SMA SOLAR TECHNOLOGY AG

Speech by Dr.-Ing. Jürgen Reinert

Chief Executive Officer

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Check against delivery.

Dear Shareholders and SMA Employees, Welcome to the Annual General Meeting of SMA Solar Technology AG.

I would also like to take this opportunity to thank Ulrich Hadding once again for the good and trusting cooperation. Since joining SMA in 2009, he has achieved a great deal and has supported our development into a sustainable energy transition company with his commitment and expertise. In all major decisions, we have always been able to find a solution together that was in the best interests of the company. I appreciate that very much. Dear Ulrich, I wish you all the best, good luck and success in your new professional goals.

Ladies and Gentlemen,

We are all experiencing the often cited "turning point" these days and are deeply shocked by the Russian government's cruel war of aggression against Ukraine. We are witnessing a humanitarian tragedy in a Europe that had lived in peace, democracy and freedom for decades. We now receive daily news about the suffering of people in a war that hardly anyone in Europe would have thought possible. Our employees in Poland are directly affected. Large numbers of people from Ukraine are seeking refuge there, and we are supporting them as best we can, with relief supplies, financial resources and technical equipment. I know that many SMA employees are also involved in their personal lives, and I would like to thank all employees for their great willingness to help. No one knows how long this devastating war will last. Only one thing is certain: it has already changed the world dramatically.

These multiple crises we are facing present the global community with unprecedented challenges. People are directly affected by high inflation, rising energy and food prices. Added to this are concerns about the insecurity of gas and oil supplies. The coronavirus pandemic has caused enormous upheavals. The drastic global shortage of electronic components and the disruption of supply chains are hitting the industry hard. All of this puts the focus on the largest challenge of the coming decades: mitigating climate change and its dramatic consequences. The Intergovernmental Panel on Climate Change recently issued another alarming report. Its key conclusion was that we will exceed the critical global warming threshold of 2°C during the 21st century if we do not take drastic action quickly now.
So, what is the solution? To do everything in our power. There is no alternative to action. Anyone who has so far refused to recognize the fatal effects of climate change must now admit that dependence on fossil fuels no longer has a future.
But because the consequences are becoming more and more tangible, there is also a growing awareness of the urgency of change. That makes me very confident. Australia's new Prime Minister Anthony Albanese has announced a change of course by his government in favor of renewable energies. The German political party FDP calls renewables "freedom energies." Expansion targets are being increased and laws are being adapted. Never have decisions of such magnitude

been made at such a speed as is being seen these days. Never has there been such a broad consensus on the expansion of renewable energies. In society. In politics. In industry.

German Chancellor Olaf Scholz, who was a guest at the company's 40th anniversary celebration last year, summed it up in a nutshell: the future belongs to renewable energies. However, politics can make the right decisions and the energy transition will advance only if the perspective and innovations from industry are sufficiently considered. With the SMA Strategy 2025, we have focused on making an attractive offer for **each** of the very different customer groups in the Home, Commercial & Industrial and Large Scale segments. In this way, we are making a decisive contribution to the energy transition. Without technical innovations, systems expertise and experience with highly complex applications, the transformation of the energy supply to renewable energies will not succeed. This is an enormous opportunity. For the entire industry. But especially for SMA.

I will come to the market development and our positioning soon. First, let's look back at the 2021 fiscal year.

2021 review

2021 was a difficult year for SMA in several respects.

> **Sales** of €983.7 million were down by around 4% compared with the previous year. The consequences of the coronavirus pandemic as well as the chip shortage were clearly felt in the SMA Business Solutions segment in particular. By contrast, sales in the Home Solutions and Large Scale & Project Solutions segments remained at the previous year's level despite the challenges.

> Earnings before interest, taxes, depreciation and amortization (**EBITDA**) fell from €71.5 million to €8.7 million in the 2021 fiscal year.

> **Net income** was –€23.0 million – a bitter loss after a positive net income of €28.1 million in 2020.

The decline in sales is primarily attributable to the increasingly tight supply situation for electronic chips in the second half of the year. To give you an idea of the scale of the problem: without the chip shortage, we would have been able to generate around 30% more sales. As a European manufacturer, we were and are particularly affected here, as the suppliers of the processors are largely based in the U.S. and have their production facilities in China. Accordingly, the customers in these regions are given preferential treatment when it comes to supply. As a result, competitors who have their production facilities in China are also gaining market share in Europe. Nevertheless, we were able to maintain our sales in the EMEA region at a stable level last year.

