



SMA Solar Technology AG

Our energy inspires the world's  
most important customer.  
Our future.

Unsere Energie begeistert die wichtigste Kunden der Welt. Unsere Zukunft.

# Half-Yearly Financial Report

January to June 2022

# SMA Solar Technology AG

## at a glance

SMA group		H1 2022	H1 2021	Change	Full Year 2021
Sales	€ million	471.8	488.3	-3.4%	983.7
Export ratio	%	70.0	74.2		74.9
Inverter output sold	MW	5,757	6,798	-15.3%	13,584
Capital expenditure <sup>1</sup>	€ million	29.8	28.7	3.8%	56.4
Depreciation and amortization	€ million	18.7	21.0	-11.0%	41.7
EBITDA	€ million	15.9	38.1	-58.3%	8.7
EBITDA margin	%	3.4	7.8		0.9
Net income	€ million	-10.6	13.3	-179.7%	-23.0
Earnings per share <sup>2</sup>	€	-0.31	0.38		-0.66
Employees <sup>3</sup>		3,540	3,452	2.5%	3,510
in Germany		2,530	2,425	4.3%	2,474
abroad		1,010	1,027	-1.7%	1,036

SMA group		2022/06/30	2021/12/31	Change
Total assets	€ million	1,025.6	1,052.5	-2.6%
Equity	€ million	401.3	410.4	-2.2%
Equity ratio	in %	39.1	39.0	
Net working capital <sup>4</sup>	€ million	277.9	257.5	7.9%
Net working capital ratio <sup>5</sup>	in %	28.7	26.2	
Net cash <sup>6</sup>	€ million	176.3	221.7	-20.5%

<sup>1</sup> Investments including additions of rights of use in accordance with IFRS 16

<sup>2</sup> Converted to 34,700,000 shares

<sup>3</sup> Reporting date; without temporary employees

<sup>4</sup> Inventories and trade receivables minus trade payables and liabilities from advanced payments received for orders

<sup>5</sup> Relating to the last twelve months (LTM)

<sup>6</sup> Total cash minus interest-bearing financial liabilities to banks

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# CONSOLIDATED INTERIM MANAGEMENT REPORT <sup>1</sup>

## BASIC INFORMATION ABOUT THE GROUP

### Business activity and organization

SMA Solar Technology AG and its subsidiaries (SMA group) develop, produce and sell systems and solutions for the efficient and sustainable generation, storage and use of energy. These include PV and battery inverters, monitoring systems for PV systems, charging solutions for electric vehicles as well as intelligent energy management systems and digital services for the future energy supply. Extensive services up to and including operation and maintenance services for photovoltaic power plants (O&M business) as well as medium-voltage technology and power supplies for hydrogen production round off the product range. With its products and services, the SMA group actively contributes to combating the global climate crisis by using renewable energy.

### Organizational structure

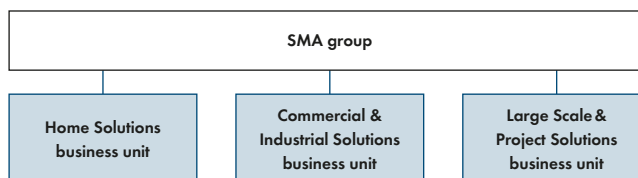
#### LEGAL STRUCTURE OF THE GROUP

As the parent company of the SMA group, SMA Solar Technology AG, headquartered in Niestetal near Kassel, Germany, takes over all of the functions required for its operative business. The parent company holds, either directly or indirectly, 100% of the shares of all the operating companies that belong to the SMA group. The Consolidated Management Report includes information regarding the parent company and all 29 group companies (H1 2021: 28), including seven domestic companies and 22 companies based abroad. In addition, SMA Solar Technology AG holds an unchanged 42% interest in elaxon GmbH compared with December 31, 2021. The joint venture in the field of charging infrastructure facilities was established in 2019 and is recognized as a joint venture in the Half-Year Consolidated Financial Statements according to the equity method.

#### ORGANIZATIONAL AND REPORTING STRUCTURE

The SMA group operates under a functional matrix organization. In this organization, the Home Solutions and Commercial & Industrial Solutions (C&I) (until December 31, 2021: Business Solutions business unit) and Large Scale & Project Solutions business units manage development, operational service and sales as well as production and procurement/logistics.

#### REPORTING STRUCTURE



#### MANAGEMENT AND CONTROL

In accordance with the German Stock Corporation Act, the executive bodies consist of the Annual General Meeting, the Managing Board and the Supervisory Board. The Managing Board manages the company. The Supervisory Board appoints, supervises and advises the Managing Board. The Annual General Meeting elects shareholder representatives to the Supervisory Board and grants or refuses discharge to the Managing Board and the Supervisory Board.

<sup>1</sup> In individual cases, rounding may result in values in this report not adding up exactly to the totals given and percentages not being derived from the values presented.

## CHANGES TO THE MANAGING BOARD

Until May 31, 2022, the Managing Board of SMA Solar Technology AG comprised the following members: Dr.-Ing. Jürgen Reinert (Chief Executive Officer, Board Member for Strategy, Sales and Service, Operations and Technology) and Ulrich Hadding (Board Member for Finance, Human Resources and Legal). Ulrich Hadding left the company at his own request on May 31, 2022. As of June 1, 2022, Chief Executive Officer Dr.-Ing. Jürgen Reinert is responsible for Strategy, Sales and Service, Operations and Technology as well as Human Resources. Thomas Pixa, as Board Member for Finance, is in charge of Finance and Legal.

## COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of SMA Solar Technology AG, which represents shareholders and employees in equal measure, consists of Roland Bent, Kim Fausing (Deputy Chairman), Alexa Hergenröther, Uwe Kleinkauf (Chairman), Ilonka Nußbaumer and Jan-Henrik Supady as shareholder representatives. The employees are represented on the Supervisory Board by Martin Breul, Oliver Dietzel, Johannes Häde, Yvonne Siebert, Romy Siegert and Dr. Matthias Victor.

## Research and development

The SMA group uses its systems expertise to develop holistic solutions comprising hardware, software and (digital) services for different applications in the fields of photovoltaics, battery-storage systems and electric vehicle charging as well as for comprehensive energy management across all segments and sectors (power generators, household appliances, storage systems, heating, ventilation and air conditioning, e-mobility). To offer our customers technically mature and economic system solutions in all market segments and regions, we selectively collaborate with strong partners. With our continuous research and our market- and customer-focused development, we can further reduce the consumer cost of PV electricity, optimize the use of energy and decrease the complexity in the new, decentralized and digital energy world.

## Forward-looking development approach

With the growing importance of photovoltaics for the global power generation and the increasing integration of PV systems into complete systems, system technology demands on system integration, connectivity and the provision of grid services for a reliable energy supply are taking center stage. In this context, the SMA group's development focus is on highly integrated and digitalized solutions that cover as many functions as possible (all-in-one solution). Future focus areas of our research and development activities also include energy storage systems, e-mobility, energy market integration and power-to-gas.

In product development, we are pursuing a platform strategy aimed at quickly being able to react to market changes and systematically reducing product costs. By standardizing the architecture of the core components and integrating key system functions, we are increasing the proportion of identical components and software modules across the entire portfolio while also reducing the number of components in the system in order to offer our customers highly efficient solutions. Customization in line with different markets and customer needs is implemented partly through the connection area and software as well as through different power classes based on the platform.<sup>1</sup>

SMA Solar Technology AG had 1,754 protected patents and utility models worldwide at the end of the reporting period. In addition, more than 500 other patent applications were still pending as of June 30, 2022. Furthermore, SMA Solar Technology AG holds the rights to 1,433 trademarks.

In addition to the (further) development of solutions for the efficient generation, storage and use of solar energy, for electric vehicle charging and charging management and for intelligent energy management across various sectors, the focus of development in the reporting period was on optimizing hydrogen production. The SMA group was already involved in the implementation of related projects on several continents (see Project business section).

<sup>1</sup> This paragraph is not a subject of the financial audit.

## Holistic solutions for the energy supply of the future <sup>1</sup>

### RESIDENTIAL APPLICATIONS: HYBRID INVERTER AND APP FOR ELECTRIC VEHICLES

With the market launch of the Sunny Tripower Smart Energy, the SMA group closed a gap in its portfolio in the Home Solutions segment in the first quarter of 2022. The three-phase hybrid inverter with integrated backup function is available with four power classes for use in private homes. As a solar and battery inverter in one, it manages the energy flows between the PV generator, the connected battery and the household's public electricity supply together with the Sunny Home Manager 2.0. The Sunny Tripower Smart Energy thus reduces the power drawn from the utility grid and, thanks to the backup function, continues supplying important domestic appliances in the event of a power outage. Integrated services and software solutions ensure user convenience and safety. This includes the digital SMA Smart Connected service solution for swift service in the event of a fault.

For drivers of electric vehicles, the new SMA JOIN Charge app provides a Europe-wide overview of available charging stations. Drivers can navigate to one of these locations, start charging, pay and view statements. The app has been first available in Germany since May 2022.

### COMMERCIAL APPLICATIONS: INVERTER WITH ENERGY MANAGEMENT FUNCTIONS AND FLEET CHARGING SOLUTION

In the Commercial & Industrial Solutions segment, the SMA group presented the Sunny Tripower X. For the first time, the three-phase PV inverter combines modern solar power generation with integrated functions of the SMA Data Manager M powered by ennexOS. In commercial and private energy systems with up to 135 kW power, the Sunny Tripower X takes over the monitoring, control and grid-compliant power control of up to five inverters, implements participation in the energy market and, in the future, will also control battery-storage systems and consumers. Delivery will start in the third quarter of 2022.

At the Intersolar Europe industry trade fair in May 2022, the SMA group presented the SMA EV Charger Business for the first time. For companies with electrically operated vehicle fleets, the new charging solution ensures that charging electric vehicles with solar power from the company's own PV system takes priority. Combined with the SMA Data Manager M powered by ennexOS, the SMA EV Charger Business connects up to 20 charging points and coordinates the charging processes. The charging solution provides services such as dynamic charging management and settlement via cloud connection of the "Smartbox-pro" from our subsidiary coneva. Delivery is scheduled for the fourth quarter of 2022.

### PROJECT BUSINESS: OPTIMIZED GRID INTEGRATION AND HYDROGEN PRODUCTION

SMA's medium-voltage power stations combine PV or battery inverters with matched medium-voltage technology in one container. With power of up to 6,000 kVA and new, grid-forming functions, they also meet future requirements for integrated energy and maintaining grid stability. The SMA group is continuously developing the grid-forming functions of its solutions. They thus make a considerable contribution to integrating ever greater amounts of locally generated power from renewable sources into the grids.

In the area of green hydrogen generation, the SMA group introduced the Electrolyzer Converter for the grid-friendly processing of electricity for electrolysis into the growing market. As a turnkey container solution including medium-voltage technology, this SMA development enables the construction of highly efficient systems without additional filters or compensation units for operation of the electrolyzer.

<sup>1</sup> This section is not a subject of the financial audit.

