrying amount as of Dec. 31, 2022	**213.0**	**626.7**	**1,395.2**	**94.3**	**601.7**	**2,717.9**
Depreciation/amortization	–15.1	–40.1	–277.1	–30.8	–	–348.0
Impairment losses	–	–	–	–	–	–
2021						
Balance as of Jan. 1, 2021	166.7	1,599.9	8,246.1	612.5	200.4	10,658.9
Additions	3.2	6.0	80.1	21.1	233.4	340.6
Disposals	–9.8	–0.5	–38.3	–18.5	–1.1	–58.4
Transfers	1.9	–0.1	91.6	8.2	–105.6	–5.9
Changes in the scope of consolidation	26.8	0.2	4.6	0.4	7.9	13.1
Exchange-rate differences	4.5	63.3	231.4	7.0	9.0	310.7
Gross carrying amount as of Dec. 31, 2021	193.3	1,668.8	8,615.5	630.7	344.0	11,259.0
Cumulative depreciation/ amortization and impairments	–147.4	–1,070.7	–7,183.7	–537.7	–	–8,792.1
Changes in the scope of consolidation	–	–0.1	–2.0	–0.2	–	–2.3
Carrying amount as of Dec. 31, 2021	45.9	598.1	1,431.8	93.0	344.0	2,466.9
Depreciation/amortization	–7.4	–41.5	–289.5	–32.7	–	–363.7
Impairment losses	–	–	–0.7	–	–	–0.7

Intangible Assets

Intangible assets include industrial property rights, software and similar rights, and other assets that are acquired against payment. These are initially recognized at cost and have useful lives of between three and five years. Business combinations lead to the purchase of technologies, customer bases and orders on hand, which are amortized over a period of three to 15 years.

As of December 31, 2022, intangible assets included goodwill in the amount of €83.5 million (Dec. 31, 2021: €17.1 million). Exchange-rate differences reduced goodwill by €3.2 million.

The annual impairment tests took place in the fourth quarter of 2022. The impairment test takes into account both the capital structure and the beta coefficient of the respective peer group as well as the average tax rate of each cash-generating unit. A weighted post-tax cost of capital of 8.8 percent or 10.6 percent was used for the impairment test. This corresponds to a weighted pre-tax cost of capital of 10.8 percent or 13.2 percent, respectively.

The value in use was calculated on the basis of planning figures approved by management and corresponding cash flows for the next five to eight years. For the time period thereafter, a terminal value was calculated by extrapolating the last detailed planning year as a perpetual annuity. Planning is based on experience, current business performance and management's best possible estimate of future development of specific influencing factors, e.g. raw-material and energy prices, and profit margins. Macroeconomic and industry-specific sources are consulted when making assumptions about the market and market growth. The value in use of the Biopharma unit's CDMO business was calculated taking into account the dynamic market environment, especially the relatively new technology of mRNA-based pharmaceuticals. This is the reason for the extended planning horizon of eight years before a terminal value was determined.

Impairment tests did not reveal any need for impairments.

After the recoverable amounts were calculated for the cash-generating units, none of the possible divergences from key assumptions were expected to cause the units' carrying amounts to exceed their respective recoverable amounts. Key assumptions are the cash-generating unit's EBITDA and the discount rate. A divergence is assumed to be material when EBITDA is more than 20 percent lower during the planning period or the weighted cost of capital rises by more than 2 percent.

Goodwill of the Cash-Generating Units

€ million	2022			2021		
Cash-generating unit	Goodwill	Weighted pre-tax cost-of-capital ratio %	Growth rates %	Goodwill	Weighted pre-tax cost-of-capital ratio %	Growth rates %
Biopharma business unit	**18.1**	**8.8**	**2.0**	17.1	8.3	1.0
SICO Performance Material (Shandong) Co., Ltd., Jining, China	**65.4**	**10.6**	**2.0**	–	–	–
Goodwill as of Dec. 31	83.5			17.1		

Property, Plant and Equipment

In 2022, the acquisition costs for property, plant and equipment were not reduced by any investment grants (prior year: €5.1 million).

In the reporting year, borrowing costs of €2.6 million (prior year: €0.8 million) were capitalized as part of the acquisition or construction costs of qualifying assets. The average financing cost rate was 2.1 percent (prior year: 1.5 percent).

06. Leases

Right-of-use assets

The following table shows assets that are accounted for as right-of-use assets under lease agreements.

€ million	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Right-of-use assets
2022				
Balance as of Jan. 1, 2022	**183.8**	**77.5**	**30.3**	**291.6**
Additions	123.6	1.4	15.1	140.1
Disposals	–4.1	–1.5	–3.5	–9.1
Transfers	–	–0.3	0.1	–0.2
Changes in the scope of consolidation	–	–	–	–
Exchange-rate differences	3.3	1.5	0.5	5.3
Gross carrying amount as of Dec. 31, 2022	**306.6**	**78.6**	**42.5**	**427.7**
Cumulative depreciation/amortization and impairments	–86.7	–72.5	–25.3	–184.5
Changes in the scope of consolidation	–	–	–	–
Carrying amount as of Dec. 31, 2022	**219.9**	**6.1**	**17.2**	**243.2**
Depreciation/amortization	–28.2	–2.3	–8.5	–39.0
Impairment losses	–	–	–	–
2021				
Balance as of Jan. 1, 2021	**130.0**	**74.5**	**27.6**	**232.1**
Additions	44.6	0.9	7.7	53.2
Disposals	–5.3	–	–5.1	–10.4
Transfers	–	–	–	–
Changes in the scope of consolidation	9.7	–	–	9.7
Exchange-rate differences	4.8	2.1	0.1	7.0
Gross carrying amount as of Dec. 31, 2021	**183.8**	**77.5**	**30.3**	**291.6**
Cumulative depreciation/amortization and impairments	–62.1	–70.6	–20.1	–152.8
Changes in the scope of consolidation	–4.0	–	–	–4.0
Carrying amount as of Dec. 31, 2021	**121.7**	**6.9**	**10.2**	**138.8**
Depreciation/amortization	–22.0	–2.2	–7.8	–32.0
Impairment losses	–	–	–	–

As regards land and buildings, WACKER rents properties, including office space and storage areas. In 2022, a lease was signed by Wacker Chemical Corp., Ann Arbor, Michigan, USA for the use of a new office building with laboratory space, resulting in an addition of €82.2 million. A new warehouse was also leased by Wacker Chemie AG, Munich, adding €26.2 million. Right-of-use assets primarily concern technical machinery and other equipment such as rented operating equipment and infrastructure facilities. Rented factory and office equipment includes vehicles and transportation equipment such as tanks and railcars. Longer-term rental agreements exist, especially for property and operating equipment. Leases may contain extension and termination options. Lease provisions are individually negotiated and contain a wide range of different terms and conditions. Extension options can result in future cash outflows. As of the reporting date, no material extension options existed that were not recognized in the statement of financial position. In connection with the rental of an administration building, WACKER will recognize obligations of €7.7 million annually from 2024 onwards under leases that are yet to commence.

WACKER made advance lease payments of €0.0 million (prior year: €0.0 million).

Lease Liabilities

	2022			2021		
€ million	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Lease liabilities	**261.1**	**228.0**	**33.1**	153.7	127.6	26.1

In 2022, lease liabilities of €36.2 million were repaid (prior year: €31.4 million) and lease-related interest of €6.7 million was paid (prior year: €3.4 million) (see also Note 21, Notes to the Statement of Cash Flows).

As of the reporting date, future cash outflows totaled €319.6 million (prior year: €171.9 million). The following schedule for lease payments applies.

€ million	2022	2021
Lease payment within 1 year	**–39.6**	–29.8
Lease payment between 1 and 5 years	**–103.3**	–70.3
Lease payment over more than 5 years	**–176.7**	–71.8
Total	**–319.6**	–171.9

WACKER as a Lessor

WACKER acts as a lessor in connection with the sublease for its Munich headquarters. These leases were recognized as operating leases in the amount of €0.9 million (prior year: €0.8 million). As regards the operating lease, the right-of-use assets from the sublease are recognized in accordance with IAS 40. WACKER bears the rental risk for the rented premises.

The statement of income includes the following expenses and income in relation to leases:

€ million	2022	2021
Sales		
Income from operating leases	**–**	–
Income from subleases	**0.3**	1.0
Income from sale and leaseback transactions	**–**	–
Functional costs		
Expenses from short-term leases	**–9.5**	–6.3
Expenses from leases of low-value assets	**–4.6**	–4.1
Expenses from variable lease payments	**–**	–
Other expenses from leases (incidental costs)	**–**	–
Amortization		
Amortization of right-of-use assets	**–39.0**	–32.0
Impairments of right-of-use assets	**–**	–
Financial result		
Interest expenses from lease liabilities	**–6.7**	–3.4
Income from foreign currency translation of lease liabilities	**–**	–
Expenses from foreign currency translation of lease liabilities	**–**	–

07. Investment Property

Wacker Chemie AG owns real estate at its production site in Cologne, Germany. This comprises land and infrastructure facilities (for energy, wastewater, etc.). The land is rented out or leased on a long-term basis. These properties and the associated infrastructure in Cologne are serviced, maintained and looked after by third parties, who charge any costs incurred directly to the tenants or leaseholders. WACKER has undertaken to carry out future maintenance measures to the extent necessary in the next few years. WACKER has also entered into sublease agreements for parts of its Munich headquarters.

€ million	2022	2021
Jan. 1	11.9	11.9
Additions	–	–
Disposals	–0.8	–
Gross carrying amount as of Dec. 31	11.1	11.9
Cumulative amortization	–9.6	–9.6
Carrying amount as of Dec. 31	1.5	2.3
Fair value	17.5	18.0
Rental income	1.7	1.5
Costs	–2.4	–0.7

The fair value of property at the production site in Cologne is based on an appraisal by an external expert and is updated periodically, most recently in 2022. The fair value was calculated as the market value based on the potential proceeds from liquidation of the business. Investment property measured at fair value is allocated to Level 2 of the fair value hierarchy. The residual carrying amount relates to the land. No changes have been made to the valuation process since the previous valuation date.

08. Investments in Joint Ventures and Associates Accounted for Using the Equity Method

The Group applies the equity method to account for joint ventures and associates. The equity-accounted investment in Siltronic AG and its subsidiaries is of a material nature.

The Siltronic Group is one of the world's leading producers of silicon wafers for the semiconductor industry. WACKER supplies Siltronic with polysilicon, the key base material for producing silicon wafers.

Material Investments in Associates

Company's name and registered office: Siltronic AG, Munich, Germany, and its subsidiaries	2022	2021
Ownership interest (%)	30.83	30.83
Proportion of voting rights (%)	30.83	30.83
Total non-controlling interests (units)	9,250,000	9,250,000
Xetra closing price at year-end (€)	68.15	141.5
Market capitalization of shares (€ million)	630.4	1,308.9
Dividends received (€ million)	27.7	18.5

Summarized Financial Information on Siltronic AG and Its Subsidiaries[1] on a 100-Percent Basis

€ million	2022	2021
Current assets	1,632.7	994.8
Noncurrent assets excluding goodwill	2,580.3	1,676.0
Current liabilities	525.7	307.4
Noncurrent liabilities	1,503.6	886.1
Net assets (100%)	2,183.7	1,477.3
Less share of non-controlling interests	–188.6	–137.0
Group's share of net assets	615.2	413.3
Elimination of unrealized interim profits and losses	–	–
Goodwill	245.7	245.7
Carrying amount of share in associate	860.9	659.0
Sales	1,805.3	1,405.4
Group net income for the year	351.6	201.8
Other comprehensive income	394.4	210.5
Total	746.0	412.3

[1] Consolidated financial statements of Siltronic AG in accordance with IFRS

Reconciliation of the Equity Carrying Amount

€ million	2022	2021
Carrying amount of equity-accounted investments		
At the beginning of the year	659.0	550.4
Pro rata net income for the year	108.4	62.1
Other changes recognized in profit or loss	–0.4	0.1
Change recognized in profit or loss	108.0	62.2
Dividends	–27.7	–18.5
Change in other equity	121.6	64.9
At the end of the year	860.9	659.0

Taken individually, the remaining joint ventures and associates are not material to the Group's earnings, net assets or financial position. The following table shows the reporting-period change in the total carrying amounts of investments:

Summarized Pro Rata Financial Information for Joint Ventures That Are Immaterial Individually

€ million	2022	2021
Carrying amount of equity-accounted investments		
At the beginning of the year	10.1	12.3
Pro rata net income for the year	0.9	1.1
Share of change in other equity	–0.3	1.2
Overall result of the companies	0.6	2.3
Dividends	–	–4.5
At the end of the year	10.7	10.1

Summarized Pro Rata Financial Information for Associates That Are Immaterial Individually

€ million	2022	2021
Carrying amount of equity-accounted investments		
At the beginning of the year	39.8	36.8
Pro rata net income for the year	3.9	–0.9
Share of change in other equity	–2.0	3.9
Overall result of the companies	1.9	3.0
Dilution / disposal	13.8	–
Impairment loss reversal of equity-accounted investments	72.4	–
At the end of the year	127.9	39.8

Deviations between the share of net income and the result from investments in joint ventures and associates, and between the share of equity and the carrying amount of investments in joint ventures and associates accounted for using the equity method, are primarily the result of fair value adjustments and consolidation measures.

Due to debt reduction and improved cash inflows, the impairment loss on the investment in Dow Siloxane (Zhangjiagang) Holding Co. Private Ltd., Singapore was reversed in 2022, returning the carrying amount to the Group's share in the investment's equity. The reversal amounted to €72.4 million and was recognized under result from investments in joint ventures and associates.

The following shows the key figures for companies accounted for using the equity method.

€ million	2022		2021	
	Total	Attributable to WACKER	Total	Attributable to WACKER
Key figures for joint ventures				
Net income for the year	1.8	0.9	2.2	1.1
Other comprehensive income	–0.6	–0.3	2.4	1.2
Total	1.2	0.6	4.6	2.3
Key figures for associates				
Net income for the year	437.9	112.3	197.1	61.2
Other comprehensive income	384.7	119.7	226.1	68.8
Total	822.6	232.0	423.2	130.0

09. Inventories

€ million	2022	2021
Raw materials and supplies	595.5	397.1
Unfinished and finished products, merchandise	1,058.6	776.8
Services not charged	1.7	3.1
Total	1,655.8	1,177.0
Of which recorded at net realizable value if lower	271.1	143.7

Cost of goods sold includes inventory expenses totaling €6.0 billion (prior year: €4.5 billion). Valuation allowances recognized as expenses increased by €34.9 million in the reporting period. In the previous year, they had decreased by €99.5 million.

10. Financial and Non-Financial Assets / Receivables

Trade receivables mainly comprise receivables from contracts with customers.

Receivables are shown at amortized cost, which corresponds to their market value. Adequate loss allowances have been established to cover default risks, to the extent that these are not covered by insurance, bank guarantees or advance payments received.

WACKER takes the simplified approach when calculating impairments of trade receivables in accordance with IFRS 9. Under this approach, the loss allowance is determined immediately upon origination on the basis of the lifetime expected credit losses. Further changes in the credit risk (expected credit loss, ECL) do not need to be tracked. The expected credit losses are determined using a provision matrix, which defines fixed default rates per past-due category on the basis of the risk classes of the past-due receivables.

€ million	2022			2021		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Trade receivables	916.2	–	916.2	824.8	–	824.8
Investments	12.7	12.7	–	12.2	12.2	–
Loans to associates	–	–	–	–	–	–
Receivables from associates	0.3	–	0.3	0.4	–	0.4
Loan and interest receivables	2.0	–	2.0	0.6	–	0.6
Derivative financial instruments	35.9	25.2	10.7	1.7	1.4	0.3
Receivables from suppliers	36.4	–	36.4	29.9	–	29.9
Deposits	3.9	3.5	0.4	3.9	3.4	0.5
Restricted cash and cash equivalents	0.1	–	0.1	–	–	–
Sundry assets	5.0	0.7	4.3	3.5	1.8	1.7
Other financial assets	96.3	42.1	54.2	52.2	18.8	33.4
Prepaid expenses	12.9	1.7	11.2	12.6	0.6	12.0
Plan assets	60.1	53.6	6.5	10.5	10.1	0.4
Advance payments made	45.6	6.1	39.5	15.3	3.5	11.8
Other tax receivables	151.2	5.5	145.7	83.0	2.3	80.7
Sundry assets	12.5	–	12.5	13.2	–	13.2
Other non-financial assets	282.3	66.9	215.4	134.6	16.5	118.1
Income tax receivables	46.6	–	46.6	29.9	–	29.9

The following table shows a breakdown of expected impairments of trade receivables:

Development of Past-Due Trade Receivables as of Dec. 31, 2022

€ million	Carrying amount	Loss allowance	Expected loss rate (%)
Not past due	834.9	–5.6	–0.67
Up to 30 days past due	62.0	–1.2	–1.94
31 to 60 days past due	14.3	–0.6	–4.20
61 to 90 days past due	2.9	–0.2	–6.90
Individually impaired receivables	20.6	–10.8	–
Total as of Dec. 31, 2022	934.7	–18.4	–1.97

Development of Past-Due Trade Receivables as of Dec. 31, 2021

€ million	Carrying amount	Loss allowance	Expected loss rate (%)
Not past due	740.8	–5.0	–0.67
Up to 30 days past due	59.9	–1.1	–1.84
31 to 60 days past due	12.5	–0.4	–3.20
61 to 90 days past due	23.2	–6.7	–28.88
Individually impaired receivables	1.7	–0.1	–5.88
Total as of Dec. 31, 2021	838.1	–13.3	–1.59

The lifetime expected credit losses reflect all possible loss events that could occur until the expected maturity of the financial asset. WACKER determines the expected credit loss by taking into account the entire contractual period during which the Group is exposed to the credit risk.

WACKER applies three key parameters to assess the expected credit loss for noncurrent and current interest-bearing receivables (loans and fixed-interest securities): the probability of default (PD), the loss given default (LGD) and the estimated exposure at default (EAD). In the case of loans and fixed-interest securities, WACKER determines a loss allowance equivalent to the 12-month expected credit losses, as the former are financial instruments with a low credit risk.

Valuation allowances and past-due debts developed as follows:

Development of Loss Allowances for Trade Receivables

€ million	2022	2021
Opening balance of loss allowance as of Jan. 1 (as per IFRS 9)	15.0	8.6
Increase/decrease in loss allowances recognized in profit or loss	3.3	7.5
Receivables impaired as uncollectible	–	–
Change in scope of consolidation	–	–
Exchange-rate differences	0.1	–1.1
As of Dec. 31	18.4	15.0

The loss allowances relate exclusively to revenue from contracts with customers. There was no material credit risk as of December 31, 2022.

We continuously monitor the creditworthiness of our debtors to assess the recoverability of the corresponding receivables; where appropriate, we take out credit default insurance. In addition, customers make advance payments and provide bank guarantees. The maximum default risk is equal to the carrying amount of the uninsured receivables. No loans or receivables were renegotiated to prevent an overdue debt or possible loss allowances. Based on past experience and on the conditions prevailing as of the reporting date, there are no restrictions with regard to credit quality.

11. Cash and Cash Equivalents / Securities / Liquidity

€ million	2022	2021
Securities and fixed-term deposits[1]	1,061.5	1,056.7
Of which current	877.1	738.2
Of which noncurrent	184.4	318.5
Cash and cash equivalents	894.7	926.6
Cash equivalents	497.3	469.7
Bank deposits, cash on hand	397.4	456.9
Total liquidity	1,956.2	1,983.3

[1] This item mainly comprises funds, bonds and fixed-term deposits of various issuers. **See Note 20,** Financial Instruments, for how these securities are assigned to the categories given in IFRS 9

Bank deposits and cash on hand are shown at their nominal amounts. Cash equivalents comprise fixed-term deposits and commercial paper (from issuers with first-class credit standing) classified as "held to collect, amortized cost." The general impairment model is applied to bank deposits and fixed-term deposits. These are classified as financial instruments with a low value risk, given that WACKER enters into banking relationships only with investment-grade counterparties. In the case of banks covered by Germany's Deposit Protection Fund, no impairments are determined as these deposits are secured via the Fund. Any impairments that arise are immaterial. None of WACKER's cash funds are subject to currency export restrictions.

Securities include fixed-term deposits assigned to the "held-to-collect and for sale" category. The IFRS 9 impairment model is applied to these financial instruments as well. As WACKER's investment regulation states that the company may purchase only investment-grade securities, the impairment risk is low. Fund shares assigned to the "trading/FVTPL" category are not covered by the IFRS 9 impairment model.

12. Equity / Non-Controlling Interests / Capital Structure Management

The subscribed capital (capital stock) of Wacker Chemie AG amounts to €260,763,000 and comprises 52,152,600 no-par-value shares (total). This corresponds to a notional par value of €5 per share. All of the shares are common shares; no other share classes have been issued. As of the reporting date, no capital had been authorized for the issue of new shares. The Executive Board is authorized – in compliance with the provisions of Section 71 (1) No. 8 of the German Stock Corporation Act – to acquire treasury shares totaling a maximum of 10 percent of the capital stock.

The following table shows the development in the year under review and in the prior year:

Units	2022	2021
Shares outstanding at the start of the year	**49,677,983**	49,677,983
Shares outstanding at the end of the year	49,677,983	49,677,983
Treasury shares in portfolio	**2,474,617**	2,474,617
Total shares	52,152,600	52,152,600

For more information on Wacker Chemie AG's shareholder structure, please refer to the Related Party Disclosures section.

» See Note 24

Capital reserves include the amounts exceeding the nominal value of shares issued in previous years, as well as other contributions and share-based payments made to equity.

Retained earnings include: the amounts of accrued reserves generated at Wacker Chemie AG in previous years; transfers from the Group's earnings for the year; the earnings of the consolidated companies less amounts due to non-controlling interests; changes to consolidated items affecting income; and changes in the scope of consolidation.

Other equity items include the differences arising from currency translation of the financial statements of foreign subsidiaries using reporting currencies other than the euro, and the effects of the measurement of financial instruments, cash flow hedge accounting, pensions and effects of net investments in foreign operations.

The net result attributable to non-controlling interests is made up of the following profits and losses:

€ million	2022	2021
Profits	**30.6**	20.9
Losses	**–**	–
Net result attributable to non-controlling interests	30.6	20.9

Non-controlling interests in equity comprised the following companies:

Non-Controlling Interests

€ million	2022	2021
Wacker Asahi Kasei Silicone Co. Ltd., Tokyo, Japan	**7.9**	8.2
Wacker Metroark Chemicals Pvt. Ltd., Parganas, India	**60.8**	49.4
Wacker Chemicals Fumed Silica (ZJG) Holding Co., Private Ltd., Singapore[1]	**26.1**	24.3
SICO Performance Material (Shandong) Co., Ltd., Jining, China	**72.1**	–
Total	166.9	81.9

[1] Including subsidiaries

The voting rights of non-controlling interests correspond to their equity share.

For further information on individual companies, please refer to the Breakdown of Shareholdings section.

» See Note 23

Information on Capital Structure Management

The goal of the WACKER Group's capital structure management policy is to ensure that the company remains a going concern in the long term and to generate an appropriate return on capital employed for the company's shareholders. The capital structure management instruments employed to achieve this goal include dividend payments to shareholders and stock buybacks.

In managing the structure of its capital, Wacker Chemie AG complies with the statutory requirements regarding capital maintenance. The company's Articles of Association contain no requirements regarding capital. No special capital terminology is used. The Group's general dividend policy is to distribute about 50 percent of Group net income to shareholders, provided the business situation permits and the committees responsible agree.

Above and beyond this, WACKER actively manages its debt capital with the aim of achieving a balanced financing portfolio, diversified maturities profile and ample liquidity reserves as well as optimizing its cost of capital. WACKER raises funds by taking out long-term loans. In accordance with our policy of value-based management, net financial debt functions as a supplementary financial performance indicator.

» See the Management Processes and Net Assets sections of the Group management report.

As of the reporting date, the WACKER Group's capital structure was as follows:

Capital Structure

€ million	2022	2021
Equity attributable to Wacker Chemie AG shareholders	4,863.8	3,018.5
Share of total capital (%)	75.9	67.8
Noncurrent financing liabilities	1,085.6	1,064.0
Current financing liabilities	461.4	372.8
Total	1,547.0	1,436.8
Share of total capital (%)	24.1	32.2
Total capital	6,410.8	4,455.3

13. Provisions for Pensions

Various post-employment pension plans are available to WACKER Group employees. They depend on the legal, economic and fiscal conditions prevailing in the respective countries. These pension plans generally take account of the employees' length of service and salary levels.

Company pension plans are either defined contribution or defined benefit plans. Defined contribution plans lead to no further obligation for the company beyond paying contributions to special-purpose funds. WACKER has both defined contribution and defined benefit plans, which are partially funded by Pensionskasse der Wacker Chemie VVaG, by funds or by CTAs (contractual trust arrangements). Pension obligations result from defined benefit plans in the form of entitlements to future pensions and ongoing payments for eligible active and former employees of the WACKER Group and their surviving dependents. The various pension plans generally guarantee employees either a life-long pension on the basis of their average salary during employment at WACKER or lump-sum payments.

Pension entitlements in Germany are protected against insolvency by the pension guarantee fund (Pensions-sicherungsverein a.G.). This insolvency insurance is capped.

The Group maintains the following retirement benefit plans.

Retirement Benefits Supplied by the Company Pension Fund

Employees at Wacker Chemie AG and other German Group companies are granted a basic pension model via Pensionskasse der Wacker Chemie VVaG, a legally independent German pension fund. The pension fund is financed by member and company contributions. The promised benefits include retirement, disability and surviving dependents' benefits.

The pension fund is a small mutual insurance company within the meaning of Section 210 of the German Insurance Supervision Act and is regulated by Section 233 (1) of that act. It is thus subject to the regulations that apply to German insurers and is monitored by the Federal Financial Supervisory Authority (BaFin). Statutory minimum financing obligations apply.

Employees who joined the pension plan before the end of 2004 receive guaranteed payments based on a defined benefit amount, which must be taken into consideration when determining pension obligations. The pension paid out does not depend on the employee's age when contributions are paid, nor on the interest generated from assets. A new basic-pension model applies to employees who joined the pension fund after 2004 and before 2022. Under that model, the benefits are based on guaranteed interest rates and the benefit amount depends on the age at which the employee pays contributions. Annual profit shares can increase the future payment.

In addition, employees in Germany may make voluntary payments to the "PK+" supplementary insurance fund of Pensionskasse der Wacker Chemie VVaG. The main items paid into the voluntary supplementary insurance fund comprise contributions in connection with retirement benefit plans governed by the collective bargaining agreements and concerning one-off payments and retirement benefits, and "Working Life and Demography."

Retirement Benefit Obligations of the WACKER Group

In addition to the pension fund commitments, employees in Germany receive direct commitments in the form of a supplementary pension. The supplementary pension covers that part of an employee's salary that exceeds the pension insurance contribution assessment ceiling. Employees who joined the company before the end of 2004 – and their surviving dependents – are entitled to receive a pension. The amount of that pension depends on the average salary earned during the period of employment with WACKER. In the case of employees who joined the company between 2005 and the end of 2021, WACKER contributes a percentage of the portion of the salary exceeding the pension insurance contribution assessment ceiling. The resulting capital accrues interest. The benefits may be paid out as a life-long pension or, in the case of commitments made from 2005 onward, as a lump sum. Employees and their surviving dependents are eligible to receive benefits. Employee entitlements are included when measuring pension obligations, regardless of whether the employees joined the company before the end of 2004 or after the beginning of 2005.

Employees joining the company since the beginning of 2022 are granted a direct pension commitment (up to the applicable contribution assessment ceiling for national pension insurance). The commitment is financed bilaterally by the employer and the employee, is dependent on capital market returns and is secured by a trust arrangement. For that portion of their salary above the contribution assessment ceiling, employees receive a solely employer-financed contribution to their company retirement benefits.

In addition to this, employees are free to set aside further amounts under the deferred-compensation model. The direct pension commitments are underpinned by what is known as a Contractual Trust Arrangement (CTA). A trust company that uses its assets solely for the purpose of financing the company's pension obligations invests the accrued pension capital on the capital markets. Under this arrangement, WACKER guarantees at least the amount of the respective pension contributions.

Capital market returns can increase the employees' pension capital. The CTA protects the pension assets against any corporate insolvency. Employees and their surviving dependents are eligible to receive benefits. They can draw the pension capital as a retirement benefit, either as a one-off payout or in annual installments (over a maximum of 20 years). Benefits are also payable in cases of disability.

Executive Board members are granted individual pension commitments. For more information on Executive Board member pension plans, please refer to the Compensation Report.

Employees in Germany with salaries above the standard pay scale may pay into an employee-financed pension plan (deferred compensation). This plan affords employees the option of converting part of their future salary claims into equivalent pension capital. Pension capital accrues interest based on the date the pension plan was entered into (commitment): at either 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. Since 2015, management employees have been able to contribute a portion of their salary to an employee-financed pension plan with a variable interest rate. The variable interest rate is linked to the five-year running yield on German bearer bonds and amounts to at least 2.5 percent and at most 5 percent. Disbursement is as a lump sum only. Pension commitments made before or on December 31, 2000, are measured (in accordance with the projected unit credit method) at m/nth of their present value, whereas any commitments made on or after January 1, 2001, are measured at the present value of the defined benefit obligation or at the equivalent of the accumulated capital.

Since 2021, a contractual trust arrangement (CTA) has been in place to finance and secure part of the pension obligations arising out of direct commitments and deferred compensation entered into before 2022.

Pension Commitments outside of Germany

Various pension plans are available to employees of foreign subsidiaries, subject to the statutory provisions applicable in the respective countries. Of these commitments, only the US pension plans are material to the Group.

In the US, defined benefit plans exist for employees of Wacker Chemicals Corporation, Adrian, Michigan. These plans were closed for new applications effective December 31, 2003, and remain in force for legacy policies only. Retirement benefits are paid out from age 65 in the form of a monthly pension and are based on the last average salary paid. Special rules apply to early retirement as of age 55 depending on the employee's years of service. In view of their pension-like quality, obligations relating to medical care for retired employees and to severance payments are likewise included under pension provisions. New employees in the USA are offered only defined contribution plans.

The present value of defined benefit plans may be reconciled with the provisions recognized in the balance sheet as follows:

Net Liability of Defined Benefit Obligations

€ million	2022			2021		
	Germany	International	Total	Germany	International	Total
Present value of the at least partially financed defined benefit obligations	3,024.7	93.6	3,118.3	4,246.0	115.8	4,361.8
Fair value of plan assets	–2,359.5	–107.6	–2,467.1	–2,450.2	–126.7	–2,576.9
Funded status	665.2	–14.0	651.2	1,795.8	–10.9	1,784.9
Present value of unfunded defined benefit obligations	1.0	10.5	11.5	4.9	12.8	17.7
Impact of asset ceiling	49.8	2.8	52.6	–	0.7	0.7
Net defined benefit liability	716.0	–0.7	715.3	1,800.7	2.6	1,803.3
Surplus recognized as an asset	42.5	11.1	53.6	–	10.1	10.1
Provisions for pensions and similar obligations	758.5	10.4	768.9	1,800.7	12.7	1,813.4

Changes in the Net Liability of Defined Benefit Obligations

€ million	Present value of pension plan obligations	Market value of plan assets	Total
As of Jan. 1, 2021	4,807.1	–2,093.7	2,713.4
Current service cost	119.3	–	119.3
Interest expense/(income)	35.4	–16.4	19.0
Past service cost	–4.3	–	–4.3
Remeasurements			
Gains (–)/losses (+) from plan assets without amounts already recognized in interest income	–	–156.7	–156.7
Gains (–)/losses (+) from changes in demographic assumptions	0.3	–	0.3
Gains (–)/losses (+) from changes in financial assumptions	–517.7	–	–517.7
Gains (–)/losses (+) from experience adjustments	–3.9	–	–3.9
Effect of asset ceiling	–	0.7	0.7
Effects of exchange-rate differences	9.0	–8.7	0.3
Contributions by			
Employer	–	–333.1	–333.1
Pension plan beneficiaries	22.9	–22.9	–
Transfers	–	–	–
Pension payments	–88.6	54.6	–34.0
As of Dec. 31, 2021	4,379.5	–2,576.2	1,803.3
Current service cost	**97.0**	**–**	**97.0**
Interest expense/(income)	**55.6**	**–33.7**	**21.9**
Past service cost	**–**	**–**	**–**
Remeasurements			
Gains (–)/losses (+) from plan assets without amounts already recognized in interest income	**–**	**147.0**	**147.0**
Gains (–)/losses (+) from changes in demographic assumptions	**–**	**–**	**–**
Gains (–)/losses (+) from changes in financial assumptions	**–1,484.5**	**–**	**–1,484.5**
Gains (–)/losses (+) from experience adjustments	**148.0**	**–**	**148.0**
Effect of asset ceiling	**–**	**51.9**	**51.9**
Effects of exchange-rate differences	**7.2**	**–7.4**	**–0.2**
Contributions by			
Employer	**–**	**–31.6**	**–31.6**
Pension plan beneficiaries	**23.0**	**–23.0**	**–**
Transfers	**–**	**–**	**–**
Pension payments	**–96.0**	**58.5**	**–37.5**
As of Dec. 31, 2022	3,129.8	–2,414.5	715.3

In 2021, the reconciliation item “Contributions by Employer” included a payment of €250 million to plan assets. In 2022, the item “Gains (–)/losses (+) from experience adjustments” mainly comprised current and expected pension adjustments for the next two years.

Assumptions

The pension obligations are calculated by taking account of company-specific and country-specific biometric calculation principles and parameters. The calculations are based on actuarial reports that factor in the following parameters:

Actuarial Assumptions

%	2022	2021
Germany		
Discount rate	**3.71**	1.24
Salary growth rate	**2.50**	2.50
Pension growth rate[1]		
Basic and supplementary pension	**2.0/1.0**	1.8/1.0
Deferred compensation	**2.5/1.0**	2.5/1.0
USA		
Discount rate	**4.98**	2.66
Salary growth rate	**3.00**	3.00

[1] Varies according to the date on which the employee joined the company and/or the effective date of the different plan generations.

The life-expectancy calculations for Germany are based on Heubeck AG's "Richttafeln 2018G" generation tables. These take into account the latest life expectancy rates and socio-economic factors, and currently offer the best estimate of life expectancy. The mortality tables used in the USA are regularly updated to take account of the latest mortality data.

The discount rates and salary increase rates used in calculating the pension obligation were determined in line with general economic conditions and in accordance with uniform standards. The discount rate is based on a yield curve derived from the yields of country-specific, high-grade, fixed-interest corporate bonds with maturities corresponding to the pension obligations. It takes account of the WACKER-specific, expected future cash flows for these obligations.

Sensitivity Analysis

The following sensitivity analysis involves an adjustment of only one assumption – i.e. the other assumptions remain unchanged from the original valuation, so that the sensitivity of each individual assumption can be observed in isolation. As a consequence, possible correlation effects between the individual assumptions are not taken into consideration.

The table below shows the possible changes in the present value of pension obligations resulting from changes in the key actuarial assumptions.

Sensitivity Analysis

	Dec. 31, 2022		Dec. 31, 2021	
Effect on defined benefit obligation	Defined benefit obligation in € million	Change (%)	Defined benefit obligation in € million	Change (%)
Present value of pension obligations as of the reporting date	**3,129.8**		4,379.5	
Present value of pension obligations if				
the discount rate increases by 0.5 percentage points	**2,926.7**	**–6.5**	3,966.2	–9.4
the discount rate decreases by 0.5 percentage points	**3,358.6**	**7.3**	4,859.4	11.0
salaries increase by 0.5 percentage points	**3,142.4**	**0.4**	4,405.9	0.6
salaries decrease by 0.5 percentage points	**3,117.8**	**–0.4**	4,355.2	–0.6
future pension increases are 0.25 percentage points higher	**3,201.8**	**2.3**	4,513.1	3.1
future pension increases are 0.25 percentage points lower	**3,060.9**	**–2.2**	4,252.5	–2.9
life expectancy goes up by one year	**3,224.2**	**3.0**	4,544.1	3.8

Composition of Plan Assets

In Germany, Pensionskasse der Wacker Chemie VVaG invests plan assets in accordance with statutory requirements and the terms of its by-laws. The company pension fund invests around half of its assets in equity funds and fixed-income funds. The other half is invested directly in promissory notes (German Schuldscheine), real estate, real estate loans, private debt and private equity. The remainder is held as liquid assets. The investment strategy follows the investment guideline set down by the board of the pension fund.

The money paid to the contractual trust arrangements (CTAs) in Germany is invested in funds, stocks, bonds, and private equity or held in cash. Future investments will be made in accordance with the investment principles set out in the trust agreements and in the investment guidelines. The plan assets of pension funds set up in the US are invested mainly in stocks and funds in accordance with the applicable investment rules. The composition of the Group's plan assets is shown in the following table:

Composition of Plan Assets

€ million	Dec. 31, 2022			Dec. 31, 2021		
	Quoted market prices in an active market	No quoted market prices in an active market	Total	Quoted market prices in an active market	No quoted market prices in an active market	Total
Real estate	–	317.0	317.0	–	407.2	407.2
Loans / fixed-interest securities	930.5	333.2	1,263.7	799.9	317.3	1,117.2
Shares/funds	422.3	400.9	823.2	544.6	372.8	917.4
Cash and cash equivalents	–	63.2	63.2	–	135.1	135.1
Total	1,352.8	1,114.3	2,467.1	1,344.5	1,232.4	2,576.9

The WACKER Group was utilizing €0.0 million of the plan assets for its own purposes as of December 31, 2022 (prior year: €95.0 million). In the prior year, these assets comprised the real estate used by Wacker Chemie AG for its headquarters in Munich, which was sold to a third party in 2022.

Risks

In addition to the usual actuarial risks, the risk inherent in the defined benefit obligation relates in particular to financial risks in connection with plan assets. In Germany, substantial amounts of the defined benefit obligation are administered by the pension fund. An annual asset-liability study analyzes the current and future relationships between portfolio structure and obligations and makes projections. This results in the long-term return required of the pension fund, on the basis of which the pension fund defines a strategic target portfolio. In this way, the required return, company contributions of sponsoring entities and strategic asset allocation are reviewed annually and reconciled with each other.

Under the CTAs, capital is invested in trust companies that use their assets solely to finance the pension commitments. External specialists help ensure a balanced risk-opportunity profile for the investments.

All capital investments are exposed to market price fluctuation risks. These risks may comprise shifts in interest rates, share prices or exchange rates. WACKER aims to limit losses to a pre-defined amount by means of overlay management. In some cases, derivatives are used for hedging purposes.

The defined benefit plans in the US are subject not only to actuarial risks, but also to market-price fluctuation risks – because plan assets there are invested in stocks and funds. Applicable statutes and by-laws require WACKER to reduce under-funding of pension plans by increasing the amount of company contributions in cash.

Further risks arise in particular in connection with the life expectancy of the beneficiaries, the interest rate guarantee, and the salary and pension growth rates. The interest rate guarantee risk is regularly monitored as part of the risk management process. It constitutes a major focus of the company pension fund when determining the long-term interest requirements and how to fulfill them. Interest rate guarantee risks also affect the deferred compensation plans.

Pension Plan Financing

In 2022, benefits in the amount of €87.8 million (prior year: €82.4 million) were paid under pension plans in Germany and €8.2 million (prior year: €6.2 million) under pension plans outside of Germany. WACKER anticipates that pension payments will reach approximately €100 million in the current year. Current employer contributions to plan assets will amount to around €35 million in 2023. The weighted duration of pension obligations as of December 31, 2022, was 14.7 years in Germany (prior year: 21.3 years) and 10.2 years in the United States (prior year: 12.5 years).