Overall, I believe we have dealt with the tight supply situation in the best possible way and will continue to do so. I experience a very intensive partnership here with all parties involved, especially with our customers. This is not always a given and testifies to our relationship of mutual trust. It is also thanks to the outstanding work of the team that we did not have to make use of short-time work, despite the tense situation. My thanks here go to everyone who is fighting every day to make the best of the challenging situation. And, in particular, to our customers, who are of course directly and tangibly affected by the impact of the chip shortage.

The one-time item that impacted our earnings weighed very heavily indeed. It resulted from an onerous contract in the area of operational management and maintenance services for PV systems.
The reason for the early termination of the contract was defects in part of the PV farms to be maintained by SMA in the portfolio of a North American customer. Due to the high number of smaller systems, these defects only became apparent after the contract had been concluded. The inspection of the large number of systems in all parts of the country was made even more difficult by the coronavirus-related travel restrictions. In the long run, it would only have been possible through unjustifiable expenses for SMA to fulfil its contractual obligations regarding the performance of the PV power plants. Accordingly, after thorough consideration, we decided to seek extraordinary termination of the existing contract in order to avert greater damage to SMA. The exit conditions for both sides have now been set out in a settlement agreement and several portfolio termination agreements. The agreement allows SMA to terminate almost all related O&M activities by the end of 2022. The necessary provisions have already been made. We therefore assume that the negative financial impact of this agreement will essentially only affect 2021.

The task now is to carry out a complete analysis and clarification and to adopt effective measures. We will rule out the possibility of such an incident happening again by all means necessary. On behalf of the Managing Board, I would like to apologize to you and the employees of SMA for this serious incident. And I assure you that all necessary steps for a relentless reappraisal have been taken as part of the ongoing audit process.

Despite all the challenges, we succeeded in strengthening our position in important future fields last year and thus further advanced our strategic alignment as an energy transition company. In close collaboration with our joint venture elexon, our subsidiary coneva supplied customers including the parcel delivery company DHL with an innovative solution for optimized, automatically controlled charging of electric vehicles. Just over two years after its foundation, elexon has already achieved sales of €10 million and a positive result. In the area of storage, we were commissioned to supply the world's largest grid-forming storage power plant in Torrens Island, Australia. SMA has a leading position in the key

Australian market with a market share of over 60% in the utility-scale business. The energy supplier RWE, with whom we have been working successfully for years, is relying on technology from SMA for the construction of one of the largest and most innovative storage power plants in Germany. And in the business field of green hydrogen generation, projects with SMA system technology for the processing of direct current for electrolysis have gone into operation in the U.S., Europe, Asia and Australia.

As you can see, we are active in all segments and are driving forward projects that are highly relevant to the energy transition. We are looking ahead. And doing so with confidence.

Market development

In the coming years, we are anticipating significant market growth both for our core business of photovoltaics and for battery-storage systems, energy management, e-mobility and hydrogen production as future fields. Here you can see a conservative and a progressive scenario for the potential growth rates. The actual figure will lie somewhere in between. According to our analysis of the past months, it will likely be in the upper half between both scenarios. SMA will benefit greatly from this growth after overcoming the component shortage, because we have positioned ourselves very well strategically in all key growth areas.

The market for PV inverters will see stable growth over the next few years. PV inverters will continue to serve as the backbone for smart grid solutions, connecting components and collecting valuable data. The market for battery solutions and charging solutions for electric vehicles will also grow strongly. The increasing demand in the area of e-mobility is also acting as a booster for the PV business here, as people prefer to charge their electric cars with self-generated solar energy. Digital energy solutions are gaining in importance for both private households and companies. There is enormous potential here, such as in energy services for residential buildings and businesses of all sizes. We also see stable growth in O&M services. Not least because this particular service is a key part of sustainable PV investments. In addition, the power-to-gas market will grow strongly in the long term. Green hydrogen is increasingly becoming a key technology for the success of the energy transition. This is because it is the fuel for climate-neutral industrial production worldwide. Current international efforts to achieve independence from fossil fuel imports will further accelerate this development. We see major growth markets here, particularly in Europe, the U.S. and Australia, on which we are targeting our focus.

Positioning

Today, SMA is already a sustainably operating energy transition company that has left the former component manufacturer far behind. We are represented in all major growth areas worldwide and offer integrated systems and solutions in all segments. Intelligent. Scalable. Easy to manage.