# ECONOMIC REPORT

## General economic conditions and economic conditions in the sector

### General economic conditions

Russia's war against Ukraine continues to have a significant impact on the economic climate in Europe and the world. Rising energy and commodity prices and food shortages are just two of the immediate consequences of the ongoing conflict. According to the ifo Institute's "Economic Experts Survey" from July 2022, inflation, which rose to 7.7% worldwide in the course of the first half of the year, is around 5% higher than the average for the past decade (2010–2019) as a result of economic developments. However, the ifo Institute experts observe significant geographical differences in the inflation trend and assume, for example, that the inflation rate in Eastern Europe will be significantly higher than in Western, Northern and Southern Europe.

The global coronavirus pandemic is another factor whose impact on the world economy can still be felt. Even after the easing of protective measures, regional lockdowns have consequences for the availability of raw materials and supplies for international supply chains, which are not expected to stabilize again until mid 2023, according to the Bundesvereinigung Logistik (BVL, German Logistics Association).

### Economic conditions in the sector

Photovoltaics (PV) is now one of the most cost-effective energy sources in most regions of the world. For example, large-scale solar projects in the Middle East are already generating solar power at less than \$0.02 per kWh. This points the way to an environment in which the industry continues to grow even without subsidization. In the wake of the transformation of global energy supply structures, current and future objectives include offering holistic solutions, intelligently interlinking different technologies, providing intermediate storage and management solutions for generated energy, and integrating users into the energy market. This is the basis for ensuring a reliable and cost-effective electricity supply from renewable energies.

### GLOBAL PV MARKET: NEW INSTALLATIONS IN FIRST HALF OF YEAR SIGNIFICANTLY ABOVE PREVIOUS YEAR'S LEVEL

Based on newly installed PV power of around 80 GW to 85 GW (H1 2021: approximately 59 GW), according to SMA's estimates, the global photovoltaic market was significantly above the previous year's level in the first half of 2022. <sup>1</sup> SMA estimates that global PV inverter technology sales <sup>2</sup> increased to between €3.6 billion and €4.1 billion (H1 2021: €3.0 billion).

In the photovoltaic markets in Europe, the Middle East and Africa (EMEA), SMA estimates that inverter technology sales increased to around €1.2 billion to €1.4 billion (H1 2021: €1.1 billion). The share of the EMEA region in global sales was thus approximately 33% (H1 2021: 35%). System technology for storage applications and the retrofitting of existing PV systems accounted for a significant portion of sales in the EMEA region at about 21%. Investments in North and South America (Americas) amounted to €800 million to €900 million (H1 2021: €800 million). The region thus accounted for around 23% of global inverter technology sales (H1 2021: 26%). The Chinese PV market recorded a strong increase. With an investment volume of between €700 million and €800 million, China accounted for around 20% of global sales in the reporting period (H1 2021: €370 million; 12%). The Asia-Pacific photovoltaic markets (excluding China) were up year on year with sales of around €850 million to €950 million, accounting for about 24% of the global market (H1 2021: €800 million; 26%).

### EMEA: GERMANY IS MOST IMPORTANT MARKET AGAIN

In the Europe, Middle East and Africa (EMEA) region, SMA estimates that newly installed PV power increased to between 19 GW and 21 GW (H1 2021: 17 GW) in the first half of the year. With more than 3 GW (H1 2021: 2.7 GW), Germany was again the most significant market in Europe in terms of newly registered PV power in the reporting period.

Most other European countries also recorded rising installation figures. The main reasons for this include the EU's ambitious plans for decarbonization and the desire for greater independence from fossil fuel imports in light of Russia's war of aggression on Ukraine.

<sup>1</sup> The installation figures do not include retrofitting of existing PV systems with new inverters or battery inverter technology.

<sup>2</sup> Including inverter retrofitting and battery inverter technology

## AMERICAS: U.S. MARKET DECLINES

According to SMA estimates, newly installed PV power in the North and South American (Americas) region amounted to a total of approximately 13 GW to 14 GW in the reporting period (H1 2021: 14 GW). Against the background of regulatory uncertainties, limited availability of PV modules and a changing interest rate environment, new PV installations in the U.S. market, which continues to be dominated by large-scale PV projects, declined to less than 9 GW in the first half of 2022 according to SMA estimates (H1 2021: 10.3 GW).

## APAC: INDIA CONTINUES TO GROW

According to SMA estimates, around 28 GW to 29 GW of new PV power was installed in China in the first half of 2022 (H1 2021: 13 GW). New PV installations in the Asia-Pacific region, excluding China (APAC), were significantly above the previous year's level at around 20 GW to 21 GW (H1 2021: 15 GW). Among the PV markets in the APAC region, India grew particularly strongly in the first half of 2022. New installations are estimated to have doubled to over 8.5 GW (H1 2021: 4.2 GW). In Australia, newly installed PV power fell to below 2 GW in the first half of 2022 (H1 2021: 2.6 GW).

# Results of operations

## Sales and earnings

### ONGOING SHORTAGE OF COMPONENTS IMPAIRS SALES

From January to June 2022, the SMA group sold PV inverters with accumulated power of 5,757 MW (H1 2021: 6,798 MW). At €471.8 million, sales were 3.4% lower than in the previous year (H1 2021: €488.3 million). The year-on-year decline in sales was primarily due to the strained supply situation for electronic components. All segments were affected by this.

### ORDER BACKLOG AT RECORD HIGH

Demand for SMA products is undiminished. As of June 30, 2022, SMA had a large order backlog of €1,290.3 million (June 30, 2021: €852.1 million). Of this amount, €861.3 million is attributable to product business. The product-related order backlog is thus more than twice the level as of December 31, 2021 (€408.8 million) and June 30, 2021 (€360.6 million). In total, €429.0 million of the order backlog is attributable to Service business (June 30, 2021: €491.5 million)<sup>1</sup>. Most of this share will be implemented over the next five to ten years.