Expected Pension Payments Due

€ million	Dec. 31, 2022	Dec. 31, 2021
Less than one year	–101.2	–94.2
One to two years	–110.7	–101.2
Two to three years	–122.0	–105.6
Three to four years	–126.2	–111.4
Four to five years	–131.4	–115.7

Composition of Pension Expenses

€ million	2022	2021
Current service cost from defined benefit plans	–97.0	–119.3
Past service cost	–	4.3
Net interest expense for defined benefit plans	–21.9	–19.0
Defined contribution plan expenses	–8.9	–6.6
Other pension expenses	–3.1	–1.8
Contributions to state pensions	–70.1	–65.4
Total	–201.0	–207.8

The retirement benefits of some Executive Board members were adjusted in the prior year following restructuring of the Executive Board compensation system to comply with the amended requirements of Section 162 of the German Stock Corporation Act (necessitated by transposition of EU Shareholder Rights Directive II into German law ("ARUG II")). This resulted in income of €4.3 million from past service cost.

14. Other Provisions

€ million	2022			2021		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Personnel	112.1	104.7	7.4	123.1	116.5	6.6
Restructuring	3.3	2.6	0.7	4.3	3.3	1.0
Sales/purchasing	4.6	3.8	0.8	8.4	3.9	4.5
Environmental protection	74.2	74.2	–	85.2	85.2	–
Sundry	57.9	27.3	30.6	48.5	38.8	9.7
Other provisions	252.1	212.6	39.5	269.5	247.7	21.8

Provisions for Personnel
These include obligations for anniversary payments and funeral expenses as well as provisions for early-retirement and phased-early-retirement plans. Noncurrent provisions for anniversary payments and provisions for phased-early-retirement plans are utilized on a continuous basis. Interest-rate effects decreased anniversary-payment provisions, while provisions for phased-early-retirement plans increased due to newly concluded agreements with employees still working for the company.

Provisions for Restructuring
Under a voluntary program as part of its Shape the Future project, WACKER offered employees in Germany redundancy packages. The majority of these were paid to employees in 2021. The remaining provision for the restructuring program concerns phased-early-retirement agreements that will be utilized over three years.

Sales/Purchasing Provisions
These provisions cover warranty and product-liability obligations as well as commissions payable to sales agents and contingent losses from contractual agreements. The greater part of these provisions is likely to be used for payouts over the next two years.

Provisions for Environmental Protection
Provisions for environmental protection are recognized for anticipated obligations regarding contaminated-site remediation, water pollution control, the recultivation of landfills, the clean-up of contaminated storage and production sites, and similar environmental measures. The noncurrent provisions for environmental protection are likely to be utilized within a period of 25 years.

Sundry Provisions

Sundry provisions are formed for a multiplicity of identifiable individual risks and contingencies (e.g. damages, reimbursement claims, legal expenses, the cost of returning CO_2 certificates). In addition to risks in connection with property and wealth taxes, they cover risks stemming from interest and penalties not recognized under income taxes.

Depending on the situation in the individual countries, discount rates of up to 3.8 percent were used to determine the provisions, mainly those for phased early retirement and for anniversaries.

Other Provisions

€ million	Jan. 1, 2022	Utilization	Reversal	Addition	Interest effect	Exchange-rate differences	Changes in scope of consolidation, other[1]	Dec. 31, 2022
Personnel	123.1	–63.0	–21.7	84.0	0.5	0.2	–11.0	112.1
Restructuring	4.3	–1.0	–	–	–	–	–	3.3
Sales/purchasing	8.4	–3.8	–0.9	0.6	–	0.3	–	4.6
Environmental protection	85.2	–2.5	–8.7	–	–	0.2	–	74.2
Sundry	48.5	–3.0	–18.8	31.2	–	–	–	57.9
Other provisions	269.5	–73.3	–50.1	115.8	0.5	0.7	–11.0	252.1

[1] "Other" includes the change of €10.5 million (prior year: €23.8 million) in plan assets for phased-early-retirement commitments within provisions for personnel.

15. Financing Liabilities

€ million	2022			2021		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Liabilities to banks	1,079.6	848.4	231.2	1,092.1	754.1	338.0
Liabilities from lease obligations	261.1	228.0	33.1	153.7	127.6	26.1
Other financing liabilities	206.3	9.2	197.1	191.0	182.3	8.7
Financing liabilities	1,547.0	1,085.6	461.4	1,436.8	1,064.0	372.8

In 2022, WACKER repaid as planned a €200 million investment loan that came due and took out a new bank loan in the amount of €290 million that will fall due on maturity. In addition, bank loans repaid in 2022 as planned included a bank loan in the amount of €100 million due on maturity as well as a bank loan in the amount of KRW 22 billion (South Korean won, equivalent to €16.6 million).

No collateral exists for financing liabilities, nor are they secured through liens or similar rights. Some of the liabilities to banks are fixed-interest while others have variable interest rates. To hedge against rising interest rates on loans, since 2022 WACKER has hedged variable-interest loans in the amount of €399.5 million with payer swaps. Furthermore, €80 million in fixed-interest loans was converted into variable-interest loans with the help of receiver swaps.

In certain cases, WACKER has fixed-interest loans with exercisable termination options. Due to the high penalties payable on early termination, these options currently have no notional positive value and their fair value is negligible. WACKER does not recognize these for reasons of immateriality. Some of the liabilities to banks were granted on condition of compliance with particular covenants.

The liabilities to banks comprise the following:

€ million	2022				2021			
	Currency	Carrying amount € million	Of which with variable interest rates	Maturity	Currency	Carrying amount € million	Of which with variable interest rates	Maturity
Bank loan	**EUR**	**290.0**	**290.0**	**2027**	EUR	200.0	–	2022
Promissory note (German Schuldschein)	**EUR**	**50.0**	**–**	**2023**	EUR	50.0	–	2023
Promissory note (German Schuldschein)	**EUR**	**150.0**	**45.5**	**2023**	EUR	150.0	45.5	2023
Promissory note (German Schuldschein)	**EUR**	**150.0**	**43.0**	**2025**	EUR	150.0	43.0	2025
Promissory note (German Schuldschein)	**EUR**	**226.0**	**66.5**	**2024**	EUR	226.0	66.5	2024
Promissory note (German Schuldschein)	**EUR**	**74.0**	**5.5**	**2026**	EUR	74.0	5.5	2026
Bank loan	**KRW**	**–**	**–**	**2022**	KRW	16.3	16.3	2022
Bank loan	**EUR**	**–**	**–**	**2022**	EUR	100.0	–	2022
Bank loan	**EUR**	**100.0**	**–**	**2024**	EUR	100.0	–	2024
Operating loan	**BRL**	**17.7**	**17.7**	**2023**	BRL	15.9	15.9	2022
Other		**21.9**	**8.6**			9.9	4.3	
Total		1,079.6	–			1,092.1	–	
Fair value		1,053.1	–			1,097.3	–	

Other financing liabilities comprise the following:

€ million	2022				2021			
	Currency	Carrying amount € million	Of which with variable interest rates	Maturity	Currency	Carrying amount € million	Of which with variable interest rates	Maturity
Private placement (1st installment)	**USD**	**–**	**–**	**2018**	USD	–	–	2018
Private placement (2nd installment)	**USD**	**–**	**–**	**2020**	USD	–	–	2020
Private placement (3rd installment)	**USD**	**187.4**	**–**	**2023**	USD	176.6	–	2023
Sundry other financing liabilities		**18.9**	**–**			14.4	–	
Total		206.3	–			191.0	–	
Fair value		**204.5**	**–**			193.6	–	

The carrying amounts of current financing liabilities correspond to the repayment amounts. With the exception of other lines of credit in the amount of €8.6 million (prior year: €3.5 million), all loans fall due on maturity.

The following table shows the future redemption and interest payments for the bank liabilities and other financing liabilities.

€ million	2023	2024	2025	2026	2027
Repayment	428.3	331.9	155.8	74.5	295.4
Interest	20.3	13.8	10.4	9.7	3.5

There are unused long-term lines of credit amounting to €600 million (prior year: €900 million), where all the conditions for utilization are met.

These comprise a syndicated bank facility in the amount of €200 million that was extended in 2022 by one year to come due in 2027 and a syndicated bank facility in the amount of €400 million, for which a new contract was agreed in 2022 with the amount coming due in 2027.

Furthermore, in December 2022 agreements were made regarding bilateral fixed-interest bank loans in the amount of €110 million coming due in 2028. Disbursement was made in early January 2023.

16. Financial and Non-Financial Liabilities

€ million	2022			2021		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Trade payables	885.6	–	885.6	761.9	–	761.9
Derivative financial instruments	22.5	12.7	9.8	12.2	1.1	11.1
Sundry financial liabilities	43.9	12.2	31.7	31.7	12.3	19.4
Other financial liabilities	66.4	24.9	41.5	43.9	13.4	30.5
Payables relating to social security	9.6	–	9.6	8.1	–	8.1
Payroll liabilities	7.3	–	7.3	6.1	–	6.1
Variable compensation	189.3	–	189.3	175.4	–	175.4
Other personnel liabilities	29.2	–	29.2	27.4	–	27.4
Other tax liabilities	36.5	–	36.5	26.9	–	26.9
Deferred income	3.1	1.2	1.9	1.2	–	1.2
Sundry non-financial liabilities	41.5	–	41.5	42.5	–	42.5
Other non-financial liabilities	316.5	1.2	315.3	287.6	–	287.6
Advance payments received	305.2	224.4	80.8	211.8	56.3	155.5
Discount accruals	11.0	–	11.0	12.8	–	12.8
Contract liabilities	316.2	224.4	91.8	224.6	56.3	168.3
Income tax liabilities	182.4	90.2	92.2	186.5	117.5	69.0

Trade payables include receivables in the amount of €163.8 million submitted by the supplier to the factor under reverse factoring agreements. These were not reclassified as financial liabilities as they have payment deadlines within the customary business cycle.

Income tax liabilities contain amounts for current income tax obligations as well as for uncertain tax positions.

Payables relating to social security refer in particular to social-insurance contributions that have yet to be paid.

Other personnel liabilities include, in particular, vacation and flextime credits, as well other HR-related liabilities.

The advance payments received relate primarily to future deliveries of polysilicon.

No collateral exists for other liabilities, nor are they secured through liens or similar rights.

17. Contingent Liabilities, Contingent Assets, Other Financial Obligations and Other Risks

The values of contingent liabilities correspond to the extent of the liability as of the reporting date. At WACKER, contingent liabilities primarily concern agreed guarantees totaling €0.7 million (prior year: €0.7 million). It is unlikely that the guarantees will be utilized.

Obligations from orders for planned investment projects (commitments) amounted to €420.1 million (prior year: €155.5 million) and concern the operating segments.

The Group ensures capacity utilization at its joint venture with Dow via long-term purchasing commitments for an annual amount of around €125 million (prior year: €173 million).

As regards its current raw-material supplies, WACKER has entered into long-term agreements to purchase strategic raw materials, electricity and gas. As a result, the company had, on balance, other financial obligations in the amount of €1.2 billion arising from material minimum-purchasing arrangements in the reporting period (prior year: €1.2 billion). The agreements have terms of between one and more than ten years.

The Group receives public grants and allowances for investing activities. These incentives are granted on condition that a certain number of jobs are created or maintained at certain sites. If these contractual commitments are not fulfilled, all or part of any funding received must be paid back. The Group has a limited time period during which to fulfill its contractual commitments.

Together with its partner CordenPharma, WACKER signed a pandemic preparedness contract with the federal German government to keep capacity available for the production of mRNA-based vaccines. WACKER and CordenPharma should have the capacity to manufacture 80 million vaccine doses per year if the Covid-19 pandemic continues or a new pandemic occurs. Both partners will receive an annual stand-by fee for keeping production capacity available. The stand-by phase starts in 2024, once the companies have created the necessary capacity, and ends in 2029. In order to create the necessary capacity, WACKER is investing around €100 million in new production capacity at the Halle site. WACKER and CordenPharma will keep production capacity available from 2024, the start of the stand-by phase. WACKER has thus committed to having the corresponding materials and employees ready for an emergency situation.

WACKER is occasionally involved in legal or arbitration proceedings as well as official investigations and actions. Pending proceedings can have a negative impact on WACKER's earnings, net assets and financial position. At the present time, WACKER does not expect any material negative effects from pending proceedings.

18. Other Disclosures

Social benefits comprise in particular the employer's share of social insurance contributions as well as contributions to the employers' liability insurance association. Pension expenses consist mainly of contributions to the statutory pension system and allocations to pension provisions. Related interest is shown in the financial result.

€ million	2022	2021
Cost of materials	–3,960.3	–2,674.4
Personnel expenses		
Wages and salaries	**–1,282.4**	–1,155.2
Social benefits and expenses for aid	**–203.6**	–196.5
State pension contributions	**70.1**	65.4
Social security contributions	**–133.5**	–131.1
Pension expenses	**–109.0**	–123.4
Contributions to state pensions	**–70.1**	–65.4
Pension expenses	**–179.1**	–188.8
Total personnel expenses	**–1,595.0**	–1,475.1

The auditors' fee in the amount of €1.1 million (prior year: €0.9 million) relates to KPMG AG Wirtschaftsprüfungsgesellschaft. Of this amount, €1.0 million (prior year: €0.8 million) relates to services for auditing the annual financial statements of the WACKER Group, the annual financial statements of Wacker Chemie AG as required by German law and the audit review of the interim consolidated financial statements. €0.1 million (prior year: €0.1 million) is attributable to other assurance services. The other attestation services included attestations as per Section 64 of the German Renewable Energy Act (EEG), Section 17 of the German Energy Industry Act (EnWG), Section 20 of the German Securities Trading Act (WpHG in relation to EMIR), Article 25 (1) of the EU regulation on electricity price compensation and the German Packaging Regulation, as well as an assurance service for the Group non-financial report.

€ million	2022	2021
Expenses for auditors' fees		
Audit services	**1.0**	0.8
Other attestation services	**0.1**	0.1
Tax consultation services	**–**	–
Other services	**–**	–
Total	**1.1**	0.9

19. Earnings per Share / Dividend

The diluted earnings per share were identical to the basic earnings in both the year under review and the previous year.

The dividend distribution for 2021 amounted to €397.4 million, or €8.00 per dividend-bearing share. No allocations to retained earnings were made at Wacker Chemie AG for fiscal 2021.

The Executive Board of Wacker Chemie AG has proposed a dividend of €12.00 per share for 2022. The dividend proposal relates solely to dividend-bearing shares, i.e. excluding treasury shares. Responsibility for accepting or rejecting this proposal rests with the Annual Shareholders' Meeting of Wacker Chemie AG. Subject to acceptance of the proposal, an amount of €596,135,796.00 will be distributed to the 49,677,983 no-par-value shares not held by the company.

	2022	2021
Average number of outstanding common shares (units)	**49,677,983**	49,677,983
Number of common shares outstanding at the end of the year (units)	**49,677,983**	49,677,983
Dividend per dividend-bearing common share (€)	**12.00**	8.00
Distribution per dividend-bearing common share (€)	**12.00**	8.00
Net result for the year attributable to Wacker Chemie AG shareholders (€ million)	**1,251.0**	806.9
Earnings due to common shares (€ million)	**1,251.0**	806.9
Earnings per common share (average, €)	**25.18**	16.24
Earnings per common share (as of reporting date, €)	**25.18**	16.24

20. Financial Instruments

The following table shows financial assets and liabilities by measurement category and class. Lease liabilities and derivatives that qualify for hedge accounting are also shown even though they do not belong to any of the IFRS 9 measurement categories. WACKER has not pledged any financial assets as security.

The fair value of financial instruments measured at amortized cost is determined by means of discounting, taking into account market interest rates that are adequate to the inherent risk and correspond to the relevant maturity. The fair value of current items in the statement of financial position is their carrying amount, as there is no material difference between the two values.

Financial Assets and Liabilities by Measurement Category and Class as of Dec. 31, 2022

€ million				Measurement pursuant to IFRS 9	Measurement pursuant to IFRS 16	
	Carrying amount Dec. 31, 2022	(Amortized) cost	Fair value through profit and loss	Fair value through other comprehensive income	(Amortized) cost	Fair value as of Dec. 31, 2022
Trade receivables	916.2	916.2	–	–	–	916.2
Other financial assets	96.3	47.7	22.5	26.1	–	96.3
Loans and other financial assets, measured at amortized cost	–	47.7	–	–	–	47.7
Investments in equity instruments (FVPL)	–	–	12.7	–	–	12.7
Derivatives that do not qualify for hedge accounting (FVPL)	–	–	9.8	–	–	9.8
Derivatives that qualify for hedge accounting[1]	–	–	–	26.1	–	26.1
Securities and fixed-term deposits	1,061.5	591.1	290.8	179.6	–	1,060.2
Securities and fixed-term deposits (measured at amortized cost)	–	591.1	–	–	–	589.8
Securities (FVPL)	–	–	290.8	–	–	290.8
Securities (FVOCI)	–	–	–	179.6	–	179.6
Cash and cash equivalents (measured at amortized cost)	894.7	894.7	–	–	–	894.7
Total financial assets	2,968.7	–	–	–	–	2,967.4
Financing liabilities	1,547.0	1,283.2	2.7	–	261.1	1,518.8
Financing liabilities (measured at amortized cost)	–	1,283.2	–	–	–	1,255.0
Financing liabilities measured at fair value	–	–	2.7	–	–	2.7
Liabilities from lease obligations	–	–	–	–	261.1	261.1
Trade payables (measured at amortized cost)	885.6	885.6	–	–	–	885.6
Other financial liabilities	66.4	43.9	18.7	3.8	–	66.4
Financial liabilities measured at amortized cost	–	43.9	–	–	–	43.9
Derivatives that do not qualify for hedge accounting (FVPL)[2]	–	–	18.7	–	–	18.7
Derivatives that qualify for hedge accounting[1]	–	–	–	3.8	–	3.8
Total financial liabilities	2,499.0	–	–	–	–	2,470.8

[1] Derivatives with on-balance sheet hedging relationship are not subject to IFRS 9, but are reported under this measurement in order to reconcile to the total of the statement of financial position.
[2] Derivatives not designated as hedging instruments include the difference from the initial measurement of the physical PPA in the amount of €8.6 million.

Financial Assets and Liabilities by Measurement Category and Class as of Dec. 31, 2021

€ million				Measurement pursuant to IFRS 9	Measurement pursuant to IFRS 16	
	Carrying amount Dec. 31, 2021	(Amortized) cost	Fair value through profit and loss	Fair value through other comprehensive income	(Amortized) cost	Fair value as of Dec. 31, 2021
Trade receivables	824.8	824.8	–	–	–	824.8
Other financial assets	52.2	38.3	12.5	1.4	–	52.2
Loans and other financial assets, measured at amortized cost	–	38.3	–	–	–	38.3
Investments in equity instruments (FVPL)	–	–	12.2	–	–	12.2
Derivatives that do not qualify for hedge accounting (FVPL)	–	–	0.3	–	–	0.3
Derivatives that qualify for hedge accounting[1]	–	–	–	1.4	–	1.4
Securities and fixed-term deposits	1,056.7	591.2	271.7	193.8	–	1,055.8
Securities and fixed-term deposits (measured at amortized cost)	–	591.2	–	–	–	590.3
Securities (FVPL)	–	–	271.7	–	–	271.7
Securities (FVOCI)	–	–	–	193.8	–	193.8
Cash and cash equivalents (measured at amortized cost)	926.6	926.6	–	–	–	926.6
Total financial assets	2,860.3	–	–	–	–	2,859.4
Financing liabilities	1,436.8	1,276.7	6.4	–	153.7	1,444.6
Financing liabilities (measured at amortized cost)	–	1,276.7	–	–	–	1,284.5
Financing liabilities measured at fair value	–	–	6.4	–	–	6.4
Liabilities from lease obligations	–	–	–	–	153.7	153.7
Trade payables (measured at amortized cost)	761.9	761.9	–	–	–	761.9
Other financial liabilities	43.9	31.7	5.4	6.8	–	43.9
Financial liabilities measured at amortized cost	–	31.7	–	–	–	31.7
Derivatives that do not qualify for hedge accounting (FVPL)	–	–	5.4	–	–	5.4
Derivatives that qualify for hedge accounting[1]	–	–	–	6.8	–	6.8
Total financial liabilities	2,242.6	–	–	–	–	2,250.4

[1] Derivatives with on-balance sheet hedging relationship are not subject to IFRS 9, but are reported under this measurement in order to reconcile to the total of the statement of financial position.

Trade receivables, other loans and fixed-term deposits as well as cash and cash equivalents are recognized at amortized cost. Cash and cash equivalents in foreign currency are measured at the conversion rate prevailing on the reporting date. Their carrying amounts correspond to their fair values. The fair value of loans and borrowings corresponds to their present value, i.e. the present value of the expected future cash flows. Discounting is carried out on the basis of the interest rates applicable as of the reporting date. Certain securities (funds) and investments in equity instruments are classified as fair value through profit or loss (FVPL). Securities measured at amortized cost are recognized using the effective interest method. Investments in equity instruments are recognized at fair value, the best approximation of which is their historical cost, as no observable prices on active markets are available.

The carrying amount of trade payables and other financial liabilities corresponds to their fair value. The fair value of financing liabilities is calculated as the present value of the expected future cash flows. Discounting is carried out on the basis of the interest rates applicable as of the reporting date. Liabilities measured at fair value chiefly comprise future payments in connection with business combinations. All other financial liabilities are measured at cost, as no observable prices are available for them.

The following table shows the net gains and losses from financial instruments.

€ million	2022	2021
Net gains/losses from financial instruments		
Financial assets measured at amortized cost	**40.2**	30.5
Assets/liabilities measured at fair value through profit or loss (FVPL)	**–21.1**	–13.5
Assets measured at fair value through OCI (FVOCI)	**–0.3**	–0.3
Financial liabilities measured at amortized cost	**–60.5**	–38.0
Total	–41.7	–21.3

The net result of the category “Financial assets measured at amortized cost” primarily comprises: net losses/gains from foreign currency translation, interest income from financial assets, fixed-term deposits and bank deposits, and loss allowances on receivables.

The gains and losses from changes in the fair value of foreign-exchange, interest-rate and commodity derivatives that do not fulfill the requirements of IAS 39 for hedge accounting are posted in the category “Assets/liabilities measured at fair value through profit or loss.” This item also contains distributions from funds as well as fair value changes in investments.

Interest income from financial assets that are not recognized at fair value through profit or loss amounted to €10.1 million (prior year: €6.2 million). This income mainly comprised interest on bank deposits, fixed-term deposits and loans.

Interest expense from financial liabilities that are not recognized at fair value through profit or loss amounted to €28.5 million (prior year: €22.1 million) and was mainly attributable to financing liabilities.

The net losses in the category “Financial liabilities measured at amortized cost” primarily comprise interest expense on bank liabilities and other financing liabilities, as well as net losses/gains from foreign currency translation.

Neither in the year under review nor in the previous year were there any reclassifications of financial assets between those recognized at amortized cost and those recognized at market value or vice versa.

The derecognition of financial assets measured at cost did not result in any material gains or losses.

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. Allocation to these categories reveals which of the fair values reported were settled through market transactions and the extent to which the measurement was based on models in the absence of observable market transactions.

The following are the levels of the hierarchy.

Level 1
Financial instruments measured using quoted prices in active markets, the fair value of which can be derived directly from prices in active liquid markets and for which the financial instrument observable in the market is representative of the financial instrument being measured. These include fixed-interest securities and a mutual fund, both of which are traded in liquid markets.

Level 2
Financial instruments measured using valuation methods based on observable market data, the fair value of which can be determined using similar financial instruments traded in active markets or using valuation methods all of whose parameters are observable. These include hedging and non-hedging derivative financial instruments, loans and financing liabilities.

Level 3

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 the application of different valuation methods. The financial instruments belonging to this category have a value component that is not market-observable and has a major impact on fair value. These include over-the-counter derivatives, unquoted equity instruments and obligations arising out of business combinations.

The following table shows 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. The table also shows financial assets and liabilities that are measured at cost in the statement of financial position and whose fair values are given in the Notes.

Fair Value Hierarchy 2022

€ million	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
As of December 31, 2022				
Financial assets measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting (FVPL)	–	9.8	–	9.8
Securities – trading (FVPL)	290.8	–	–	290.8
Investments in equity instruments – trading (FVPL)	–	–	12.7	12.7
Fair value through other comprehensive income				
Derivatives that qualify for hedge accounting	–	26.1	–	26.1
Securities (FVOCI)	179.6	–	–	179.6
Total	470.4	35.9	12.7	519.0
Financial assets measured at amortized cost				
Loans – held-to-collect	–	–	–	–
Securities and fixed-term deposits (measured at amortized cost)	589.8	–	–	589.8
Total	589.8	–	–	589.8
Financial liabilities measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting (FVPL)	–	9.6	9.1	18.7
Financial liabilities (FVPL)	–	–	2.7	2.7
Fair value through other comprehensive income				
Derivatives that qualify for hedge accounting	–	3.8	–	3.8
Total	–	13.4	11.8	25.2
Financial liabilities measured at amortized cost				
Financing liabilities	–	1,255.0	–	1,255.0
Total	–	1,255.0	–	1,255.0

Fair Value Hierarchy 2021

€ million	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
As of December 31, 2021				
Financial assets measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting (FVPL)	–	0.3	–	0.3
Securities – trading (FVPL)	271.7	–	–	271.7
Investments in equity instruments – trading (FVPL)	–	–	12.2	12.2
Fair value through other comprehensive income/through profit or loss				
Derivatives that qualify for hedge accounting	–	1.4	–	1.4
Securities (FVOCI)	193.8	–	–	193.8
Total	465.5	1.7	12.2	479.4
Financial assets measured at amortized cost				
Loans – held-to-collect	–	–	–	–
Securities and fixed-term deposits (measured at amortized cost)	590.3	–	–	590.3
Total	590.3	–	–	590.3
Financial liabilities measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting (FVPL)	–	5.4	–	5.4
Financial liabilities (FVPL)	–	–	6.4	6.4
Fair value through other comprehensive income/through profit or loss				
Derivatives that qualify for hedge accounting	–	6.8	–	6.8
Total	–	12.2	6.4	18.6
Financial liabilities measured at amortized cost				
Financing liabilities	–	1,284.5	–	1,284.5
Total	–	1,284.5	–	1,284.5

WACKER regularly reviews whether its financial instruments are still allocated to the appropriate fair-value-hierarchy levels. As was the case in the previous year, no reclassifications were carried out within the fair value hierarchy in 2022.

In the period under review, WACKER measured only financial assets and liabilities at fair value. The market values were calculated using market information available as of the reporting date and based on counterparties' quoted prices or via appropriate valuation methodologies (discounted cash flow or well-established actuarial methodologies, such as the par method or Black-Scholes formula).

Derivative financial instruments and financial assets (trading and held-to-collect and for sale) are recognized at fair value and are thus subject to a recurring fair value assessment.

The fair value of derivative financial instruments used for currency and interest hedging transactions is calculated based on market data such as exchange rates or yield curves in accordance with market-specific valuation methodologies.

Fair value calculations contain our own and the counterparty's default risk, using maturity-matching and market-observable CDS values. The fair value of financial assets (trading and held-to-collect and for sale) can be derived from prices listed in active markets.

The financing liabilities are recognized at amortized cost, except for financing liabilities stemming from earn-out clauses in business combination agreements, which are recognized at fair value and allocated to Level 3 of the fair value hierarchy. The fair values of all these items must be disclosed in the Notes.

The fair value of financing liabilities is determined using the net present value method and is based on standard market interest rates. Financing liabilities arising out of business combinations are calculated using the discounted cash flow method and taking the weighted average cost of capital into account. The corporate-planning EBITDA figures of the acquired company form the basis for calculation. As of December 31, 2021, earn-out obligations totaled €6.4 million. In the reporting period, almost €1 million was paid and a reduction of €2.7 million recognized in the statement of income under other operating income. As of December 31, 2022, earn-out obligations totaled €2.7 million.

Derivatives that do not qualify for hedge accounting and were allocated to Level 3 of the fair value hierarchy include a physical Power Purchase Agreement (physical PPA) and hedging instruments for price-setting under a heating oil supply agreement.

The physical PPA is based on sourcing electricity from two solar farms in Germany with an output of 34 megawatts. The solar farms are scheduled to go on stream in 2023. The physical PPA provides for an actual delivery of electricity at a fixed price for a fixed amount. No certificates will be bought for the "green" aspect of this electricity (Guarantees of Origin). The fair value allocated to Level 3 is calculated as the present value of the difference between the agreed fixed price and the expected market price for electricity. The main parameters in this calculation are the expected electricity price and the expected output.

Sensitivities of the Physical PPA (€ million)

Change in expected electricity prices Fair value of derivative		Change in expected production output Fair value of derivative	
+10%	–10%	+10%	–10%
2.1	–1.0	0.6	0.5

The transaction price on conclusion of the contract, and thus on initial recognition, was zero. At the time of initial recognition, the fair value of the physical PPA as calculated using a measurement model exceeded the transaction price by €9.3 million. Because Level-3 fair values were involved, the difference of €9.3 million was deferred and recognized in the statement of financial position under derivative financial instruments, together with the positive fair value of the agreement according to the measurement model. The fair value changes of the derivative are recognized in the statement of income under other operating income and other operating expense. At year-end, the fair value of the derivative was €0.6 million and the related other operating expense was €8.8 million. The deferred difference is amortized on a straight-line basis over the term of the agreement. The resulting income is recognized in profit or loss together with the change in the fair value of the derivative. At year-end, the value of the deferred difference was €8.6 million and income of €0.7 million was recognized.

The hedging transactions classified as free derivatives to set prices under the heating-oil supply contract had a value of zero on initial recognition. Their fair value as of the reporting date was €-1.0 million. The change in fair value was recognized under other operating income.

WACKER measured equity instruments not held for trading in the amount of €12.7 million (prior year: €12.2 million) at fair value pursuant to IFRS 9 and allocated these to Level 3 of the fair value hierarchy. The equity instruments concerned are small, regional investments in non-profit companies that operate infrastructure facilities. No fair value exists for these companies since no active market values are available. WACKER reviews the carrying amounts of investments in equity instruments once a year to counter the risk of a change in value. WACKER had no intention of selling any of the shares reported as of December 31, 2022.

The unilateral call option (Level 3 of the fair value hierarchy) held by WACKER for the purchase of 1 percent of the shares in the subsidiary Wacker Asahikasei Silicone Co. Ltd., Japan, was recognized at cost as of December 31, 2022. The acquisition cost best reflects the option's fair value.

No changes were made to the valuation methodology compared with the previous year.

Management of Financial Risks

In the normal course of business, WACKER is exposed to credit, liquidity and market risks from financial instruments. The aim of financial risk management is to limit risks from operations and the resultant financing requirements by using certain derivative and non-derivative hedging instruments.

The risks connected with the procurement, financing and selling of WACKER's products and services are described in detail in the management report. In order to counter financial risks, WACKER has put in place a risk management system, which is monitored by the Supervisory Board. The fundamental purpose of this system is to identify, analyze, coordinate, monitor and communicate risks in a timely manner. The Executive Board receives regular analyses on the extent of these risks. The analyses focus on market risks, in particular on the potential impact of raw-material price risks, foreign-exchange risks and interest-rate risks on both EBITDA and the interest result.

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, particularly for investments of securities and cash, transactions are conducted only within defined limits and with partners of very high credit standing. To ensure risks are managed as efficiently as possible, market risks are controlled centrally within the Group. The transactions are concluded and managed in compliance with internal credit-risk principles and are subject to monitoring procedures that take account of the separation of duties. In the area of operations, outstanding receivables and default risks are continually monitored and hedged by means of trade credit insurance, advance payments and bank guarantees. Customer credit ratings and limits are based on generally available information from rating agencies and internal documents. No collateral exists for financial instruments. Receivables from major customers are not high enough to represent an extraordinary concentration of risks. Default risks are accounted for by loss allowances, taking advance payments received into account. For information on default risks, please refer to the Accounting and Valuation Principles and the Notes to the individual items of the statement of financial position.

Liquidity Risk

A liquidity risk means that a company may not be able to meet its existing or future financial obligations due to inadequate funds. To ensure uninterrupted solvency and financial flexibility, the Group holds not only long-term lines of credit at financial institutions with high credit ratings, but also liquid funds based on multiyear financial planning and rolling liquidity planning.

To limit liquidity risk, WACKER keeps liquid reserves in the form of current investments and unused lines of credit. WACKER has also concluded agreements with a number of banks for long-term syndicated loans and bilateral loans. For information on the maturity analysis for non-derivative financial liabilities, please refer to the note on Financing Liabilities.

» See Note 15

Market Risk

Market risk refers to the risk that the fair value or future cash flow of a primary or derivative financial instrument could fluctuate due to changing risk factors.

Foreign-Exchange Risk

The potential currency exposure to be hedged with derivative financial instruments is determined on the basis of the company's major foreign-currency income and expenditure. The greatest risk results from the US dollar. US-dollar income is taken to mean all sales invoiced in US dollars, while all purchases in US dollars as well as site costs incurred in US dollars are reported under US-dollar expenditure. Since the largest share of foreign-currency cash flows is in US dollars, that currency is the only relevant risk variable for the sensitivity analysis as defined in IFRS 7. By comparison, increases in the euro exchange rate against the renminbi (CNY) and yen (JPY) have a minor impact. In determining sensitivity, we simulate a 10-percent US-dollar devaluation against the euro, taking as a starting point the exchange rate used in the forecast. Such a devaluation would have had an effect on EBITDA of €-16 million as of December 31, 2022, and of €-37 million as of December 31, 2021. The effect from items designated as cash flow hedges would have increased equity before income taxes by €12.5 million (prior year: €15.3 million). The Group's currency exposure amounted to €159 million as of December 31, 2022 (Dec. 31, 2021: €375 million).

Interest-Rate Risk

The interest-rate risk results mainly from financing liabilities and interest-bearing investments. The Executive Board determines the mix of fixed- and variable-interest financial debt. Interest rate derivatives are concluded as required, taking account of the given structure. Depending on whether the instrument in question has a fixed or variable interest rate, the interest rate risks are measured on the basis of either market-value sensitivity or cash-flow sensitivity. As financing liabilities and fixed-interest

investments are measured at amortized cost, under IFRS 7 they are not subject to any interest-rate risk. Fixed-interest securities are measured at either fair value or amortized cost. Due to their short maturities, they are fundamentally not subject to a significant risk of changes in interest rates. Hedging transactions were concluded to fix the interest rates of several loans with variable interest rates. Hedge accounting was applied in these cases. Changes in the market interest rates of interest-rate derivatives affect the financial result, and are consequently included in any earnings-related sensitivity analysis. In terms of variable interest rates, assets were greater than liabilities as of December 31, 2022. As a result, if the market interest rate on December 31, 2022, had been 100 base points higher (Dec. 31, 2021: higher), the interest result would have been €12.6 million higher (prior year: €10.0 million; higher). If the market interest rate on December 31, 2022, had been 100 base points worse (Dec. 31, 2021: worse), the interest result would have been €12.6 million lower (prior year: €10.0 million lower).

Raw-Material and Energy Price Risks

In general, the company is faced with the risk that its supplies of raw materials, electricity and gas may be inadequate and that potential price increases could threaten its earnings. For WACKER's energy-intensive sites, which account for over 90 percent of its energy consumption, the company secures future energy costs by means of purchasing agreements with gradually increased volumes over the four years prior to actual consumption. These purchases are made within a procurement corridor delimited by what are referred to as the minimum and maximum coverage. The corridor is agreed with the Executive Board and adhered to during periods where prices are extremely high. At numerous smaller, less energy-intensive sites, standard supply contracts are also in place with monopoly regional utilities that charge on the basis of state-regulated tariffs. Raw-material risks are covered by long-term contracts. This item is recognized in profit or loss under the cost of goods sold.

In 2022, WACKER concluded an agreement for heating oil deliveries, to ensure the site's supply of steam and electricity in case of a disruption in gas supplies under existing gas agreements. The duration of the contract is one year. The price was hedged with hedging transactions that were recognized as derivative financial instruments.

Derivative Financial Instruments

Financial risks are also hedged using derivative financial instruments. The raw-material price risks that WACKER hedges against stem principally from ongoing energy procurement. Electricity-supply prices are hedged via contracts for which the "own-use exemption" rules of IFRS 9 can generally be invoked. WACKER has also signed long-term contracts to purchase green electricity certificates – known as Guarantees of Origin (GoOs) – which are also intended for the company's own use. These contracts, which are concluded for the purpose of receiving or delivering non-financial goods in accordance with WACKER's own needs, are not recognized as derivatives, but rather as pending transactions.

In 2022, WACKER concluded a physical Power Purchase Agreement (physical PPA) for solar power in Germany. The agreement runs until the end of 2027. Under this physical PPA, WACKER will purchase electricity at a fixed price from 2023 onward. As the own use exemption rules do not apply to this physical PPA, it is accounted for as a derivative.

WACKER has signed a heating oil supply agreement to safeguard production of the electricity and steam it generates in its own plants. This agreement ensures the company has an emergency reserve should its contracted gas volumes be unavailable. These price risks are covered by futures, which are recognized as stand-alone derivatives.

In those cases where WACKER hedges against currency risks, it uses derivative financial instruments, in particular foreign-exchange forwards, swaps and options. Derivatives are used only if they are backed by positions, cash deposits and funding, or scheduled transactions arising from operations. The scheduled transactions also include anticipated, but not yet invoiced, sales in foreign currencies. Foreign exchange hedging is used in particular for the US dollar and Japanese yen. Potential interest rate hedges are based on the maturities of the underlying transactions.

Operational foreign-exchange hedging relates to receivables and liabilities already recognized, and generally covers time horizons of between two and three months. The time horizon for strategic hedging is between three and a maximum of 21 months. In the case of the Japanese yen, hedges were concluded that run until 2033. The hedged cash flows impact the statement of income at the time the sales are realized. The cash inflows are usually recorded shortly afterward, depending on the payment deadline. As well as receivables from and liabilities to third parties, intercompany financial receivables and liabilities are hedged.

The fair values refer to the redemption values (repurchase values) of the financial derivatives as of the reporting date and are calculated using recognized actuarial methods.

The derivatives are recognized at fair value, irrespective of their stated purpose. They are reported in the statement of financial position under other financial assets or other financial liabilities. Where permissible, cash flow hedge accounting is carried out for the strategic hedging of currency risks from future foreign-exchange positions. For further details, please refer to explanations in the section Accounting and Valuation Principles. Depending on the nature of the underlying transaction, the hedges are posted in the statement of income either under the operating result or, if financing liabilities are being hedged, under interest result or other financial result.

The hedging strategy aims for a hedging ratio of around 50 percent of the expected net exposure in US dollars. The expected net exposure for 2023 is about 60 percent hedged. The average hedging ratio for operational hedging in US dollars is around 50 percent. The hedging ratio for sales in Japanese yen until 2033 is roughly 25 percent.

In 2022, the accumulated income and expenses recorded directly in equity included a pre-tax result from cash flow hedges amounting to €36.2 million (prior year: €–22.1 million). During 2022, €–18.5 million was reclassified to the statement of income (prior year: €4.2 million). WACKER determines the effectiveness of the economic relationship between the hedged underlying transaction and the hedging instrument on the basis of maturities, currencies and nominal amounts, with hedge accounting always using a hedge ratio of 100 percent between the hedging instrument and underlying transaction. WACKER uses the hypothetical derivative method to monitor whether the designated derivatives effectively hedge the cash flows of underlying transactions. The credit risk of counterparties and changes in the timing of the highly probable future transactions hedged represent possible sources of ineffectiveness. No gains or losses from ineffective hedge accounting were recorded in the result for the period, as the hedging relationships were almost entirely effective and the changes in value of hedging instruments were thus almost contrary to those of the underlying transactions. The following table shows the effects on the Group's earnings and net assets of the strategic hedging of currency risks from future foreign-currency positions and the hedging of the interest-rate risks inherent in the variable-interest financing liabilities associated with hedge accounting.