With our **strategic goals**, we are creating the essential conditions for our long-term business success:

1. **Closer to the customer.** We are making SMA more customer centric. With the SPIRIT project, we are consistently aligning our processes and structures with the various customer segments and designing them in such a way that we can develop and deliver even faster, in a more seamless and demand-oriented manner. To this end, we are providing all the necessary human and financial resources.
2. **Stability through profitability.** With a clear focus on growth markets such as Europe, the U.S. and Australia, and selected new business models, such as in e-mobility and power-to-gas, as well as optimizing our portfolio, we aim to achieve an EBITDA margin of at least 10% in 2025.
3. **Holistic sustainability.** The heart of our strategy. Sustainable action and management have been firmly anchored in the company since its founding. We have also set ourselves ambitious targets in our sustainability fields of action up to 2025. I will come back to this later.
4. **Shaping the future with innovations.** Big challenges need big ideas. That is why we are systematically strengthening our innovative power. Such as with complexity management initiatives and a company-wide digitalization roadmap. Our Innovation Center works intensively with the Technology unit, among others. The valuable combination of innovative approaches with more than 40 years of experience in research and development is proving particularly valuable here.
5. **Powerful partnerships.** We will not become a successful solution provider alone, but only with strong collaboration with reliable partners. We are therefore continuously expanding our network of strategic partners while at the same time strengthening the collaboration with our subsidiaries SMA Sunbelt, coneva and the joint venture elexon.

Our **strategic areas of action and business initiatives** provide exactly the right focus here. We are focusing on our core PV business, expanding storage integration and gradually developing new high-growth business areas such as e-mobility, energy market integration and green hydrogen. We positioned ourselves very early in the green hydrogen business area, which is now proving to be a major advantage. In addition, we are setting the course for new, digital business models with our company-wide Digital Core program.

40 years of experience in the global renewable energy market have given us a unique position that can neither be copied nor built up in just a few years.

As a digital pioneer, we have a treasure trove of data at our disposal which we will be able to use even more smartly in the future than before, while complying with the regulations of the General Data Protection Regulation. The opportunities are enormous. Our Sunny Portal is the world's leading platform in cloud-based system monitoring, with over 330,000 registered systems and more than 20 GW of monitored PV output in over 160 countries. The data obtained here can be used in the future for customized offers with high added value for users.

SMA has been awarded as a TOP innovator several times and can excellently hold its own here in the top positions among the large DAX companies. The fact that we are successful in the market today as a system and solution provider is due not only to our innovative strength, but also to the comprehensive expertise of our employees. Hardware and software development. Energy management. Knowledge of system and grid integration. Excellent customer consulting skills, combined with system design and comprehensive services. That is a valuable foundation. But we do even more. Such as with a training program for solar power professionals that is unparalleled anywhere in the world.

Our most important strength, Ladies and Gentlemen, is our ability to link **all** sectors of energy management. One particular challenge lies in being an expert in each of these fields and managing highly complex requirements. We will also increasingly rely on strategic partnerships here. Additionally, it is a matter of reducing complexity to a minimum for the customers and meeting their requirements. For example, the requirements of a private end user are completely different from those of a supermarket operator. Or those of a project developer who wants to build a PV power plant of several hundred megawatts.

The new **SMA Energy Systems** have a modular structure with perfectly matched components from a single source. And they are customized to the completely different customer needs in each segment and market. This obviously also includes sustainability aspects. Some of our competitors are taking a different approach with external module optimizers and by outsourcing production to China, which, in my view, is not expedient in the long term. We, on the other hand, are focusing on material efficiency and attach great importance to integrating as many functions as possible into the devices. The fewer components that must be installed, the lower the wear and failure rate. The more durable the system, the more effective the waste prevention. With our development and production in Germany, we can also guarantee high quality and data security standards.

The aim now is to make our offer even simpler, more customer-oriented and to market it even better in the future. The same principle always applies: the product must fit the solution and the solution must convince the user.

In any case, our customers at Intersolar Europe, which took place in Munich just three weeks ago, were inspired by our innovations. The international trade fair was one of the most successful events for SMA in recent years and was characterized by an optimistic mood that I have not experienced in the industry for a long time. I am also very proud of the SMA team's great work. The motivation, commitment and passion of SMA employees is something very special. This also makes us unique as a company.