SMA is well positioned internationally and generates sales in all relevant regions. In the reporting period, 57.0% of external sales calculated before sales deductions were generated in Europe, the Middle East and Africa (EMEA), 26.8% in the North and South America (Americas) region and 16.2% in the Asia-Pacific (APAC) region (H1 2021: 50.1% EMEA, 35.7% Americas, 14.2% APAC).

The Large Scale & Project Solutions segment made the largest contribution to sales in the first half of 2022, accounting for 46.2% (H1 2021: 45.9%). The Home Solutions segment generated 28.7% of the SMA group's sales (H1 2021: 30.3%), while the Commercial & Industrial Solutions segment contributed 25.1% (H1 2021: 23.8%).

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased year on year to €15.9 million (EBITDA margin: 3.4%; H1 2021: €38.1 million; 7.8%). Earnings before interest and taxes (EBIT) came to -€2.8 million (H1 2021: €17.1 million). This equates to an EBIT margin of -0.6% (H1 2021: 3.5%). The lower profitability is mainly attributable to the decline in sales, the underutilization of production capacity due to the shortage of materials, and negative exchange rate effects. Net income amounted to -€10.6 million (H1 2021: €13.3 million). Earnings per share thus amounted to -€0.31 (H1 2021: €0.38).

<sup>1</sup> This already includes an amount of €44 million from the cancellation of the order backlog in the course of processing the onerous contract for operation and maintenance services. Further cancellations in the double-digit million range are expected to be made by the end of the year.



## Sales and earnings per segment

### HOME SOLUTIONS SEGMENT AFFECTED BY SHORTAGE OF COMPONENTS

In the Home Solutions segment, the SMA group caters to global markets for small PV systems with and without storage systems and connections to a smart home solution. The SMA Energy System Home is an end-to-end, single-source system package featuring all the hardware, software and service components required for an independent household electricity supply. It comprises single- and three-phase string inverters with power of up to 12 kW, integrated services, storage systems and charging solutions for electric vehicles. Communication products and accessories, services, such as extended warranties, spare parts and modernization of PV systems (Repowering) to enhance performance as well as digital energy services complete the offering.

External sales in the Home Solutions segment declined by 8.4% to €135.5 million in the first half of 2022 (H1 2021: €147.9 million). Its share of the SMA group's total sales was 28.7% (H1 2021: 30.3%). The EMEA region accounted for the largest share of gross sales at 84.8% (H1 2021: 79.5%), while the Americas region contributed 9.3% (H1 2021: 12.0%) and the APAC region 5.9% (H1 2021: 8.4%).

The Home Solutions segment's EBIT decreased to €17.0 million (2021: €29.6 million), mainly due to the decline in sales year on year and a poorer product mix. As in the previous year, segment earnings include a positive effect in a low, single-digit million amount from the recognition of updated quality parameters as part of the remeasurement of warranty provisions for products already sold, which is a regularly occurring practice at the end of the reporting period. In relation to external sales, the EBIT margin was 12.5% (H1 2021: 20.0%).

### COMMERCIAL & INDUSTRIAL SOLUTIONS SEGMENT POSTS SALES GROWTH

In the Commercial & Industrial Solutions segment, the focus is on global markets for medium-sized PV systems with and without energy management, battery storage and electric vehicle charging solutions. SMA Energy System Business, featuring matched hardware, software, tools and services, gives small and medium-sized commercial enterprises and the housing sector the option of producing, storing and selling solar power themselves.

The application shows the companies' energy flows in a transparent way and thus contributes to cost savings. It comprises three-phase inverters, storage solutions and holistic energy management solutions for smaller and medium-sized PV systems. Solutions for charging management and billing of electric vehicle fleets complete the offering. In addition, the SMA group offers services up to and including system modernization and operational management of commercial PV systems (O&M business) as well as digital services.

External sales in the Commercial & Industrial Solutions segment rose to €118.4 million in the first half of 2022 (H1 2021: €116.3 million). Its share of the SMA group's total sales was 25.1% (H1 2021: 23.8%). 77.1% of gross sales were attributable to the EMEA region, 13.3% to the Americas region and 9.6% to the APAC region (H1 2021: 72.4% EMEA, 13.9% Americas, 13.7% APAC).

In the first half of 2022, the Commercial & Industrial Solutions segment's EBIT slightly improved to -€11.1 million (H1 2021: -€11.5 million) as a result of increased sales. In relation to external sales, the EBIT margin was -9.4% (H1 2021: -9.9%). Segment earnings include a positive effect in a low, single-digit million amount from the recognition of updated quality parameters as part of the remeasurement of warranty provisions for products already sold, which is a regularly occurring practice at the end of the reporting period. Due to the large order backlog, a continuing positive sales and earnings development is expected for the segment in the second half of 2022.

### LARGE SCALE & PROJECT SOLUTIONS SEGMENT AFFECTED BY SUPPLY BOTTLENECKS AND PROJECT DELAYS

The Large Scale & Project Solutions segment focuses on complete solutions on international PV power plant markets that perform grid service and monitoring functions on the basis of central inverters and system controllers. The outputs of string and central inverters in this segment range from 100 kW to the megawatts. Another focus is on storage solutions for large-scale PV and storage power plants and on solutions for the hydrogen production. The portfolio is supplemented by services, for example, for the modernization and functional enhancement of PV power plants (Repowering), and operation and maintenance services (O&M business). In addition, the SMA group implements PV diesel hybrid and large-scale storage projects worldwide in this segment.

External sales in the Large Scale & Project Solutions segment declined by 2.8% to €217.9 million in the first half of 2022 (H1 2021: €224.1 million). The share of the SMA group's total sales attributable to the Large Scale & Project Solutions segment came to 46.2% in the reporting period (H1 2021: 45.9%). The Americas region accounted for 46.0% (H1 2021: 63.2%) of the segment's gross sales, the EMEA region for 27.2% (H1 2021: 18.5%) and the APAC region for 26.8% (H1 2021: 18.3%).