€ million	Dec. 31, 2022	Dec. 31, 2021
Forward exchange contracts for strategic hedging, USD		
Carrying amount liability	**–1.4**	–6.5
Carrying amount receivable	**2.7**	–
Nominal amount	**–123.1**	–166.0
Of which noncurrent	**–46.2**	–17.7
Change in value of hedged underlying transaction used to determine the effectiveness of hedging relationship	**1.3**	–6.5
Average hedging rate USD/€	**1.07**	1.18
Forward exchange contracts for strategic hedging, JPY		
Carrying amount liability	**–2.5**	–0.2
Carrying amount receivable	**1.3**	1.4
Nominal amount	**–199.0**	–70.9
Of which noncurrent	**–199.0**	–70.9
Change in value of hedged underlying transaction used to determine the effectiveness of hedging relationship	**–1.3**	1.2
Average hedging rate JPY/€	**119.5**	127.20
Forward exchange contracts for interest hedging		
Carrying amount liability	**–**	–
Carrying amount receivable	**22.2**	–
Nominal amount	**400.0**	–
Of which noncurrent	**400.0**	–
Change in value of hedged underlying transaction used to determine the effectiveness of hedging relationship	**–22.2**	–
Average hedging interest (%)	**2.4**	–

Foreign exchange derivatives mainly comprised forwards, options and swaps amounting to US$ 442 million, JPY 25.6 billion, CNY 1.2 billion and KRW 70 million (prior year: US$ 398 million, JPY 10.5 billion, CNY 130 million). Derivatives with market values of €+1.5 million fall due in 2023.

Other derivatives concern the physical Power Purchase Agreement classified as a derivative (with a nominal volume of €21.8 million and maturing in five years) and the hedging instruments for the heating-oil supply contract (with a nominal volume of €21.9 million and maturing in one year).

€ million	Dec. 31, 2022		Dec. 31, 2021	
	Nominal values	Market values	Nominal values	Market values
Forward exchange contracts	692.0	–4.6	404.8	–7.6
Foreign exchange swaps	120.4	6.9	65.0	–1.5
Foreign exchange options	30.5	–0.3	38.9	–0.5
Interest rate derivatives	570.0	20.3	140.0	–0.8
Other derivatives	43.7	–0.4	–	–
Total	1,456.6	21.9	648.7	–10.4
Market values of derivative financial instruments used for hedge accounting	–	22.3	–	–5.3

The following table contains information on the netting of financial assets and liabilities in the consolidated statement of financial position. In addition to the financial instruments complying with the provisions on netting pursuant to IAS 32, the table also includes those financial instruments that are subject to netting agreements or master netting agreements but may not be netted pursuant to IAS 32.

Financial Assets/Liabilities Subject to Netting Agreements, Enforceable Global Netting Agreements and Similar Agreements

€ million	Dec. 31, 2022		Dec. 31, 2021	
	Derivatives with a positive market value	Derivatives with a negative market value	Derivatives with a positive market value	Derivatives with a negative market value
I Gross amounts of recognized financial assets/liabilities	36.0	–13.5	2.1	–12.6
II Gross amounts of recognized financial assets/liabilities netted out in the statement of financial position	–0.1	0.1	–0.4	0.4
I + II Net amounts of financial assets/liabilities presented in the statement of financial position	35.9	–13.4	1.7	–12.2
Related amounts not netted out in the statement of financial position	–13.1	13.1	–1.7	1.7
Net amount	22.8	–0.3	–	–10.5

As a part of its strategic hedging activities, WACKER closes out forward-exchange contracts prior to maturity by means of 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 criteria. In addition, general offsetting agreements, which apply only in cases of insolvency, have been concluded with a number of banks.

The net amount shows the amount of financial assets or liabilities that, despite netting and global netting agreements, is not received or must be paid in the event of insolvency.

21. Notes to the Statement of Cash Flows

Cash flow from operating activities is calculated using the indirect method, which adjusts the relevant changes in statement-of-financial-position items for any effects of currency translation or changes in the scope of consolidation. This means that changes to the relevant statement-of-financial-position items cannot be reconciled with the corresponding values on the basis of the published consolidated statement of financial position.

Construction-related borrowing costs that have to be capitalized were deducted from the interest payments recognized in cash flow from operating activities. These construction-related borrowing costs increased the capital expenditure included in cash flow from investing activities by €2.6 million (prior year: €0.8 million).

In the case of cash flow from investing activities, the actual outflows of funds are reported. That is why these figures, too, cannot be reconciled with the additions to investments in the consolidated statement of financial position. If subsidiaries or business activities are acquired or sold, the effects of these transactions are shown as separate items in the statement of cash flows. Investments in securities falling due in more than three months are reported separately under cash flow from investing activities because, in economic terms, these transactions are considered to form part of liquidity.

The Group's financing is provided predominantly by means of bank loans granted in the form of loan commitments. Within the defined approval limits for loan commitments, the utilization of credit may be subject to fluctuations both within a given year and over several years. Loans raised and repaid in foreign currencies are converted at the exchange rate prevailing on the transaction date. The following table shows a reconciliation of all cash inflows and outflows as well as other non-cash changes in financing liabilities:

Cash and Non-Cash Changes in Financing Liabilities

€ million	Jan. 1, 2022	Cash changes	Non-cash changes			Dec. 31, 2022
			Acquisitions / disposals	Exchange-rate-related changes	Other	
Liabilities to banks	1,092.1	–15.2	–	1.3	1.4	1,079.6
Liabilities from lease obligations	153.7	–36.2	140.1	3.5	–	261.1
Other financing liabilities	191.0	–0.5	–	11.0	4.8	206.3
Financing liabilities	1,436.8	–51.9	140.1	15.8	6.2	1,547.0

Please see Note 11 for more details on the composition of funds comprising cash and cash equivalents.

» See Note 11

22. Explanatory Notes on Segment Reporting

The Group's segment reporting is aligned with the internal organizational and reporting structure. WACKER reports on four operating segments (SILICONES, POLYMERS, BIOSOLUTIONS and POLYSILICON), which are organized and managed autonomously on the basis of the type of products they offer and their different risk and income structures. For a detailed description of the segments' products and organization, please refer to the management report. Business segments are not combined. Any activities or results not assigned to an operating segment are shown under "Other," including the income from the equity-accounted investment in Siltronic. Foreign currency gains and losses are also shown under "Other."

Items in the statement of financial position and statement of income are assigned to the operating segments in accordance with the economic power of disposal. Assets used jointly by several segments are generally shown under "Other" if they cannot be assigned clearly to a particular segment. A similar approach is adopted for external financing. The carrying amount of the strategic investment in Siltronic, which is accounted for using the equity method, is also recognized under "Other." For the geographical regions, assets and liabilities are assigned in accordance with where the respective Group company's site is located. Sales are classified in accordance with both the customer's location and the respective Group company's site. Income from, and the carrying amount of, the equity-accounted investment in Siltronic are assigned to the region "Germany."

WACKER measures the segments' success using the segment profitability variable EBITDA. EBITDA is calculated by adding back depreciation and amortization, impairments, and reversals of impairments to EBIT. EBIT consists of the gross profit from sales, selling and general administrative expenses, research and development expenses, and other operating income and expenses, including income from investments in joint ventures and associates and other income from investments.

Asset additions, depreciation, amortization, impairments and reversals of impairments refer to intangible assets, to property, plant and equipment, to investment property and to financial assets. Internal sales show the sales that are generated between the segments. They are settled mainly on the basis of market prices or the planned cost of sales. Segment information is based on the same presentation and accounting methods used for the consolidated financial statements. Receivables and liabilities, provisions, income, expenses, and results between the segments are eliminated in the course of consolidation.

The assets reported for the segments generally comprise all the assets of each segment. Financial receivables, cash and cash equivalents, current tax receivables and deferred tax assets, however, are allocated to the "Other" segment.

The liabilities shown for the segments represent all of their liabilities – except current and deferred tax liabilities, which are shown under "Other." The Group's financing liabilities are allocated to individual segments in proportion to the segment assets. Provisions for pensions are allocated in accordance with Group personnel ratios. Advance payments received are allocated directly to the individual segments.

Non-cash expenses and income are divided up between the individual segments as follows:

Other Non-Cash Expenses (+) and Income (–)

€ million	2022	2021
SILICONES	**18.0**	3.6
POLYMERS	**1.8**	1.0
BIOSOLUTIONS	**0.9**	–
POLYSILICON	**4.3**	–114.7
Other	**28.9**	–6.7
Total	53.9	–116.8

Material valuation changes not recognized through profit or loss concern changes in the market value of derivative financial instruments (cash flow hedging) and changes in value from the remeasurement of defined benefit pension plans.

Changes in the market value of derivative financial instruments from cash flow hedging were attributable to WACKER SILICONES, at €–0.3 million (prior year: €0.0 million), and to the "Other" segment, at €19.7 million (prior year: €–11.1 million). A change of €6.7 million (prior year: €–4.8 million) in derivative financial instruments from the investment in Siltronic was also recognized under "Other."

The changes in value due to the remeasurement of defined benefit plans are allocated to the segments as follows:

Changes in Value from the Remeasurement of Defined Benefit Pension Plans

€ million	2022	2021
SILICONES	**326.2**	189.8
POLYMERS	**101.8**	65.9
BIOSOLUTIONS	**19.9**	13.2
POLYSILICON	**170.0**	101.4
Other	**611.7**	357.9
Total	1,229.6	728.2

Apart from Germany, the only countries in which WACKER generates significant sales from a Group standpoint are the USA and China. Measured in relation to the headquarters of the selling unit, sales amounted to €933.8 million in the USA (prior year: €652.3 million) and €846.7 million in China (prior year: €634.1 million). Measured by the customer location in the USA and China, the respective sales generated were €956.5 million (prior year: €651.1 million) and €2,333.1 million (prior year: €1,680.2 million). WACKER has no major customer whose sales it is obliged to disclose.

The reconciliation of the segments' aggregate results with the net income for the year is shown in the following list:

Reconciliation of Segment Results (EBIT)

€ million	2022	2021
Operating result of reporting segments	**1,678.2**	1,135.1
Consolidation	**0.6**	–0.8
Group EBIT	**1,678.8**	1,134.3
Financial result	**–62.6**	–40.7
Income before taxes	**1,616.2**	1,093.6
Income taxes	**–334.6**	–265.8
Net income for the year	**1,281.6**	827.8

23. Breakdown of Shareholdings

Unless otherwise stated, the following figures for international subsidiaries were calculated in accordance with IFRS.

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
Affiliated Companies						
Germany						
1 Alzwerke GmbH, Munich	Other	a), b)	7,160	–	100.00	0
2 DRAWIN Vertriebs-GmbH, Hohenbrunn-Riemerling	Silicones	a), b)	5,010	–	100.00	0
3 Wacker-Chemie Versicherungsvermittlung GmbH, Munich	Other	a), b)	26	–	100.00	0
4 Wacker Biotech GmbH, Jena	Biosolutions	a), b)	290	–	100.00	0
5 Wacker-Chemie Achte Venture GmbH, Munich	—	a), b)	2,753	–	100.00	0
6 Wacker-Chemie Elfte Venture GmbH, Munich	—		24	–	100.00	0
7 Wacker-Chemie Zwölfte Venture GmbH, Munich	—		24	–	100.00	0
Rest of Europe						
8 Wacker Chemicals Finance B. V., Zaanstad, Netherlands	Holding		2,138,818	1,826	100.00	0
9 Wacker Chemicals Ltd., Bracknell, United Kingdom	Sales and distribution		580	482	100.00	0
10 Wacker Chemie Italia S. r. l., Segrate, Italy	Sales and distribution		20,135	5,847	100.00	0
11 Wacker-Chemie Benelux B. V., Zaanstad, Netherlands	Sales and distribution		290	271	100.00	8
12 Wacker Chimie S. A. S., Lyon, France	Sales and distribution		1,869	1,523	100.00	0
13 Wacker-Kemi AB, Solna, Sweden	Sales and distribution		484	444	100.00	0
14 Wacker Química Ibérica, S. A., Barcelona, Spain	Sales and distribution		1,691	1,551	100.00	0
15 Wacker-Chemie, s. r. o., Plzeň, Czech Republic	Sales and distribution, Silicones		3,682	289	100.00	0
16 Wacker-Chemia Polska Sp. z o. o., Warsaw, Poland	Sales and distribution		1,391	1,277	100.00	0
17 Wacker Chemie Hungary Kft., Budapest, Hungary	Sales and distribution		549	373	100.00	0
18 LLC Wacker Chemie Rus, Moscow, Russia	Sales and distribution		1,453	467	100.00	0
19 Wacker Chemicals Norway AS, Holla, Hemne, Norway	Silicones		193,646	87,692	100.00	8
20 Wacker Kimya Tic. Ltd. Sti., Istanbul, Turkey	Sales and distribution		256	196	100.00	8
21 Wacker Biosolutions León, S. L. U., León, Spain	Biosolutions		15,564	477	100.00	8
22 Wacker Biotech B. V., Amsterdam, Netherlands	Biosolutions		–3,606	–13,752	100.00	8

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
The Americas						
23 Wacker Química do Brasil Ltda., Jandira, São Paulo, Brazil	Silicones, Polymers, Biosolutions		34,336	3,242	99.90 0.10	0 2
24 Wacker Mexicana S. A. de C. V., Mexico, D. F., Mexico	Sales and distribution		1,730	396	99.87 0.13	0 25
25 Wacker Chemical Corp., Ann Arbor, Michigan, USA	Silicones, Polymers, Biosolutions		1,791,224	41,899	100.00	8
26 Wacker Polysilicon North America, L.L.C., Cleveland, Tennessee, USA	Polysilicon		1,451,901	43,478	100.00	25
27 Wacker Colombia S. A. S., Bogotá, Colombia	Sales and distribution		139	7	100.00	8
28 Wacker Biotech US Inc., San Diego, California, USA	Biosolutions		565	–25,026	100.00	25
Asia						
29 Wacker Asahikasei Silicone Co. Ltd., Tokyo, Japan	Silicones		15,903	5,099	50.00[3]	0
30 Wacker Chemicals (South Asia) Pte. Ltd., Singapore	Sales and distribution		2,934	1,280	100.00	0
31 Wacker Chemicals Hong Kong Ltd., Hong Kong, China	Sales and distribution		2,872	225	100.00	0
32 Wacker Metroark Chemicals Pvt. Ltd., Kolkata, India	Silicones		124,027	44,780	51.00	0
33 Wacker Chemicals Korea Inc, Seongnam-si, South Korea	Silicones, Polymers		188,207	37,468	100.00	8
34 Wacker Chemicals East Asia Ltd., Tokyo, Japan	Sales and distribution		115	22	100.00	0
35 Wacker Chemicals Fumed Silica (Zhangjiagang) Holding Co. Private Ltd., Singapore	Holding		49,419	–30	51.00	0
36 Wacker Chemicals Fumed Silica (Zhangjiagang) Co., Ltd., Zhangjiagang, China	Silicones		51,938	3,959	100.00	35
37 Wacker Chemicals (Zhangjiagang) Co., Ltd., Zhangjiagang, China	Silicones		110,819	14,060	100.00	38
38 Wacker Chemicals (China) Co., Ltd., Shanghai, China	Sales and distribution		311,700	29,472	100.00	0
39 Wacker Chemicals (Nanjing) Co., Ltd., Nanjing, China	Polymers, Biosolutions		119,086	8,942	100.00	38
40 Wacker Chemie India Pvt. Ltd., Mumbai, India	Sales and distribution		7,496	1,860	99.90 0.10	8 0
41 PT. Wacker Chemicals Indonesia, Tangerang, Indonesia	Sales and distribution		330	63	99.00 1.00	8 2
42 Wacker Chemicals Malaysia SDN. BHD., Kuala Lumpur, Malaysia	Sales and distribution		277	63	100.00	8
43 SICO Performance Material (Shandong) Co., Ltd, Jining, China	Silicones		245,742	10,364	60.00	38
Other Regions						
44 Wacker Chemicals Australia Pty. Ltd., Mulgrave, Melbourne, Australia	Sales and distribution		497	184	100.00	0
45 Wacker Chemicals Middle East FZE, Dubai, UAE	Sales and distribution		4,387	1,497	100.00	0
Joint Ventures / Associates						
46 Dow Siloxane (Zhangjiagang) Holding Co., Private Ltd., Singapore[2]	Silicones		453,953	12,462	25.00	0
47 Wacker Dymatic Silicones (Shunde) Co., Ltd., Foshan, China	Silicones		21,817	1,484	50.00	38
48 Siltronic AG, Munich[2]	Other		2,067,138	390,606	30.83	0
49 Nexeon Ltd., Abingdon, Oxfordshire, United Kingdom[4]	Other		6,005	–10,830	12.37	0
50 WBCP Advanced Medicines GmbH&Co. OHG, Munich[5]	Biosolutions		–127	–127	71.99	4
Special Purpose Entity						
51 LBBW AM-WMM (special investment fund), Stuttgart[6]	Other		184,835	–793	100.00	0

* Identifier:
a) Wacker Chemie AG has concluded profit and loss transfer agreements with these entities.
b) The shareholders have agreed not to disclose the financial statements of these entities (Section 264 (3) of the German Commercial Code).
[1] Serial number 0: Wacker Chemie AG
[2] Only direct holdings in the relevant parent companies are listed; figures from consolidated financial statements in accordance with IFRS
[3] Control on the basis of potential voting rights
[4] Figures refer to the annual financial statements in accordance with UK GAAP for the period January 1 to December 31, 2021; significant influence through contractual arrangements
[5] The influence of the company on the net assets, financial position and results of operations of the Group is of minor significance.
[6] Shares in trust (Sondervermögen); figures in accordance with IFRS

24. Related Party Disclosures

IAS 24 stipulates that a person or entity which controls, or is controlled by, Wacker Chemie AG must be disclosed unless the party in question is already included in Wacker Chemie AG's consolidated financial statements as a consolidated company. If a shareholder has more than half of the voting rights in Wacker Chemie AG or, by virtue of provisions in the Articles of Association or contractual arrangements, has the possibility of controlling the financial and business policy of the WACKER Group's Executive Board, that shareholder is deemed to have control.

In the current reporting year, the WACKER Group is affected by the disclosure obligations under IAS 24 with respect to the business relations with Wacker Chemie AG's major shareholders and its Executive Board and Supervisory Board members. The principles of IAS 24 also apply to all transactions with non-consolidated subsidiaries, associates and joint ventures, since Wacker Chemie AG exercises significant influence over them.

Dr. Alexander Wacker Familiengesellschaft mbH, Munich, informed Wacker Chemie AG on June 7, 2006, that it holds over 50 percent of the voting shares in Wacker Chemie AG. Blue Elephant Holding GmbH, Pöcking, informed Wacker Chemie AG on April 12, 2006, that it holds over 10 percent of the voting shares in Wacker Chemie AG.

The WACKER Group is controlled by its majority shareholder, Dr. Alexander Wacker Familiengesellschaft mbH, which holds over 50 percent of the voting shares in WACKER Chemie AG.

The provision of services between Wacker Chemie AG and its majority shareholder, Dr. Alexander Wacker Familiengesellschaft mbH, as well as with the shareholders of Dr. Alexander Wacker Familiengesellschaft mbH and their close family members, is of subordinate importance. It concerns the renting of office space and exchange of services, and is of a limited extent. These transactions are conducted at arm's length.

Further, WACKER Group companies have not conducted any material transactions with members of Wacker Chemie AG's Executive or Supervisory Boards or with any other key management personnel or with companies of whose executive or supervisory bodies these persons are members. The same applies to close family members of the aforementioned persons.

Wacker Chemie AG's pension fund is also considered a related party pursuant to IAS 24. Provision of services takes place between the two entities in the area of company pension plan benefits.

WACKER makes payments to plan assets to cover pension obligations. Wacker Chemie AG also previously rented the headquarters building and the land on which it stands at Hanns-Seidel-Platz in Munich from a subsidiary of the pension fund of Wacker Chemie VVaG. The pension fund sold the building in September 2022. As of December 31, 2022, there were no lease liabilities toward the pension fund (prior year: €8.7 million). Additional liabilities of €9.9 million (Dec. 31, 2021: €2.5 million) related mainly to compensation payments under the expiring rental agreement and to outstanding contributions. In 2021, WACKER concluded a rental agreement for a new headquarters building. The pension fund acquired this building in August 2022 and entered into the rental agreement. To date, no payments have been made in connection with the new rental agreement. In December 2022, Wacker Chemie AG made an advance payment of €21.0 million for future contributions to the pension fund

Further detailed information has been published in Germany's Company Register.

» www.unternehmensregister.de

Business with joint ventures and associates, the pension fund, and non-consolidated subsidiaries is conducted under conditions that are customary between outside third parties (arm's length transactions). Contractually agreed transfer-price formulas have been defined for joint-venture and associated-company product shipments.

Related Party Disclosures

€ million	2022				2021			
	Income	Expenses	Receivables	Liabilities	Income	Expenses	Receivables	Liabilities
Associates	**206.7**	**199.3**	**20.9**	**40.0**	157.5	165.1	12.7	43.1
Joint ventures	**4.0**	**2.0**	**0.8**	**0.3**	5.1	1.9	1.2	0.1

Transactions with joint ventures and associates relate to such supplies and services that arise in the normal course of business (for example in connection with sales revenue, license revenue and administrative expense allocations). Joint ventures and associates submitted invoices for material purchases and commissions. WACKER received payments for future services under long-term contracts. Any guarantees or other security pledges are reported under Other Financial Obligations.

» See Note 17

Information Regarding Compensation for the Executive and Supervisory Boards:

Compensation for the Executive and Supervisory Boards

€	Fixed compensation	Short-term incentives (STI)	Long-term incentives (LTI)	Retirement benefit plan[1]	Total
Executive Board compensation 2022	**2,561,218**	**2,167,500**	**3,008,760**	**540,166**	**8,277,644**
Executive Board compensation 2021	**2,770,885**	**2,355,346**	**2,281,585**	**1,228,377**	**8,636,193**
Pension commitments for active members of the Executive Board 2022					**16,732,019**
Pension commitments for active members of the Executive Board 2021					**23,644,502**
Compensation for former members of the Executive Board and their surviving dependents 2022					**2,732,610**
Compensation for former members of the Executive Board and their surviving dependents 2021					**3,229,296**
Pension commitments for former members of the Executive Board and their surviving dependents 2022					**39,770,479**
Pension commitments for former members of the Executive Board and their surviving dependents 2021					**45,081,376**
Supervisory Board compensation 2022[2]	**2,481,438**	**–**	**–**	**–**	**2,481,438**
Supervisory Board compensation 2021[2]	**2,165,000**	**–**	**–**	**–**	**2,165,000**

[1] The compensation for retirement benefits is based on service cost. Interest expense amounted to €293,192 (prior year: €204,017).
[2] In addition, employee representatives on the Supervisory Board continue to receive their regular salaries in line with their respective employment contracts.

Total compensation to active members of the Executive Board amounted to €7,737,478 (prior year: €7,407,816).

The variable compensation for the Executive Board comprises short-term incentives (STI) and long-term incentives (LTI). Both components incentivize a sustainable corporate policy and encourage profitable growth as well as sustainable growth in the company's value. Whereas an STI is paid out in cash, the arithmetic net payout of an LTI is invested in company stock and held in a blocked personal account for each Executive Board member for a period of three years. No further obligation exists regarding a board member's period of service for the company. Each Board member bears the risks and opportunities associated with changes in the value of the stock and with the right to receive dividends. The number of shares purchased for the LTI is determined by the Xetra closing price of the company's stock on the first trading day following the Annual Shareholders' Meeting for the relevant business year. Further details of Executive Board compensation are provided in the Compensation Report, which is published on Wacker Chemie AG's website.

» https://wacker.com

In terms of the net payout, an LTI is a share-based payment within the meaning of IFRS 2. As a "shares to the value of" agreement, the arithmetic net payout is recognized at fair value. For this reason, the expense as well as the acquisition and allocation of the shares are recognized in equity.

The LTI recognized at fair value in capital reserves amounted to €1.5 million. As in the previous year, no members of the Executive Board or Supervisory Board were granted advances or loans in 2022.

Other business relations with members of the Executive and Supervisory Boards comprise the purchase and sale of shares in Wacker Chemie AG. Such transactions take place on customary market terms and conditions. These transactions were published in Germany's Company Register and on the Wacker Chemie AG website.

The members of Wacker Chemie AG's Supervisory Board and Executive Board are listed in the Further Information section.

25. Events after the Reporting Date

No major events subject to reporting requirements occurred between the reporting date (December 31, 2022) and the date of authorization of the consolidated financial statements (March 2, 2023). There were no material or fundamental changes in the WACKER Group's overall economic and business environment. WACKER's legal and organizational structure remained largely unchanged in the reporting year.

Munich, March 2, 2023
Wacker Chemie AG

Christian Hartel	**Auguste Willems**
Tobias Ohler	**Angela Wörl**

Declaration by the Executive Board on Accounting Methods and Auditing

The Executive Board is responsible for preparing Wacker Chemie AG's consolidated financial statements and combined management report. WACKER's consolidated financial statements were prepared in compliance with the rules published in London by the International Accounting Standards Board (IASB) and endorsed by the European Union. WACKER has set up effective internal monitoring and management systems to guarantee that the combined management report and the consolidated financial statements comply with the applicable rules and procedures of proper corporate reporting. The internal auditing department continuously examines the reliability and functionality of the monitoring and management systems worldwide. KPMG AG Wirtschaftsprüfungsgesellschaft has audited Wacker Chemie AG's consolidated financial statements and Group management report, and given an unqualified audit opinion. WACKER's consolidated financial statements, its combined management report and the auditors' report were discussed in detail by the Supervisory Board's Audit Committee at its meeting on February 21, 2023. For information about the Supervisory Board's audit, please refer to its report.

Assurance by the Legal Representatives in Accordance with Sections 297 (2) and 315 (1) of the German Commercial Code (HGB)

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 Group's net assets, earnings and financial position, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, and describes the principal opportunities and risks associated with the Group's expected development.

Munich, March 2, 2023
Wacker Chemie AG

Christian Hartel **Auguste Willems**

Tobias Ohler **Angela Wörl**

Reproduction of the Independent Auditor's Report

Independent Auditor's Report

To Wacker Chemie 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 Wacker Chemie AG, Munich, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as of December 31, 2022, the Consolidated Statement of Income, the Statement of Comprehensive Income, the Statement of Changes in Group Equity and the Statement of Cash Flows for the financial year from January 1 to December 31, 2022, as well as the Notes to the Consolidated Financial Statements, including a summary of important accounting policies. In addition, we have audited the Combined Management Report for the financial year from January 1 to December 31, 2022.

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.

The Combined Management Report contains cross-references marked as unaudited that are not required by law. In accordance with German legal requirements, we have not audited the content of these cross-references or the information to which they refer.

In our opinion, on the basis of the findings of our 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 net assets and financial position of the Group as of December 31, 2022, and of its earnings for the financial year from January 1 to December 31, 2022, 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 trends. Our opinion on the Combined Management Report does not cover the content of the "Other Information" section of the Combined Management Report. The Combined Management Report contains cross-references marked as unaudited, which are not required by law. Our opinion does not cover these cross-references or the information to which they refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of either the Consolidated Financial Statements or the Combined Management Report.

Basis for the Opinions

We conducted our audit of the Consolidated Financial Statements and of the Combined Management Report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (hereinafter: "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 any 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 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, 2022. 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.

Measurement of property, plant and equipment of the WACKER POLYSILICON segment

For further information on the presentation of the WACKER POLYSILICON segment in the reporting year, please refer to "Segment Information by Division" in the Consolidated Financial Statements and "Explanatory Notes on Segment Reporting" in the Combined Management Report. For information on the accounting policies applied, please refer to the description "Estimates and Assumptions Used in Preparing Consolidated Financial Statements" and "Accounting and Valuation Principles" in the Notes to the Consolidated Financial Statements. For information on sales market risks, please refer to the section "Risk Management Report" in the Combined Management Report.

The Financial Statement Risk

The carrying amount of the assets in the WACKER POLYSILICON segment amounted to €992 million as of the reporting date. In financial year 2019, an impairment loss of €760 million was recorded for the property, plant and equipment of this segment. Apart from depreciation, no further impairment loss or reversal was reported either since then or in financial year 2022. The photovoltaic market that is so significant for the segment is characterized by a high level of volatility and competition. As a result, the business performance of the WACKER POLYSILICON segment was influenced by strong price fluctuations in the past. WACKER POLYSILICON segment sales increased by nearly 50 percent during the financial year, while the EBITDA margin declined year-on-year. The reason for this was, on the one hand, the significantly higher price of polysilicon compared to the original forecast for financial 2022, especially for polysilicon for the solar industry. On the other hand, higher raw material prices and, in particular, higher energy prices weighed on the segment margin.

Despite this overall positive development, the risk of significant overcapacities in the market and the associated further high price volatility are expected to persist in the future. The production plants in Burghausen, Nünchritz and Charleston, which together form a cash-generating unit, are allocated to the segment.

Property, plant and equipment must be tested for impairment if there are specific indications of potential impairment. Furthermore, companies must assess at each reporting date whether there is any indication that an impairment loss recognized for an asset in prior periods may no longer exist or may have decreased. Should such an indication exist or cease to exist, the recoverable amount of the assets of the cash-generating unit is to be estimated, which is equivalent to the higher of fair value less costs to sell and value in use.

Operational planning and, thus, the assessment of whether property, plant and equipment of the WACKER POLYSILICON segment is adequately measured requires judgment and assumptions regarding the discount rate and numerous forward-looking estimates – e.g. regarding the future demand for volumes based on the anticipated further construction of photovoltaic plants and the development of the semiconductor market (which is the main sales market for polysilicon), price trends, global expansion of polysilicon production capacities, and the cash inflows and outflows expected as a result. In view of the above, there is the risk for the Consolidated Financial Statements that the property, plant and equipment of the WACKER POLYSILICON segment recognized at the reporting date was not recorded in an appropriate amount.

Our Audit Approach

Assisted by Corporate Accounting, we obtained an understanding of the Company's method for identifying the need for impairment or reversal of impairment losses as well as for determining the recoverable amount. We analyzed the need for changes in valuation identified by the Company and evaluated this based on the information obtained in the course of our audit. We were provided with the impairment test prepared by the Company for the WACKER POLYSILICON segment. In discussions with the Executive board, representatives of the WACKER POLYSILICON segment and Corporate Accounting, among others, we received an explanation of the assumptions and parameters used for measurement and obtained an understanding of the planning process. With the involvement of our valuation experts, we evaluated the measurement assumptions and parameters as well as the computational accuracy and the conformity of the Company's valuation model with IFRS. In addition, we evaluated the appropriateness of the assumptions and parameters underlying the expected cash inflows and outflows by comparison with the corporate planning approved by the Supervisory Board and by comparison with the general and sector-specific market expectations. The latter was based, in particular, on long-term external forecasts regarding photovoltaic installation volumes and the development of the semiconductor market.

Among other approaches, we used information from prior periods as well as current interim results to analyze adherence to budget. In order to take account of forecast uncertainty, we also investigated the impact of potential changes to the discount rate and expected EBITDA on the recoverable amount by recalculating alternative scenarios of the client and comparing these with the Company's measurements (sensitivity analysis).

Our Observations

The assumptions and parameters used by the Company to measure property, plant and equipment in the WACKER POLYSILICON segment, and the conclusions drawn therefrom, are appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the Combined Management Report which have not been audited as to their content:

- the Separate Combined Non-Financial Report of the Company and the Group referred to in the Combined Management Report,
- the Declaration on Corporate Management for the Company and the Group referred to in the Combined Management Report, and
- information extraneous to the Combined Management Report 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 nor 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 above-mentioned 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.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for preparing Consolidated Financial Statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and ensuring that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the Group's earnings, net assets and financial position. In addition, management 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 due to fraudulent behavior (that is, manipulation of accounts and damage to assets) or error.

In preparing the Consolidated Financial Statements, management 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 the going concern. In addition, they are responsible for financial reporting based on the going-concern principle 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, management 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 developments. In addition, management is responsible for such preparation 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 made 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 fraudulent activities 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 audit findings, complies with the German legal requirements and appropriately presents the opportunities and risks of future trends, 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 fraudulent activities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions made 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 in the Consolidated Financial Statements and in the Combined Management Report, whether due to fraudulent activities 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 that material misstatements resulting from fraudulent activities will not be detected is higher than the risk that material misstatements resulting from errors will not be detected, as fraudulent activities may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of preparation 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 management and the reasonableness of estimates made by management and of related disclosures.
- Draw conclusions on the appropriateness of management's use of the going concern principle of accounting and, based on the audit evidence obtained, determine 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 earnings, net assets and financial position 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 an opinion on the Consolidated Financial Statements and the Combined Management Report. We are responsible for instructing, supervising and conducting the Group audit. We assume sole responsibility 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 management in the Combined Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 nor 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 declaration that we have complied with the relevant independence requirements, and discuss with them any relationships or other matters that may reasonably be thought to bear on our independence, and where applicable, discuss any actions or protective measures taken to eliminate risks to our independence.

From the matters discussed with those charged with governance, we determine which matters were of most significance in the audit of the Consolidated Financial Statements of the current period and that are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Assurance Report in accordance with Section 317 (3a) HGB on the Electronic Reproductions of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

We have performed an assurance engagement in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the electronic reproduction of the Consolidated Financial Statements and the combined group management report (hereinafter the "ESEF documents") contained in the file "ESEF KA 2022.zip" (SHA256-Hashwert: 7cebaf08e76918221986f520ed5c05db3fd75f27c169e766316bee9b47533ab1) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the Consolidated Financial Statements and the Combined Management Report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the Consolidated Financial Statements and the combined group management report contained in the above-mentioned file prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying Consolidated Financial Statements and the accompanying Combined Management Report for the financial year from January 1 to December 31, 2022, contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above.

We conducted our assessment of the reproduction of the Consolidated Financial Statements and the Combined Management Report contained in the above-mentioned electronic file, in accordance with Section 317 (3a) HGB and in compliance with the IDW Assurance Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports prepared for Disclosure Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction 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 management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the preparation of 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 noncompliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material noncompliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 as applicable on the reporting date regarding the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited Consolidated Financial Statements and the audited Combined Management Report.
- Evaluate whether tagging the ESEF documents with Inline XBRL technology (iXBRL), in accordance with Articles 4 and 6 of Commission Delegated Regulation (EU) 2019/815 applicable on the reporting date, provides 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 appointed as auditors of the Consolidated Financial Statements at the Annual Shareholders' Meeting on May 20, 2022. We were engaged by the Audit Committee of the Supervisory Board on October 28, 2022. We have audited the Consolidated Financial Statements of Wacker Chemie AG without interruption since financial year 2006.

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).

Other Matters – Use of the Auditor's Report

Our auditor's report should always be read in connection with the Consolidated Financial Statements and the audited Combined Management Report as well as the ESEF documents. The Consolidated Financial Statements converted to ESEF format and the Combined Management Report, including the versions to be published in Germany's Company Register, are merely electronic reproductions of the Consolidated Financial Statements and the Combined Management Report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in connection with the audited ESEF documents provided in electronic form.

Responsible Auditor

The auditor responsible for the audit is Prof. Dr. Bernd Grottel.

Munich, March 2, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Huber-Straßer	**Prof. Dr. Grottel**
Wirtschaftsprüferin	**Wirtschaftsprüfer**
[German Public Auditor]	**[German Public Auditor]**

Sustainability Report and Non-Financial Report

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In this 2022 Annual Report, WACKER reports more extensively on sustainability issues. Our goal is to halve our carbon emissions in absolute terms by 2030.

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Sustainability Report and Non-Financial Report

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Information Reviewed in the Non-Financial Report

Sustainability Report and the Combined Separate Non-Financial Report for the WACKER Group and for Wacker Chemie AG

Information on the WACKER Group

| GRI 2-1 | GRI 2-2 | GRI 2-3 | GRI 2-5 | GRI 2-6 |
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About this Report

This report provides details of how Wacker Chemie AG strikes a balance between its economic, ecological and social responsibilities. With a view to our future sustainability reporting, we have integrated the Sustainability Report into the separate non-financial report, which forms part of our Annual Report. Unless indicated otherwise, what we state here applies to all our business divisions and sites around the world, as well as to those subsidiaries in which WACKER holds a majority stake.

About WACKER

WACKER is a global company with state-of-the-art specialty chemical products. The Group Business Fundamentals section of the combined management report describes the company's business model, legal structure, management and supervision as well as key products, services and business processes.

Sustainability has top priority at WACKER and has been a core component of our strategy for years. We are convinced that our future will be decided by the sustainability of our actions. For us, sustainable management stands or falls with the consistency of our actions – at all steps in the value-creation process. Without chemicals, it will not be possible to solve the problems of our time, and we are actively helping shape the transition to climate neutrality.

Statement of the President and CEO

The views of the president and CEO, Dr. Christian Hartel, as regards sustainability have been published in an interview, where he outlines a clear roadmap about how WACKER intends to meet its sustainability targets. He refers to our silicon production site in Norway as a major building block. This site has now switched over completely to green energy. He explains that in the coming years, the company will be increasingly using renewable sources of carbon in production there. The next step, according to Hartel, would be to store the CO_2 generated during production and use it as a raw material for chemical products.

» Interview with the president and CEO
» Net Zero – Climate Neutrality by 2045
» Contact for Sustainability

In the Group Business Fundamentals section of the combined management report, we provide information on competitiveness and value trends, on products, services and business processes, and on corporate management, supervision and governance.

Risk and compliance management at WACKER as well as the major risk areas affecting its business are presented in the risk management report, which forms part of the combined management report. Overall, we see no serious risks that might arise from environmental concerns, personnel matters, social issues, human rights, corruption or bribery. We see no serious sustainability risks that might arise from our business relationships, our business activities or our products.

» Management Report, Group Business Fundamentals (Business Model of the Group; Management and Supervision; Key Products, Services and Business Processes)
» Management Report, Management Processes, Value-Based Management
» Management Report, Further Information on R&D, Employees, Procurement, Production, Sales and Marketing
» Management Report, Risk Management Report
» Management Report, Opportunities Report

Review of the Separate Non-Financial Report

This is the separate non-financial report – as defined in Sections 315c and 289c through 289e of the German Commercial Code (HGB) – for both the WACKER Group and Wacker Chemie AG for fiscal 2022. The sections highlighted with a vertical line constitute the contents of the separate non-financial report for the WACKER Group and Wacker Chemie AG.

The report was reviewed by the Supervisory Board of Wacker Chemie AG and, on its behalf, by KPMG AG Wirtschaftsprüfungsgesellschaft in compliance with the International Standard on Assurance Engagements – ISAE 3000 (Revised): "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" to obtain limited assurance relating to the disclosures

legally required in accordance with Sections 315c and 289c through 289e HGB.

The references in this report relate to more detailed information, with the exception of those relating to the Group management report.

Reporting Criteria

This separate non-financial report combined for the WACKER Group and for Wacker Chemie AG is guided by the sustainability reporting standards of the Global Reporting Initiative (GRI). We also take into account other aspects relevant to WACKER's sustainability concerns. In addition, we publish information on our commitment to sustainability on our website.

» www.wacker.com/sustainability

Defining Material Issues

Every two years, we conduct an analysis in order to determine the content that is material to sustainability reporting. In 2022, WACKER employees were asked in an online survey to assess which topics are of significance to those interest groups with whom they are in close contact. The survey included experts on the following stakeholders: analysts and investors, customers, suppliers, employees, politicians, and representatives of government authorities and non-governmental organizations (NGOs). The Group coordinators for the environment, security, sustainability, energy management, health, product safety, hazardous goods, export controls, HR, compliance management and human rights were involved in this indirect survey of stakeholders.