Every new product is also a component of a system – this is different from before. And every product is compatible with all the other components in the system. Take the new hybrid inverter Sunny Tripower Smart Energy, for example. The name says it all. It is the 2-in-1 solution for home solar power supply. You can use it to generate, use **and** store solar power – a simple, convenient and space-saving solution. And the idea of the system behind it is that it can be expanded anytime and also integrate e-mobility or heat pumps. This makes it an integral part of the **SMA Energy System Home.** With the integrated backup power function, your PV system becomes an integrated and intelligent energy system with up to 100% solar self-sufficiency even in the event of a grid failure. I have to admit that we were not the fastest with this development. But in the end, we were the best.

With the new Sunny Tripower X for commercial and large private PV systems, we have already integrated energy management directly into the inverter for the first time. We have also led the way with the SMA EV Charger Business. It ensures that electric vehicles are charged with solar power when green electricity is available from the company's own PV system. And it will be integrated into the **SMA Energy System Business** in the future.

We will thus enable companies with vehicle fleets to switch to carbon-neutral mobility. In combination with the SMA Data Manager M, the charging solution connects up to 20 charging points in the SMA Energy System Business and coordinates the charging processes. Companies can therefore save additionally in energy costs and become less dependent on rising energy prices. We are tapping into a market segment with enormous potential here. The perfect solution for small and medium-sized companies that want to make the switch to renewable energies. This is how we are creating the conditions for the CO_2-free mobility of tomorrow and advancing the energy transition.

That, Ladies and Gentlemen, is the value we create with our work.

The next logical step from system to solution is the complete all-in-one solution. I already announced this innovation at last year's Annual General Meeting. Today, we have completed the design phase and are planning its market launch. But, and here I ask for your understanding, our development team has asked me not to reveal any further details yet. So, I ask you to be patient – but I can assure you that you will be as excited about the result as I am.

Let me now go into a few more highlights.

Highlights

1. **Our comprehensive sustainability strategy is an expression of our stance on climate protection and underpins our long-term business success.**

Sustainability has always played a key role for SMA. We are deeply convinced that products for the production of renewable energies are not green per se, but that they must be manufactured in compliance with high environmental, social and governance standards. That is why holistic sustainability is a key goal of our corporate strategy.

It goes hand in hand with our sustainability management. The focus here is on the areas of action of environment & energy, product stewardship, employees, and governance & ethical business. Independent experts also confirm that we have already achieved a great deal in this area. SMA was a finalist for the prestigious German Sustainability Award 2022, and we receive excellent ratings from international ESG rating agencies. And last but not least, our business activities contribute to 9 of the 17 UN Sustainable Development Goals. I am very proud of our achievements in this important field. And I am personally committed to achieving our ambitious goals for 2025, which you can read about in our latest Annual Report.

2. **With our political network, we are committed to the success of the energy transition. Both locally and internationally.**

As I mentioned at the beginning of my speech, the current geopolitical upheavals are acting as an accelerant to the energy transition. The expansion targets for wind and solar power in the Renewable Energy Sources Act are being sharply increased. The annual expansion of photovoltaics in Germany, for example, is to rise to 22 GW. That would be four times as much as at present. The entire electricity sector is to emit no more greenhouse gases by 2035. The share of green electricity in gross electricity consumption is to reach at least 80% by 2030. It is the politicians who pass the laws. It is the industry that can – and must – ensure implementation with expertise and innovations. That is why we are continuing to expand our political network and engage in intensive dialogue with political representatives at local, national and international level.

For example, last summer at SMA we discussed the increase in the expansion targets for renewable energies in Germany and the reduction of bureaucratic and financial hurdles with Olaf Scholz and chairpersons of the Works Council. The dramatic shortage of skilled workers at installer companies was also a topic. Here, politicians and the industry also need to stand side by side.

We also had Rebecca Freitag – a former UN youth delegate – as a guest, who authentically and emphatically made the youth's perspective on climate change clear. Local politicians and members of the Hessian state government also stand by our side. Like Tarek Al-Wazir, who inaugurated our state-of-the-art EMC test center.