EBIT in the Large Scale & Project Solutions segment were again negative at –€6.3 million (H1 2021: –€5.1 million). The balance in this segment included an adjustment of provisions in a low, single-digit million amount from the recognition of updated quality parameters as part of the remeasurement of warranty provisions for products already sold, which is a regularly occurring practice at the end of the reporting period. This balance was positive in the same period of the previous year. In relation to external sales, the EBIT margin was –2.9% (H1 2021: –2.3%).

## Development of significant income statement items

### GROSS MARGIN IMPACTED BY UNDERUTILIZATION DUE TO SUPPLY BOTTLENECKS

At €375.8 million, cost of sales was almost on a par with the previous year (H1 2021: €379.6 million). The gross margin declined to 20.3% (H1 2021: 22.3%) as a result of the slight dip in sales and the underutilization of production capacity due to supply bottlenecks.

Personnel expenses included in cost of sales slightly decreased by 0.9% to €61.6 million in the first half of 2022 (H1 2021: €62.1 million). Material costs, including changes in inventories, came to €288.1 million (H1 2021: €289.6 million).

From January to June 2022, depreciation and amortization included in the cost of sales amounted to €15.9 million (H1 2021: €18.1 million). This covers scheduled depreciation on capitalized development costs of €3.3 million (H1 2021: €4.7 million). Other costs slightly increased to €10.3 million (H1 2021: €9.8 million).

Selling expenses rose to €47.8 million (H1 2021: €43.5 million). The cost of sales ratio was 10.1% in the reporting period (H1 2021: 8.9%). This increase is due to the implementation of a reorganization project as part of the strategic alignment and increased appearances at trade fairs.

Research and development expenses, excluding capitalized development projects, came to €22.6 million in the first half of 2022 (H1 2021: €26.9 million). The research and development cost ratio thus amounted to 4.8% (H1 2021: 5.5%). Total research and development expenses, including capitalized development projects, amounted to €41.4 million (H1 2021: €38.5 million). Development projects were capitalized in the amount of €18.8 million (H1 2021: €11.6 million). This increase in capitalizations can be attributed to several projects that are at an advanced stage of development.

General administrative expenses increased to €29.3 million in the first half of 2022 (H1 2021: €26.7 million). This increase is due to the implementation of a reorganization project as part of the strategic alignment. The ratio of administrative expenses amounted to 6.2% (H1 2021: 5.5%).

The balance of other operating income and expenses resulted in an effect on earnings of €0.9 million in the reporting period (H1 2021: €5.6 million). A compensation payment in the mid single-digit million range as a result of a contract termination by a customer contributed to this.

Expenses of €22.1 million (H1 2021: €7.5 million) and revenue of €17.8 million (H1 2021: €7.8 million) from foreign currency valuation and foreign currency hedging are also included. This also comprises expenses and revenue from the rental of own buildings and income for assets measured at fair value through profit or loss, as well as expenses from the recognition and income from the reversal of specific valuation allowances on receivables.

## EMPLOYEE HEADCOUNT INCREASES DUE TO EXPANSION IN MAJOR FUTURE FIELDS

SMA had 3,398 employees worldwide as of June 30, 2022, representing a year-on-year increase of 93 (June 30, 2021: 3,305 employees)<sup>1</sup>. This increase results from the further expansion of the employee headcount in strategically important future fields.

SMA still uses temporary employees to absorb order fluctuations. Their hourly rate of pay is in line with that of SMA employees. As of the reporting date, SMA had 180 temporary employees worldwide, 40 less than in the previous year (June 30, 2021: 220 temporary employees) and 46 less than at the end of 2021 (December 31, 2021: 226 temporary employees).

### Employees<sup>1</sup>

Reporting date	2022/ 06/30	2021/ 06/30	2020/ 06/30	2019/ 06/30	2018/ 06/30
Employees (excl. trainees, learners and temporary employees)	3,398	3,305	3,084	2,940	3,293
Learners	96	100	73	53	59
Trainees	46	47	42	46	56
Temporary employees	180	220	478	399	597
<b>Total employees (incl. trainees, learners and temporary employees)</b>	<b>3,720</b>	<b>3,672</b>	<b>3,677</b>	<b>3,438</b>	<b>4,005</b>

### Full-time equivalents<sup>1</sup>

Reporting date	2022/ 06/30	2021/ 06/30	2020/ 06/30	2019/ 06/30	2018/ 06/30
<b>Full-time equivalents (excl. trainees and temporary employees)</b>	<b>3,215</b>	<b>3,129</b>	<b>3,019</b>	<b>2,877</b>	<b>3,233</b>
of which domestic	2,229	2,164	2,076	2,017	2,034
of which abroad	986	965	943	860	1,199

<sup>1</sup> As of the end of 2021, we have reported trainees, learners and temporary employees in a separate category. Learners include student workers, temporary helpers, interns and graduates. For this reason, the previous year's figures have been adjusted.

## Financial position

### Material shortages continue to impair liquidity

Gross cash flow reflects operating income prior to commitment of funds. It amounted to –€3.2 million in the first half of 2022 (H1 2021: €31.9 million).

In the first six months of the reporting year, net cash flow from operating activities amounted to –€14.1 million (H1 2021: €12.0 million).