The following were identified as the top five issues:

- Competitiveness and value trends
- Product safety
- Safety of production plants
- Sustainable products and innovations
- Energy efficiency

In the respondents' view, the following topics have the biggest influence on WACKER:

- Competitiveness and value trends
- Product safety
- Safety of production plants
- Sustainable products and innovations
- Risk management

According to the survey, WACKER has the biggest influence on:

- Safety of production plants
- Sustainable products and innovations
- Energy efficiency
- Resource consumption
- Competitiveness and value trends

Respondents saw these areas as having the greatest potential for improvement:

- Competitiveness and value trends
- Sustainable products and innovations
- Energy efficiency
- Recruiting and retaining employees
- Environmental standards within the supply chain

CSR Directive Implementation Act

We report here on issues that are deemed material under Germany's CSR Directive Implementation Act (CSR-RUG). These included 12 of the 28 concerns we asked about in our 2022 materiality analysis. We also report on the issue of human rights in line with the statutory requirements. This non-financial report contains additional topics that are not defined as material by the CSR-RUG, but which we have included in order to ensure continuity of content.

The following 12 material issues were identified for 2022, taking into account their relevance to the company and the impact of our business activities on them.

D.1 Relevant Issues Pursuant to the CSR Directive Implementation Act

Material issues pursuant to CSR-RUG	CSR-RUG aspect
Occupational safety and employee health	Personnel matters
Recruitment and employees	Personnel matters
Competitiveness and value trends	Personnel matters
Safety of production plants	Personnel matters and environmental concerns
Waste and disposal	Environmental concerns
Greenhouse gas emissions	Environmental concerns
Energy efficiency	Environmental concerns
Sustainable products and innovations	Environmental concerns
Environmental standards in the supply chain	Environmental concerns
Product safety	Environmental concerns
Resource consumption	Environmental concerns
Risk management	Diverse topics

Management

Principles and Goals

| GRI 2-13 | GRI 2-23 |

Our corporate policy guidelines are based on three pillars: our purpose, our goals and strategies, and our ethical principles. These guide our actions and set the standards to which we hold our performance. We pursue strategic planning and value-based management in our development of intelligent solutions for sustainable growth.

Sustainability has been firmly entrenched in our business processes for years. At WACKER, we aim to balance economic, ecological and social factors in everything we do. The fact that sustainability appears in two of our five strategic goals underscores its importance.

Our corporate management is involved in issues of sustainability, including the managers in charge of Environment, Health and Safety (EHS), Product Safety (PS) and Sustainability. The Executive Board members sit on the Sustainability Council and are kept informed by the Chief Compliance Officer of issues discussed by the Human Rights Committee.

The WACKER Group's Purpose

In line with its purpose as an innovative chemical company – Our solutions make a better world for generations – WACKER makes an important contribution to improving the quality of life of people all around the world. We want to continue developing and supplying solutions that meet our own expectations – namely to add value for our customers and shareholders, and to achieve sustainable growth.

We have described our vision and goals in detail in the Group management report

» Visions/Goals

WACKER's Sustainability Targets

Global warming due to rising greenhouse gas emissions is a socially and economically relevant environmental factor. We want to be at the vanguard in the fight against climate change and reduce both our own emissions as a company and those of our products. That is why we have set sustainability targets, with the aim of achieving net zero by 2045.

The goals we have set are ambitious. For example, by 2030, WACKER intends to cut its absolute greenhouse gas emissions by 50 percent relative to 2020.

WACKER is striving to ensure that its entire product portfolio meets defined sustainability criteria by 2030. We also expect all our key suppliers to meet defined sustainability standards by 2030. During the same period, we aim to reduce by 25 percent the emissions from the upstream products we use. In addition, WACKER has set new targets for specific water withdrawal and specific energy consumption, striving to achieve a reduction of 15 percent in both by 2030.

The targets to cut greenhouse gases are validated science-based targets, meaning they are consistent with the "1.5 °C" target of the Paris Agreement.

In addition, we have set ourselves diversity targets. By 2030, we would like women to occupy about one in three management positions and roughly one in two management positions to be located outside of Germany.

Safety has top priority at WACKER. Our goal every year is to avoid any chemical accidents with missed workdays or severe plant-safety incidents.

Sustainability Strategy: SustainaBalance®

SustainaBalance® is WACKER's holistic sustainability strategy to achieve its medium- and long-term sustainability targets. We promote the balance between ecological, social and economic factors based on three pillars: Value Up, Footprint Down, Collaboration Beyond.

SustainaBalance® is directly related to the 17 goals of the UN's 2030 Agenda for Sustainable Development.

WACKER's SustainaBalance® is a commitment to responsible stewardship and contributes to the implementation, in particular, of seven UN SDGs:

D.2 The Three Pillars of SustainaBalance®

VALUE UP
By empowering our teams, we enable our CUSTOMERS TO PROVIDE MORE SUSTAINABLE SOLUTIONS.

FOOTPRINT DOWN
We create EFFICIENT and safe PROCESSES, use resources responsibly, avoid waste and MINIMIZE OUR FOOTPRINT.

COLLABORATION BEYOND
As a contributing member of society, we strive for a SUSTAINABLE VALUE CHAIN together WITH all our PARTNERS.

» More information can be found in our fact sheets: Strategy and Roadmap, Sustainable Development Goals (SDGs)

D.3 WACKER's Sustainability Targets

SustainaBalance®	Sustainable Development Goals (SDGs)	Sustainability indicator[1]	Base year	Target year	Target[2] (%)	Status 2022
Value Up, Footprint Down, Collaboration Beyond	4, 7, 8, 9, 12, 13, 17	Net zero	2020	2045	–100	–
Value Up	7,[9]	Products meeting defined sustainability criteria[3]	2020	2030	100	90
Value Up	8	Management positions held by women	–	2030	~33	21
Value Up	8	Management positions outside of Germany	–	2030	~50	30
Footprint Down	12, 13	Absolute greenhouse gas emissions[4]	2020	2030	–50	–11
Footprint Down	12, 13	Specific energy consumption (per metric ton of net production)	2020	2030	–15	–1,5
Footprint Down	12	Specific water withdrawal (per metric ton of net production)	2020	2030	–15	2
Footprint Down	12	Specific dust emissions (per metric ton of gross production)	2012	2022	–50	–49[9]
Footprint Down	12	Specific emissions of relevant VOCs (volatile organic compounds; per metric ton of gross production)	2012	2022	–25	–18[10]
Footprint Down	12	Specific NO_x emissions (nitrogen oxides; per metric ton of gross production)	2012	2022	–25	–26[11]
Footprint Down	8, 12	Chemical accidents with missed workdays[5]	Annual target	Annual target	0	10
Footprint Down	8,12	Severe process safety incidents[5,6]	Annual target	Annual target	0	3
Collaboration Beyond	4, 17	Key suppliers[7] meeting sustainability criteria	2020	2030	100	72
Collaboration Beyond	13, 17	Absolute greenhouse gas emissions in upstream supply chains[8]	2020	2030	–25	–20

[1] Gross production corresponds to the total production (target products and byproducts) of a plant or site. Net production is calculated by subtracting the internal reuse of products from the gross production of a plant or site.
[2] The target-related success level is not based on linear progression, but on individual projects that are implemented at different stages throughout the target period.
[3] In accordance with WACKER Sustainable Solutions
[4] Scopes 1 and 2 in accordance with GHG Protocol, science-based target
[5] Absolute target
[6] In accordance with WACKER Process Safety Incidents, Severity Levels 1 and 2
[7] Corresponds to 80 percent of the volume procured
[8] In accordance with Scope 3 GHG emissions from purchased goods and services (Cat. 1) and fuel- and energy-related emissions (Cat. 3), science-based target
[9] Group target "Dust reduction" was achieved through appropriate operational measures and will in the future be pursued at site level (if identified there as a significant environmental aspect).
[10] Group target "VOC reduction" was only partially achieved through process-integrated measures and will in the future be pursued at site level (if identified there as a significant environmental aspect).
[11] Group target "NO_x reduction" was achieved through operational measures and will in the future be pursued at site level (if identified there as a significant environmental aspect).

Ethical Principles

GRI 2-23

Alongside our guiding principles and goals, our ethical principles form the third pillar of WACKER's corporate policy guidelines. These principles are supplemented by a number of regulations and directives. They are mandatory for all employees worldwide. The ethical principles are described in the Declaration on Corporate Management.

» https://www.wacker.com/cms/en-de/about-wacker/wacker-at-a-glance/corporate-strategy-and-policy-guidelines/ethical-principles.html

Voluntary Commitments

GRI 2-23

Our actions are guided by voluntary initiatives, which form the basis for sustainable corporate management at WACKER.

Responsible Care®

WACKER has been an active member of the Responsible Care® initiative since 1991. As a program participant, we must act to continually improve health, safety and

environmental performance on a voluntary basis – even in the absence of statutory requirements. We attach equal importance to economic and social goals. This explains our strong focus on environmental protection, plant process safety (for both employees and neighbors), occupational safety and product safety (for customers and end users).

» https://www.vci.de/themen/nachhaltigkeit/responsible-care/rc-initiative/uebersicht.jsp (German-language link only)

UN Global Compact

As a member of the UN Global Compact, we support the goals of this initiative for responsible corporate management. The Global Compact addresses the protection of human rights, social and environmental standards, and the fight against corruption. We have undertaken to implement the Global Compact's 10 principles. These are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Rio Declaration on Environment and Development. Our progress report can be found on the UN Global Compact website.

» https://www.unglobalcompact.org/what-is-gc/participants/10060-wacker-Chemie-AG

» The latest progress report is also published on the WACKER website at: https://www.wacker.com/cms/en-de/about-wacker/sustainability/global-compact/detail.html

UN Race To Zero

WACKER's ambitious climate change mitigation targets are science-based. They are consistent with the goal of keeping the global rise in temperature below 1.5 °C and are therefore compatible with the Paris Agreement. Our targets have been validated by the independent Science Based Targets initiative (SBTi). WACKER is also a member of the UN "Race To Zero" initiative, thus making a voluntary commitment to meeting the "1.5 °C" target and undertaking to document its progress towards net zero by means of transparent reports.

» https://sciencebasedtargets.org

» https://racetozero.unfccc.int

Organization

Management Structures

| GRI 2-9 | GRI 2-11 | GRI 2-12 |

Wacker Chemie AG's four-member Executive Board oversees the Group's strategies, resources, infrastructure and organizational structure. Below the Executive Board, which is highest decision-making authority, there are various committees whose membership spans several organizational sectors and legal entities. These committees ensure that corporate strategies are implemented groupwide.

D.4 Coordinating Sustainability at WACKER

The Group Leadership Team (GLT) discusses strategically important topics, analyzes possible trends affecting markets and our competitors, and discusses key topics not directly connected with day-to-day business. The GLT comprises the Executive Board, business-division presidents and corporate-department heads.

The Executive Board has convened a Sustainability Council to monitor and coordinate the sustainability strategy. Its members, who are drawn from the business divisions and corporate departments, rate the company's sustainability performance. The Sustainability Council coordinates measures across different departments and reviews the progress made.

The main forums for environment, health, safety (EHS) and product safety (PS) are the annual Corporate Environment, Health, Safety&Product Safety (EHS&PS) Meetings and EHS&PS Strategy Meetings, led by the Executive Board member responsible for EHS&PS.

Personnel policies are dealt with monthly in the HR Strategy Meeting, while employee health is addressed once a year by the Health Promotion Steering Committee – both are chaired by WACKER's personnel director.

The Raw Materials Conference and the WOS (WACKER Operating System) Conference focus on the Group's productivity projects and goals. The Group Innovation Meeting deals with innovation strategies and projects.

At the operational level, dedicated units such as the corporate and divisional Sustainability departments, HR and Procurement&Logistics are responsible for managing sustainability issues. In addition, special functions are in place to manage individual issues such as compliance, EHS&PS, and human rights.

Personnel Responsibility

| GRI 2-13 |

Our compliance organization focuses on compliance with legal requirements and internal company regulations. The Chief Compliance Officer supervises and supports a network of regional compliance officers.

Responsibility for the environment, health, safety, trade compliance, hazardous materials and product stewardship lies with the Group coordinators, who report directly to the Executive Board and define groupwide standards in the shape of goals and processes. Alongside the Group coordinators, WACKER has legally mandated officers for managing specific areas in the respective regions (for example, in Germany, there are incidents officers as well as liaison officers for disabled staff).

Workplace and plant safety are vitally important for WACKER. That is why WACKER defines safety targets for its executives in Germany (in upper and middle management) during its annual target-setting process. These are personal goals (mandatory mostly for executives in production-related areas) and are incorporated into performance assessments.

The Executive Board appoints a Human Rights Officer, who plays a key role in elaborating and updating the company's human rights strategy, risk management system, general declaration and reporting system. The Human Rights Officer also advises the units in question and proposes corrective action. In exercising these functions, the Human Rights Officer is independent and not bound by any instructions.

Integrated Management System

| GRI 3-3 |

We control operational processes via our integrated management system (IMS). This system defines uniform standards for quality, energy, environmental protection, and health and safety across the Group. We have our Group management system certified by an international certification organization to ensure its compliance with ISO 9001 (quality) and ISO 14001 (environment) and, at our German sites, also with ISO 50001 (energy). We align our processes and standards relating to occupational health and safety with the international ISO 45001 standard. Our site in Jincheon, South Korea, has been certified to this standard.

Our Group certification program helps us adhere to statutory and customer-related requirements and to our own corporate standards at all of our sites. Almost every one of our production sites is included in the ISO 9001 (quality) and ISO 14001 (environment) Group certificates. Not included are: Wacker Biotech B.V., Amsterdam, Netherlands; Wacker Biotech US Inc., San Diego,

California, USA; Wacker Biotech GmbH, Halle and Jena, Germany; and WACKER Dymatic Silicones (Shunde) Co., Ltd., Foshan City and Zhangjiagang City, China. There are corresponding single certificates for the Tsukuba site of WACKER Asahi Kasei Silicone Co., Ltd., Tokyo, Japan. In the coming years, our production sites in Panagarh, India, and Shandong, China, will be included in the Group standards.

Aside from these traditional management standards, WACKER has many individual products certified to the FSSC 22000 (food) and EFfCI GMP (cosmetics) standards. For example, our silicone-producing facilities in Burghausen and Nünchritz (Germany), Adrian, Michigan (USA), Jandira (Brazil) and Zhangjiagang (China) have been certified to the EFfCI cosmetics standard. As a result, these five sites also meet the requirements of the ISO 22716 standard for the cosmetics industry. The site in Tsukuba, Japan, is already certified to this standard. Certifying our products according to Islamic and Jewish dietary standards (halal and kosher) is becoming increasingly relevant.

Our mass-balance products are certified to the REDcert² standard for the chemical industry. These products make a key contribution to sustainability since we manufacture them without fossil raw materials. As a member of the Roundtable on Sustainable Palm Oil (RSPO), which promotes sustainable palm-oil cultivation methods, we also have our products at the Burghausen and Nünchritz sites audited against the RSPO Supply Chain Certification Standard 2020. In the reporting year, we had our HDK® licensed in accordance with the requirements of the V-Label, the European Vegetarian Union's standardized seal of approval for vegetarian and vegan products and services. All certificates are available for download at:

» **www.wacker.com/certificates**

» **For more details about resource-efficient production and sustainable products, please refer to the section in the combined management report entitled Further Information on R&D, Employees, Procurement, Production, Sales and Marketing.**

Controlling Instruments

GRI 2-23 | GRI 2-25

At WACKER, 22 groupwide regulations govern topics of overarching significance for the company. They concern management, organization and collaboration, law and compliance, strategy and business processes as well as financing, controlling, accounting and taxes. Numerous other controlled documents regulate processes for environmental and health protection, plant and workplace safety, and product safety, at a Group, regional and site-specific level.

We use our sustainability reporting system (SPIRIT) to record environmentally relevant and safety-related events, to plan internal and external audits and coordinate the implementation of measures as part of our Integrated Management System (IMS).

Productivity Programs

High productivity is a key factor in WACKER's success. WACKER boosts productivity along the entire supply chain via its WACKER Operating System (WOS) program. Our goal is to continue to reduce specific operating costs and CO_2 emissions every year. WOS results are regularly reported to the Executive Board. In recent years, we have worked through well over 1000 projects relating to our operating activities and corporate departments. The focus of WOS was on improving our

- Plant utilization levels
- Specific energy consumption
- Raw-material yields
- Labor productivity
- Specific maintenance costs
- Carbon footprint

Risk and Compliance Management

| GRI 2-12 | GRI 2-13 | GRI 2-16 |

Risk and compliance management are an integral part of corporate management at WACKER. As a global company, we are exposed to numerous risks directly attributable to our operational activities. Starting from an acceptable level of overall risk, the Executive Board decides which risks we should take to utilize opportunities available to the company.

We refer you to the Risk Management Report for a detailed description of corporate risk management and compliance management.

» Management Report, Risk Management Report
» Management Report, Opportunities Report

Climate Risk Assessment

In the course of the risk management process, it is important to identify and analyze material risks as they emerge. Responsibility for this process is anchored in a wide variety of functions within the Group.

While assessing EU taxonomy alignment during the reporting period, we refined and standardized how we report on climate risks. We took a closer look at the short-, medium- and long-term risks posed to our various business operations and to individual sites by climate change and identified potential impacts at an early stage. We assessed climate-related risks in accordance with predefined standards (including IPCC scenarios) and, where necessary, adopted countermeasures. We intend to further expand this approach and update it at regular intervals.

Data Protection

| GRI 2-27 | GRI 418-1 | GRI 418-3.3 |

We gather and process personal data of our employees and all external parties with whom we are in contact in compliance with data protection regulations and with the sole aim of meeting the intended purposes.

The European Union's General Data Protection Regulation (GDPR) provides a uniform basis for implementing privacy law throughout the EU and is directly applicable in all member states. The role of privacy law is to protect personal data, which includes any information about natural persons, such as name, contact data, date of birth, religion, gender, but also simply their email address. The GDPR regulates the use and processing of personal data and obligates every company that collects personal data to do so only within narrow constraints and with due regard to a large number of protection mechanisms.

WACKER employees who collect, use or process personal data must always ask themselves whether this data is actually needed and has to be stored and, if so, for how long. All employees must ensure that no infringements of privacy law occur. Even before the GDPR took effect, we had introduced mechanisms to ensure compliance with existing data protection legislation.

Our employees undergo mandatory online training on data protection. We provide additional individual training in departments that are particularly affected. Our Compliance Regulation now contains a supplement that describes the main aspects of the GDPR.

Information about the GDPR is available on our website and intranet. We use a film, which can be viewed on our intranet, to sensitize employees groupwide about the proper conduct to adopt when dealing with internal or external inquiries related to data protection.

In addition to that, we have linked the topic of data protection to our whistleblower hotline. Employees as well as people from outside the company can address any questions or complaints they have in this regard directly to the responsible officers at WACKER.

There were no justified complaints relating to the violation of customers' privacy or the loss of customer data during the reporting period.

Customer Management

| GRI 2-29 |

» Management Report, Further Information (Procurement, Production, Sales and Marketing)

Sustainability Along the Supply Chain

| GRI 2-6 | GRI 308-3.3 | GRI 414-3.3 |

With production sites in Europe, the Americas and Asia, WACKER procures goods and services from numerous countries. As a member of both the United Nations Global Compact and the chemical industry's Responsible Care® initiative, we have long considered it vital that our suppliers fulfill generally accepted sustainability principles. Important aspects include social and ethical standards (especially human rights, working conditions, health and safety standards, responsible management of local resources such as water and energy, and environmental protection). We also expect our suppliers to use a management system that meets the requirements of ISO 9001 (quality) and ISO 14001 (environmental protection) or those of certifications that exceed these standards, such as GMP (Good Manufacturing Practice). These principles are anchored both in our terms and conditions and our Supplier Code of Conduct and, as of the reporting year, must be adhered to along the entire supply chain.

» https://www.wacker.com/cms/media/asset/about_wacker/procurement_and_logistics_1/suppliers/supplier_code_of_conduct.pdf

WACKER has been a member of the Together for Sustainability (TfS) initiative since 2015. Launched by the chemical industry, this procurement initiative has developed a framework that allows member companies to audit and assess a supplier's sustainability performance. Its uniform standards and processes ensure that results of supplier assessments and audits are credible and transparent to all TfS members; audit reports are shared within the TfS initiative. The TfS Academy offers training courses on relevant sustainability topics for all TfS members' suppliers and purchasers. The head of our Corporate Procurement&Logistics department is a member of the TfS Steering Committee. In addition, we were actively involved, during the reporting year, in developing a common standard for calculating product carbon footprints.

» https://tfs-initiative.com/

Processes and Tools

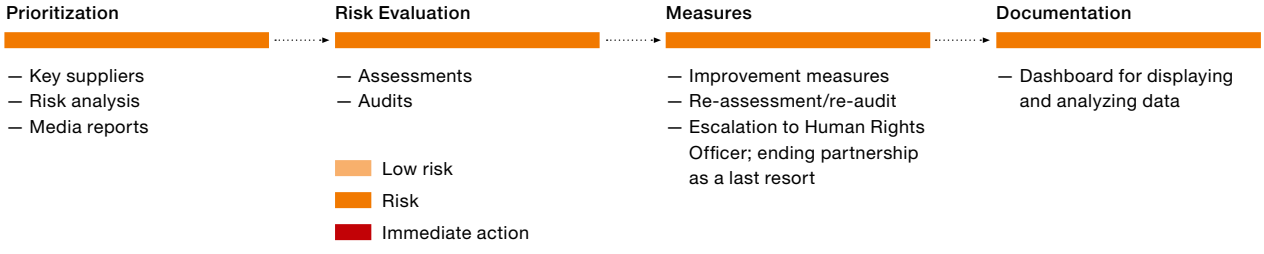
| GRI 308-2 | GRI 407-1 | GRI 414-2 |

All key suppliers must demonstrate a positive sustainability performance at regular intervals (at least every three years). These defined key suppliers cover more than 80 percent of the entire global procurement volume. Their sustainability performance must be demonstrated either in the form of an EcoVadis assessment with a minimum score of 46 and/or a TfS audit with no findings. All of our key suppliers must fulfill this minimum requirement by 2030. We follow up on our targets in monthly management reports.

In addition, we assess further suppliers that were identified based on an annual risk analysis.

In the event of unsatisfactory results, we consult with the supplier involved and agree on action to be taken to make improvements. We follow up on progress and status with supplier talks as part of the annual supplier evaluation, with reassessments or follow-up audits. Results and actions are recorded and tracked in an internal WACKER dashboard. Consistently poor results and lack of cooperation have consequences and may ultimately lead to business relations being terminated.

D.5 Risk Management



Supplier Evaluation

| GRI 308-2 | GRI 407-1 | GRI 414-2 |

By the end of 2022, a total of 992 valid assessments were available, with suppliers having improved by 64 percent. The average EcoVadis assessment score across all suppliers was 53 points.

D.6 Results

	2022	2021	Change in %
Valid assessments	**992**	934	6.2
Average score	**53**	53	–
Improvement rate (%)	**64**	61	4.9

Key Suppliers

We particularly focus on key suppliers, because they cover more than 80 percent of our procurement volume. At the end of 2022, a valid TfS audit or assessment was available for 86 percent of this group. 72 percent of all key suppliers fulfilled our minimum requirements in the reporting year.

D.7 2030 Target: 100% of Our Key Suppliers Meet Sustainability Standards

%	2022	2021	2020
Key suppliers with valid assessment or audit	**86**	77	78
Compliance with sustainability standards	**72**	60	57

Conflict-Free Minerals

| GRI 2-24 | GRI 414-2 |

We know that human rights violations are a possibility anytime minerals are mined. That is why we are intensely involved in all of the issues surrounding mined raw materials, particularly when it comes to the four “conflict minerals”: gold, tantalum, tungsten and tin. For this reason, WACKER takes great care to avoid procuring minerals from conflict areas. When we purchase raw materials containing gold, tantalum, tungsten or tin, we require our suppliers to confirm that neither they nor their sub-suppliers procure these minerals from the Democratic Republic of the Congo, Angola, Burundi, the Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda or Zambia.

At least once a year, our suppliers conduct a regular inspection of their source mines and confirm this using a CMRT (Conflict Minerals Reporting Template). Developed by the Conflict-Free Sourcing Initiative (CFSI), the CMRT form shows simply and transparently how information on a material’s country of origin and on the contracted smelter and refiner is communicated along the entire supply chain.

Based on feedback, we have no evidence suggesting that the raw materials from our suppliers come from mines in these countries.

Palm (Kernel) Oil

Palm (kernel) oil is facing criticism for its association with frequent violations of human rights and environmental protection guidelines during its recovery. Even though WACKER does not procure large quantities of palm (kernel) oil, we want to make sure that we obtain this renewable raw material from sustainable, certified sources. WACKER SILICONES and WACKER POLYMERS use palm oil in the form of various fatty acid derivatives.

The RSPO (Roundtable on Sustainable Palm Oil) initiative is accelerating the implementation of sustainable practices in the global palm oil industry. In order to become certified, manufacturers have to demonstrate that they have a material-flow control system. In addition, certified producers commit to complying with human rights standards, to reducing emissions and to refraining from clearing forests for plantations and from planting in peatlands with biotopes for protected species.

We obtained RSPO certification for the first time in 2021. We furthermore increasingly use RSPO-certified raw materials in order to step up the proportion of certified palm (kernel) oil. We aim to use 100-percent certified palm (kernel) oil by 2030. We report on our progress annually through an ACOP (Annual Communication on Progress).

Sustainability and Compliance in Logistics

We are continuously working on optimizing shipments and logistics processes in our logistics chains. Major logistics chains, especially the supply of raw materials and also overseas shipping of containers, have been pivoted onto railway networks as far as possible. We employ analysis tools to regularly seek out optimization potential within our current logistics network in order to continuously reduce the number of shipments of our products to customers and thus also any associated emissions.

Our specialist departments provide comprehensive training, information and monitoring services to ensure compliance with legal standards governing customs, export controls and the transport of hazardous goods. Some of WACKER's internal standards even go beyond legal requirements.

WACKER as a Supplier

As a TfS member, WACKER not only evaluates its suppliers in terms of sustainability, but also subjects its own performance as a supplier to external rating by EcoVadis. We reached the Platinum EcoVadis sustainability recognition level in the reporting year, which puts us in the top one percent of all companies assessed.

We additionally complete social audits at our major production sites. Proceeding according to the SMETA (Sedex Members Ethical Trade Audit) or TfS process, auditors investigate issues such as working conditions, occupational health and safety, environmental management and corporate ethics. We make the results of such audits available to interested customers via TfS or in the Sedex database.

Production

Environmental Protection

| GRI 301.3-3 | GRI 302.3-3 | GRI 305.3-3 | GRI 306.3-3 |

WACKER attaches particular importance to integrated environmental protection, which begins right in the product-development and plant-planning stage. WACKER constantly strives to improve its production processes in order to conserve resources. A key task is to close material loops and recycle byproducts from other areas back into production. This enables us to reduce or prevent energy and resource consumption, emissions and waste, and to integrate environmental protection into our production processes. At WACKER, we monitor resource and waste targets at site and divisional levels.

Our environmental protection measures often surpass statutory requirements – in the spirit of the central idea behind the Responsible Care® initiative. Responsible stewardship is one of the ways we contribute to the United Nations' Sustainable Development Goals (SDGs). In production, we focus on SDG 12 "Sustainable Consumption," SDG 13 "Climate Action" and SDG 17 "Partnerships for the Goals," for example.

Our groupwide standards for protecting the environment apply to all production sites and technical competence centers. The site managers ensure that environmental protection requirements and environmental standards are met at their particular locations.

Through a groupwide reporting system, our Group Coordinator for the Environment reviews how environmental standards and legal requirements are put into practice.

By setting quantifiable environmental targets, we aim to lower the environmental impact of our production activities. We have set ourselves targets with respect to reducing CO_2 emissions and specific energy and water consumption.

D.8 Environmental Protection Costs

€ million	2022	2021	2020
Operating costs	88.9	81.5	83.0
Capital expenditures	8.8	1.9	0.8

Areas covered by our investments in environmental protection include water-pollution control, waste management, emissions control, climate change mitigation, noise reduction, soil remediation and preservation of the natural landscape. A large portion of the capital expenditures on environmental protection went toward WACKER's central disposal facilities at the Burghausen site.

As part of our sustainability strategy, a special budget was introduced in 2022 with the aim of bringing sustainability projects to fruition quickly. Around €0.9 million of that budget was invested in the reporting year in projects with a positive impact on reaching our environmental targets.

To motivate our employees, we presented the WACKER Net Zero Award for the first time in 2022. To be awarded annually from now on, this €10,000 prize recognizes outstanding projects that reduce WACKER's product environmental footprint.

Integrated Production – Our Greatest Strength

GRI 301-3-3 | GRI 301-2

The highly integrated material loops at its integrated production sites in Burghausen, Nünchritz, Charleston and Zhangjiagang give WACKER a key advantage. The basic principle of integrated production is to use the byproducts from one stage as starting materials for making other products. The auxiliaries required for this, such as silanes, are recycled in a closed loop. By taking waste heat from production processes and utilizing it for other chemical processes, we are reducing our consumption of energy and resources and using raw materials sustainably.

We are constantly working to optimize our integrated-production system. We also analyze and test ways of extending the circular economy so that we can feed materials from suppliers, customers and end consumers into this loop along with our own WACKER materials.

Our integrated production system encompasses the following:

- Integrated energy solutions in which waste heat generated in production is used in downstream chemical processes. Examples here include using waste heat to generate steam, preheating feed water for the production of deionized water and using integrated heat-recovery systems in distillation processes
- Integrated material systems, in which byproducts generated in a given process are treated and fed back into the production loop or serve as raw materials for other processes. Examples here include our integrated hydrogen chloride, silicon and acetic acid production systems

Our integrated production system is primarily based on rock salt, silicon, methanol, acetic acid and ethylene as starting materials. In integrated processes, we optimize material efficiency by purifying byproducts and reusing them or making them available for external use.

- In our integrated ethylene production system, we use ethylene to obtain organic intermediates, which we then turn into polymer dispersions and dispersible polymer powders.
- Our integrated silicon production system operates along similar lines. Although comprising only a small number of raw materials – silicon, methanol and salt (sodium chloride) – this system enables us to manufacture over 2,800 different silicone products, as well as pyrogenic silica and polysilicon.

A focus of our integrated production is to minimize hydrogen chloride (HCl) consumption. HCl is an essential auxiliary deployed in the production of reactive intermediates from energy-poor natural materials. We then use these intermediates to make our end products. Hydrogen chloride production requires a great deal of energy, however. In our

integrated material loop, we convert chlorine-containing intermediates to chlorine-free end products (such as silicones, hyperpure silicon or pyrogenic silica) and in the process we obtain heating steam, thus recovering some of the original energy expended. We also reclaim hydrogen chloride here, which we return to the production loop and reuse. This closed material loop lowers emissions and, due to lower raw-material consumption, reduces shipments as well.

We use a chloralkali membrane process to supply chlorine, hydrogen, caustic soda and hydrogen chloride as starting materials to our Burghausen site. One example of how our integrated production system has the potential to save resources: We recycle 93 to 96 percent of the hydrogen chloride that we use in the production loops at our Burghausen and Nünchritz sites. More information can be found in our fact sheet:

» Integrated Production

Energy

| GRI 302-1 | GRI 302-3.3 | GRI 302-4 |

WACKER is constantly improving the energy efficiency of its processes. This enables us to remain globally competitive and at the same time contribute to climate protection.

Many chemical reactions generate heat that can be put to use in other production processes. In addition to recovering heat from these reactions, we also operate integrated heat-recovery systems, which we are continually developing and improving. In this way, we reduce the amount of primary energy (natural gas) consumed by our power plants. We are also continually optimizing our electricity consumption.

At this point, we still rely primarily on natural gas to generate electricity. At Burghausen, our largest site, we produce steam and electricity in a combined heat and power (CHP) plant. The site's highly efficient, low-emission gas turbine can generate up to 137 megawatts of electricity. Combining this plant with the output of Burghausen's hydroelectric plant and that of smaller generation facilities, we produced 1,166 GWh of our electricity ourselves in the reporting year (2021: 1,295 GWh), which corresponds to roughly 19 percent of our total electricity demand. With an output of 50 megawatts, our hydropower generator is one of Germany's biggest industrial hydroelectric power plants. In keeping with its sustainability strategy, and also spurred on by the current gas crisis, WACKER plans to further reduce its energy and gas consumption by pursuing energy-efficiency initiatives (e.g. electrifying steam generation).

D.9 Group Energy Consumption

GWh	2022	2021	2020
Electricity consumption	**6,024**	5,974	5,879
Of which			
From on-site generation (fossil)	**948**	1,063	988
From on-site generation (renewable)	**218**	232	249
Energy consumption[1]	**5,927**	6,010	5,744
Of which			
Natural gas[2,3]	**4,290**	4,424	4,188
Solid fuels[4]	**1,336**	1,297	1,295
Heat supplied by third parties[5]	**301**	289	261

[1] Excluding energy from electricity provided by third parties, self-generated renewable energy and recovered energy
[2] Includes natural gas used for on-site fossil-fuel-based electricity generation
[3] For reporting years beginning in 2020, heat consumption is no longer itemized separately; most of it is contained in the figure for natural gas consumption.
[4] Coal, charcoal and wood; used as reducing agents at the silicon plant in Holla, Norway
[5] Steam and district heating

Energy Consumption

In our continued efforts to reduce our specific energy consumption (the amount of energy per unit of net production output), we have set a target of cutting consumption by 15 percent by 2030 relative to our base year (2020).

D.10 2030 Target: Reduce Specific Energy Consumption by 15%

%	2022	2021	2020
Specific energy consumption	**98.5**	98.3	100
Change	**–1.5**	–1.7	–

Emissions

| GRI 305-1 | GRI 305-2 | GRI 305-3 | GRI 305.3-3 | GRI 305-7 |

Greenhouse Gases

Global warming due to rising greenhouse gas emissions is a socially and economically relevant environmental factor. We see a reduction in greenhouse gases as a key to ecologically effective climate protection.

The Group-wide greenhouse-gas accounting system – the tool we use for recording our greenhouse gas emissions – covers three different areas referred to officially as “scopes”:

- Scope 1 covers direct greenhouse gas emissions from sources of emissions at WACKER sites worldwide. Examples of these include production facilities and power plants generating electricity and steam, as well as waste disposal systems and emissions from mobile combustion (vehicles).
- Scope 2 covers indirect greenhouse gas emissions produced by energy suppliers that generate the electricity, steam and heat that WACKER purchases.
- Scope 3 includes all greenhouse gas emissions in the supply chain that are produced upstream or downstream in relation to WACKER. Examples of such emissions include those created by the production or transportation of raw materials, the generation of fuels or by the disposal of end-of-life products. The GHG (Greenhouse Gas) Protocol divides these emissions into 15 categories, with WACKER reporting on those emissions that are relevant to its operations.

We report our indirect emissions from purchased energy (Scope 2) in accordance with both the location-based method (using the national energy mix) and the market-based method (using the supplier-specific energy mix). In its 2022 annual report, WACKER began publishing Scope 3 data as well.

In 2022, we once again forwarded our emissions data to the Carbon Disclosure Project (CDP), which WACKER joined in 2007. In the CDP’s Climate Change Report for the chemical sector, Wacker Chemie AG achieved a score of B as in the previous year (on a scale from A to D, representing the levels Leadership (A), Management (B), Awareness (C) and Disclosure (D)). Registered CDP users can download the details.

» https://www.cdp.net/en/data

D.11 Overview and Explanations of Greenhouse Gases

CO_2-equivalent emissions (kt CO_2e)[1]	2022	2021	2020
Scope 1 (direct emissions), of which:	**1,304**	**1,290**	**1,285**
CO_2 emissions (carbon dioxide)[2]	**1,294**	1,303	1,264
Of which fossil	**1,226.6**	1,247.0	1,208.0
Of which biogenic	**67.4**	56.0	56.0
CH_4 (methane)[3]	**0.7**	0.7	0.8
N_2O (nitrous oxide)	**10.6**	10.6	10.9
HFCs (hydrofluorocarbons)[4]	**66.2**	31.6	65.6
PFCs (perfluorocarbons)	**–**	–	–
NF_3 (nitrogen trifluoride)	**–**	–	–
SF_6 (sulfur hexafluoride)	**0.2**	–	–
Scope 2 (indirect emissions):			
Location-based (kt)[5]	**1,324**	1,390	1,579
Market-based (kt)[6]	**1,930**	**2,357**	**2,340**
Total Scope 3 (indirect emissions), of which:	**6,621**	**6,927**	**7,754**
Upstream activities			
Category 1 – Purchased goods and services	**4,549**	4,844	5,238
Category 3 – Fuel and energy-related activities (not included in Scopes 1 and 2)	**407**	497	1,021
Total of all other upstream activities[7]	**269**	278	281
Downstream activities			
Total of all downstream activities[8]	**1,396**	1,308	1,214

[1] CO_2e = CO_2 equivalents, as defined in the Greenhouse Gas Protocol. CO_2 emissions are measured on the basis of the Greenhouse Gas Protocol of the World Resources Institute and World Business Council for Sustainable Development, "A Corporate Accounting and Reporting Standard" (GHG Protocol).
Scope 1: direct CO_2 emissions.
Scope 2: indirect emissions from the consumption of purchased energy (converted into CO_2 equivalents for purchased electricity, steam and heat).
Scope 3: all greenhouse gas emissions in the value chain that occur upstream and downstream of WACKER.

[2] CO_2 emissions are split into fossil and biogenic sources in accordance with the GHG Protocol. Biogenic emissions arise from the combustion or decomposition of renewable raw materials.

[3] CH_4: methane emissions from fossil sources, without methane emissions from biogenic sources.

[4] The HFC category contains minor quantities of emissions from other partially halogenated HFCs which contribute to the greenhouse effect as well. The GWP factors of the individual substances were used as a basis for calculating the effects of hydrofluorocarbons. The factors range from 5.5 to 14,600 kg CO_2e/kg HFC.

[5] The electricity volumes supplied by the affiliated company Alzwerke GmbH are included in indirect CO_2 emissions in a climate-neutral manner due to the fact that they are not fed into the public electricity grid. Indirect CO_2 emissions also include methane and nitrous oxide emissions converted into CO_2 equivalents. Purchased electricity volumes are converted into CO_2 emissions using emission factors from "CO_2 Emissions from Fuel Combustion," 2021 and 2022 Editions, respectively, issued by the International Energy Agency (location-based).

[6] The electricity volumes supplied by the affiliated company Alzwerke GmbH are included in the indirect CO_2 emissions in a climate-neutral manner due to the fact that they are not fed into the public electricity grid. Purchased electricity volumes are converted into CO_2 emissions using the emission factors of the electricity suppliers (market-based). If the emission factors for the respective suppliers are not available, the residual-mix emission factors are used or the emission factors of the International Energy Agency.

[7] Contains CO_2e emissions in the following categories: 2 (Capital Goods), 4 (Upstream transportation and distribution), 5 (Waste generated in operations), 6 (Business travel), 7 (Employee commuting) and 8 (Upstream leased assets). Due to their much smaller percentages, these are reported in consolidated form only.

[8] In the case of downstream activities, we report in the following categories: 9 (Downstream transportation and distribution), 12 (End-of-life treatment of sold products) and 15 (Investments). As a chemical company, WACKER does not – in line with the GHG Protocol – report any emissions in categories 10 (Processing of sold products) or 11 (Use of sold products). The following Scope-3 categories –13 (Downstream leased assets) and 14 (Franchises) – are not relevant to WACKER and are consequently not recorded.