At the CEO meeting of the "Solar Power Summit" in April, I had the opportunity to talk with EU Commissioner Kadri Simson about accelerating the expansion of photovoltaics in Europe. The focus was on reducing dependence on Russian energy imports. The change of mood in Europe here affects not only photovoltaic expansion, but also production. Kadri Simson repeated Mario Draghi's famous quote on the financial crisis: "We need to bring manufacturing back to Europe, whatever it takes to make it happen." These are important courses that are being set here. The pace is as impressive as the determination. Exactly what form the support for industry might take is still the subject of intense debate. Rightly so, in my opinion. Because in addition to the necessary support, the international competitiveness of production must be guaranteed. Today, 90% of the solar industry in the EU is already supplied from China. This is a problematic development that creates new dependencies. It is not least for this reason that I am firmly convinced that long-term independence through development and production in Germany is the better alternative for supplying the growing international markets. Will there now be a renaissance of German and European solar and module production? There is great unanimity here that this will only succeed with innovative and sustainable products. And that, Ladies and Gentlemen, brings us full circle. It is of enormous importance to strengthen Germany as an industrial location with investments and innovations. This requires politics – and companies like SMA.

3. By expanding our production capacities, we are positioning ourselves for future growth.

We take this responsibility seriously. In the coming years, we will invest massively in Germany as a business location and almost double our production capacities from the current 21 GW to around 40 GW by 2025. In doing so, Ladies and Gentlemen, we are taking another major step toward aligning ourselves with the forecast growth of our industry.

Here, we will produce mainly products for the utility-scale plant segment across an area of around 47,000 m². Groundbreaking is planned for late summer 2022; construction will start at the end of 2022. We are planning for the possibility of further scaling right from the start. The project will be implemented in several construction phases in accordance with DGNB certification, the world's most advanced system for sustainable building and internationally recognized as a global benchmark for sustainability.

This investment is a further consistent step in our growth strategy and our response to future international market conditions. The safeguarding of supply chains, the change in trading conditions and the necessary customer proximity will be important drivers, especially in the large-scale plant business. Here we are creating a high degree of flexibility through the opportunities for further expansion and minimizing risks, dependencies and costs in equal measure. We are also

strengthening our very good position and brand reputation in the core markets of Europe and the U.S. Last but not least, we are investing in securing our location and creating over 200 new jobs in the region. We will keep you informed about the further development of this promising project.

Let me now turn to the first quarter and our forecast for 2022.

First quarter and 2022 guidance

Despite the tight supply situation, we were at the upper end of our guidance with sales of €221 million and EBITDA of €15 million in the first quarter. The decline compared with the same quarter of the previous year is attributable to the continuing tight supply situation for electronic chips. This mainly affects the two segments Home Solutions and Commercial & Industrial Solutions. In the Large Scale & Project Solutions segment, project developers and investors are increasingly postponing major projects due to the limited availability and high prices of PV modules. In addition, there is a lack of transformers and storage batteries here. An anti-dumping and anti-circumvention investigation led by the Department of Commerce against Chinese suppliers of PV modules, which may lead to high tariffs, is causing additional uncertainty and project delays in the U.S. We are thus affected in more ways than one.
However, in the first quarter of 2022, we recorded the highest order intake of the last ten years and could deliver more than twice as much. We expect the supply situation to ease slightly in the second half of the year and anticipate that we will be able to book most of our very high product-related order backlog as sales by the end of the year.

The SMA Managing Board confirms its sales and earnings guidance for the 2022 fiscal year as published on March 1, 2022, which forecasts sales of between €900 million and €1,050 million and EBITDA between €10 million and €60 million. We currently see no threat to the guidance due to the war in Ukraine. However, the guidance range for 2022 cannot be specified further at this stage due to the ongoing supply uncertainties.

My conclusion: We are convinced that SMA will participate in the accelerated growth of renewable energies, especially in Europe and America. Because our expertise and our innovations are indispensable for the next steps in the energy transition. With our strategy, we are continuing along the path we have successfully taken:

1. We are expanding our **range of solutions** and our **strategic partnerships**, consistently following the principle of **holistic sustainability**.
2. **We are strengthening and securing local value creation** by expanding our production capacities in Germany.

3. We are sustainably increasing our **profitability**. Through an improved product portfolio. By investing in new business models. By optimizing our processes. And through a consistent, segment-oriented customer focus.

SMA is a strong brand. Now we are taking the next step to make it even better.

Ladies and Gentlemen, it is the employees of SMA who are shaping our path into the future. They bring our brand values to life every day. Because they are passionate about driving forward the energy transition for a future worth living. Because they are there for each other and for our customers. And because they develop ideas today for the innovations of tomorrow.

Now it is up to us, the management, to ensure that this appreciation is more than just lip service, and that SMA can grow profitably.

I am very confident that we will succeed in this.

Thank you.