The SMA group is continuing to pursue an intensified stockpiling strategy in view of the ongoing shortage of materials. Against this backdrop, inventories of €288.6 million were significantly higher than at the end of the previous year (December 31, 2021: €273.0 million). Combined with a decrease in trade payables by €5.9 million, the increase in trade receivables by €4.5 million relevant to the statement of cash flows, and an increase in liabilities from advance payments received, this resulted in a significant rise in net working capital to €277.9 million (December 31, 2021: €257.5 million). The net working capital ratio in relation to sales over the past 12 months climbed to 28.7% (December 31, 2021: 26.2%). The net working capital ratio therefore was clearly above the range of 26% to 28% targeted by the Managing Board.

In the first half of 2022, net cash flow from investing activities amounted to €38.5 million after €0.7 million in the previous year. At €66.7 million, it was significantly influenced by the disposal of securities. The balance of cash inflows and outflows from financial investments was €66.7 million (H1 2021: €20.9 million). The outflow of funds for investments in fixed assets and intangible assets amounted to €28.3 million in the reporting period (H1 2021: €19.6 million). With €18.8 million (H1 2021: €11.6 million), a large part of the investments was attributable to capitalized development projects.

Net cash flow from financing activities amounted to –€11.9 million in the first half of 2022 (H1 2021: –€15.4 million). Existing liabilities to credit institutions for the financing of SMA Immo properties and an SMA AG PV system were paid off during the reporting period. The comparative figure from the previous year includes SMA AG's dividend distribution in the amount of €10.4 million.

As of June 30, 2022, cash and cash equivalents totaling €124.7 million (December 31, 2021: €114.0 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. Together with time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities, liquid assets pledged as collateral, and after deducting interest-bearing financial liabilities, this resulted in net cash of €176.3 million (December 31, 2021: €221.7 million). As of the reporting date, the SMA group had net cash of €176.3 million (December 31, 2021: €221.7 million). Total cash also came to €176.3 million (December 31, 2021: €230.1 million).

## Investment analysis

In the first half of 2022, investments in fixed assets and intangible assets that affected the statement of cash flows amounted to €28.3 million and were thus above the previous year's figure of €19.6 million. This equates to an investment ratio in relation to sales of 6.0% compared with 4.0% in the first half of 2021. Including additions of rights of use under leases, investments amounted to €29.8 million (H1 2021: €28.7 million).

In total, €9.1 million was invested in fixed assets (H1 2021: €7.2 million), primarily for technical equipment and machinery. The investment ratio for fixed assets was 1.9% in the first half of 2022 (H1 2021: 1.5%). Additions to rights of use under leases amounted to €1.5 million (H1 2021: €9.1 million). Depreciation of fixed assets, including depreciation of rights of use under leases, amounted to €14.2 million (H1 2021: €14.9 million).

Investments in intangible assets amounted to €19.2 million (H1 2021: €12.4 million). These largely related to capitalized development projects. Amortization of intangible assets amounted to €4.5 million and was thus above the previous year's figure of €6.1 million.

## Net assets

### Sound balance sheet structure

Total assets decreased by 0.5% to €1,025.6 million as of June 30, 2022 (December 31, 2021: €1,052.5 million). At €341.0 million, non-current assets were slightly above the level observed at the end of 2021 (December 31, 2021: €333.2 million).

Net working capital went up significantly to €277.9 million (December 31, 2021: €257.5 million). This put the net working capital ratio in relation to sales over the past twelve months at 28.7%. As of the end of the first half of 2022, trade receivables increased by 2.2% compared to December 31, 2021, to €145.5 million (December 31, 2021: €142.7 million). Days sales outstanding came to 54.1 days and were higher than at the end of the previous year (December 31, 2021: 49.1 days). Inventories remained at a high level at €288.6 million (December 31, 2021: €273.0 million). Trade payables amounted to €128.2 million and were below the level reported at the end of 2021 (December 31, 2021: €134.0 million). The share of trade credit in total assets of 12.5% was lower than the comparative figure at the end of the previous year (December 31, 2021: 12.7%).

The group's equity capital base decreased to €401.3 million (December 31, 2021: €410.4 million). With an equity ratio of 39.1%, SMA still has a solid equity capital base.

# RISKS AND OPPORTUNITIES REPORT

## Risk and opportunity management

The 2021 Annual Report details risk and opportunity management, individual risks with a potentially significant negative impact on our business, results of operation, financial position and net assets and information on the company's reputation. The SMA group's key opportunities are also outlined. Using our Risk Management System, we assess the overall risk situation to be manageable. The statements made in the 2021 Annual Report generally continue to apply. The war in Ukraine has not significantly changed the risk situation of the SMA group, although a short-term change in the situation could occur anytime. Any effects from this situation can therefore not be conclusively assessed at this time. In the first six months of the 2022 fiscal year, we did not identify any additional significant risks or opportunities aside from those presented in the section on business activity and organization and in the additional information on the results of operation, financial position and net assets.

There are currently no discernible risks that, either alone or combined with other risks, could seriously jeopardize the livelihood of the company or significantly impair business performance. For more information, please refer to the forward-looking statements in the Forecast Report.

# FORECAST REPORT

## Preamble

The Managing Board's forecasts include all factors with a likelihood of impacting business performance that were known at the time this report was prepared. Not only general market indicators, but also industry- and company-specific circumstances are factored into the forecasts. All assessments cover a period of one year.

## The general economic situation

The economic consequences of the ongoing coronavirus pandemic, which has placed enormous strains on the international economic system, are already accumulating with the effects of Russia's war against Ukraine. These developments will continue to have a negative impact on economic development in the coming years. In the fight against the resulting high inflation, the U.S. Federal Reserve raised the key interest rate more sharply than at any time since 1994. In June 2022, it decided on an increase of 0.75 percentage points to the new range of 1.5 to 1.75%. The U.S. monetary watchdogs signaled further necessary interest rate hikes, which could result in interest rates averaging 3.4% at year end. In March 2022, they were still targeting a figure of 1.9%. In the longer term, an interest rate level of 2.5% is targeted.