Scope 1 Emissions

In the reporting year, direct emissions of CO_2e from fossil sources rose by 1 percent year over year. A positive development was the reduction in direct CO_2e emissions from fossil sources at the Burghausen site. On the other hand, greenhouse gas emissions at the Holla site rose due to increased production, and there were unexpected coolant leaks at other sites.

In the cooling units we use in our production processes at many sites, we have been gradually replacing existing coolants with alternative materials that pose as little global warming potential as possible. That helps us keep reducing greenhouse gas emissions from coolant leaks.

Scope 2 Emissions

In 2022, indirect emissions from purchased energy declined year over year despite the larger quantities procured at our production plants in Burghausen and Nünchritz (Germany) and in Holla (Norway).

This was due to the greater quantities of renewable electricity purchased. That enabled WACKER to reduce its indirect CO_2e emissions (Scope 2, market-based) by approx. 18 percent overall in the reporting year.

Location-based Scope 2 emissions also declined further in the reporting period due to the fact that more renewable energy was procured worldwide.

Scope 3 Emissions

To calculate the indirect Scope 3 emissions relevant to WACKER, we use methods in line with the GHG Protocol (Corporate Value Chain Standard) based on WBCSD (World Business Council for Sustainable Development) guidance for chemical-sector companies.

At WACKER, indirect Scope 3 emissions belong predominantly to Category 1 (Purchased goods and services) and Category 3 (Fuel and energy-related activities (not included in Scopes 1 or 2)). In the reporting year, indirect emissions in Category 1 fell by around 6 percent, mainly due to reduced quantities of raw materials and to raw-material purchases with smaller product carbon footprints. In addition, Category 3 emissions decreased by around 18 percent thanks to the greater quantities of renewable electricity purchased, the upstream emissions of which are lower than with electricity from fossil sources. The other upstream categories (2, 4–8) and the downstream categories (9, 12, 15) reported are of minor importance and are thus presented as a single combined figure.

Reduction in Greenhouse Gas Emissions

As we pursue our goal of achieving net zero, we aim to reduce the Group's absolute greenhouse gas emissions (Scopes 1 and 2) to half of our 2020 value by 2030.

D.12 2030 Target: Reduce Absolute CO_2 Emissions (Scopes 1 and 2) by 50%

	2022	2021	2020
Absolute CO_2 emissions (kt CO_2)	**3,235**	3,660	3,626
Absolute CO_2 emissions (%)	**89.2**	100.9	100
Change in %	**–10.8**	0.9	–

During the year under review, reductions in emissions were on the linear trajectory that had been mapped out for a 10-percent reduction in 2022 relative to 2020. The main factors in this were optimized operation of the power plant in Burghausen and increasing use of renewable electricity.

WACKER is also committed to reducing its absolute greenhouse gas emissions from purchased goods and services, such as fuel- and energy-related activities (Scope 3, Categories 1 and 3), by 25 percent between 2020 and 2030.

D.13 2030 Target: Reduce Absolute CO_2 Emissions (Upstream Scope 3, Categories 1 and 3) by 25%

	2022	2021	2020
Absolute CO_2 emissions (kt CO_2)	**4,172**	4,490	5,218
Absolute CO_2 emissions (%)	**80.0**	86.1	100
Change in %	**–20.0**	–13.9	–

During the year under review, emissions (Scope 3) were down 20 percent, so that reductions in emissions were above the linear trajectory that had been mapped out for a 5-percent reduction in 2022 relative to 2020. This was due not only to continually enhanced computational models, but also to the fact that lower quantities of raw materials were used. In addition, we procured raw materials with a smaller carbon footprint as well as an increasing amount of electricity from renewable sources.

Air Pollutants

D.14 Overview and Explanations of Emissions of Airborne Pollutants

t	2022	2021	2020
NO_x (nitrogen oxides)	**2,200**	2,440	2,330
NMVOCs (non-methane volatile organic compounds)	**950**	1,130	890
CO (carbon monoxide)	**508**	487	501
Dust	**415**	428	500
SO_2 (sulfur dioxide)	**1,248**	1,075	1,145

In the reporting period, the Group reduced its nitrogen oxide emissions by 10 percent thanks to significant process improvements at the Holla site and decreased utilization of the power station at Burghausen.

Emissions of non-methane volatile organic compounds (NMVOCs) declined by 16 percent, chiefly due to WACKER POLYMERS' lower production-capacity utilization at Burghausen and Ulsan.

In addition, total dust emissions were reduced by 3 percent, due mainly to continued stable operation of the furnaces at Holla and of the powder-drying facility at Burghausen.

Water

GRI 303-1 | GRI 303-3 | GRI 303-4

Water plays an important role in many of WACKER's production processes, whether for cooling, cleaning or as a formulation component. Safe, cost-effective availability of water, in both the quality and quantity needed, has a substantial effect on the company's added value.

Climate change may increasingly lead to limitations on the available quantity and quality of water.

It follows that water stewardship is a significant part of our sustainability strategy. The WACKER Water Stewardship program we have developed and introduced groupwide takes a systematic approach to water management at our production sites, committing our business divisions and sites to the responsible use of water resources throughout the entire supply chain.

Our water stewardship plays out at the local level, so that we can accommodate the unique circumstances and requirements of the areas where our sites are located. To this end, we focus on the following:

- Giving our production processes a secure supply of water, in a quantity and quality (temperature, substance loads) appropriate to demand – adapted to the ecological capacity of the water reservoir in question
- Treating wastewater safely and preventing harmful substances from entering waterways
- Meeting society's demands for sustainable water use and fulfilling legal and regulatory specifications for water consumption and wastewater/sewage disposal
- Ensuring our production sites can be adapted to physical and regulatory changes both to head off risks to sustainable development and to take advantage of economic opportunities.
- Strengthening the degree to which the production portfolio supports our sustainability efforts by incorporating impacts on water into our WACKER Sustainable Solutions program

In doing so, we are gearing our efforts to international standards such as the EWS (European Water Stewardship), the AWS (Alliance for Water Stewardship) and the WASH (Water, Sanitation and Hygiene) standards.

We also began submitting water data to the CDP in 2018. In 2022, we scored an A- in the CDP's Water Security Report (prior year: B; on a scale from A to D, representing the levels Leadership (A), Management (B), Awareness (C) and Disclosure (D)). Registered CDP users can download the details.

» https://www.cdp.net/en/data

D.15 Overview and Explanations of Water Consumption and Emissions to Water

	2022	2021	2020
Water withdrawal (thousand m³)	**275,489**	273,107	264,077
Utilized by WACKER	**241,383**	237,479	229,930
Supplied to third parties	**34,106**	35,628	34,147
Cooling water volume (thousand m³)	**259,578**	257,172	237,829
Utilized by WACKER	**228,084**	224,293	206,228
Supplied to third parties	**31,494**	32,879	31,601
Wastewater volume (thousand m³)	**17,885**	17,898	16,926
WACKER	**12,685**	12,592	11,142
Third parties	**5,200**	5,306	5,784
COD (chemical oxygen demand) (t)	**1,321**	1,528	1,053
Heavy metals (t)	**1.4**	1.3	1.1
Total nitrogen (t)	**203**	207	171
Total phosphorus (t)	**7.0**	7.8	7.5

In the reporting year, water withdrawal for the Group's own use increased by 2 percent. This rise was attributable chiefly to the weather-related increase in the use of cooling water at the Burghausen site.

Wastewater volume remained on par with the previous year.

The discharge of residual organics in wastewater, expressed es the chemical oxygen demand (COD), fell by 14 percent, due in part to the good performance of the biological wastewater treatment plant at Burghausen.

To assess our water risks, we use the WWF (World Wildlife Fund) Water Risk Filter, which rated the maximum global basin risk of our production sites as 3.8 in 2022 (scale: 1 = no risk, 5 = high risk). The basin risk indicators prescribed by the WWF Water Risk Filter comprise several risk types (physical, regulatory, reputational) subdivided into twelve risk categories. We take the information from this classification into account when analyzing water usage at our sites.

» https://waterriskfilter.panda.org/

Reducing Specific Water Withdrawal

To help decrease the size of our water consumption footprint, we have set ourselves the target of reducing specific water withdrawal by 15 percent across the Group between 2020 and 2030.

D.16 2030 Target: Reduce Specific Water Withdrawal by 15%

%	2022	2021	2020
Specific water withdrawal	**102.2**	98.4	100
Change	**2.2**	–1.6	–

Waste

| GRI 306-1 | GRI 306-2 | GRI 306-3 | GRI 306-3.3 | GRI 306-4 | GRI 306-5 |

In integrated production, we minimize waste by feeding byproducts back into the production loop. WACKER endeavors to avoid waste throughout the product's entire life cycle. Groupwide, we record the volume of waste we generate according to the criteria "to be recycled" and "to be disposed of," as well as "hazardous" and "non-hazardous."

When it comes to solid waste, we prioritize prevention over recycling and recycling over disposal. We see it as one of our ongoing tasks to identify new ways of suitably recycling materials within and outside our sites.

It is very important to us that waste is recycled, treated and disposed of in an environmentally compatible and legally compliant manner. To this end, we monitor the disposal companies that we work with for recycling and disposal, performing regular audits.

Our German sites can use our internal Environmental Information System (EIS) to exchange information on these companies.

The amount of waste rose 6 percent groupwide. Possible reasons for this increase include higher quantities of construction waste at the Burghausen and Amsterdam sites and of residual organics from wastewater treatment at Burghausen and Charleston. Changes in production-related waste streams reflect trends in plant utilization.

D.17 Waste

Waste by type, in metric tons (t)	2022	2021[1]	2020[2]
Total	**192,741**	181,628	200,160
Recycled	**160,538**	150,702	111,280
Hazardous	**60,692**	64,310	–
Non-hazardous	**99,846**	86,392	–
Disposed of	**32,203**	30,926	88,880
Hazardous	**11,612**	11,414	–
Non-hazardous	**20,591**	19,512	–
Hazardous	**72,304**	75,724	96,350
Non-hazardous	**120,437**	105,904	103,810

Recycled waste in the reporting year, in metric tons (t)	Onsite	Offsite	Total
Hazardous waste			
Preparation for reuse	–	287	**287**
Recycling	1	10,228	**10,229**
Other recovery processes	23,771	26,405	**50,176**
Total	23,772	36,920	**60,692**
Non-hazardous waste			
Preparation for reuse	41	12,318	**12,359**
Recycling	44	20,057	**20,101**
Other recovery processes	2,957	64,430	**67,387**
Total	3,042	96,805	**99,847**

Waste disposed of in the reporting year, in metric tons (t)	Onsite	Offsite	Total
Hazardous waste			
Incineration (with energy recovery)	733	758	**1,491**
Incineration (without energy recovery)	4,326	3,704	**8,030**
Landfill	1,389	410	**1,799**
Other waste-treatment processes	22	270	**292**
Total	6,470	5,142	**11,612**
Non-hazardous waste			
Incineration (with energy recovery)	35	545	**580**
Incineration (without energy recovery)	3,907	420	**4,327**
Landfill	5,030	9,716	**14,746**
Other waste-treatment processes	–	939	**939**
Total	8,972	11,620	**20,592**

[1] First-time reporting of waste treatment in accordance with GRI 306 in 2021
[2] The data for 2020 was not reported on the basis of GRI 306.

Soil and Groundwater

GRI 413-2 | **GRI 413-3.3**

Like many other long-standing chemical companies, WACKER has some on-site soil contamination.

To remediate this legacy of contamination, WACKER has been extracting air from the soil at the Burghausen site since 1989. This predominantly removes volatile halogenated hydrocarbons from the soil, which are then disposed of properly.

In addition, since 2003 we have been using a groundwater stripping plant to treat an area of localized groundwater contamination east of the Burghausen site, reducing the concentration of harmful substances there to a tenth of the original concentration. In order to reduce the discharge of hexachlorobutadiene (HCBD) into the tailrace at the Burghausen site, we are continuing groundwater treatment of the site's contaminated areas.

The results of our annual fish contaminant survey at Burghausen indicate that fish from the Salzach river continued to be quite safe to eat in the year under review. The fish were monitored by BNGF GmbH – specialists in nature conservation, waterways and fisheries.

There is likewise some groundwater contamination at our Nünchritz site, which predates WACKER's takeover of the site. Removal was already underway as a part of short-term projects. Pilot measures involved examining purification methods and commencing groundwater treatment. This was followed by an investigation aimed at devising a strategy for further remediation measures; we continued this investigation during the current period under review. In this and in flood protection at the Nünchritz site, we are collaborating closely with local authorities.

Nature Conservation

| GRI 304-1 | GRI 304-2 | GRI 304-3 |

We promote biodiversity through our environmental protection efforts to conserve resources and restore habitats. Burghausen's Site Planning unit develops strategies for limiting land use. We have implemented a site development plan containing a renaturation proposal so as to ensure that we also make use of open spaces, vacant lots and old plants. We carefully assess the impact that site expansions may have on nature and biodiversity and – in consultation with the authorities – implement environmental mitigation programs to offset these impacts.

Covering 232 hectares, our Burghausen plant borders an EU Habitats Directive site along the Salzach river. To check whether the operation of our facilities has any effect on this nature reserve, we regularly monitor our air pollution levels (e.g. nitrogen oxide emissions, NO_x). In this regard, we had an external consultant compile an environmental-exposure register for the site. For the period under review, the results again show that operation of our plant does not impact the preservation and development goals of the reserve near the site.

We are cooperating with the Bavarian State Agency for the Environment in monitoring the presence of the protected Aesculapian snake on our Burghausen site premises. Aesculapian snakes have only been sighted at five locations in Germany, one of which is the Salzach region near Burghausen.

In 2019, WACKER began working with the Landschaftspflegeverband Altötting (Altötting Landscape Conservation Association) in a community project to promote biodiversity at the Burghausen site.

An area of 30,000 square meters along a one-and-a-half-kilometer stretch of the Alz canal between Burgkirchen and Hirten was restored into a habitat where flowers and insects can thrive. At the Burghausen site, land areas totaling over 2,300 square meters have been turned into flourishing meadows as a nourishing habitat for insects.

WACKER and seven other ChemDelta Bavaria companies have joined forces within the Verein Naturnahe Alz (Natural Alz Association), an organization supporting the Bavarian authorities in renaturalizing the Alz river and enhancing its ecosystem in the long term.

» https://www.naturnahe-alz.de/ (in German only)

WACKER is a founding member of the Bavarian Environmental and Climate Pact, in which the Bavarian state government and Bavaria's industry associations have come together to break a lance for environmental protection and climate change mitigation.

Plant and Transport Safety

GRI 2-25 | GRI 403-2 | GRI 403-3 | GRI 403-4 | GRI 403-5 | GRI 403-7

Incident management and Prevention

An important goal at WACKER is to operate plants and processes in a manner that poses no risk to people or the environment. Our Group safety management system addresses occupational and plant safety and crisis management.

The main focus is on prevention. Nevertheless, safety-critical incidents cannot always be prevented. Each WACKER site has an emergency response plan in place for coordinating internal and external emergency response teams and working with the authorities.

The first step in ensuring the safety of our plants is to systematically identify and assess risks. Here we analyze the energy used in processes (e.g. pressure and heat), as well as the effects that individual errors might have on a chain of events that could culminate in the release of a substance or lead to an accident. Using the results of our analyses, we specify safety measures to prevent the occurrence of undesirable incidents.

Across the Group, we promptly record any incident relevant to safety, health or the environment in the IT system we use for sustainability reporting (SPIRIT), evaluate these reports and track the measures taken. We use incident reports that provide learning experience for the Group's other divisions or sites to inform corporate units with similar hazard potential and, if possible, identify measures for improvement.

In addition to continuous evaluation of pipe bridges, a groupwide prevention program focuses on hazards caused by stress corrosion cracking that is difficult to detect. WACKER attaches particular importance to providing its safety experts with ongoing training. We enhance our experts' knowledge of explosion-damage protection by holding interactive online training courses.

We conduct regular training sessions on plant safety and explosion-damage protection, for example. We give special recognition to facilities that operate for sustained periods of time without a reportable accident.

Employees in Germany can use our idea management system to quickly and easily report safety-critical situations. As a result, hazards can be identified and eliminated at an early stage before they lead to an accident.

Once a year, the plant fire departments in Burghausen and Nünchritz conduct emergency drills in tandem with local fire and emergency services. These drills provide a practical opportunity for rehearsing a major emergency response. Afterward, the exercise is analyzed to identify and eliminate any weak points. Training drills are likewise regularly carried out at our major non-German sites, e.g. in China and in the USA.

WACKER's plant fire department in Burghausen also trains fire departments from the local area. It invites the fire departments of other companies and municipalities to WACKER sites, where they can prepare their response to accidents involving dangerous goods. As and when needed, our plant fire department at the Nünchritz site also supports local firefighters responding to major emergencies.

The German chemical industry established its Transport Accident Information and Emergency Response System (TUIS) to provide assistance in the event of chemical accidents. Our experts support this network, which is part of the chemical industry's Responsible Care® initiative.

D.18 Safety- and Environment-Related Incidents – WACKER Group

	2022	2021	2020
Number of environment- and safety-related incidents[1], Group	**35**	39	29
Environment- and safety-related incidents per 1 million hours worked[2], Group	**1.5**	1.7	1.3

[1] Pursuant to the criteria of the European Chemical Industry Council (Cefic Guidance for Reporting on the ICCA Globally Harmonized Process Safety Metric, June 2016)
[2] WACKER Process Safety Incident Rate (WPSIR)

Safe Transport of Hazardous Materials

WACKER ensures that its products are transported safely, especially where hazardous materials are involved. All sites at which WACKER produces and ships goods must comply with locally and internationally applicable transport regulations, as well as with WACKER's own strict safety standards. We ensure their consistent application by means of a groupwide directive on transport safety for chemicals and hazardous goods. An essential element of transport safety is our personnel, who are highly trained both in handling hazardous goods and securing loads.

We have similarly high expectations of our logistics providers – above and beyond statutory regulations, we impose additional requirements in our contracts and comprehensive requirements profiles. If our contractors should deviate from our requirements, we issue formal complaints and demand corrective action to ensure a continuous improvement process.

For products with a high hazard potential, we use packaging and tanks that meet the most demanding quality standards. Some 163,000 tons of hazardous materials were shipped from our German sites in the reporting year. We recorded not a single reportable transport incident involving hazardous goods.

When monitoring the distribution of our products, we also record any transport incidents that do not involve hazardous goods, as well as those that have no negative impact on people or the environment. Such incidents are an important factor in the annual assessment of our logistics providers.

D.19 Transport Incidents in Germany

Number of reportable accidents	2022	2021	2020
Road	–	1	–
Rail	–	–	2
Sea	–	–	2
Inland waterways	–	–	–
Air	–	–	–

Products

Our portfolio includes more than 3,200 specialty chemicals. Our customers come from virtually every major sector. We develop intelligent solutions and trailblazing technologies with the aim of improving people's quality of life around the world. The goal of achieving net zero by 2045 plays an important role here. Responsible stewardship is one of the ways we contribute to the United Nations' Sustainable Development Goals (SDGs) and we use our products to support, in particular, SDG 7 "Affordable and Clean Energy," SDG 9 "Industry, Innovation and Infrastructure" and SDG 13 "Climate Action."

Sustainable Products

GRI 2-6

Thanks to its diverse array of products, WACKER is helping preserve natural resources and reduce greenhouse gases. We are developing not only modern products for the world of tomorrow, but also pioneering solutions, so that these products make a positive contribution to sustainability throughout the entire life cycle. In this way, we are supporting issues affecting the future of our planet, such as renewable energy sources, the future of construction, digitalization, electromobility, nutrition, health and quality of life. Our products can be found in solar modules, cars and building materials, not to mention a great many everyday objects and consumer goods. Our contribution enables our customers to provide even more sustainable solutions for the end market, thereby jointly advancing the transformation toward a more sustainable economy and society.

Transforming the supply chain to create a circular economy will play an increasing role here. We have used the mass balance approach to begin the transformation toward a net zero circular economy. This process allows us to save fossil resources while preserving the quality of our products. Collaboration with customers and business partners is essential to the development of products compatible with the circular economy.

A selection of our sustainable products can be found along with additional information in our new online app WACKER City.

» https://www.wacker.com/cms/en-de/home/home.html

Product Assessment Based on Sustainability Criteria

| GRI 2-23 | GRI 2-25 | GRI 303-1 | GRI 3-3 (301, 302, 303, 304, 305) |

When assessing the sustainability of our products, we take account of economic, environmental and social aspects throughout the entire product life cycle. The tool we use to evaluate our product portfolio is the WACKER Sustainable Solutions program. We also make use of the WACKER ECOWHEEL® and perform life cycle assessments. These enable us to track the progress of a product from its manufacture through to when it leaves the factory gate.

— We use the WACKER ECOWHEEL® to identify key sustainability topics at a qualitative level and, together with our stakeholders, set priorities for research projects. Our evaluations factor in a product's material, water and energy consumption, as well as its ecotoxicity, over the entire life cycle.

— In the WACKER Sustainable Solutions program, we assess the sustainability aspects of our product portfolio in line with the standards set by the World Business Council for Sustainable Development (WBCSD). We study the life cycles of products and their usage under specific regional requirements. As a basis for these assessments, we compile products in what are called PARCs (Product/Product group in one Application in one Region in Combination). We examine toxicological classification, regulatory and social criteria, controversial industries and raw materials, as well as sustainability-related aspects across the entire product life cycle. Every assessed PARC unit is assigned to one of five sustainability categories.

Our target is for 100 percent of our products to fulfill defined sustainability criteria by 2030.

In the reporting period, WACKER earned 90 percent of its sales with sustainable products. For the majority of the remaining products we have defined measures to either improve sustainability performance or replace the product.

» https://www.wbcsd.org/Programs/Circular-Economy/Factor-10/Sector-Deep-Dives/Resources/Chemical-Industry-Methodology- for-Portfolio-Sustainability-Assessments

D.20 2030 Target: 100% of our Products Fulfill Sustainability Criteria

%	2022	2021	2020
Share of sales from products meeting defined sustainability criteria	**90**	89	83

— Our life cycle assessments (LCAs) quantify the environmental impact of our products from their manufacture through to the moment they leave the factory gate. Cradle-to-gate analyses such as these allow us to evaluate the sustainability of our products and production processes, and to improve them accordingly. When preparing an LCA, we take account of all relevant, potentially harmful effects on soil, air and water, as well as all material flows associated with the system in question. That includes raw-material consumption and emissions from supply and disposal processes, from power generation and from transport.

— To this end we have launched a groupwide project that will allow WACKER to automatically calculate the carbon footprint of all of its products by late 2024 and to update this information annually. Calculations will be carried out in compliance with the rules of the Product Carbon Footprint standard defined in the Together for Sustainability initiative.

» https://www.tfs-initiative.com/app/uploads/2022/11/TfS_PCF_guidelines_2022-interactif-pages.pdf

Product Safety

| GRI 416-1 | GRI 416-3-3 | GRI 417.3-3 | GRI 417-1 |

WACKER ensures that all of its products, if used correctly, are free of any risk to human health or the environment. We seek to identify possible risks to health and the environment throughout a product's entire life cycle – from the R&D stage through to production, use and disposal.

WACKER provides information on the safe use of its products. When manufacturing them, we work continually to avoid or reduce our use of any substances harmful to human health and the environment. WACKER also complies with the chemical legislation applicable in the countries to which it ships its products.

As a guide for our product developers, we maintain a list of substances that WACKER products may no longer contain. In addition to prohibited and restricted chemicals (such as materials listed in Annexes XIV and XVII to the REACH Regulation), the list includes substances that many companies find undesirable. As far as possible, we avoid substances on the European Chemicals Agency's List of Substances of Very High Concern (SVHCs).

Evaluating the sustainability of our products also includes the application of "Identifying Substances and Mixtures of Concern" (ISC), a database-based system for systematically assessing the raw materials used in our products. We use ISC to evaluate and improve our product portfolio in terms of health, environmental compatibility and avoiding potential risks (such as SVHCs). We also follow chemical-policy discussions so that we can factor in future changes when developing products and optimizing ingredients.

Product Information

We continually update our product information and promptly incorporate new findings into our risk assessments, which are based on factors such as safety and environmental impact. When REACH requires us to include new findings in the chemical safety report, we adapt our risk assessments accordingly.

When advertising our products and services, we make sure that our brochures, for example, contain verifiable data and precise, legally compliant terminology and wording that reflect current scientific knowledge.

Only some 50 percent of WACKER products require a material safety data sheet (MSDS) by law. We go beyond these requirements and compile these sheets for all our sales products – not just for those classified as hazardous substances.

REACH

The REACH Regulation, which came into force in 2007, governs the registration, evaluation, authorization and restriction of chemicals within the European Union. REACH imposes stringent requirements on the manufacturers, importers and users of chemical products, compelling them to collect comprehensive data. All substances present in the European market in annual quantities exceeding one metric ton must be registered and evaluated. The scope of evaluation work is largely determined by the quantity produced or imported and by the expected risks. Particularly high-risk substances are subject to regulatory approval.

Under REACH, WACKER had submitted 779 new or revised registration dossiers to the European Chemicals Agency (ECHA) from the start of registrations in 2008 through to the end of 2022. In the course of its regular evaluation activities, ECHA required additional information for many of the dossiers, all of which we provided on time in 2022.

WACKER maintains intense contact with the companies that supply its chemical substances. We refer to our data when verifying the registration status and, where necessary, request information to ensure that we use only REACH-compliant raw materials.

To contribute to the safe use of chemicals, ECHA provides substance information on the internet in "Infocards" containing the data from the registration dossiers.

» https://echa.europa.eu/information-on-chemicals

REACH requires a broad range of information on the properties of chemical products, which necessitates an increase in legally mandated animal testing. WACKER makes every effort to avoid animal testing to the greatest possible extent and contracts only those tests that are required by ECHA. Whenever possible, we use recognized alternative methods, such as in vitro tests. We classify substances with similar properties into groups for testing and work within REACH consortia to exchange scientific data with other companies.

As of January 2021, companies within Europe that commercially distribute hazardous substances must supply the ECHA notification system with comprehensive information for poison control centers. The European Commission, ECHA and the chemical industry have been working on technical solutions to this end. WACKER has set up an automatic notification tool and registered roughly 3,880 notifications to ECHA's PCN (Poison Centre Notification) portal as of late 2022.

Nanomaterials

WACKER identifies these materials on the basis of the EU Recommendation on the Definition of Nanomaterial (2011/696/EU). This definition, in turn, is based on standard ISO TC 229 ("Nanotechnologies") and was adopted on January 1, 2020, as part of a fundamental change in how nanomaterials are registered within the framework of the REACH Regulation.

Nanomaterials possess innovative properties that significantly enhance products and processes. As is true of all chemical substances, the possible risk of inhalation, skin contact or ingestion by production staff and users must be taken into account. Nanomaterials do not pose a hazard per se. It is, however, conceivable that their specific physical properties – size and surface area – may entail more pronounced effects on health than larger particles, especially as regards inhalation.

We have recorded all the nanomaterials that we produce or use and assess their hazards and risks in accordance with statutory requirements. We have created an internal measurement strategy to characterize products based on uniform standards.

Most of these products are nanostructured – a classification that includes materials whose internal structures are nanoscale (between 1 and 100 nanometers), but whose external dimensions are greater than the nano-range. Except for their surface-dependent properties, nanostructured materials generally behave similarly to non-nanoparticles.

Nanostructured products include our HDK® pyrogenic silica, a powder that we have sold as a thickening agent, filler and flow enhancer for over 40 years and which we use ourselves. The HDK® product group is part of the synthetic amorphous silica (SAS) substance class. We have collaborated with external scientific institutes to examine its physicochemical properties in detail, and extensive toxicological, eco-toxicological and epidemiological data are available. Due to their solubility, SAS are eliminated effectively from the lung and, consequently, do not exhibit any overloading of the lung's cleaning function or lasting negative effects in the lung.

Genetic Engineering

The chemical industry is increasingly falling back on biotech processes to ensure its products are manufactured sustainably. WACKER is among the companies that exploit the potential of modern molecular biology and genetic engineering methods to produce high-value specialty and performance chemicals right through to complex proteins based on renewable raw materials. For instance, we use a genetically optimized E. coli system (ESETEC®) to produce pharmaceutical proteins as highly specific active ingredients for drugs.

We also prioritize safety when using genetically modified techniques, in that we comply with laws and regulations, industry-wide standards and our own rigorous internal safety provisions. We handle genetically engineered organisms solely in closed systems, which almost prevents anything from being released into the atmosphere. WACKER itself does not make any genetically modified substances, nor does it distribute them.

Research and Development

GRI 2-6

» **Refer to the section entitled Further Information on R&D, Employees, Procurement, Production, Sales and Marketing.**

Employees

WACKER's success is a team effort, involving the whole workforce. Skilled, committed people keep WACKER innovative and competitive. It is important to us that all our employees enjoy equality of opportunity. We offer attractive compensation, good promotion prospects and a share in our company's success. Personnel matters are dealt with by the corresponding Executive Board committees.

We have defined goals in order to maintain our long-term innovative and competitive strength, and to recruit and retain highly qualified employees. These are:

- Systematically promote health
- Maintain and enhance WACKER's appeal
- Advertise and recruit for professions critical to WACKER's success
- Align in-house vocational training to meet future needs
- Encourage civic engagement, for example by encouraging young people to explore science and engineering

We continue to strengthen our organizational culture by emphasizing the following key topics:

- Empowerment,
- Collaboration, and
- Involvement and performance,
- All of which rest on the pillars of trust and purpose.

Through this initiative, WACKER is advancing the Group's transformation into an even more flexible organization that relies more strongly on the individual responsibility of its employees. Another contribution to this transformation are the open spaces planned for our new headquarters in Munich Werksviertel, a new commercial and residential district, where HQ construction progressed to the point that a topping-out ceremony was held in November of the reporting year.

Employment Structure, Compensation and Social Benefits

GRI 2-7 | GRI 2-8 | GRI 201-1 | GRI 401-1 | GRI 401-3.3 | GRI 402-1 | GRI 402-3.3

The company pursues a flexible personnel-planning strategy in order to deal with production peaks and economic downturns, while at the same time protecting its permanent staff. If measures to reduce personnel costs become necessary, these are decided in close consultation with employee representatives. WACKER regularly informs its employees of current trends within and outside of the Group that could affect business development. Employees receive timely, comprehensive information on material changes in operations, with the company observing its respective national and international duties of disclosure.

Of all employees, 66.3 percent work in Germany, and 33.7 percent in other locations worldwide. Information on the number of employees, personnel costs and retirement benefits is included in the combined management report.

» Refer to the section entitled Further Information on R&D, Employees, Procurement, Production, Sales and Marketing.

Personnel costs included outlays for social benefits and the company pension plan totaling €312.6 million (2021: €319.9 million). Aside from a base salary, employees usually receive variable compensation. This voluntary payment to both payscale and non-payscale employees is tied to the attainment of corporate goals.

D.21 Jobs

	2022	2021	2020
Number, groupwide	15,725	14,406	14,283
Germany	10,424	10,006	10,099
International	5,301	4,400	4,184
International (%)	33.7	30.5	29.3
New recruits groupwide	2,541	1,340	798
New recruits groupwide (%)	16.2	9.3	5.6

	2022	2021	2020
Employment contracts, groupwide	15,725	14,406	14,283
Permanent employment contracts	14,504	13,873	13,845
Temporary employment contracts	1,221	533	438

	2022	2021	2020
Temporary workers, groupwide	188	150	123
Of whom Germany	122	114	92
Of whom international	66	36	31
Ratio[1] of temporary workers, groupwide (%)	1.2	1.0	0.9
Ratio of temporary workers, Germany (%)	1.2	1.1	0.9
Ratio of temporary workers, international (%)	1.2	0.8	0.7

[1] Ratio of temporary workers to employees, groupwide

Employee Turnover

Good social benefits, competitive compensation and motivating work make WACKER an attractive employer. That is evident in our employees' many years of service with us. The average length of service in Germany (permanent staff) was 17.4 years (2021: 18.3 years). The average length of service of WACKER's executive personnel was 20.8 years.

D.22 Employee Turnover Rate

%	2022	2021	2020
Germany	1.1	2.5	0.9
International	9.5	11.0	7.5
Group	3.7	5.0	2.7

In its annual satisfaction survey of chemical-industry executives, the VAA (German Chemical Industry Association of Academic and Management Employees) ranked WACKER 12th out of the 22 companies assessed. In the reporting year, VAA member executives gave WACKER an overall score of 2.9, with 1.0 being the highest (in the previous year, WACKER had taken 14th place with a score of 3.0). The average grade for all of the companies surveyed was 2.8, as it was in the previous year.

Personnel Development

GRI 201-1 | GRI 404-3 | GRI 404. 3-3

In the spirit of the UN's Sustainable Development Goal (SDG) 8 – Decent Work and Economic Growth – WACKER encourages its employees to realize their potential, assume responsibility and contribute their own ideas. We support their endeavors by providing basic and advanced training opportunities. We want to provide secure jobs, good employee benefits and a work culture that facilitates a positive work-life balance. It is important to us that all our employees enjoy equality of opportunity. A further aim is to ensure that any employees who are disabled or have chronic health issues are integrated in the workplace over the long term.

In 2022, WACKER invested a total of €7.9 million in Germany in personnel-development activities and advanced training (2021: €5.4 million).

Each Group employee participates in an annual performance review and development meeting with their supervisor. In view of increased expenses for employee recruiting and integration as well as the high workload facing many departments, the employee council and HR agreed to suspend the talent management conference cycle in the reporting year.

The project Digital Access for All provided a personal email address to all WACKER employees who did not previously have one. This means that services can be accessed conveniently via a portal on the intranet and also individually on mobile devices.

Vocational training is a key component of WACKER's personnel-development activities and has always been a focus of its HR strategy. In 2022, 174 young people began apprenticeships at WACKER or at the Burghausen Vocational Training Center (BBiW). With a total of 574 apprentices, WACKER had 4 percent fewer apprentices than the year before (2021: 600). At 5.2 percent, the percentage of trainees (ratio of trainees to Group employees in Germany) is slightly below the previous year's level (2021: 5.7 percent). The Burghausen Vocational Training Center, which celebrated its 50th anniversary in the reporting year, also provides training for companies other than WACKER.

We continually adjust to demographic trends and offer young people long-term prospects. Under a company agreement for WACKER Germany effective until March 31, 2026, apprentices who successfully complete their training and demonstrate appropriate skills will be offered a job.

D.23 Trainees

	2022	2021	2020
Number of new trainees[1]	**174**	172	187
Total number of trainees (all training years)[1]	**574**	600	625
Number of trainees graduating	**183**	186	174
Of whom employed by WACKER[2]	**154**	148	140
Number of retrainees	**–**	–	–
Trainees/retrainees as a percentage of total WACKER Germany workforce (%)[1]	**5.2**	5.7	5.8

[1] Number as of Dec. 31, 2020 (as of Sept. 30, 2020 in the Non-Financial Statement 2020).
[2] In most cases where a trainee was not hired, this was their own preference, e.g. because they were continuing their education at college or university.

Diversity, Inclusion and Equal Opportunity

| GRI 2-7 | GRI 405-1 | GRI 405-3.3 | GRI 406. 3-3 |

WACKER's goal is an unbiased work environment, where every employee can contribute to the company's success – and where employees with disabilities or with an equivalent status are integrated over the long term. Diversity management at WACKER focuses not only on inclusion, but also on the issues of gender and cultural background. WACKER is a member of Germany's Diversity Charter initiative and constantly monitors awareness of the charter's seven dimensions of diversity.

We view human diversity as an asset. We oppose discriminatory or derogatory treatment, for instance, on the basis of gender, race, ethnicity, religion, ideology, disability, sexual orientation or age. These principles are valid throughout the WACKER Group and, as part of our corporate culture, are embodied in our Code of Conduct. Employees can report incidents of potential discrimination – even anonymously. Reports can be made to a supervisor, compliance officer, employee representative or designated HR contact person. Every complaint is investigated, and the reporting party is informed of the outcome. Discrimination incidents are recorded quarterly in the compliance report submitted to the Executive Board. They are also mentioned in the regular reports submitted to the Supervisory Board. We require all employees at our German sites to familiarize themselves with the country's General Equal Treatment Act (AGG) by completing an e-learning course.

In the reporting year, we set new diversity targets for promoting women and internationality in management:

- By the year 2030, roughly one-third of management positions in the WACKER Group should be held by women.
- WACKER is planning to place around every second regional management position outside Germany by 2030.

D.24 2030 Targets: Management Positions – 33% Women, 50% Outside Germany

%	2022	2021	2020
Management positions held by women	**20.6**	18.5	16.9
Management positions outside of Germany	**29.6**	28.5	27.4

D.25 Diversity, Inclusion and Equal Opportunity

	2022	2021	2020
Workforce, groupwide	**15,725**	14,406	14,283
Of whom female	**3,844**	3,451	3,404
Female employees, groupwide (%)	**24.4**	24.0	23.8
Workforce in Germany	**10,424**	10,006	10,099
Of whom non-German	**1,039**	987	1,005
Non-German employees in Germany (%)	**10.0**	9.9	10.0
Employees in middle management, groupwide (managerial level 3)	**3,451**	3,252	3,278
Of whom female	**891**	824	804
Women in middle management, groupwide (%)	**25.8**	25.3	24.5
Executive personnel (OFK), groupwide[1]	**150**	159	169
Of whom female senior executives	**27**	27	25
Female senior executives, groupwide (%)	**18.0**	17.0	14.8

[1] Figures for executives (OFKs) exclude inactive employment contracts and the Executive Board of Wacker Chemie AG

15 percent of Group employees are under 30 years of age; 57 percent are from age 30 to 50 years; 28 percent are over 50.

People from 84 nations work for WACKER. At the end of 2022, 46 out of a total of 150 executives groupwide were of non-German nationality, corresponding to 30.7 percent of the total. A total of 17 nationalities were represented at the senior executive level.

The composition of our management personnel reflects the global nature of our business. In recent years, WACKER has increasingly filled leadership positions in its regions with local employees rather than with executives sent there on assignment from Germany. The main criterion for filling executive positions remains qualification. In Germany, the General Equal Treatment Act (AGG) forbids the selection of personnel based on ethnicity. A similar situation exists in other WACKER regions, such as China and the USA, where we make choices primarily on the basis of qualifications.

Women in Executive Positions

When calculating the proportion of women in management positions pursuant to Section 76 IV of the German Stock Corporation Act (AktG), WACKER focuses on the two levels of management below the Executive Board as depicted in the Wacker Chemie AG organizational chart. With regard to the second reporting level, we decided to include only managerial employees from the highest non-payscale level or those who are OFK executive personnel with responsibility for managing employees. The Declaration on Corporate Management contains information about the proportion of women in management and about how WACKER is implementing the German statute on equal opportunity for women and men in management. We defined a new target for women in the first and second levels of management below the Executive Board. The initial target was 21 percent at the first level and 20 percent at the second. As of December 31, 2022, we reached 25 percent at the first level and 23 percent at the second. Our new target is to ensure that women account for 25 percent at both levels by 2026. In 2022, seven women and ten men held positions on Wacker Chemie AG's Supervisory Board. The Executive Board comprises one woman and three men, which complies with the German Act on Equal Opportunity in Management (FüPoG II).

The Culture & Diversity Committee, whose members are from different departments, has initiated activities for achieving diversity in the Group, for example with information booths and online events. We support the use of gender-sensitive German language usage in the Group and have published a reference document in the intranet that provides a guide for employees as well as a platform for inquiries and suggestions.

The WACKER Women's Circle, an initiative launched by women in the Group, celebrated its tenth anniversary in the reporting year. This Circle raises awareness throughout the Group for diversity and supports women, for example with a mentoring program.