While the economists at the International Monetary Fund (IMF) were still forecasting global economic growth of 3.6% for 2022 in April, in an interview with the Reuters news agency in July 2022, Chair and Managing Director Kristalina Georgieva was already anticipating a further reduction in expectations for the end of July.

In a report published in June, the World Bank also assumes global growth of just 2.9% for 2022. Growth is expected to increase to just 3% in 2023 and 2024 as a result of various negative influences, such as rising geopolitical tensions, financial instability and a continuation of supply chain difficulties.

In its "Global Economic Prospects" report from June 2022, the World Bank anticipates growth for industrialized countries of 2.6% in 2022 due to rising energy prices, growing inflation and ongoing supply difficulties. For developing and newly industrialized countries, 3.4% is predicted for 2022. In addition to the other factors mentioned, the recent sharp rise in prices for agricultural raw materials and food items is having a strong negative impact in these regions.

In view of persistently high inflation and sluggish economic growth, the World Bank's experts see a risk of stagflation, i.e., above-average inflation coupled with below-average growth, in 2022 and 2023 for the first time since the 1970s. The most likely consequence of this would be a tightening of monetary policy in industrialized countries, as has already been initiated by the U.S. Federal Reserve. This in turn has the potential to lead to major financial strains, especially in developing and newly industrialized countries.

In the "Economic Expert Survey" (EES) by the ifo Institute and the Swiss Economic Policy Institute, experts expect global inflation to decline in the medium term (2023: 6.2%; 2026: 4.5%), but, in view of strong geographical differences and other influencing factors, a recovery in economic growth is not to be expected in the coming years.

## Future general economic conditions in the photovoltaics sector

### Solar energy becomes the most important source of energy <sup>1</sup>

The global climate crisis is now one of the most central issues in the public, politics and economics. The global Fridays for Future movement and, more notably, unusual weather phenomena, such as severe storms, heat waves, droughts and flooding in various regions of the world, not to mention the unprecedented bushfires in South Europe, Australia and the U.S. in the past two years, have helped raise the profile of this issue.

<sup>1</sup> Source: McKinsey "Global Energy Perspective 2022"

The increased expansion of renewable energies is widely seen as a key means of combating the further progression of the climate crisis. The Russian government's war of aggression on Ukraine has led to more pressure on policymakers to act to create a supply system independent of fossil fuels. Politicians are taking account of this with action plans such as the "European Green Deal" and "REPowerEU" to build a sustainable and climate-friendly energy supply in the European Union, and by appointing top-class teams of experts to tackle climate change, like the U.S. government is doing. These attitudes will further expedite expansion of renewable energies over the coming years and decades.

In its "Global Energy Perspective 2022" report, consulting firm McKinsey forecasts that renewable energy sources will account for around 50% of global power generation in 2030 and between 80% and 90% in 2050. According to the experts, solar energy will make the largest contribution with 43%.

In this context, the electrification of other sectors, such as mobility and heat, and the production of green hydrogen will additionally drive electricity demand as further important elements in achieving climate protection targets. McKinsey forecasts that global electricity demand will triple by 2050, and in its "Energy Transition Outlook 2021," consulting company DNV predicts that electricity's share of global total energy demand will double from 19% to 38% within the next 30 years. By 2050, solar and wind energy will account for 69% of grid-connected electricity power, according to the experts at McKinsey and DNV. Connectivity, storage and demand response would be critical factors in a decarbonized power system.

According to Bloomberg New Energy Finance's "New Energy Outlook 2021," the years leading up to 2030 are critical to realizing the goal of global carbon neutrality by 2050. To decarbonize the electricity sector, up to 455 GW of new photovoltaic capacity and up to 245 GWh of battery storage capacity would additionally need to be installed annually on average by 2030. This would correspond to a tripling of the PV capacities installed in 2020 and a 26-fold growth of the storage market.

Along with climate change targets, further decreases in costs are also contributing to the anticipated rapid growth of solar and wind energy. According to the Potsdam Institute for Climate Impact Research (PIK), the cost of solar power generation has fallen by 85% over the past ten years alone and further cost reductions can be expected in the future thanks to rapid technological progress. The experts at Bloomberg New Energy Finance classify newly installed wind or PV power plants to be already the most cost-effective form of electricity generation in almost all major markets. These markets cover two-thirds of the world's population, about 77% of global GDP and 91% of total power generation. Moreover, in a growing number of countries, including China, India and a large part of Europe, it is now more cost-effective to build new renewable energy capacity than to operate existing coal- and gas-fired power plants.

In addition to the ever-decreasing consumer cost of electricity from PV systems and decentralized generation in the vicinity of residential, commercial and industrial consumers, the combination with storage systems makes photovoltaics particularly attractive. DNV's experts see photovoltaics combined with battery-storage systems as a separate power plant category that can supply electricity reliably and on demand, just like conventional power plants. According to their projections, combined PV and storage power plants will account for 12% of grid-connected global electricity generation in 2050.

In the energy system of the future, modern communication technologies with services for cross-sector energy management will further harmonize energy production and demand. In its "World Energy Outlook 2021," the IEA describes the energy system of the future as "more electrified, efficient, connected and clean." Its emergence is the result of policy measures and technological innovation, and the momentum is supported by low costs. Clean energy technology is becoming an important new area for investment and employment – and a dynamic field for international collaboration and competition.

The SMA Managing Board is therefore convinced of the market appeal and has thus positioned SMA to ensure it benefits from future developments in the fields of photovoltaics and storage technologies as well as in the markets for e-mobility, digital energy services and green hydrogen production, which experts are predicting will experience exponential growth in the future.