Inclusion

At WACKER, special arrangements are in place for anyone who has disabilities, who has equivalent status or whose health is impaired. To provide targeted support in line with local laws and regulations, WACKER's system of workplace integration management calls for close cooperation between supervisors, employees, Human Resources, employee representatives, representatives of employees with disabilities, and Health Services.

For years, the number of disabled employees at WACKER Germany has exceeded statutory minimum requirements. Even so, we had to pay a low compensatory levy in the reporting year, as not every subsidiary achieved the five-percent target. 89 percent of employees with severe disabilities or with an equivalent status at WACKER Germany are remunerated on the basis of the standard payscale. The average age of disabled employees at WACKER is 51.5. The Burghausen site hired a disabled young person for an apprentice position in the reporting year and we offered regular employment to another disabled apprentice was he successfully completed his training.

Life-Phase-Oriented Work

WACKER offers its employees extensive opportunities to balance their private and professional lives. These include multiple work-time models in Germany, such as working on a trust basis (work-time autonomy); childcare assistance; school-vacation support at Burghausen (our largest site); and one week of "family time" for parents of children under eight or for employees providing caregiving to relatives.

Working conditions in times such as the coronavirus pandemic in particular require flexible responses. We have extended company agreements on remote work at German sites. After obtaining approval from their supervisors, employees have the opportunity of performing an agreed portion of their work remotely.

Our employees have access to a variety of leave options and part-time models for personal situations, such as providing caregiving to family members, pursuing further education or taking a sabbatical. Unpaid leaves of absence are possible for periods of up to two years; for the duration of our Shape the Future efficiency program, that can also be extended by up to four years. These arrangements are based on company agreements and on the "Working Life and Demography" collective-bargaining agreement, and offer employees a wide range of options for balancing their careers with different stages of their lives.

We actively support childcare services and a return to work after maternity/paternity leave, e.g. by offering reintegration workshops. At our German sites, a service provider helps find places for children in kindergartens and day care centers or provides support in finding alternative care options. Whether employees themselves or family members fall ill or need caregiving, employees in Germany can obtain advice from a consultation service.

WACKER's membership in the "Familienpakt Bayern" (Family Pact Bavaria) network, sponsored jointly by the Bavarian government and Bavarian industry, highlights our goal to foster a family-friendly corporate culture.

D.26 Part-Time Employment and Leaves of Absence

	2022	2021	2020
Part-time employees, Germany[1]	**3,379**	3,327	3,195
Of whom women	**1,136**	1,099	1,001
Of whom men	**2,243**	2,228	2,194
Part-time employees, Germany (%)	**32.4**	33.3	31.6
Employees in phased early retirement	**1,435**	1,431	798
Of whom in the passive phase	**669**	522	506

[1] Working less than 100%

	2022	2021	2020
Sabbaticals[1]	**68**	59	73
Additional qualifications[2]	**20**	19	19
Caregiving[3]	**5.0**	4.0	5
Total	**93**	82	97

[1] Time off for personal reasons
[2] Advanced training either part-time alongside work or full-time
[3] Leave to provide care for a family member

Employee Representatives

GRI 2-30

Our employees in Germany make use of their option to unionize. Every WACKER site in Germany has employee representation. WACKER actively nurtures constructive collaboration. In the interests of the company's employees, relations between management and employee representatives are close and constructive. Innovative company agreements are one result of this dialogue.

WACKER employees abroad are free to unionize as well. At non-German sites where there is no (statutory or voluntary) employee representation, the HR department is the contact for employee interests.

As scheduled, employee representatives were elected at the German sites during the reporting year. There are employee representatives at all German sites of Wacker Chemie AG. We do not collect information on individual employees' membership in collective bargaining organizations.

Preventing Corruption and Bribery

| GRI 2-13 | GRI 205-1 | GRI 205-2 | GRI 205-3 | GRI 205-3.3 |

We explicitly commit ourselves to the UN Global Compact's Ten Principles. They include the principles on labor standards, namely upholding the freedom of association (Principle 3), eliminating all forms of forced labor (Principle 4), abolishing child labor (Principle 5) and eliminating discrimination (Principle 6). We also make commitments to our customers to uphold these same labor standards. The sanctions we impose for any proven misconduct in personnel matters are determined by the seriousness of the incident. There were no incidents of note in the reporting year.

Corruption and bribery have no place in our business model. Our principles on this are contained in our Code of Conduct and all WACKER employees are required to follow them. The Chief Compliance Officer reports directly to the president and CEO on compliance issues. The full Executive Board is informed on a quarterly basis of any relevant compliance issues in the Group. In urgent cases, the Executive Board is informed immediately. One principal objective is to ensure that neither the company nor its Executive Board or Supervisory Board are exposed to liability risk.

Compliance training raises employees' awareness of the relevant risks and informs them of rules of conduct applicable to their daily work. It is compulsory for all WACKER Group employees. Whistleblower hotlines provide a means for employees and business partners to report any breaches anonymously.

According to Transparency International's Corruption Perceptions Index (CPI), WACKER generates just under half its sales in countries with a low or very low risk of corruption.

D.27 Corruption and Bribery Incidents

	2022	2021	2020
Prevention			
Number of organizational units examined for corruption/bribery risks	**29**	27	27
Percentage of legal entities examined for corruption/bribery risks	**35**	24	20
Corruption and bribery incidents[1]			
Examined	**–**	–	–
Closed[2]	**–**	–	–
Measures taken in response to corruption and bribery incidents			
Written warnings	**–**	–	–
Termination of employment	**–**	–	–
Number of lawsuits	**–**	–	–
Level of major fines[2] and number of non-monetary penalties	**–**	–	–

[1] Only cases of corruption in the narrow sense (e.g. bribery) are taken into account.
[2] Major fine threshold: from €10,000

Workplace Safety

| GRI 403-1 | GRI 403-2 | GRI 403-3.3 | GRI 403-5 | GRI 403-7 | GRI 403-9 |

Workplace and plant safety are vitally important for WACKER. That is why WACKER defines safety targets together with its executives (upper and middle management) in Germany during its annual target-setting process. Systematic workplace safety includes regular evaluation of hazards and work-area monitoring. We align our processes and standards relating to occupational health and safety with the international ISO 45001 standard. The site in Jincheon, South Korea, is certified to the new ISO 45001:2018 standard.

All our employees are given compulsory safety training tailored to their particular work areas. WACKER Germany, for example, offers over 40 online courses on occupational safety issues. Topics range from general safety guidelines for office and laboratory workers to instruction on safe behavior in potentially explosive atmospheres and the classification of hazardous materials.

The trend in workplace accidents is one of the most important non-financial performance indicators. We have set a goal of keeping the number of workplace accidents to below 2.0 per million hours worked groupwide. The Group's accident rate improved slightly in the reporting year, with 3.5 workplace accidents per million hours worked, compared with 3.6 in the previous year. The relative improvement in Europe's regional accident rate was almost canceled out by an opposing trend in Asia and the Americas. However, our Asian sites continued to report substantially fewer workplace accidents than our sites in Europe and the USA. To lower the accident rate in Europe, we started a safety initiative at our Burghausen and Nünchritz sites involving action days, inspection tours, checklists and a competition of ideas; other German sites joined the initiative in the first quarter of 2023.

In the reporting year, a fatal workplace accident occurred at our Amtala site in India due to an insufficiently secured, temporary hole in the floor of a construction site. As an immediate response, it was decided, among other things, that construction-site areas would be rigorously cordoned off, more detailed assessments performed of the dangers involved in similar work and employees given specific refresher training courses. Alongside these measures, the site launched a safety initiative that focuses on the reporting of near-misses and safety-critical situations. In addition, external and internal safety audits were conducted and action points to raise safety standards were prepared and implemented. Violations of safety regulations will be punished severely.

D.28 Workplace Accidents Involving Permanent Staff and Temporary Workers

	2022	2021	2020
Accident rate: Group – accidents[1] per million hours worked	**3.5**	3.6	3.0
Accident rate: Europe	**4.3**	4.7	3.3
Accident rate: The Americas	**2.3**	1.3	3.2
Accident rate: Asia	**1.4**	0.6	1.3
Chemical accidents with missed workdays[1]	**10**	4	3
Fatal accidents	**1**	–	–

[1] Accidents leading to at least one workday missed

Very few accidents at WACKER involve chemicals. The most common causes are tripping, slipping, falling and lack of care when performing manual activities. We are never satisfied with our accident rate, and we regularly update our workplace safety initiatives.

We raise awareness of employees to help them identify and avoid unsafe behavior through our WACKER Safety Plus (WSP) program, in which we build on elements of successful safety strategies at sites with particularly low accident rates – such as safety patrols, emergency drills and holding discussions with the workforce.

Health Management

| GRI 403-3 | GRI 403-6 |

The health of our employees is extremely important to us and one of our corporate goals is to protect it. What is more, WACKER has signed the Luxembourg Declaration on Workplace Health Promotion in the EU. In doing so, we have undertaken to promote health and to encourage employees to improve their health.

We continue to pay particular attention to measures that help prevent coronavirus infections at the workplace. In this context, our priorities have been safeguarding employee health and ensuring supply continuity for our customers by keeping up production. Wherever feasible, employees worked from home.

At our German sites, we implemented the SARS-CoV-2 Occupational Safety and Health Regulation issued by the Federal Ministry of Labor and Social Affairs in the form of site-specific hazard assessments relating to protection against infection. In work areas that are vital for integrated production and where the prescribed distance could not be kept, employees complied with the requirement to wear a mask valid at a particular time.

The measures taken have proved successful. At workplaces where the provisions on protection against infection were observed, there were no transmissions reported. The number of Group employees infected by the coronavirus was low. We distributed coronavirus self-swabbing tests to employees at our German sites and informed them about the advantages of vaccination. At our German sites, company doctors performed coronavirus vaccinations in accordance with the statutory or official regulations. A vaccination center set up at the Burghausen site conducted 10,000 vaccinations.

Health protection focuses on avoiding adverse influences on employees at the workplace, for example due to hazardous substances. In health promotion, we focus on

- Avoiding back complaints and cardiovascular diseases in our workforce
- Boosting psychological resilience
- Facilitating age-appropriate work
- Providing suitable workplaces for employees with disabilities

When it comes to employee health protection, we take account of the digital transformation of work processes and the higher number of employees working remotely from home or elsewhere. Employees in Germany, for example, are invited to participate in virtual fitness classes for both relaxation and for strengthening their musculoskeletal system.

The key instruments of occupational health and safety include health screenings and health programs. Health Services advises employees on health concerns, in particular their ability to work and to start work again, and provides intensive, long-term assistance to employees with chronic illness, back problems or mental health issues.

We offer comprehensive preventive checkups to middle management and payscale employees over 45 years of age at our sites in Germany. In addition to organ exams, the focus is also on consultations with company doctors to review employees' general health as well as their working environment. Systematic evaluations of stress in the workplace – also from the perspective of occupational psychology – is a standard component of conversations with WACKER company doctors as well as of hazard assessments.

What is more, WACKER employees at the Burghausen, Nünchritz, Munich and Stetten sites can undergo health checks and medical checkups with Health Services and with external service providers under contract with WACKER. Employees receive paid leave for the duration of checkups plus the travel time involved.

The number of recognized occupational diseases at WACKER's sites in Germany is at a very low level. In the past, respiratory diseases and cancer were the most frequent causes of illness; there are some isolated cases where previous exposure to asbestos has caused occupational diseases.

We annually survey indicators of healthcare provision to log incidences of occupational disease at production sites across the Group. No cases of occupational disease were reported at WACKER Germany in the reporting period. The results of the global survey will be available in the second quarter of 2023.

Society

Social Responsibility

| GRI 2-28 | GRI 2-29 | GRI 203-1 | GRI 203-3.3 | GRI 203-2 | GRI 413-1 |

WACKER sees itself as a good corporate citizen – as part of the society in which we live and work. We practice social responsibility, especially in the regions where our sites are located.

Social Issues

Neighbors – corporate citizenship is based on good relations with local communities and neighbors. We are transparent about what happens behind our factory gates. All of our sites worldwide respond to inquiries from the public. Local residents voicing concerns receive prompt and clear answers. Local hotlines and central contact persons are available for such matters. We publish information about our sites in environmental reports and in other brochures.

At some of our sites, we offer local communities free services, such as the Household Hazardous Waste Day at Adrian, Michigan (USA), where neighbors can bring in household chemicals that are not allowed in trash cans.

WACKER supports the regions surrounding its sites by procuring about 90 percent of technical goods and services in the same country where the demand arises.

Donations and sponsorships – Our sponsorship activities focus on education and science. We have sponsored the Institute for Silicon Chemistry at the Technical University of Munich since 2006. In the reporting year, we donated US$ 1 million to the PIE Innovation Center, a training center in Cleveland, Tennessee (USA).

In Munich, WACKER has sponsored a children's and youth charity, The Ark, since 2006, and, in the reporting year, made its 16th regular donation of €100,000, taking the total donated (including special donations) to over €1.6 million. The Ark helps children and adolescents from socially disadvantaged families in the city's Moosach district.

The WACKER Relief Fund is dedicated to providing unbureaucratic, long-term aid, especially in the wake of natural disasters. The fund's board members and trustees work on a voluntary basis. So far, Wacker Chemie AG has matched all employee contributions to the fund. The relief fund uses its cent-donation program to finance ongoing operations at the schools it sponsors. Employees agree to round down their monthly paycheck to the next lower euro amount, and the company matches the cent amounts it collects, thereby doubling its contribution.

During the year under review, the WACKER Relief Fund donated €600,000 to the German Red Cross emergency fund for war victims in the Ukraine. Of this amount, employees donated €280,000, which the company then more than matched. WACKER had previously donated €100,000 directly to the Ukraine emergency fund.

In 2022, WACKER paid €372.1 million in current taxes to governments throughout the world (2021: €255.5 million). In addition to these corporate taxes, governments also receive the personal taxes and social-security contributions paid by our employees.

Schools and universities – WACKER wants to encourage children and young people to explore technology and the natural sciences. As a chemical company, we have a steady demand for outstanding scientists, now and in the future, which is why we support progressive teaching methods and modern approaches to school management. We are a founding member of the Bavarian Educational Pact, a foundation in which the state of Bavaria collaborates with industry to modernize Bavaria's education system. Angela Wörl, our Personnel Director, is a member of the foundation's board of directors. WACKER's CHEM2DO® experiment kit helps us provide free advanced training to science teachers in Germany and Austria on how to experiment in the classroom with silicones and cyclodextrins. Digital chemistry classes are enriched with animations and explanatory videos on curriculum topics such as interactions, hydrophobization, crosslinking and properties of plastics and silicones.

» www.chem2do.de

WACKER places great emphasis on fostering young scientific talent and maintaining close contacts with universities. Our researchers are invited to deliver presentations and lectures at universities. University groups visit our locations to gain insights into work at an industrial company. During the coronavirus pandemic, we increasingly used virtual formats for these activities. Students can write their bachelor's, master's or doctor's theses at WACKER, or work as interns or student employees.

Politics and NGOs

As set out in our Code of Conduct, we are committed to responsible actions and integrity – also in our dealings with political parties and NGOs.

We represent our political interests in a way that is consistent with the positions we have expressed publicly. In our work with political entities, we focus on concrete issues and are open to dialogue with any democratic parties. We regularly extend invitations to politicians for discussions and tours at our sites.

WACKER is involved in shaping energy, climate and industrial policies to ensure a solid financial and planning framework for transforming energy-intensive companies in the direction of a net zero carbon footprint by 2045.

Our ambitious climate change mitigation targets are compatible with the Paris Agreement. Validated by the Science Based Targets initiative (SBTi), they aim to limit the global rise in temperature to 1.5 °C.

» https://sciencebasedtargets.org

WACKER has joined the UN's Race To Zero initiative, thus making a voluntary commitment to meeting the "1.5 °C" target and undertaking to document its progress towards net zero by means of transparent reports.

» https://unfccc.int/climate-action/race-to-zero-campaign

As a globally active company, we support fair and free trade. As an industrial company with high gas and electricity consumption, we need globally competitive energy prices and a secure power supply.

We are involved in the Chemistry4Climate initiative of the German Chemical Industry Association. As a corporate sponsor of the KlimaWirtschaft foundation, we firmly acknowledge the importance of business's role in climate protection.

We work across sectors to find practical ways of putting corporate climate change mitigation into motion.

» https://www.vci.de/themen/energie-klima/chemistry4climate/chemistry4climate.jsp (German-language link only)

» https://www.klimawirtschaft.org/

Work in Associations

National and international associations serve as a platform for our expertise – in particular, Europe's Cefic (European Chemical Industry Council), Germany's VCI (Chemical Industry Association), the European solar association SolarPower Europe and the USA's ACC (American Chemistry Council). Our work with these entities examines issues ranging from plant, product and occupational safety, climate, energy, industrial and environmental policies, to sustainable finance. Our experts are active in trade associations such as Deutsche Bauchemie (German construction-chemicals association), where issues include sustainable construction.

Our Executive Board is represented in the leadership of the German Chemical Industry Association's Technical and Environment Committee, and we are active on the VCI's Sustainability Board and in its Chemie3 initiative.

WACKER CEO Christian Hartel has held the positions of president of the Bavarian Chemical Associations since 2019 and vice president of the Bavarian Industry Association vbw since 2020.

WACKER in Burghausen is a founding member of the ChemDelta Bavaria initiative, which champions improved regional infrastructure in that part of Bavaria. Key topics include double-track upgrades and electrification of local rail routes, as well as a sustainable, secure energy supply in ChemDelta Bavaria.

As a member of the SolarPower Europe association, WACKER is represented on its board of directors. We are committed to further expanding photovoltaics and to sustainable technologies and supply chains in this sector. The association particularly focuses on strengthening European photovoltaic manufacturing.

» https://www.solarpowereurope.org

Respect for Human Rights

We are committed to ensuring that our business activities do not violate, or have any adverse impact on, human rights. We are committed to the UN Global Compact's Ten Principles and thus to protecting human rights and avoiding complicity in human rights abuses. We condemn slavery and all other forms of forced or compulsory labor. We do not use physical violence, mental intimidation or any other form of abuse. In this respect, we follow the OECD Guidelines for Multinational Enterprises, the ILO Core Labor Standards, and the UN Guiding Principles on Business and Human Rights. In the reporting year, we reviewed the changes in German law, in particular the Supply Chain Act (LkSG), in order to update our standards and prepare for additional requirements. We implemented or enhanced the following steps:

- We continued to improve our risk management
- We anchored human rights due diligence in relevant business divisions; we designated or confirmed individuals in charge and refined and supplemented defined processes
- We appointed a human rights officer
- We refined risk analyses for suppliers and the WACKER Group; we defined prevention measures and remedy processes in a more binding manner

- We expanded our existing Supplier Code of Conduct and made it binding
- We adapted training programs for employees
- We prepared a Policy Statement
- We optimized our whistleblower system by tailoring it to internal needs and then introduced it as a digital hotline platform for internal and external contacts

Christian Hartel, our president and CEO, is also responsible for sustainability matters, including human rights. He signs our statement on the UK's Modern Slavery Act, as well as our UN Global Compact Progress Report, and in the future, will sign the yearly report to the relevant German authorities, as required by the Supply Chain Act (LkSG).

The human rights officer monitors risk management and is largely responsible for preparing and improving our human rights strategy, Policy Statement and reporting. Whenever a risk is detected, contact is immediately made with the officer, who then consults with affected departments and recommends corrective measures. The human rights officer reports directly to the president and CEO and presents a report on their activities once a year and as needed. The officer convenes the WACKER Human Rights Committee and nominates its members. This committee assists the officer in analyzing potential impacts on human rights at WACKER and throughout the supply chain. It is also responsible for checking existing management approaches in terms of mechanisms that fulfill a protective and monitoring function, as well as for identifying weak points and meeting the need for information. Experts in sustainable development, compliance, law, human resources, procurement, logistics, sales, and human rights meet in this committee at least four times a year. They review the results of audits and assessments and, where necessary, take action to make improvements. No direct violations of human rights became known during the reporting period.

With the Together for Sustainability (TfS) initiative, we commit our supply chain to human rights aspects and provide training through the TfS Academy.

» https://www.tfs-initiative.com/tfs-academy

EU Taxonomy Regulation

The European Union's Action Plan on Financing Sustainable Growth set out to establish a classification system for sustainable economic activities, formalized in the EU Taxonomy Regulation. This system is intended to help companies subject to the obligation to publish a non-financial report to identify environmentally sustainable activities and standardize their reporting. The taxonomy is intended to play a role in the transition to sustainable finance in that it strengthens the reliability and comparability of sustainability information. EU delegated acts governing fiduciary duties, and investment and insurance advice are designed to advance the European Green Deal's goal of achieving climate neutrality by 2050 by directing capital toward sustainable activities. In its Taxonomy Regulation, the EU has defined six environmental objectives which, in the EU's view, companies can use to determine which of their economic activities may be classified as sustainable. This section addresses the first two objectives that are obligatory for disclosure in the reporting year, namely climate change mitigation and climate change adaptation.

In the 2021 reporting year, we already made these additional disclosures as required by the EU Taxonomy Regulation in line with our obligation to prepare and publish a non-financial report as defined in Sections 289c and 315c of the German Commercial Code (HGB). In accordance with Article 8 (2) of the EU Taxonomy Regulation, we disclosed the proportion of sales (in the sense of turnover as per Regulation (EU) 2021/2178), capital expenditure and operating expenditure classified as environmentally sustainable.

The methodology for the classification of economic activities follows Annex I of Commission Delegated Regulation (EU) 2021/2139 and Commission Delegated Regulation (EU) 2022/1214 supplementing Regulation (EU) 2020/852, with the aid of the NACE codes cited.

The economic activities we have identified fall under the environmental objective "climate change mitigation." We have not identified any economic activities that fall under the environmental objective "climate change adaptation."

Because we identified only those eligible activities falling under the climate change mitigation objective, there is no duplication of eligible sales, CapEx and OpEx in other environmental objectives. In addition, because these KPIs relate to consolidated figures, there is also no duplication across various economic activities.

Economic activities identified as taxonomy-eligible included, in particular, those from the "Manufacture of plastics in primary form" category. This category covers economic activities performed by WACKER POLYMERS (finished products based on polyvinyl acetate), WACKER SILICONES (silicone-based products such as silicone sealants and pyrogenic silica as insulation material) and WACKER BIOSOLUTIONS (the sale of PVAC-based gum base for chewing gum). In addition, the company was able to assign wastewater treatment activities to the economic activity "Construction expansion and operation of wastewater collection and treatment systems," the hydroelectric power plant at Burghausen to the economic activity "Electricity generation from hydropower" and also, as of 2022, the Burghausen power plant to the economic activity "Highly efficient combined heat and power with gaseous fossil fuels."

On the basis of the activities identified as taxonomy-eligible, we assessed the taxonomy alignment of these activities, during the 2022 review period, using defined technical assessment criteria. In this context, a company must prove, firstly, that the relevant activity makes a substantial contribution to climate change mitigation. If this substantial contribution can be demonstrated, the activity must meet additional DNSH (Do No Significant Harm) criteria to ensure that the activity does no significant harm to any other environmental objectives. And finally, proof must be provided that defined social standards known as "minimum safeguards" are observed. These minimum social safeguards have to be verified and ensured for the individual activities in the areas of human rights, corruption, fair competition, and taxation.

Proportion of Taxonomy-Eligible Sales

We assessed the sales figures in the statement of income for each Group company to determine whether they were generated with taxonomy-eligible economic activities under Annex I (substantial contribution to climate change mitigation) and Annex II (substantial contribution to climate change adaptation) of Commission Delegated Regulation (EU) 2021/2139 and Commission Delegated Regulation (EU) 2022/1214, and allocated the relevant proportions of sales to the taxonomy-eligible economic activities.

The sales KPI (in the sense of turnover KPI as per Regulation (EU) 2021/2178) required by the EU Taxonomy Regulation is the proportion of sales from taxonomy-eligible economic activities to total sales in 2022. Our taxonomy-eligible sales under Annex I of Commission Delegated Regulation (EU) 2021/2139 and Commission Delegated Regulation (EU) 2022/1214 supplementing Taxonomy Regulation (EU) 2020/852 can be categorized in particular as the "Manufacture of plastics in primary form" at WACKER POLYMERS, WACKER SILICONES and WACKER BIOSOLUTIONS. A small proportion of sales is attributable to the area of wastewater treatment at the Burghausen site; this wastewater treatment can be allocated to the the economic activity of "Construction, expansion and operation of wastewater collection and treatment systems."

Currently, a large number of upstream products are not covered by the EU Taxonomy Regulation. Therefore, in this reporting period, too, the EU Taxonomy Regulation does not cover WACKER POLYSILICON, whose core product is hyperpure polysilicon – a fundamental building block for highly efficient solar cells and thus a raw material that plays a vital role in the energy transition.

Taxonomy-Eligible Investments

Taxonomy-eligible investments come from capital expenditure (CapEx) associated with an eligible economic activity or a credible plan for expanding or achieving an environmentally sustainable economic activity, or otherwise relating to the purchase of products and services from an eligible economic activity. To determine the CapEx KPI, we calculate the ratio of taxonomy-eligible investments to the sum of additions to property, plant and equipment and intangible assets during the fiscal year before depreciation, amortization and remeasurements, including additions from business combinations.

We identify taxonomy-eligible investments using project descriptions of the additions to property, plant and equipment and intangible assets. The majority of taxonomy-eligible investments at WACKER are attributable to WACKER POLYMERS and WACKER SILICONES. A small portion is attributable to our energy generation from hydropower at the Burghausen site and the wastewater treatment plants at the Burghausen and Nünchritz sites. In the reporting period, we were also able to classify investments in our combined heat and power plant in Burghausen as a taxonomy-eligible activity under Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-Eligible Operating Expenditure

Taxonomy-eligible operating expenditure comprises the cost of maintenance and repairs of property, plant and equipment (including building refurbishment measures), non-capitalized R&D costs, and short-term leases for taxonomy-eligible economic activities. We calculate the OpEx KPI as the ratio of taxonomy-eligible operating expenditure to total direct, non-capitalized costs, which comprise those related to R&D, building refurbishment measures, short-term leases, maintenance and repair, and direct expenditures related to the maintenance of property, plant and equipment to retain functionality. The majority of taxonomy-eligible operating expenditure comprises servicing and maintenance costs at WACKER POLYMERS and WACKER SILICONES, and R&D expenditures. Taxonomy-eligible operating expenditure from the other economic activities for servicing and maintenance is of a subordinate nature.

Taxonomy-Aligned Economic Activities

Our taxonomy-eligible economic activities under Annex I of Commission Delegated Regulation (EU) 2021/2139 and Commission Delegated Regulation (EU) 2022/1214 supplementing Taxonomy Regulation (EU) 2020/852 can be categorized in particular as the “Manufacture of plastics in primary form” at WACKER POLYMERS and WACKER SILICONES.

In this context, we were able to prove that the requirements for a substantial contribution to climate change mitigation are met as regards Criterion c) “manufactured... wholly or partially from renewable feedstock” for one part of the above-mentioned activity.

The corresponding DNSH (Do No Significant Harm) criteria in Appendix C of Annex I were also assessed for the activities identified as taxonomy-aligned, with the result that these criteria were met as well.

It should be noted that, especially when we interpreted the DNSH criteria in Appendix C, the entire production process of each activity was taken into consideration. In complying with the requirements of Appendix C, Point c), which references Regulation (EC) 1005/2009, we refer in particular to Art. 24 (1) and to the terms defined in this regulation. Chloromethane (methyl chloride), which is mentioned in Part B of Annex II, is used as a base material in the manufacture of silicone products. It is produced as an intermediate in a closed system, subsequently reacts in a further process and is no longer present in the finished product. Consequently, it cannot be released either. Within the meaning of Art. 24 (1), use of this substance as a base material is permissible and thus not subject to the ban. In general, the technical departments involved assess

all the substances using well-established processes as regards hazard potential and the regulatory requirements of Appendix C. In order to comply with the requirements of Appendix C, Point f) of Regulation (EC) 1907/2006, all the raw materials used throughout the entire production process are taken into consideration. The use and deployment of these materials is permitted under the applicable regulations and production processes are in place to ensure they are utilized safely. They react during the production process and are no longer present in the final product.

Within the meaning of Annex C, Point f) in connection with Regulation (EC) 1907/2006, the base materials used are essential to silicone production and cannot be replaced as there are no alternatives. Silicone products are essential because they make a key contribution to society. For instance, they are used in wind turbines, in energy supply networks, in electromobility and in various medical applications.

The minimum safeguard requirements for each activity have been complied with in the areas of human rights, corruption, fair competition, and taxation by means of existing and enhanced processes.

As far as the other activities identified as taxonomy-eligible are concerned – namely "Electricity generation from hydropower," "Construction, extension and operation of waste water collection and treatment" and "Highly efficient combined heat and power with gaseous fossil fuels" – alignment with the taxonomy does not yet have to be proven because the corresponding technical assessment criteria cannot yet be met.

Taxonomy-Aligned Proportion of Sales, Capital Expenditure and Operating Expenditure

The basis for calculation and disclosure of taxonomy-eligible proportions of sales, capital expenditure (CapEx) and operating expenditure (OpEx) in relation to the respective share in total Group sales or total Group capital expenditure or operating expenditure is applied analogously to taxonomy-aligned activities. That is, the individual taxonomy-aligned proportions of sales/CapEx/OpEx are compared with the respective proportion of sales, CapEx or OpEx for the entire Group.

The taxonomy-aligned proportion of sales to total sales of the Group is only 0.08 percent, whereas the proportion of sales from taxonomy-eligible activities is almost 66.4 percent.

There are various reasons for this:

- A proportion of taxonomy-eligible products is already based on renewable raw materials. As no fossil-based technology is being replaced, it is impossible to achieve alignment with the taxonomy.
- Renewable raw materials are not available in sufficient quantities and at competitive prices, making it currently impossible to substitute renewable for fossil-based raw materials.
- Given the large number of different products for a very wide variety of value chains, the large amount of time and effort needed to meet the technical assessment criteria can be provided only in stages.

The same applies to the taxonomy-aligned proportions of capital expenditures and operating expenditures as compared with the respective total figures calculated using a production volume key.

The taxonomy-aligned share of CapEx in total CapEx is 0.01 percent (mainly capital expenditure in plants), as compared with 32.9 percent for taxonomy-eligible CapEx.

At 0.01 percent, the taxonomy-aligned share of OpEx (including maintenance and servicing) in total OpEx is substantially lower than the taxonomy-eligible share of 53.5 percent.

A detailed comparison of these figures is presented in the tables below.

D.29 Sales

Economic activities	Code	Absolute sales* in € million	Proportion of sales %	Taxonomy-aligned proportion of sales, current year %	Taxonomy-aligned proportion of sales, prior year %	Category enabling activities	Category transitional activities
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Manufacture of plastics in primary form	3.17	6.8	0.08	0.08	–		Y
Total sales from environmentally sustainable activities (taxonomy-aligned)		6.8	0.08	0.08	–		
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)							
Manufacture of plastics in primary form	3.17	5,436.1	66.2				
Electricity generation from hydropower	4.5	–	–				
Highly efficient combined heat and power with gaseous fossil fuels	4.30	–	–				
Construction, extension and operation of waste water collection and treatment	5.3	5.8	0.1				
Total sales from taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)		5,441.9	66.3				
Total (A.1 + A.2)		5,448.7	66.4				
B. Non-taxonomy-eligible activities							
Sales from non-taxonomy-eligible activities	–	2,760.6	33.6				
Total (A + B)		**8,209.3**	**100**				

*Sales (in the sense of turnover as per Regulation (EU) 2021/2178)

		Criteria for a substantial contribution					
Economic activities	Code	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Bio-diversity and eco-systems %
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Manufacture of plastics in primary form	3.17	100	–	–	–	–	–
Total sales from environmentally sustainable activities (taxonomy-aligned)		100	–	–	–	–	–

Economic activities	Code	DNSH criteria (Do No Significant Harm) Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Bio-diversity and eco-systems Y/N	Minimum safeguards Y/N
A.1 Environmentally sustainable activities (taxonomy-aligned)								
Manufacture of plastics in primary form	3.17	Y	Y	Y	Y	Y	Y	Y
Total sales from environmentally sustainable activities (taxonomy-aligned)								

D.30 CapEx

Economic activities	Code	Absolute CapEx in € million	Proportion of CapEx %	Taxonomy-aligned CapEX proportion, current year %	Taxonomy-aligned CapEx proportion, prior year %	Category enabling activities	Category transitional activities
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Manufacture of plastics in primary form	3.17	0.05	0.01	0.01	–		Y
Total CapEx for environmentally sustainable activities (taxonomy-aligned)		0.05	0.01	0.01	–		
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)							
Manufacture of plastics in primary form	3.17	297.0	32.63				
Electricity generation from hydropower	4.5	1.0	0.11				
Highly efficient combined heat and power with gaseous fossil fuels	4.30	0.1	0.01				
Construction, extension and operation of waste water collection and treatment	5.3	0.9	0.10				
Total CapEx for taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)		299.0	32.8				
Total (A.1 + A.2)		299.1	32.9				
B. Non-taxonomy-eligible activities							
CapEx for non-taxonomy-eligible activities	–	611.2	67.1				
Total (A + B)		**910.3**	**100**				

		Criteria for a substantial contribution					
Economic activities	Code	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Bio-diversity and eco-systems %
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Manufacture of plastics in primary form	3.17	100	–	–	–	–	–
Total CapEx for environmentally sustainable activities (taxonomy-aligned)		100	–	–	–	–	–

		DNSH criteria (Do No Significant Harm)						
Economic activities	Code	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Bio-diversity and eco-systems Y/N	Minimum safeguards Y/N
A.1 Environmentally sustainable activities (taxonomy-aligned)								
Manufacture of plastics in primary form	3.17	Y	Y	Y	Y	Y	Y	Y
Total CapEx for environmentally sustainable activities (taxonomy-aligned)								

D.31 OpEx

Economic activities	Code	Absolute OpEx in € million	Proportion OpEx %	Taxonomy-aligned OpEx proportion, current year %	Taxonomy-aligned OpEx proportion, prior year %	Category enabling activities	Category transitional activities
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Manufacture of plastics in primary form	3.17	0.09	0.01	0.01	–		Y
Total OpEx for environmentally sustainable activities (taxonomy-aligned)		0.09	0.01	0.01	–		
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)							
Manufacture of plastics in primary form	3.17	364.4	52.3				
Electricity generation from hydropower	4.5	1.4	0.2				
Highly efficient combined heat and power with gaseous fossil fuels	4.30	1.6	0.2				
Construction, extension and operation of waste water collection and treatment	5.3	5.7	0.8				
Total OpEx for taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)		373.1	53.5				
Total (A.1 + A.2)		373.2	53.5				
B. Non-taxonomy-eligible activities							
OpEx for non-taxonomy-eligible activities	–	324.0	46.5				
Total (A + B)		697.2	100				

		Criteria for a substantial contribution					
Economic activities	Code	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Bio-diversity and eco-systems %
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Manufacture of plastics in primary form	3.17	100	–	–	–	–	–
Total OpEx for environmentally sustainable activities (taxonomy-aligned)		100	–	–	–	–	–

		DNSH criteria (Do No Significant Harm)						
Economic activities	Code	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Bio-diversity and eco-systems Y/N	Minimum safeguards Y/N
A.1 Environmentally sustainable activities (taxonomy-aligned)								
Manufacture of plastics in primary form	3.17	Y	Y	Y	Y	Y	Y	Y
Total OpEx for environmentally sustainable activities (taxonomy-aligned)								

Information on Wacker Chemie AG

In addition to the information on the WACKER Group provided in the combined non-financial report, the key indicators for Wacker Chemie AG are given below.

Wacker Chemie AG is the parent company of the WACKER Group and has its headquarters in Munich, Germany. It operates through four business divisions: WACKER SILICONES, WACKER POLYMERS, WACKER BIOSOLUTIONS and WACKER POLYSILICON. Wacker Chemie AG also has corporate departments, which provide services to the Group as a whole. The key performance indicators used in corporate management are implemented groupwide in the business divisions. Corporate goals are defined and reported for the divisions on a groupwide basis. Even though Wacker Chemie AG is an independent entity, no separate key performance indicators are defined or reported for it. That also applies to matters such as sustainability and non-financial performance indicators. For more information, please refer to the respective details provided for the WACKER Group as a whole.

D.32 Energy Consumption

GWh	2022	2021	2020
Electricity consumption	**3,974**	3,927	3,776
Of which			
From on-site generation (fossil)	**948**	1,062	988
From on-site generation (renewable)	**218**	232	248
Energy consumption[1]	**3,834**	4,098	3,785
Of which			
Natural gas[2, 3]	**3,809**	4,071	3,764
Solid fuels[4]	**–**	–	–
Heat supplied by third parties[5]	**25**	27	21

[1] Excluding energy from electricity provided by third parties, self-generated renewable energy and recovered energy
[2] Includes natural gas used for on-site fossil-fuel-based electricity generation
[3] For reporting years beginning in 2020, heat consumption is no longer itemized separately; most of it is contained in the figure for natural gas consumption.
[4] Coal, charcoal and wood; used as reducing agents at the silicon plant in Holla, Norway
[5] Steam and district heating

D.33 Greenhouse Gas Emissions

CO_2-equivalent emissions (kt CO_2e)[1]	2022	2021	2020
Total Scope 1 (direct emissions), of which:	**751**	**780**	**759**
CO_2 emissions (carbon dioxide)[2]	**705**	756	732
Of which fossil	**705**	756	732
Of which biogenic	**–**	–	–
CH_4 (methane)[3]	**0.3**	0.4	0.4
N_2O (nitrous oxide)	**9.8**	9.8	10.0
HFCs (hydrofluorocarbons)[4]	**36.0**	14.2	16.8
PFCs (perfluorocarbons)	**–**	–	–
NF_3 (nitrogen trifluoride)	**–**	–	–
SF_6 (sulfur hexafluoride)	**0.2**	–	–
Scope 2 (indirect emissions):			
Location-based (kt)[5]	**879**	911	1,022
Market-based (kt)[6]	**1,540**	**1,622**	**1,569**

[1] CO_2e = CO_2 equivalents, as defined in the Greenhouse Gas Protocol CO_2 emissions are measured on the basis of the Greenhouse Gas Protocol of the World Resources Institute and World Business Council for Sustainable Development, "A Corporate Accounting and Reporting Standard" (GHG Protocol).
Scope 1: direct CO_2 emissions
Scope 2: indirect emissions from the consumption of purchased energy (converted into CO_2 equivalents for purchased electricity, steam and heat).
[2] CO_2 emissions are split into fossil and biogenic sources in accordance with the GHG Protocol. Biogenic emissions arise from the combustion or decomposition of renewable raw materials.
[3] CH_4: methane emissions from fossil sources, without methane emissions from biogenic sources.
[4] The HFC category contains minor quantities of emissions from other partially halogenated HFCs which contribute to the greenhouse effect as well. The GWP factors of the individual substances were used as a basis for calculating the effects of hydrofluorocarbons. The factors range from 5.5 to 14,600 kg CO_2e/kg HFC.
[5] The electricity volumes supplied by the affiliated company Alzwerke GmbH are included in indirect CO_2 emissions in a climate-neutral manner due to the fact that they are not fed into the public electricity grid. Indirect CO_2 emissions also include methane and nitrous oxide emissions converted into CO_2 equivalents. Purchased electricity volumes are converted into CO_2 emissions using emission factors from "CO_2 Emissions from Fuel Combustion," 2021 and 2022 Editions, respectively, issued by the International Energy Agency (location-based).
[6] The electricity volumes supplied by the affiliated company Alzwerke GmbH are included in the indirect CO_2 emissions in a climate-neutral manner due to the fact that they are not fed into the public electricity grid. Purchased electricity volumes are converted into CO_2 emissions using the emission factors of the electricity suppliers (market-based). If the emission factors for the respective suppliers are not available, the residual-mix emission factors are used or the emission factors of the International Energy Agency.

D.34 Emissions of Air Pollutants

t	2022	2021	2020
NO_x (nitrogen oxides)	**315**	350	400
NMVOCs (non-methane volatile organic compounds)	**440**	540	490
CO (carbon monoxide)	**126**	107	90
Dust	**17**	23	27
SO_2 (sulfur dioxide)	**2**	3	2

D.35 Water Use and Emissions to Water

	2022	2021	2020
Water withdrawal (thousand m³)	**241,145**	239,815	230,740
Utilized by WACKER	**207,061**	204,211	196,623
Supplied to third parties	**34,084**	35,604	34,117
Cooling water volume (thousand m³)	**229,696**	228,081	208,536
Utilized by WACKER	**198,202**	195,202	176,935
Supplied to third parties	**31,494**	32,879	31,601
Wastewater volume (thousand m³)	**15,965**	16,098	15,115
WACKER	**10,771**	10,800	9,333
Third parties	**5,194**	5,298	5,782
COD (chemical oxygen demand) (t)	**794**	1,010	864
Heavy metals (t)	**1.4**	1.3	1.1
Total nitrogen (t)	**202**	206	168
Total phosphorus (t)	**6.4**	7.2	6.9

D.36 Waste

Waste by type, in metric tons (t)	2022	2021[1]	2020[2]
Total	**130,959**	124,575	200,160
Recycled	**116,476**	110,805	111,280
Hazardous	**58,800**	62,567	–
Non-hazardous	**57,676**	48,238	–
Disposed of	**14,483**	13,770	88,880
Hazardous	**9,507**	9,377	–
Non-hazardous	**4,976**	4,393	–
Hazardous	**68,307**	71,944	96,350
Non-hazardous	**62,652**	52,631	103,810

Recycled waste in the reporting year, in metric tons (t)	Onsite	Offsite	Total
Hazardous waste			
Preparation for reuse	–	–	**–**
Recycling	–	9,610	**9,610**
Other recovery processes	23,771	25,419	**49,190**
Total	23,771	35,029	**58,800**
Non-hazardous waste			
Preparation for reuse	–	–	**–**
Recycling	–	14,691	**14,691**
Other recovery processes	2,957	40,028	**42,985**
Total	2,957	54,719	**57,676**

Waste disposed of in the reporting year, in metric tons (t)	Onsite	Offsite	Total
Hazardous waste			
Incineration (with energy recovery)	733	392	**1,125**
Incineration (without energy recovery)	4,326	2,113	**6,439**
Landfill	1,389	330	**1,719**
Other waste-treatment processes	–	224	**224**
Total	6,448	3,059	**9,507**
Non-hazardous waste			
Incineration (with energy recovery)	35	91	**126**
Incineration (without energy recovery)	3,907	178	**4,085**
Landfill	580	184	**764**
Other waste-treatment processes	–	–	**–**
Total	4,522	453	**4,975**

[1] First-time reporting of waste treatment in accordance with GRI 306 in 2021
[2] The data for 2020 was not reported on the basis of GRI 306.

D.37 Environment- and Safety-Related Incidents

	2022	2021	2020
Number of environment- and safety-related incidents[1], Wacker Chemie AG	**19**	28	19
Environment- and safety-related incidents per 1 million hours worked[2], Wacker Chemie AG	**1.2**	1.8	1.2

[1] Pursuant to the criteria of the European Chemical Industry Council (Cefic Guidance for Reporting on the ICCA Globally Harmonized Process Safety Metric, latest version: June 2016)
[2] WACKER Process Safety Incident Rate (WPSIR)

D.38 Workplace Accidents Involving Permanent Staff and Temporary Workers

	2022	2021	2020
Accidents[1] per million hours worked	**4.0**	4.6	3.1
Reportable accidents[2] per million hours worked	**2.1**	2.8	2.1
Chemical accidents with missed workdays[1]	**8**	3	3
Fatal accidents	**–**	–	–

[1] Accidents leading to at least one workday missed
[2] Accidents leading to over three workdays missed

D.39 Number of Employees and Temporary Workers

	2022	2021	2020
Employees	**10,073**	9,724	9,823
Temporary workers	**122**	114	92

TCFD Index (Not Audited)

Topic	Recommended disclosure	Annual Report 2022 – section/note	Other publicly accessible information
Governance	Oversight of the Supervisory Board regarding climate-related risks and opportunities	– For Our Shareholders – Executive Board and Report of the Supervisory Board	– CDP questionnaire – Climate Change 2022, see sections C1.1a, C1.1b, C1.3a
Corporate management disclosure of climate-related risks and opportunities	Role of the Executive Board and senior executives in assessing and managing climate-related risks and opportunities	– Management Report – Goals and Strategies – Non-Financial Report – Management (Sustainability Strategy and Goals)	– CDP questionnaire – Climate Change 2022, see sections C1.2, C1.2a, C1.3a – CDP questionnaire – Water Security 2022, see section W6 – WACKER's SustainaBalance® fact sheet – WACKER's Climate Protection/ CO_2 Management fact sheet
Strategy	Short-, medium- and long-term climate-related risks and opportunities for the company	– Management Report – Goals and Strategies – Management Report – Risk Management Report – Non-Financial Report – Management (Sustainability Strategy and Goals) – Non-Financial Report – Organization (Risk and Compliance Management) – Non-Financial Report - Production	– CDP questionnaire – Climate Change 2022, see sections C2.1a, C2.2a, C2.3, C2.3a, C2.4, C2.4a – CDP questionnaire – Water Security 2022, see sections W4, W7 – WACKER's SustainaBalance® fact sheet – WACKER's Climate Protection/ CO_2 Management fact sheet
Disclosure of actual and potential effects of climate-related risks and opportunities on strategy, business operations and financial planning	Effects of climate-related risks and opportunities on strategy, business operations and financial planning	– Management Report – Goals and Strategies – Non-Financial Report – Management (Sustainability Strategy and Goals) – Non-Financial Report – Organization (Risk and Compliance Management) – Non-Financial Report - Production – Non-Financial Report – Products	– CDP questionnaire – Climate Change 2022,see sections C2.3a, C2.4a, C3.1, C3.2a/b, C3.3, C3.4 – WACKER Sustainable Solutions fact sheet
	Resilience of the company's strategy in the face of different climate scenarios (including a 2 °C increase or more ambitious scenarios)	– Management Report – Goals and Strategies – Management Report – Risk Management Report – Non-Financial Report – Management (Sustainability Strategy and Goals) – Non-Financial Report – Organization (Risk and Compliance Management)	– CDP questionnaire – Climate Change 2022, see section C3.1

Topic	Recommended disclosure	Annual Report 2022 – section/note	Other publicly accessible information
Risk management	Processes for identifying and assessing climate-related risks	– Management Report – Risk Management Report – Non-Financial Report – Organization (Risk and Compliance Management) – Non-Financial Report – Production	– CDP questionnaire – Climate Change 2022, see sections C2.1, C2.1a, C2.2, C2.2a – CDP questionnaire – Water Security 2022, see section W3.3a/b
Disclosure of processes for identifying, assessing and managing climate-related risks	Processes for managing climate-related risks	– Management Report – Risk Management Report – Non-Financial Report – Management (Sustainability Strategy and Goals) – Non-Financial Report – Organization (Risk and Compliance Management) – Non-Financial Report – Production	– CDP questionnaire – Climate Change 2022, see sections C2.2, C2.2a – CDP questionnaire – Water Security 2022, see section W3.3a/b
	How processes for identifying, assessing and managing climate-related risks are integrated into the general risk management process	– Management Report – Risk Management Report – Non-Financial Report – Management (Sustainability Strategy and Goals) – Non-Financial Report – Organization (Risk and Compliance Management) – Non-Financial Report – Production	– CDP questionnaire – Climate Change 2022, see section C2.2 – CDP questionnaire – Water Security 2022, see section W3.3a/b
KPIs and goals	KPIs for assessing climate-related risks and opportunities in accordance with the risk management strategy/ processes	– Non-Financial Report – Management (Sustainability Strategy and Goals) – Non-Financial Report – Organization (Risk and Compliance Management) – Non-Financial Report – Production – Non-Financial Report – Products	– CDP questionnaire – Climate Change 2022, see sections C2.1a, C2.1b, C2.3a, C2.4a – WACKER's Climate Protection/ CO_2 Management fact sheet – CDP questionnaire – Water Security 2022, see sections W4.1, W4.2, W4.3 – WACKER's Water Stewardship fact sheet – WACKER Sustainable Solutions fact sheet
Disclosure of KPIs and goals for assessing climate-related risks and opportunities	Scope-1, Scope-2 and Scope-3 greenhouse gas emissions and related risks	– Non-Financial Report – Management (Sustainability Strategy and Goals) – Non-Financial Report – Organization (Risk and Compliance Management) – Non-Financial Report – Production – Non-Financial Report – Products	– CDP questionnaire – Climate Change 2022, see sections C6, C7 – WACKER's Climate Protection/ CO_2 Management fact sheet – WACKER's Energy Management fact sheet
	Goals for managing climate-related risks and opportunities, including level of goal achievement	– Non-Financial Report – Management (Sustainability Strategy and Goals) – Non-Financial Report – Organization (Risk and Compliance Management) – Non-Financial Report – Production – Non-Financial Report – Products	– WACKER's SustainaBalance® fact sheet – CDP questionnaire – Climate Change 2022, see sections C4, C8 – WACKER's Climate Protection/ CO_2 Management fact sheet – CDP questionnaire – Water Security 2022, see section W.8 – WACKER's Water Stewardship fact sheet – WACKER Sustainable Solutions fact sheet

GRI Index

Wacker Chemie AG has reported on the information given in this GRI content index for the period January 1, 2022 to December 31, 2022, with reference to the GRI Standards. GRI 1: Foundation 2021 was used to compile this report. We use this content index to refer to GRI indicators that are mentioned in the various sections of this report.

We report on those measures we use to implement the principles of the UN Global Compact and to contribute toward the UN Sustainable Development Goals (SDGs). We use this content index to refer to topics of relevance to the Global Compact and the SDGs.

GRI 2: General Disclosures (2021)		References	Global Compact Principles	Sustainable Development Goals (SDG)
THE ORGANIZATION AND ITS REPORTING PRACTICES				
GRI 2-1	Organizational details	Information on the WACKER Group		
GRI 2-2	Entities included in the organization's sustainability reporting	Information on the WACKER Group		
GRI 2-3	Reporting period, frequency and contact point	Information on the WACKER Group		
GRI 2-4	Restatements of information	There were no retroactive restatements of information in the reporting year.		
GRI 2-5	External assurance	Information on the WACKER Group		
ACTIVITIES AND WORKERS				
GRI 2-6	Activities, value chain and other business relationships	Information on the WACKER Group; Sustainability along the Supply Chain; Research and Development; Sustainable Products		
GRI 2-7	Employees	Employment Structure; Compensation and Social Benefits; Diversity, Inclusion and Equal Opportunity		8.5, 10.3
GRI 2-8	Workers who are not employees	Employment Structure; Compensation and Social Benefits		8.5

GRI 2: General Disclosures (2021)		References	Global Compact Principles	Sustainable Development Goals (SDG)
GOVERNANCE				
GRI 2-9	Governance structure and composition	Management Structures		5.5, 16.7
GRI 2-10	Nomination and selection of the highest governance body	Annual Report 2022: Declaration on Corporate Management		5.5, 16.7
GRI 2-11	Chair of the highest governance body	Management Structures		16.6
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Management Structures; Risk and Compliance Management		16.7
GRI 2-13	Delegation of responsibility for managing impacts	Management; Management Structures; Personnel Responsibility; Risk and Compliance Management; Preventing Corruption and Bribery		
GRI 2-16	Communication of critical concerns	Risk and Compliance Management		
STRATEGY, POLICIES AND PRACTICIES				
GRI 2-22	Statement on sustainable development strategy	Information on the WACKER Group		
GRI 2-23	Policy commitments	Principles and Goals; Ethical Principles; Voluntary Commitments; Controlling Instruments; Product Assessment Based on Sustainability Criteria	7, 10	16.3
GRI 2-24	Embedding policy commitments	Conflict-Free Minerals		
GRI 2-25	Processes to remediate negative impacts	Controlling Instruments; Plant and Transport Safety; Product Assessment Based on Sustainability Criteria		
GRI 2-26	Mechanisms for seeking advice and raising concerns	Voluntary Commitments; Risk Report		16.3
GRI 2-27	Compliance with laws and regulations	Data Protection		
GRI 2-28	Membership associations	Social Responsibility		
STAKEHOLDER ENGAGEMENT				
GRI 2-29	Approach to stakeholder engagement	Information on the WACKER Group; Social Responsibility; Customer Management		
GRI 2-30	Collective bargaining agreements	Employee Representation	3	8.8

GRI 3: Material Topics (2021)		References GRI	Global Compact Principles	Sustainable Development Goals (SDG)
GRI 3-1	Process to determine material topics	Information on the WACKER Group		
GRI 3-2	List of material topics	Information on the WACKER Group		
GRI 3-3	Management of material topics	Integrated Management System		

GRI 200: Economic		References GRI	Global Compact Principles	Sustainable Development Goals (SDG)
GRI 201: ECONOMIC PERFORMANCE (2016)				
GRI 3-3	Management of material topics	Annual Report 2022: Business Model of the Group; Annual Report 2022: Risk Management Structures and Tools; Annual Report 2022: Strategy of the WACKER Group; Annual Report 2022: Value-Based Management Is Integral to Our Corporate Policies		
GRI 201-1	Direct economic value generated and distributed	Annual Report 2022: Statement of Income; Employee Structure; Compensation and Social Benefits; Personnel Development		8.1, 8.2, 9.1, 9.4, 9.5
GRI 201-3	Defined benefit plan obligations and other retirement plans	Annual Report 2022: Notes of the WACKER Group – Notes to the Statement of Financial Position		
GRI 203: INDIRECT ECONOMIC IMPACTS (2016)				
GRI 3-3	Management of material topics	Social Responsibility		
GRI 203-1	Infrastructure investments and services supported	Social Responsibility		5.4, 9.1, 9.4, 11.2
GRI 203-2	Significant indirect economic impacts	Social Responsibility		1.2, 1.4, 3.8, 8.2, 8.3, 8.5
GRI 205: ANTI-CORRUPTION (2016)				
GRI 3-3	Management of material topics	Preventing Corruption and Bribery		
GRI 205-1	Operations assessed for risks related to corruption	Preventing Corruption and Bribery	10	16.5
GRI 205-2	Communication and training about anti-corruption policies and procedures	Preventing Corruption and Bribery	10	16.5
GRI 205-3	Confirmed incidents of corruption and actions taken	Preventing Corruption and Bribery	10	16.5

GRI 300: Environmental		References GRI	Global Compact Principles	Sustainable Development Goals (SDG)
GRI 301: MATERIALS (2016)				
GRI 3-3	Management of material topics	Production/Environmental Protection; Integrated Production – Our Greatest Strength; Product Assessment Based on Sustainability Criteria		
GRI 301-2	Recycled input materials used	Integrated Production – Our Greatest Strength	8	8.4, 12.2, 12.5
GRI 302: ENERGY (2016)				
GRI 3-3	Management of material topics	Production/Environmental Protection; Energy; Product Assessment Based on Sustainability Criteria		
GRI 302-1	Energy consumption within the organization	Energy	7, 8	7.2, 7.3, 8.4, 12.2, 13.1
GRI 302-4	Reduction of energy consumption	Energy	8, 9	7.3, 8.4, 12.2, 13.1
GRI 303: WATER AND EFFLUENTS (2018)				
GRI 3-3	Management of material topics	Water; Product Assessment Based on Sustainability Criteria		
GRI 303-1	Management approach: Interactions with water as a shared resource	Water; Product Assessment Based on Sustainability Criteria		6.3, 6.4, 6.a, 6.b, 12.4
GRI 303-3	Water withdrawal	Water		6.4
GRI 303-4	Water discharge	Water		6.3

GRI 300: Environmental		References GRI	Global Compact Principles	Sustainable Development Goals (SDG)
GRI 304: BIODIVERSITY (2016)				
GRI 3-3	Management of material topics	Nature Conservation; Product Assessment Based on Sustainability Criteria	7	
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas	Nature Conservation		6.6, 14.2, 15.1, 15.5
GRI 304-2	Significant impacts of activities, products, and services on biodiversity	Nature Conservation		6.6, 14.2, 15.1, 15.5
GRI 304-3	Habitats protected or restored	Nature Conservation	8	6.6, 14.2, 15.1, 15.5
GRI 305: EMISSIONS (2016)				
GRI 3-3	Management of material topics	Production/Environmental Protection; Emissions; Product Assessment Based on Sustainability Criteria	8	
GRI 305-1	Direct (Scope 1) GHG emissions	Emissions	7, 8	3.9, 12.4, 13.1, 14.3, 15.2
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Emissions	7, 8	3.9, 12.4, 13.1, 14.3, 15.2
GRI 305-3	Other indirect (Scope 3) GHG emissions	Emissions	7, 8	3.9, 12.4, 13.1, 14.3, 15.2
GRI 305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	Emissions	7, 8	3.9, 12.4, 14.3, 15.2
GRI 306: WASTE (2020)				
GRI 3-3	Management of material topics	Production/Environmental Protection; Waste		
GRI 306-1	Management approach: Waste generation and significant waste-related impacts	Waste	8, 9	3.9, 6.3, 6.6, 11.6, 12.4, 12.5
GRI 306-2	Management approach: Management of significant waste-related impacts	Waste	8, 9	3.9, 6.3, 8.4, 11.6, 12.4, 12.5
GRI 306-3	Waste generated	Waste	8, 9	3.9, 6.6, 11.6, 12.4, 12.5, 15.1
GRI 306-4	Waste diverted from disposal	Waste	8, 9	3.9, 11.6, 12.4, 12.5
GRI 306-5	Waste directed to disposal	Waste	8, 9	11.6, 12.4, 12.5, 15.1, 3.9, 6.6
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT (2016)				
GRI 3-3	Management of material topics	Sustainability Along the Supply Chain		
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Processes and Tools; Supplier Assessment	7	

GRI 400: Social		References GRI	Global Compact Principles	Sustainable Development Goals (SDG)
GRI 401: EMPLOYMENT (2016)				
GRI 3-3	Management of material topics	Employment Structure; Compensation and Social Benefits		
GRI 401-1	New employee hires and employee turnover	Employment Structure; Compensation and Social Benefits	6	5.1, 8.5, 8.6, 10.3
GRI 402: LABOR/MANAGEMENT RELATIONS (2016)				
GRI 3-3	Management of material topics	Employment Structure; Compensation and Social Benefits		
GRI 402-1	Minimum notice periods regarding operational changes	Employment Structure; Compensation and Social Benefits	3	8.8
GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)				
GRI 3-3	Management of material topics	Workplace Safety		
GRI 403-1	Management approach: Occupational health and safety management system	Workplace Safety		8.8
GRI 403-2	Management approach: Hazard identification, risk assessment, and incident investigation	Plant and Transport Safety; Workplace Safety		8.8
GRI 403-3	Management approach: Occupational health services	Plant and Transport Safety; Health Management		8.8
GRI 403-4	Management approach: Worker participation, consultation, and communication on occupational health and safety	Plant and Transport Safety		8.8, 16.7
GRI 403-5	Management approach: Worker training on occupational health and safety	Plant and Transport Safety; Workplace Safety		8.8
GRI 403-6	Management approach: Promotion of worker health	Health Management		
GRI 403-7	Management approach: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Plant and Transport Safety; Workplace Safety		8.8
GRI 403-9	Work-related injuries	Workplace Safety		3.6, 3.9, 8.8, 16.1
GRI 404: TRAINING AND EDUCATION (2016)				
GRI 3-3	Management of material topics	Personnel Development		
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Personnel Development	6	5.1, 8.5, 10.3
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY (2016)				
GRI 3-3	Management of material topics	Diversity, Inclusion and Equal Opportunity		
GRI 405-1	Diversity of governance bodies and employees	Diversity, Inclusion and Equal Opportunity	6	5.1, 5.5, 8.5

GRI 400: Social		References GRI	Global Compact Principles	Sustainable Development Goals (SDG)
GRI 406: NON-DISCRIMINATION (2016)				
GRI 3-3	Management of material topics	Diversity, Inclusion and Equal Opportunity		
GRI 406-1	Incidents of discrimination and corrective actions taken	We do not keep a log of discrimination cases.	6	5.1, 8.8
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (2016)				
GRI 3-3	Management of material topics	Voluntary Commitments		
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Employee Representation; Processes and Tools; Supplier Assessment	3	8.8
GRI 413: LOCAL COMMUNITIES (2016)				
GRI 3-3	Management of material topics	Soil and Groundwater		
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Social Responsibility		
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	Soil and Groundwater	1	1.4, 2.3
GRI 414: SUPPLIER SOCIAL ASSESSMENT (2016)				
GRI 3-3	Management of material topics	Sustainability Along the Supply Chain		
GRI 414-2	Negative social impacts in the supply chain and actions taken	Processes and Tools; Supplier Assessment; Conflict-Free Minerals	1, 2	5.2, 8.8, 16.1
GRI 416: CUSTOMER HEALTH AND SAFETY (2016)				
GRI 3-3	Management of material topics	Product Safety		
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Product Safety		
GRI 417: MARKETING AND LABELING (2016)				
GRI 3-3	Management of material topics	Product Safety		
GRI 417-1	Requirements for product and service information and labeling	Product Safety		12.8
GRI 418: CUSTOMER PRIVACY (2016)				
GRI 3-3	Management of material topics	Data Protection		
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Protection		16.3, 16.10

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

To the Supervisory Board of Wacker Chemie AG, Munich

We have performed a limited assurance engagement on the combined separate non-financial report (further "combined separate non-financial report") of Wacker Chemie AG, Munich (further "Company" or "Wacker Chemie AG"), and the Group for the period from January 1 to December 31, 2022.

Not subject to our assurance engagement are the external sources of documentation, expert opinions, or information, that is not highlighted with a vertical line, mentioned in the combined separate non-financial report. Only the sections highlighted with a vertical line represent the assured content of the combined separate non-financial report.

Responsibilities of Management

Management of the parent company is responsible for the preparation of the combined separate non-financial report 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 Regulation" of the combined separate non-financial report.

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 separate non-financial report 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 Regulation" of the combined separate non-financial report. 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 assurance requirements in audit practice (IDW QS 1).

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the combined separate non-financial report 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 separate non-financial report, other than the external sources of documentation, expert opinions, or information that is not highlighted with a vertical line, mentioned in the combined separate non-financial report, 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 Regulation" of the combined separate non-financial report.

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 Wacker Chemie AG.
- A risk analysis, including media research, to identify relevant information on Wacker Chemie 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 separate non-financial report about the preparation process, about the internal control system related to this process, and about disclosures in the combined separate non-financial report.
- Inspection of selected internal and external documents.
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at Group level by all sites.
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample taken at the site in Burghausen in Germany.
- Assessment of the overall presentation of the disclosures.
- Inquiries of Group level personnel in order to understand the processes for identifying relevant economic activities according to the EU Taxonomy Regulation.
- Understanding the design and implementation of systems and processes for the identification, processing and monitoring of turnover, capital expenditure and operating expense disclosures for taxonomy-eligible 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 separate non-financial report

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 separate non-financial report of Wacker Chemie AG for the period from January 1 to December 31, 2022 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 Regulation" of the combined separate non-financial report.

We do not express an assurance opinion on the external sources of documentation, expert opinions, or information that is not highlighted with a vertical line mentioned in the combined separate non-financial report.

Restriction of Use

This assurance report is solely addressed to the Supervisory Board of Wacker Chemie AG, Munich.

Our assignment for the Supervisory Board of Wacker Chemie 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 2, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Prof. Dr. Grottel	**Vogl**
Wirtschaftsprüfer	**Wirtschaftsprüferin**
[German Public Auditor]	**[German Public Auditor]**

Further Information

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WACKER is significantly increasing its annual capital expenditures to accelerate the company's growth trajectory.

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Supervisory Board

Dr. Peter-Alexander Wacker[1, 2, 3]
Chair

Bad Wiessee
Former President & CEO of
Wacker Chemie AG, businessman

Chair of the Supervisory Board
Blue Elephant Energy AG

Chair of the Administrative Council and Board of Trustees
ifo Institute – Leibniz-Institut für Wirtschaftsforschung
an der Universität München e.V.

Manfred Köppl[*, 1, 2, 3]
Deputy Chair

Kirchdorf
Chair of the Employee Council, Burghausen Plant
Wacker Chemie AG

Peter Áldozó[*]
(until December 31, 2022)
Burghausen
Deputy Chair of the Group Employee Council
Wacker Chemie AG

Prof. Andreas Biagosch
Munich
Managing Director of Impacting I GmbH&Co. KG
and Impact GmbH

Member of the Board of Directors
Ashok Leyland, Chennai, India

Member of the Supervisory Board
Aixtron SE

Chair of the Advisory Council
ATHOS Service GmbH

Dr. Gregor Biebl
Munich
Director General
Bavarian State Chancellery

Matthias Biebl
Munich
Attorney in his own law firm

Markus Hautmann[*]
Schwandorf
District Chair of the IGBCE labor union for Altötting

Member of the Supervisory Board
Siltronic AG

Ingrid Heindl[*]
Reischach
Member of the Group and General Employee Councils
Wacker Chemie AG
Member of the Employee Council, Burghausen Plant
Wacker Chemie AG

Eduard-Harald Klein[*, 1]
(until December 31, 2022)
Neuötting
Chair of the Group and General Employee Councils
Wacker Chemie AG
(until September 27, 2022)

Franz-Josef Kortüm[1, 2, 3]
Munich
Former Chair of the Executive Board of Webasto SE

Chair of the Advisory Council
Brose Fahrzeugteile GmbH&Co. KG

Member of the Board of Directors
Autoliv Inc., USA

Barbara Kraller[*, 1]
Taching
Chair of the Group and General Employee Councils
Wacker Chemie AG
(since September 27, 2022)

Beate Rohrig[*]
Unterhaching
District Chair of the IGBCE labor union for Bavaria

Member of the Supervisory Board
Adidas AG

Andreas Schnagl[*]
(since January 1, 2023)
Ismaning
Chair of the Employee Council, Munich Headquarters
Wacker Chemie AG

Member of the Supervisory Board
Pensionskasse der Wacker Chemie VVaG

Dr. Birgit Schwab[*]
Burghausen
Head of Quality Management, WACKER BIOSOLUTIONS

Reinhard Spateneder[*]
(since January 1, 2023)
Simbach
Member of the Employee Council, Burghausen Plant
Wacker Chemie AG

[*] Employee representative; subject to the rules of the German Trade Union Confederation (DGB) and of the Association of Employed Academics and Executives in the Chemical Industry (VAA) concerning the transfer of supervisory board compensation.
[1] Mediation Committee (Chair: Dr. Peter-Alexander Wacker)
[2] Executive Committee (Chair: Dr. Peter-Alexander Wacker)
[3] Audit Committee (Chair: Prof. Anna Weber)

Executive Board

Ann-Sophie Wacker
Munich
Attorney and in-house lawyer/
investment manager of Athos KG

Member of the Board
RedDress Ltd., Israel
(since May 23, 2022)

Member of the Advisory Board
Temedica GmbH
(since July 18, 2022)

Prof. Anna Weber[3]
(since May 20, 2022)
Burghaun
Auditor/tax advisor
Professor for General Business Studies
Heilbronn University of Applied Sciences

Member of the Supervisory Board
Aixtron SE

Dr. Susanne Weiss
Munich
Attorney and a partner in the law firm
Weiss Walter Fischer-Zernin

Chair of the Supervisory Board
ROFA INDUSTRIAL AUTOMATION AG

Member of the Supervisory Board
Porr AG, Austria
Spielvereinigung Unterhaching Fußball GmbH&Co. KGaA
UBM Development AG, Austria

Prof. Ernst-Ludwig Winnacker
(until May 20, 2022)
Munich
Professor emeritus of Biochemistry
LMU Munich

Dr. Christian Hartel
President & CEO

WACKER POLYSILICON
WACKER BIOSOLUTIONS
Corporate Development
Corporate Communications
Corporate Auditing
Legal
Compliance
Retirement Benefits

Chair of the Supervisory Board
Pensionskasse der Wacker Chemie VVaG

Auguste Willems
WACKER SILICONES
Sales & Distribution
Site Management
Research and Development
Corporate Security
Environment, Health, Safety
Product Stewardship
Regions: Europe, Middle East

Dr. Tobias Ohler
Corporate Accounting and Tax
Corporate Controlling
Corporate Finance and Insurance
Investor Relations
Information Technology
Procurement & Logistics
Region: The Americas

Chair of the Supervisory Board
Siltronic AG

Member of the Supervisory Board
Pensionskasse der Wacker Chemie VVaG

Angela Wörl
WACKER POLYMERS
Human Resources (Personnel Director)
Executive Personnel
Intellectual Property
Corporate Engineering
Region: Asia

Member of the Supervisory Board
Pensionskasse der Wacker Chemie VVaG

* Employee representative; subject to the rules of the German Trade Union Confederation (DGB) and of the Association of Employed Academics and Executives in the Chemical Industry (VAA) concerning the transfer of supervisory board compensation.
[1] Mediation Committee (Chair: Dr. Peter-Alexander Wacker)
[2] Executive Committee (Chair: Dr. Peter-Alexander Wacker)
[3] Audit Committee (Chair: Prof. Anna Weber)

Declaration on Corporate Management

Corporate governance is an important part of a company's success and of responsible corporate management and supervision. Wacker Chemie AG attaches great importance to the rules of proper corporate governance. In this Declaration, the Executive Board provides details – also for the Supervisory Board – on corporate governance in accordance with Principle 23 of the German Corporate Governance Code, as amended April 28, 2022, and Sections 289f and 315d of the German Commercial Code (HGB).

Declaration of Conformity 2022 Issued by the Executive Board and Supervisory Board of Wacker Chemie AG

As every year, in 2022 the Executive Board and Supervisory Board conducted an in-depth review of the company's corporate governance and the recommendations of the Code. The Executive and Supervisory Boards resolved in December 2022 to issue the following Declaration of Conformity. It is available to the general public on the company's website and can be accessed – together with other declarations of conformity that are no longer current – for a period of at least five years.

1. General Declaration Pursuant to Section 161 of the German Stock Corporation Act (AktG)

Pursuant to Section 161 of the German Stock Corporation Act, in December 2021 the Executive Board and Supervisory Board of Wacker Chemie AG issued their most recent declaration of conformity with the German Corporate Governance Code (the "Code") as amended on December 16, 2019. This declaration was subsequently updated in May 2022. Since that time, Wacker Chemie AG has complied with the recommendations of the Code as amended on December 16, 2019, with the exceptions listed in the following, and will continue to comply with the recommendations of the Code as amended April 28, 2022, with the following exceptions.

2. Exceptions

a) Disclosure of the Implementation Status of the Skills and Expertise Profile in the Form of a Qualification Matrix (Recommendation C.1)

The Supervisory Board in its entirety meets the requirements of the agreed skills and expertise profile. The Supervisory Board collectively possesses the stature, skills, knowledge and experience to exercise effective oversight of the company and provide the Executive Board with qualified advice. The Supervisory Board proposes to the Annual Shareholders' Meeting candidates for positions on the Supervisory Board who, in its opinion, are suitable and have the requisite skills and expertise. Shareholders and interested parties can make their own judgment regarding the education, background and suitability of Supervisory Board members and candidates by viewing their CVs published on the company's website. In our view, the creation and publication of a qualification matrix do not serve to add any further information. Instead, such a matrix is merely a source of additional red tape and expense for the Supervisory Board and the company.

b) No Simultaneous Appointment of an Executive Board Member as Supervisory Board Chair of a Non-Group Listed Company (Recommendation C.5)

Our Executive Board member Dr. Tobias Ohler is chair of the Supervisory Board of Siltronic AG. Prior to its deconsolidation in March 2017, Siltronic AG was a subsidiary and a business division of Wacker Chemie AG, and Dr. Ohler had specific responsibility for it on the Executive Board. The workload resulting from that function was at least as high then as the workload associated with his activity as Supervisory Board chair is now. We therefore have no reason to assume that Dr. Ohler cannot dedicate sufficient time to either of his two offices. We also consider it appropriate for a representative of Siltronic AG's biggest shareholder to occupy the chair of that company's supervisory board.

c) More Than Half of Shareholder Representatives to Be Independent from the Company and Its Executive Board (Recommendation C.7)

As precautionary measure, we declare our departure from this recommendation. One aspect applied by the Code in assessing the independence of shareholder representatives is whether they or one of their close family members have been on the supervisory board for more than 12 years. Five of the eight shareholder representatives on the Supervisory Board fulfill this criterion of "excessively long" membership in the Supervisory Board of Wacker Chemie AG – with one shareholder representative fulfilling this criterion merely by attribution because, even though she herself only joined the Supervisory Board in 2018, she is a close family member of another person who has been on the Supervisory Board for more than 12 years. We consider it misguided to assume that being a member of a supervisory board for more than 12 years means a person lacks independence from the company and its executive board. In our opinion, long membership in a supervisory board does not necessarily cause a substantial – and not merely temporary – conflict of interest, which should indeed remain a key criterion for assessing independence, particularly not when such a long membership is merely "attributed" by way of a family relationship. We hold the opposite to be true, namely that

it is highly desirable for our Supervisory Board members to stay with us for a long time. When they do, they gain the indispensable in-depth understanding of the company and its business, competitive environment, opportunities and risks, which in turn fosters advisory and control activities aimed at sustainable, long-term objectives. None of the other indicators of a lack of independence from the company and its executive board apply to any of the shareholder representatives.

d) Independence of the Chair of the Supervisory Board and the Chair of the Executive Committee (Recommendation C.10)

The Chair of the Supervisory Board, who is simultaneously Chair of the Executive Committee, has been a member of the former for more than 12 years. For this reason we declare, as a precautionary measure, our departure from Recommendation C.10. Despite this long membership in the Supervisory Board, we see no indication of impending substantial – and not merely temporary – conflicts of interest. Rather, the Supervisory Board and the Executive Committee benefit from the many years of experience contributed by the person occupying their chairs.

e) Time Limit Placed on Applications for the Judicial Appointment of a Supervisory Board Member (Recommendation C.15)

Pursuant to this recommendation, applications for the appointment of a supervisory board member by the court should be limited in time up to the next annual shareholders' meeting. We do not comply with this recommendation. Proposals for candidates to be appointed by the court are in any case agreed with the majority shareholder beforehand. In view of the majority situation, the election of this same candidate at the next Annual Shareholders' Meeting would merely constitute a confirmation of his/her appointment, which we consider redundant.

f) Formation of a Nomination Committee within the Supervisory Board (Recommendation D.4)

A supervisory board is required to establish a nomination committee that is composed exclusively of shareholder representatives and whose task it is to name suitable candidates to the supervisory board for its proposals to the annual shareholders' meeting. We do not comply with this recommendation because, in view of our shareholder structure, we do not believe that the formation of such a committee is appropriate. Due to the majority situation, nominations to the Supervisory Board must in any case be agreed with the majority shareholder, so that an additional nomination committee would not serve to increase efficiency.

g) Specification of Performance Criteria Governing Variable Remuneration for the Forthcoming Fiscal Year (Recommendation G.7)

We believe it makes sense to determine variable compensation for the forthcoming fiscal year at the same Supervisory Board meeting that decides on variable compensation for the past fiscal year. That is the March meeting of the Supervisory Board. It is also the meeting at which the performance criteria governing variable compensation are specified. This procedure has proven its worth in the past, and we believe it is not efficient to deal with the decision on performance criteria and the decision on target and maximum variable compensation at two separate meetings. For this reason, we do not comply with the recommendation that the performance criteria for all variable compensation components should be specified for the forthcoming fiscal year.

Compensation Report / Compensation System

The website https://www.wacker.com/cms/de-de/about-wacker/investor-relations/corporate-governance/overview.html provides public access to the current compensation system for members of the Executive Board pursuant to Section 87a (1) and (2) sentence 1 of the German Stock Corporation Act, which was approved by the Annual Shareholders' Meeting on May 12, 2021, as well as to the compensation system for members of the Supervisory Board, which was approved by the Annual Shareholders' Meeting on May 20, 2022. The same website provides access to the compensation report for 2022 and the auditor's report pursuant to Section 162 of the German Stock Corporation Act.

Corporate Governance Reporting

Shareholders and Annual Shareholders' Meeting

Transparent Information for Shareholders and the Public

WACKER's aim is to inform all of the company's target groups – shareholders, shareholder representatives, analysts and the media – as well as the interested general public promptly and without preference. We regularly publish important company dates in a financial calendar in our Annual Report, Interim Report and interim statements as well as on our website. Our Investor Relations team maintains close contact with analysts and other capital-market players. We inform investors and analysts about the current and future development of business in telephone conferences held whenever a quarterly report is published. These conference calls are held in English, are open to the

public and can be streamed after the event on our website. We regularly attend conferences and roadshows, and actively maintain contact with institutional investors. With the support of the Investor Relations team, the Executive Board took part in a total of 13 conferences/roadshows in 2022. We also regularly organize a Capital Market Day and held one such event in London in 2022. Important presentations are freely available on the internet, where interested parties can also access press releases and ad-hoc disclosures in both German and English, the online version of our Annual Report, Interim Report and interim statements, the Sustainability Report, Wacker Chemie AG's Articles of Association and the Supervisory Board's Rules of Procedure. Further information is provided by our online customer magazine, media library and Podcast Center.

» www.wacker.com

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is an efficient forum for providing shareholders with comprehensive information on the company's situation. Even before the Annual Shareholders' Meeting begins, shareholders receive key information about the previous fiscal year in the Annual Report. The agenda items are described and the conditions of attendance explained in the invitation to the Annual Shareholders' Meeting. The notice of the Annual Shareholders' Meeting – together with all legally prescribed reports and documents, including the Annual Report (of which the consolidated financial statements, the combined management report and the non-financial report form part) – and the annual financial statements of WACKER Chemie AG are also available on our website. After the Annual Shareholders' Meeting, we publish the attendance figures and the results of the votes online. All these communication activities are part and parcel of the regular exchange of information with our shareholders. WACKER helps its shareholders exercise their voting rights by giving them the option of casting their vote either in person or by proxy. Proxies are available to exercise shareholders' voting rights as instructed and can also be contacted during the Annual Shareholders' Meeting.

Working Methods of the Executive and Supervisory Boards

Wacker Chemie AG has a dual management system as prescribed by the German Stock Corporation Act. It consists of the Executive Board, which manages the company, and the Supervisory Board, which monitors and advises the Executive Board in its management of the company. These two bodies are kept strictly separate from one another with regard both to their membership and to their spheres of competence. The Executive and Supervisory Boards collaborate closely, however, to ensure WACKER's sustainable long-term success. Their common goal is to ensure the company's sustainable growth and to enhance its value. The Executive Board reports to the Supervisory Board and the latter's Audit Committee regularly, promptly and comprehensively on all relevant issues of strategy (including the sustainability strategy), planning, business development, risk exposure, risk management and compliance. In the periods between meetings as well, the Supervisory Board chair maintains contact with the Executive Board, in particular with the president and CEO, consulting with that body on the above-mentioned issues. The Executive Board explains any deviations from approved business plans and objectives to the Supervisory Board and gives reasons for these deviations.

The Rules of Procedure for Wacker Chemie AG's Executive Board stipulate that certain measures require the consent of the Supervisory Board before their implementation. These include approving the annual budget (including financial and investment planning), acquiring and disposing of shares in companies, establishing new production/business units or suspending existing ones, and concluding sizable long-term loans.

Executive Board

The Executive Board bears direct responsibility for managing the company and represents Wacker Chemie AG in all dealings with third parties. Its actions and decisions are driven by the company's interest and the aim of achieving a lasting increase in the company's value. With this in mind, the Executive Board determines the WACKER Group's strategic direction, and steers and monitors this by allocating funds, resources and capacities, and by supporting and overseeing the operating units. It ensures compliance with the statutory requirements and puts in place an appropriate and effective internal control system and risk management system, both of which also take account of sustainability-related aspects.

While the members of the Executive Board bear joint responsibility for managing the company, each individual member is directly responsible for managing his/her respective Board department. All Executive Board decisions require a simple majority. In the case of a tie

of votes, the president and CEO has the deciding vote. However, he/she does not have the right to veto Executive Board resolutions.

Appointments to the Executive Board

The Executive Board currently consists of four members. Together with the Executive Board, the Supervisory Board ensures that a system of sustainable, long-term succession planning for the Executive Board is in place in order to guarantee competent leadership at all times and enable appropriate responses to sudden absences or departures. The Supervisory Board's Executive Committee, which is tasked with preparing the Supervisory Board's personnel decisions, regularly discusses the topic of long-term succession planning for the Executive Board and, in doing so, takes account of the company's executive planning in dialogue with the Executive Board members. The Committee also complies with the provisions of the German Stock Corporation Act and the Code, and with those aspects of the diversity strategy adopted by the Supervisory Board that are relevant to the Executive Board's composition. The Executive Committee prepares a requirements profile, taking account of the criteria mentioned, entrepreneurial needs and specific qualifications. On this basis, the Executive Committee discusses and names a number of potential successors for each Executive Board position. The Executive Board participates in identifying and appointing such candidates. To enable appropriate succession planning, the Supervisory Board and Executive Board also have recourse to the results of assessments made of the company's other management levels so that they can identify suitable persons on an ongoing basis. When a position is to be filled, the Executive Committee prepares a shortlist of available candidates as soon as possible, interviews them, and then submits a well-grounded proposal and a recommendation to the Supervisory Board for adoption. The key aspect here is always the company's interest, with the circumstances of each specific case also being factored in. Depending on the situation, personnel consultants participate in this work, helping to validate the individual views of Supervisory Board members and to achieve a complete picture of the pool of eligible candidates.

Diversity Strategy for the Executive Board

The Executive Board of Wacker Chemie AG must be composed in such a way that all its members have the knowledge, skills and experience required to manage a chemical company active in international markets. We are convinced that only a diverse group of individuals can do justice to this task. The decisive factor is achieving a balanced composition that reflects a cross-section of the duties involved.

Proceeding on this basis, the Supervisory Board takes the following main aspects of diversity into account when proposing new members for the Executive Board:

- High priority is accorded to different educational backgrounds and professional careers. The executive board of a chemical company must have members with scientific expertise and/or experience in the chemical industry. At the same time, knowledge and experience of accounting, financial management, corporate decision-making, planning and strategy are required, as is a profound understanding of the workings and requirements of the capital markets.
- What is more, in a global company like Wacker Chemie AG, different cultural backgrounds – or at least pronounced international and intercultural experience – are essential.
- A balanced age structure across the entire Executive Board is also important. The Supervisory Board's Rules of Procedure provide for a standard retirement age of 67, which must be taken into account when Executive Board members are appointed.
- We are convinced that mixed teams achieve better results – and that also means having women on the Executive Board. In this context, a whole range of measures has already been put in place across the company to raise the proportion of women in management positions. WACKER has had a woman on its Executive Board since May 2021, when it appointed Angela Wörl as Personnel Director.

The goal of the diversity strategy described above is to give the Executive Board an optimal composition so as to ensure the company is managed in both a successful and sustainable manner. A diverse composition guarantees that the Executive Board can assess all relevant issues with the appropriate expertise, view all material aspects from different standpoints and set the right priorities. The standard retirement age for Executive Board members ensures that the company can profit from the longstanding professional and life experience of individual members. At the same time, it enables younger managers to advance to the Executive Board and contribute new ideas and impetus.

The diversity strategy for the Executive Board is taken into account when Executive Board positions are filled.

The Executive Board's current composition is in line with the diversity strategy adopted by the Supervisory Board and complies with the applicable statutory requirement of Section 76 (3a) of the German Stock Corporation Act for publicly listed companies subject to co-determination, namely that an executive board with more than three members must include at least one woman and at least one man.

Supervisory Board

The Supervisory Board appoints, monitors and advises the Executive Board and is directly involved in any decisions of crucial importance to WACKER, including those relating to sustainability. Fundamental decisions on the company's development require Supervisory Board approval.

Composition of the Supervisory Board

The Supervisory Board comprises 16 members. In compliance with the German Co-Determination Act (MitbestG), it has an equal number of shareholder and employee representatives. Shareholder representatives are elected by the Annual Shareholders' Meeting and employee representatives by the employees, as stipulated by the German Co-Determination Act. As a rule, the term of office is roughly five years.

E.1 Length of Service of Supervisory Board Members

Name	Member of the Supervisory Board since
Wacker, Dr. Peter-Alexander (Chairman)	May 8, 2008
Köppl, Manfred (Deputy Chairman)	April 1, 2003
Áldozó, Peter**	July 22, 1998
Biagosch, Prof. Andreas	January 26, 2015
Biebl, Dr. Gregor	May 8, 2013
Biebl, Matthias	May 8, 2008
Hautmann, Markus	January 1, 2021
Heindl, Ingrid	May 9, 2018
Klein, Eduard-Harald**	April 1, 2003
Kortüm, Franz-Josef	April 5, 2001
Kraller, Barbara	April 24, 2017
Rohrig, Beate	July 18, 2019
Schnagl, Andreas	January 1, 2023
Schwab, Dr. Birgit	October 1, 2020
Spateneder, Reinhard	January 1, 2023
Wacker, Ann-Sophie	May 9, 2018
Weber, Prof. Anna	May 20, 2022
Weiss, Dr. Susanne	May 8, 2008
Winnacker, Prof. Ernst-Ludwig*	September 27, 2005

* until May 20, 2022
** until December 31, 2022

Committees Increase the Supervisory Board's Efficiency

The Supervisory Board has constituted three professionally qualified committees to help it perform its duties optimally. The committees regularly report on their work at Supervisory Board meetings.

The Executive Committee prepares the Supervisory Board's personnel decisions, especially the appointment and dismissal of Executive Board members and the nomination of the president and CEO. In addition, it negotiates contracts with Executive Board members and develops a compensation system that the full Supervisory Board then uses as a basis for determining the compensation for Executive Board members. In 2022, the Executive Committee comprised the Chair of the Supervisory Board, Dr. Peter-Alexander Wacker, and Supervisory Board members Manfred Köppl and Franz-Josef Kortüm.

The Audit Committee does the groundwork for the Supervisory Board's decision on the adoption of the annual financial statements and the approval of the consolidated financial statements. To this end, the committee is obligated to pre-audit the annual financial statements, the consolidated financial statements, the combined management report and the proposal on appropriation of profits. It is also tasked with pre-auditing the separate non-financial report (pursuant to Sections 289b and 315b of the German Commercial Code). In addition, it discusses and examines the half-yearly financial reports and the quarterly figures. The Audit Committee gives the Supervisory Board a well-grounded recommendation as to which auditors it should propose to the Annual Shareholders' Meeting. In accordance with the resolution of the Annual Shareholders' Meeting, it awards the auditing contract to the auditors and determines the focus of auditing. It then monitors the audit, in particular the auditors' independence and additional services they perform, and regularly reviews the quality of the auditing activities. It discusses and assesses with the auditors the audit risks, audit strategy, audit planning and audit results. The Chair of the Audit Committee regularly discusses the progress of the audit with the auditors and reports back to the Audit Committee. In addition, the Audit Committee meets with the auditors on a regular basis, sometimes without the Executive Board being present. Above and beyond that, the Audit Committee monitors the accounting process and the effectiveness of the internal control, risk management and auditing systems, as well as compliance-related issues. Franz-Josef Kortüm was Chair of the Audit Committee until May 20, 2022, when Prof. Anna Weber took over this position. Dr. Peter-Alexander Wacker and Manfred Köppl are the other Audit Committee members.

The members of the Audit Committee are, in their entirety, familiar with the industry in which the company operates. Under the German Stock Corporation Act, at least one supervisory board member must have expertise in the field of accounting and at least one other must have expertise in the field of auditing. In accordance with the Code, expertise in the field of accounting consists of special knowledge and experience in the application of accounting principles and in 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, with both fields also covering sustainability reporting and auditing. Under the Code, the chair of the audit committee must have appropriate expertise in at least one of these two areas and also be independent. Prof. Anna Weber, the Chair of the Audit Committee, has expertise in both these areas and is also independent; she thus fulfills these requirements. Dr. Peter-Alexander Wacker has special knowledge and experience in the field of accounting, thus meeting the requirement that at least one other member of the Supervisory Board have such expertise.

Prof. Anna Weber has many years' experience as a public auditor and tax advisor (including with a major auditing firm), holds a professorship in General Business Studies with special emphasis on financial accounting, and has served as a supervisory board member and chair of the audit committee of another capital market-oriented company. She therefore has comprehensive knowledge and experience in the application of accounting principles and in internal control and risk management systems as well as in the auditing of financial statements, including sustainability reporting and auditing.

Thanks to his many years of service both as the CEO of Wacker Chemie AG and as a member of the company's Audit Committee, Dr. Peter-Alexander Wacker has special knowledge and experience in the field of accounting and internal control and risk management systems. In addition, in his capacity as a member of the Audit Committee, he has for many years been involved in Wacker Chemie AG's sustainability reporting and auditing.

In addition, there is the Mediation Committee mandated by Section 27 (3) of the German Co-Determination Act (MitbestG). Its duties are to prepare proposals for the Supervisory Board concerning the appointment, and revocation of appointments, of Executive Board members in cases where they fail to achieve the required two-thirds majority of the votes of the Supervisory Board members in the first ballot. In 2022, the committee comprised Dr. Peter-Alexander Wacker (as chair), Manfred Köppl, Franz-Josef Kortüm and Eduard-Harald Klein. After Eduard-Harald Klein stepped down on December 31, 2022, Barbara Kraller was elected to the Mediation Committee effective January 1, 2023.

Targets for the Composition and Skills Profile of the Supervisory Board of Wacker Chemie AG

WACKER has always attached importance to having highly qualified individuals sit on its Supervisory Board. In line with Recommendation C.1 of the Code, WACKER's Supervisory Board adopted the following objectives for its composition (including a skills profile for the entire Supervisory Board), taking into account the recommendations of the Code:

The Supervisory Board shall be composed in such a way that all its members have the knowledge, skills and professional experience required to properly perform their duties.

(I) Targets for Composition

1. International Expertise

In view of the international nature of the company's business activities, the Supervisory Board must have an appropriate number of members – but at least one – with international experience.

2. Prevention and Handling of Conflicts of Interest

The Supervisory Board's Rules of Procedure already contain extensive provisions on members' conflicts of interest. In addition, the Supervisory Board actively strives to prevent conflicts of interest that are substantial and not merely of a temporary nature, and takes this goal into consideration when making recommendations to the Annual Shareholders' Meeting.

3. Age Limit for Supervisory Board Members

The Supervisory Board's Rules of Procedure provide for a standard retirement age of 80 for its members.

4. Diversity

As regards the diversity of its composition, the Supervisory Board strives to take account of different professional experience, expertise and educational backgrounds and, in particular, to ensure appropriate representation of women and men. In accordance with Section 96 (2) of the German Stock Corporation Act, at least 30 percent of the members of a supervisory board must be women and at least 30 percent men.

(II) Skills Profile

When filling the positions on our Supervisory Board, we strive to achieve a mix of young and old, industry insiders and those from other sectors, as well different professional backgrounds and diverse international experience. We expect all members to be willing and able to make the necessary commitment to their Supervisory Board duties. Beyond that, the Supervisory Board as a whole must have the skills, knowledge and experience that are important to the WACKER Group's business activities and that enable it to properly oversee the company and provide professional advice to the Executive Board. This includes the following:

- The Supervisory Board in its entirety should possess the necessary expertise in corporate management, accounting, financial controlling, risk management, corporate governance, compliance and sustainability issues of importance to the company (including energy consumption, greenhouse gas emissions, science-based targets, electrification/defossilization of production processes, climate neutrality, a sustainable product portfolio, environmental protection, water, biodiversity, human rights in the supply chain and safety).
- The Supervisory Board in its entirety must be familiar with the chemical industry (Section 100 (5) of the German Stock Corporation Act).
- At least one member of the Supervisory Board must have expertise in the field of accounting and at least one other in the field of auditing (Section 100 (5) of the German Stock Corporation Act).

The Supervisory Board takes into account the objectives it has set as well as its skills profile when making its nomination proposals to the Annual Shareholders' Meeting. The current composition of the Supervisory Board complies with the objectives set and with the skills profile.

Diversity Strategy for the Supervisory Board

The diversity that the Supervisory Board wishes to see in its own composition is reflected in the goals and the skills profile it adopted.

Accordingly, the diversity criteria of international and intercultural experience, a balanced age structure, and different professional experience, expertise and educational backgrounds are considered when positions on the Supervisory Board are filled. In addition, the Supervisory Board's Rules of Procedure provide for a standard retirement age of 80 for its members. In accordance with the statutory requirements, the Supervisory Board must also comprise at least 30 percent female members and 30 percent male members, and must have an equal number of shareholder and employee representatives.

The goal of the diversity strategy is to ensure that the Supervisory Board as a whole is able to effectively monitor and advise the Executive Board. A Supervisory Board whose members are diverse in line with above-mentioned criteria is better placed to assess topics from different standpoints, and to scrutinize in a constructive and comprehensive manner the Executive Board's management of the company, its decisions and its strategy. The retirement-age provision enables members to contribute

their longstanding professional and life experience for the good of the company. At the same time, it ensures that younger individuals can advance to the Supervisory Board at regular intervals.

The Supervisory Board takes the diversity strategy described above into account when making its nomination proposals to the Annual Shareholders' Meeting. In addition, as part of its regular self-assessments, the Supervisory Board evaluates its composition, including with regard to the diversity criterion.

The Supervisory Board fulfills the targets as regards its composition and complies with both the skills profile and the diversity strategy. There are currently seven women on the Supervisory Board, three as shareholder representatives and four as employee representatives; this surpasses statutory requirements.

For the reasons given in the Declaration of Conformity of December 2022, we do not comply with Recommendation C.1 sentence 4 of the Code regarding disclosure of the status of implementation of the skills and expertise profile in the form of a qualification matrix.

Independence

In view of the shareholder structure, the group of shareholder representatives considers that its four independent members constitute an adequate number of such members on the Supervisory Board. The Code as amended December 16, 2019, contains specific criteria for judging whether supervisory board members are independent. Accordingly, members who have been on a supervisory board for more than 12 years are not considered to be independent from the company and its executive board. Three shareholder representatives – Prof. Anna Weber, Prof. Andreas Biagosch and Dr. Gregor Biebl – meet this criterion of independence from the company and its Executive Board. We also consider Ann-Sophie WACKER to be independent from the company and its Executive Board. According to the definition given in the Code, it is presumed that she is not independent because a close family member of hers (Dr. Peter-Alexander Wacker) has been on the Supervisory Board for more than 12 years. However, after due consideration of all the circumstances, the Supervisory Board's shareholder representatives believe that this situation does not mean she lacks independence. It cannot be assumed that she will be influenced by her father in exercising her duties as a member of the Supervisory Board – especially given that Dr. Peter-Alexander Wacker's own lack of independence from the company and its Executive Board stems solely from his long membership of the Supervisory Board and he otherwise has no particular personal or business relations with the company or the Executive Board that could constitute a conflict of interest that is substantial and not merely of a temporary nature. Especially in regard to the criterion of length of service, we deem the general assumption that a lack of independence could rub off on a close relative to be misguided.

The following shareholder representatives are independent from the controlling shareholder: Prof. Anna Weber, Franz-Josef Kortüm, Prof. Andreas Biagosch and Dr. Gregor Biebl.

Dr. Susanne Weiss, Dr. Peter-Alexander Wacker and Matthias Biebl belong to the controlling shareholder's management team and, in accordance with Recommendation C.9 of the Code, are irrefutably not independent. The same applies to Ann-Sophie Wacker, whose lack of independence under the Code results solely from the fact that she is Dr. Peter-Alexander Wacker's daughter. In our opinion, the Code goes too far in this respect because it does not take into account the special circumstances of family businesses. In our specific case, the controlling shareholder is a family holding company whose sole purpose consists in holding the shares in Wacker Chemie AG. Thus, above and beyond holding the equity investment in Wacker Chemie AG, the controlling shareholder does not engage in any other entrepreneurial activities and thus has no further interest linking it to the company. In the case at hand, there is thus no danger of a typical conflict of interest arising under the laws governing corporate groups.

Self-Assessment of the Supervisory Board

Once a year, the Supervisory Board assesses how efficiently it has performed its duties, in both its plenary sessions and in its committees. At its December 2022 meeting, the Supervisory Board assessed the efficiency of its activities by means of a general discussion of the topic. The discussion and assessment were based on defined criteria, such as the frequency and length of (committee) meetings, preparation and conduct of the Supervisory

Board and committee meetings, the quality and promptness of the information provided to the Supervisory Board members, the composition of the Supervisory Board and its committees, the handling of conflicts of interest and other conflicts within the body, and the Supervisory Board's general ability to monitor the company's Executive Board and advise it appropriately. The self-assessment confirmed the professional and constructive nature of the collaboration within the Supervisory Board and its committees as well as with the Executive Board. The Supervisory Board members came to the conclusion that, in particular, the material provided in advance of the meetings was comprehensive, of high quality and very easy to understand, thus making for comprehensive and efficient meeting preparation and for candid discussions during the meetings. The Supervisory Board members also found the separate preparatory meetings of employee and shareholder representatives in advance of the meetings of the full Supervisory Board to be particularly expedient and conducive to candid discussions. They did not identify any need to make fundamental changes. Any suggestions made in the course of the year will be addressed and implemented accordingly.

Key Corporate Management Practices

Compliance as a Key Managerial Duty of the Executive Board

At WACKER, managerial and monitoring duties include ensuring that the company complies with its legal requirements and that employees also observe company regulations. WACKER's compliance management system is regularly reviewed and adapted. These tasks are the responsibility of the Compliance Management department. For a detailed description of compliance management, please refer to the Risk Management Report on page 96. The company has appointed and trained compliance officers in Germany, the USA, China, Japan, India, South Korea, Brazil, Mexico, Norway, Singapore, Russia, Turkey, Czechia, Hungary, Spain, the Netherlands and the United Arab Emirates. These officers hold regular training courses to inform employees of key legal provisions and internal regulations. They are also the contact persons for employees who have questions or need advice, information or training in compliance matters.

WACKER has a global whistleblower system that enables employees and third parties to inform the company of any breaches of compliance. If desired, reports can be made anonymously, while retaining the possibility of communicating with the whistleblower.

Principles of Corporate Ethics

- Beside our vision and goals, our ethical principles form the third pillar of WACKER's corporate policy guidelines. Embedded in five separate codes, these principles govern how the company's goals should be achieved. These codes are supplemented by a set of company regulations and directives.
- Code of Conduct: contains our principles for dealing with business partners and third parties. It also governs the handling of information, confidentiality and data security, the prevention of money laundering, and the separation of personal and business interests.
- Code of Innovation: specifies our principles concerning research and development, partnerships, patents and innovation management.
- Code of Teamwork&Leadership: outlines our understanding of teamwork and leadership. Key aspects here include trust and esteem, motivation and success, recognition and development, teamwork and equal opportunity, work-life balance and the positive example set by managerial employees.
- Code of Safety: defines our safety culture and sets safety guidelines for workplaces, facilities, products and transportation.
- Code of Sustainability: lists the sustainability principles that are central to R&D, procurement, logistics, production and products as well as our commitment to society.

» The codes are available at: https://www.wacker.com/cms/en-de/about-wacker/wacker-at-a-glance/corporate-strategy-and-policy-guidelines/ethical-principles.html.

Responsible Care® and the Global Compact – Integral Parts of Corporate Management

Two voluntary global initiatives form the basis for sustainable corporate management at WACKER: the chemical industry's Responsible Care® initiative and the UN's Global Compact. WACKER has been an active member of the Responsible Care® initiative since 1991. Program participants undertake to continually improve health, safety and environmental performance on a voluntary basis – even in the absence of statutory requirements. The same is true of the UN's Global Compact initiative. We observe the Global Compact's ten principles, which address social and environmental standards, anticorruption and the protection of human rights. We also expect our suppliers to respect the principles of the Global Compact, and we evaluate them on this point in our risk assessments.

Ambitious Sustainability Goals

In 2021, WACKER set itself new, ambitious goals to achieve climate neutrality by 2045. By 2030, WACKER plans to lower its absolute greenhouse gas emissions by 50 percent relative to 2020. The new goals to cut greenhouse gases are science-based because they are consistent with the goal of keeping the global rise in temperature below 1.5 degrees Celsius and therefore comply with the Paris Agreement. Since 2021, WACKER has also been a member of the UN's initiative to achieve climate neutrality – the Race To Zero. Under this initiative, WACKER has made a voluntary commitment to the 1.5 °C target and undertaken to issue transparent progress reports on its course toward climate neutrality by 2045.

WACKER's other sustainability goals for the period until 2030 are:

- All WACKER products to meet defined sustainability criteria (in accordance with WACKER Sustainable Solutions)
- 15-percent reduction in specific energy consumption
- 100 percent of WACKER's key suppliers to meet defined sustainability standards
- 25-percent reduction in absolute upstream greenhouse gas emissions
- 15-percent reduction in specific water withdrawal
- Annual number of chemical accidents with missed workdays and process-related accidents to be cut to zero

All these activities are being overseen by Corporate Sustainability, which forms part of Corporate Development and thus reports directly to the CEO.

Engagement with Society

Companies can be commercially successful only if they enjoy the public's trust. Consequently, WACKER is serious about its social responsibilities toward communities near its sites and wherever people are in need around the world. We regularly promote and support a wide variety of charitable projects, organizations and initiatives. Our commitment covers activities relating to science, education, sports and various charities.

Further Information on Corporate Governance at WACKER

Compliance with the Provisions of Art. 17 of MAR

We comply with the provisions of Art. 17 of MAR (EU Regulation No. 596/2014 – Market Abuse Regulation). For a number of years, we have maintained a unit for ad-hoc publicity coordination, where representatives of various specialist areas examine issues for their ad-hoc relevance. In this way, we guarantee that potential insider information is handled in accordance with the law. Employees who have access to insider information as part of their jobs are included in insider lists.

Share Dealings by the Executive and Supervisory Boards

Persons discharging managerial responsibilities – at Wacker Chemie AG, these are members of the Executive and Supervisory Boards – as well as persons closely associated with them are obligated under Art. 19 of MAR to notify the German Financial Supervisory Authority (BaFin) and the company within three business days of transactions conducted on their own account relating to the shares or debt instruments of that company or to derivatives or other financial instruments linked to them. A reporting obligation exists, however, only where the total volume of the transactions made by the person concerned reaches or exceeds €20,000 within a calendar year.

» www.wacker.com/cms/en-de/about-wacker/investor-relations/corporate-governance/directors-dealings.html.

Dealing Responsibly with Opportunities and Risks

Dealing responsibly with risks is an important part of good corporate governance. WACKER has in place an opportunity and risk management system to regularly identify and monitor material risks and opportunities. Its objective is to recognize risks at an early stage and minimize them through systematic risk management. The Executive Board informs the Supervisory Board regularly about existing risks and how they are developing. The Audit Committee regularly reviews the accounting process and the effectiveness of the internal control, risk management and auditing systems, while the full Supervisory Board is also regularly informed about the compliance management system and the Group's internal control systems. Both bodies are also involved in auditing the financial statements. The opportunity and risk management system is continuously being enhanced and adapted to meet changing conditions.

Accounting and Auditing

As stipulated by the Code, we have agreed with the auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, that the Chair of the Supervisory Board is to be informed without delay during the audit about any grounds for disqualification and/or bias. In addition, the auditors must immediately report all material findings and events that concern the Supervisory Board's duties. If, in the course of their audit activities, the auditors establish facts that reveal errors in the Executive and Supervisory Boards' Declaration of Conformity to the Code pursuant to Section 161 of the German Stock Corporation Act, the Supervisory Board is notified accordingly and/or a note included in the audit report.

D&O Insurance

WACKER has concluded a financial liability insurance policy (D&O insurance) that covers the activities of the Executive Board and Supervisory Board members. This insurance provides for a statutory deductible for the members of the Executive Board.

Supporting the Participation of Women in Executive Positions

Effective May 1, 2015, the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector ("First Executive Positions Act") calls for supervisory boards – such as that of Wacker Chemie AG – to be composed of at least 30 percent female members and at least 30 percent male members. A supervisory board as a whole must comply with this gender ratio unless the representatives of either the shareholders or the employees object thereto pursuant to Section 96 (2) sentence 3 of the German Stock Corporation Act. To date, neither the shareholder representatives nor the employee representatives on Wacker Chemie AG's Supervisory Board have objected to enforcement of the statutory gender ratio for the Supervisory Board as a whole. As a result, the Supervisory Board must comprise at least five women and at least five men.

Wacker Chemie AG exceeds the statutory requirements by having three women as shareholder representatives and four as employee representatives.

In accordance with Section 76 (3a) of the German Stock Corporation Act, the Executive Board of Wacker Chemie AG must, to the extent that it comprises more than three members, include at least one woman and one man.

Since Ms. Angela Wörl joined the four-member Executive Board of Wacker Chemie AG on May 12, 2021, the company has complied with the statutory requirement set out in Section 76 (3a) of the German Stock Corporation Act.

Section 76 (4) of the Act also requires Wacker Chemie AG's Executive Board to specify target values for the proportion of women in the two management levels below the Executive Board. The company exceeded its target values for the two management levels below the Executive Board (first management level: 21 percent; second management level: 20 percent) by the deadline set (December 31, 2022), with figures of almost 25 percent and around 23 percent, respectively. In November 2022, the Executive Board of Wacker Chemie AG set new targets of 25 percent for both management levels below the Executive Board, to be reached by December 31, 2026.

Multiyear Overview

€ million	2022	Change in %	2021	2020	2019	2018
Sales	**8,209.3**	32.2	6,207.5	4,692.2	4,927.6	4,978.8
Income before taxes	**1,616.2**	47.8	1,093.6	217.9	–591.2	324.4
Net income for the year	**1,281.6**	54.8	827.8	202.3	–629.6	260.1
EBITDA	**2,080.9**	35.3	1,538.5	666.3	783.4	930.0
EBIT	**1,678.8**	48.0	1,134.3	262.8	–536.3	389.6
Fixed assets	**4,186.3**	24.1	3,372.7	3,136.5	3,494.1	4,324.5
Intangible assets	**213.0**	>100	45.9	21.1	29.4	38.3
Property, plant and equipment	**2,717.9**	10.2	2,466.9	2,393.2	2,652.6	3,527.0
Right-of-use assets	**243.2**	75.2	138.8	110.8	119.8	–
Financial assets	**1,012.2**	40.4	721.1	611.4	692.3	759.2
Current assets, incl. deferred taxes + prepaid expenses	**5,215.1**	9.5	4,761.6	3,814.0	2,996.9	2,794.2
Liquidity[1]	**1,956.2**	–1.4	1,983.3	1,338.0	545.2	383.1
Equity	**5,030.7**	62.3	3,100.4	1,691.8	2,029.0	3,145.5
Subscribed capital	**260.8**	–	260.8	260.8	260.8	260.8
Capital reserves	**158.9**	1.0	157.4	157.4	157.4	157.4
Treasury shares	**–45.1**	–	–45.1	–45.1	–45.1	–45.1
Retained earnings, consolidated net income, other equity items	**4,489.2**	69.7	2,645.4	1,252.1	1,593.8	2,714.1
Non-controlling interests	**166.9**	>100	81.9	66.6	62.1	58.3
Borrowed capital	**4,370.7**	–13.2	5,033.9	5,258.7	4,462.0	3,973.2
Provisions	**1,021.0**	–51.0	2,082.9	3,016.0	2,525.0	2,051.1
Liabilities, incl. deferred taxes + deferred income	**3,349.7**	13.5	2,951.0	2,242.7	1,937.0	1,922.1
Net financial debt (–) Net financial receivables (+)	**409.2**	–25.1	546.5	–67.5	–713.7	–609.7
Total assets	**9,401.4**	15.6	8,134.3	6,950.5	6,491.0	7,118.7
Employees (average for the year)	**15,262**	6.3	14,352	14,401	14,751	14,301
Employees (Dec. 31)	**15,725**	9.2	14,406	14,283	14,658	14,542

[1] Securities, fixed-term deposits, cash and cash equivalents

€ million	2022	Change in %	2021	2020	2019	2018
Key profitability figures						
Return on sales (EBIT) = EBIT/sales (%)	**20.5**	12.0	18.3	5.6	–10.9	7.8
Return on sales (EBITDA) = EBITDA/sales (%)	**25.4**	2.4	24.8	14.2	15.9	18.7
Return on equity = net income for the year / equity (as of Dec. 31) (%)	**25.5**	–4.6	26.7	12.0	–31.0	8.3
ROCE - return on capital employed = EBIT / capital employed (%)	**34.7**	22.6	28.3	5.6	–11.3	5.9
Key statement-of-financial-position figures						
Investment intensity of fixed assets = fixed assets / total assets (%)	**44.5**	7.3	41.5	45.1	53.8	60.7
Equity ratio = equity / total assets (%)	**53.5**	40.4	38.1	24.3	31.3	44.2
Capital structure = equity / borrowed capital (%)	**115.1**	86.9	61.6	32.2	45.5	79.2
Cash flow and capital expenditures						
Cash flow from operating activities	**1,125.5**	5.7	1,064.4	873.7	605.0	509.6
Cash flow from long-term investing activities – before securities	**–686.7**	>100	–303.6	–176.0	–420.6	–423.4
Cash flow from financing activities	**–458.5**	>100	–153.9	117.1	–26.2	–240.5
Net cash flow = CF from operating activities + CF from investing activities – additions from finance leases	**438.8**	–42.3	760.8	697.7	184.4	86.2
Capital expenditures	**546.8**	59.0	343.8	224.4	379.5	460.9
Share and valuation						
Consolidated net income	**1,281.6**	54.8	827.8	202.3	–629.6	260.1
Earnings per share (€) = consolidated net income / number of shares	**25.18**	55.0	16.24	3.81	–12.94	4.95
Market capitalization (total number of shares without treasury shares)	**5,931.6**	–9.3	6,537.6	5,799.9	3,360.2	3,929.5
Number of shares	**49,677,983**	–	49,677,983	49,677,983	49,677,983	49,677,983
Price as of reporting date (Dec. 31)	**119.40**	–9.3	131.60	116.75	67.64	79.10
Dividend per share (€)	**12.00**	50.0	8.00	2.00	0.50	2.50
Dividend yield (%)	**8.6**	44.1	6.0	2.9	0.7	2.1
Capital employed	**4,526.6**	19.7	3,782.2	4,111.4	5,183.5	4,917.0

Chemical Glossary

Biotechnology
Biotech processes use living cells or enzymes to transform or produce substances. Depending on the application, a distinction is made between red, green and white biotechnology. Red biotechnology: medical and pharmaceutical applications. Green biotechnology: agricultural applications. White biotechnology: biotech-based products and industrial processes, e.g. in the chemical, textile and food industries.

Chlorosilanes
Compounds of silicon, chlorine and, in some cases, hydrogen. The semiconductor industry mainly uses trichlorosilane to make polysilicon and for the epitaxial deposition of silicon.

Combined Heat and Power Plant
Combined heat and power (CHP) plants generate both electricity and useful heat. This system can be much more efficient at using the input energy (e.g. fuel oil or natural gas) than are conventional systems with separate facilities. Because primary energy is conserved, CHP plants emit significantly less carbon dioxide than conventional power plants.

Cyclodextrins
Cyclodextrins belong to the family of cyclic oligosaccharides (i.e. ring-shaped sugar molecules). They are able to encapsulate foreign substances such as fragrances and to release active ingredients at a controlled rate. WACKER BIOSOLUTIONS produces and markets cyclodextrins.

Cysteine
Cysteine is a sulfur-containing amino acid. It belongs to the non-essential amino acids, as it can be formed in the body. It is used, for example, as an additive in foods and cough mixtures. Cysteine and its derivatives are a business field at WACKER BIOSOLUTIONS.

Dispersible Polymer Powders
Created by drying dispersions in spray or disc dryers. VINNAPAS® polymer powders are recommended as binders in the construction industry, e.g. for tile adhesives, self-leveling compounds and repair mortars. They improve adhesion, cohesion, flexibility and flexural strength, as well as water-retention and processing properties.

Dispersions
Binary system in which one solid component is finely dispersed in another. VINNAPAS® dispersions are vinyl-acetate-based copolymers and terpolymers in liquid form. They are mainly used as binders in the construction industry, e.g. for grouts, plasters and primers.

Elastomers
Polymers that exhibit almost perfectly elastic behavior, i.e. they deform when acted upon by an external force and return to their exact original shape when the force is removed. While the duration of the force has no effect on perfectly elastic behavior, the temperature does.

Emission
Substance outputs, noise, vibrations, light, heat or radiation emitted into the environment by an industrial plant.

Ethylene
A colorless, slightly sweet-smelling gas that, under normal conditions, is lighter than air. It is needed as a chemical starting product for a great many synthetic materials, including polyethylene and polystyrene. It is used to make products for the household, agricultural, automotive and construction sectors, among others.

Exterior Insulation and Finish Systems (EIFS) / External Thermal Insulation Composite Systems (ETICS)
Systems for thermally insulating buildings and thus for increasing energy efficiency. These systems have a multilayer structure: adhesive mortar, thermal insulating panels, embedding mortar, glass fiber mesh and finishing coat. VINNAPAS® polymer powders from WACKER POLYMERS ensure that the insulation material bonds firmly to the mortar and finish coat. As a result, the insulating system offers greater durability and much more resistance to weathering and wear.

Fermentation
In biotechnology, fermentation means the conversion of biological materials by means of bacterial, fungal and cell cultures, or by the addition of enzymes. For example, products such as insulin, many different antibiotics and amino acids (e.g. cysteine) can be synthesized on an industrial scale in bioreactors using microorganisms.

Immission
Substance inputs, noise, vibrations, light, heat or radiation that affect humans, animals, plants, soil, water, air, and cultural and other material assets.

Net Production
Net production is calculated by subtracting the internal reuse of products from the gross production of a plant or site. Gross production corresponds to the total production (target products and byproducts) of a plant or site.

Polymer
A polymer is a large molecule made up of smaller molecular units (monomers). It contains between 10,000 and 100,000 monomers. Polymers can be long or ball-shaped.

Polymer Blends
The result of mixing different polymers is known as a polymer blend (polymer alloy). If these polymer blends are composed of biopolymers (biodegradable and/or renewable raw materials), the VINNEX® binder system may enhance compatibility and hence their properties.

Polysilicon
Hyperpure polycrystalline silicon from WACKER POLYSILICON is used for manufacturing wafers for the electronics and solar industries. To produce it, metallurgical-grade silicon is converted into liquid trichlorosilane, highly distilled and deposited in hyperpure form at 1,000 °C.

Primary Energy
Primary energy is obtained from naturally occurring sources such as coal, gas, oil or wind. Secondary energy, in contrast, is derived from primary energy via a transformation process (which often involves energy losses); examples include electricity, heat and hydrogen.

Silanes
Silanes are used as monomers for the synthesis of siloxanes or sold directly as reagents or raw materials. Typical applications include surface treatment, agents (medically active substances) in pharmaceutical synthesis, and coupling agents for coatings.

Silica
Collective term for compounds with the general formula $SiO_2 \bullet nH_2O$. Synthetic silicas are obtained from sand. On the basis of the method of production, a distinction is made between precipitated silicas and pyrogenic silicas (such as HDK®).

Silica, Pyrogenic
White, synthetic, amorphous silicon dioxide (SiO_2) in powder form, made by flame hydrolysis of silicon compounds. Variously used as an additive for silicone rubber grades, sealants, surface coatings, pharmaceuticals and cosmetics.

Silicon
After oxygen, silicon is the most common element in the Earth's crust. In nature, it occurs without exception in the form of compounds, chiefly silicon dioxide and silicates. Silicon is obtained through energy-intensive reaction of quartz sand with carbon and is the most important raw material in the electronics industry.

Silicones
General term used to describe compounds of organic molecules and silicon. According to their areas of application, silicones can be classified as fluids, resins or rubber grades. Silicones are characterized by a myriad of outstanding properties. Typical areas of application include construction, the electrical and electronics industries, shipping and transportation, textiles and paper coatings.

Siloxanes
Systematic name given to compounds comprising silicon atoms linked together via oxygen atoms and with the remaining valences occupied by hydrogen or organic groups. Siloxanes are the building blocks for the polymers (polysiloxane and polyorganosiloxane) that form silicones.

VINNAPAS®
VINNAPAS® is WACKER's brand name for dispersions, dispersible polymer powders, solid resins and their associated product solutions. VINNAPAS® dispersions and polymer powders are primarily used in the construction industry as polymeric binders, e.g. in tile adhesives, exterior insulation and finish systems (EIFS) / external thermal insulation composite systems (ETICS), self-leveling compounds, and plasters.

Volatile Organic Compounds (VOCs)
Volatile organic compounds (VOCs) are gaseous and vaporous substances of organic origin that are present in the air. They include hydrocarbons, alcohols, aldehydes and organic acids. Solvents, liquid fuels and synthetic substances can be VOCs, as can organic compounds originating from biological processes. High VOC concentrations can be irritating to the eyes, nose and throat and may cause headaches, dizziness and tiredness.

WACKER Operating System (WOS)
The WACKER Operating System (WOS) program pools, promotes and processes corporate projects for systematic process improvement. It is the basis for a groupwide improvement initiative by WACKER.

Financial Glossary

Business Value Contribution (BVC)

BVC is a financial performance measurement that determines the value created by the WACKER Group and its units once all capital costs have been deducted. BVC is the difference between profit (EBIT) and cost of capital (WACC x CE). BVC is a profit variable that is adjusted to allow for extraordinary effects (e.g. sale of parts of the company). This makes it an ideal tool for measuring business performance.

Capital Employed (CE)

Capital employed is the sum of average noncurrent assets (less noncurrent securities and deferred tax assets), plus inventories and trade receivables (less trade payables). It is the variable used in calculating the cost of capital.

EBIT

Earnings before interest and taxes: EBIT is a good indicator for comparing companies' profitability, since it is widely used across the corporate world.

EBITDA

Earnings before interest, taxes, depreciation and amortization.

Equity Ratio

The equity ratio is equity as a percentage of a company's total assets. It is a measure of a company's economic and financial stability.

IFRS

The International Financial Reporting Standards (until 2001 International Accounting Standards, IAS) are compiled and published by the London-based International Accounting Standards Board (IASB). Since 2005, publicly listed EU-based companies have been required to use IFRS in accordance with IAS regulations.

Net Cash Flow

Net cash flow is defined as the sum of cash flow from operating activities and cash flow from long-term investing activities (excluding securities).

Return on Capital Employed (ROCE)

Return on capital employed is the profitability ratio relating to the capital employed. ROCE is defined as earnings before interest and taxes (EBIT) divided by capital employed. Investment income from Siltronic AG and the corresponding carrying amount in equity are not included when ROCE is calculated. ROCE is a clear indicator of how profitably the capital required for business operations is being employed. It is influenced not only by profitability, but also by capital intensity with regard to noncurrent assets required for business operations and to working capital. ROCE is reviewed annually as part of our planning process and is a key criterion for managing our capital expenditure budget.

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