## Global new PV installations increase to over 170 GW

The SMA Managing Board anticipates growth in newly installed PV power worldwide to approximately 174 GW to 182 GW in 2022. The growth is expected to be driven by almost all regions. The Managing Board estimates that global investments in system technology for traditional photovoltaic applications will increase by around 15%. Investments in system technology for storage applications (excluding investments in batteries) will rise by approximately €250 million to €300 million compared to the previous year. Overall, the SMA Managing Board therefore expects investments in PV system technology (including system technology for storage systems) of around €8.0 billion to €8.8 billion in 2022 (2021: €7.3 billion). Whether the expected market development can actually be implemented that way is heavily dependent on the further development of supply bottlenecks of electronic components as well as additional challenges in global supply chains in connection with the coronavirus pandemic.

## Considerable increase in demand in the EMEA region

The SMA Managing Board anticipates a significant increase in newly installed PV power to around 43 GW to 45 GW in the Europe, Middle East and Africa (EMEA) region in 2022 (2021: 37 GW). In addition to growth in the countries in the Middle East and Africa, this is also due to the positive development in European markets, such as Germany and Italy, as well as in the Benelux countries. According to SMA estimates, investments in PV and storage system technology will grow to approximately €2.7 billion to €2.9 billion (2021: €2.3 billion). Battery-storage systems are gaining importance in European countries, especially in Germany, the UK and Italy. In addition to business involving new systems for consumption of self-generated energy, retrofitting of existing systems with new inverters and storage systems will yield high potential in the medium term. For more and more PV systems, government subsidization will end in the years to come. Self-consumption of solar power is a particularly attractive option for the operators of these systems.

## Slight decline in the Americas region

For the Americas region, the SMA Managing Board currently anticipates a slight decrease in newly installed PV power to approximately 30 GW to 32 GW (2021: 34 GW). Roughly between 17 GW and 19 GW of this amount is attributable to the North American markets. The U.S. market in particular is currently facing a challenging environment. Despite the temporary easing of the situation regarding import duties on PV modules from certain Asian countries, there is still a persistent shortage of modules, which affects prices and delays the installation of large-scale PV power plants. In addition, there are high inflation and thus rising capital costs. At the same time, the extension of the Investment Tax Credit (ITC) for PV systems passed by the US Congress in December 2020 and the decarbonization goals of politics and business are providing positive impetus. Inverter technology investments are expected to amount to around €1.8 billion to €2.0 billion in the Americas region (2021: €1.8 billion).

## Investments in Asia-Pacific region increase

The most important markets in the APAC region include China, India, Japan and Australia. In Japan and Australia, the installation of PV systems combined with battery-storage systems to supply energy independently of fossil energy carriers offers additional growth potential. The SMA Managing Board estimates that new PV installations in China will increase to 63 GW to 65 GW in 2022 (2021: 55 GW). Investments in inverter technology are expected to rise to approximately €1.7 billion to €1.9 billion (2021: €1.6 billion). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to grow to around 38 GW to 40 GW in 2022 (2021: 33 GW). This growth is in particular attributable to the positive development in India. The SMA Managing Board expects slightly increasing investments of approximately €1.8 billion to €2.0 billion in inverter technology for the region as a whole (2021: €1.6 billion).

## Growth markets: Energy management, digital energy services and operational management

The trend to decentralize power supplies is progressing. More and more households, cities and companies are becoming less dependent on energy fuel imports and rising energy costs by having their own PV systems. This will lead to a rise in demand for energy storage solutions in the residential, commercial and industrial sectors. In addition, energy will be increasingly distributed via smart grids to manage electricity demand, avoid consumption peaks and take the strain off utility grids. E-mobility is an essential pillar of these new energy supply structures. Integration of a prospectively large number of electric vehicles will help increase self-consumption of renewable energies and offset fluctuations in the utility grid. Using artificial intelligence, the behavior of decentralized energy consumers and storage systems can be adapted to the fluctuating production of electricity from renewable energies, thus enabling the overall system to be optimized.



In this context, the SMA Managing Board holds that innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer worthwhile business opportunities. Rising prices for conventional domestic and commercial power and many private households and companies wanting to drive forward the energy transition by making their contribution to a sustainable and decentralized energy supply are the basis for new business models. Demand for solutions that increase self-consumption of solar power is likely to continue to rise, particularly in European markets, the U.S., Australia and Japan. In these markets, renewable energies are already taking on a greater share in the electricity supply. In addition, electric utility companies are increasingly using battery-storage systems to avoid expensive grid expansions, stabilize grid frequency and balance fluctuations in the power feed-in from renewable energy sources. The SMA Managing Board expects the still fairly new storage market to grow to approximately €1.1 billion to €1.3 billion in 2022 (excluding investments in batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market.

In addition to storage technology, digital energy services aimed at optimizing household and commercial enterprises' energy costs and their connection to the energy market are becoming increasingly significant. The SMA Managing Board expects this area to represent an addressable market of approximately €1.5 billion in 2022. The market will record strong growth in the medium and long term.

Technical management of commercial PV systems and large-scale PV power plants is another growth segment. This includes a range of services, such as repairs and device replacements as well as visual inspections and maintenance of entire systems. The market in these segments had an accumulated installed capacity of over 770 GW at the end of 2021 and will have an expected capacity of more than 905 GW by the end of 2022. The SMA Managing Board estimates the addressable market share, which is not yet or no longer under contract, at more than 170 GW for 2022, which corresponds to a potential of approximately €1.0 billion. The prices are calculated yearly per MW and vary significantly depending on the regions and services included.

## Overall statement from the Managing Board on expected development of the SMA group

### Ongoing shortage of components impairs sales and earnings

On March 1, 2022, the Managing Board of SMA Solar Technology AG published its sales and earnings guidance for the 2022 fiscal year for the first time. It predicts sales of between €900 million and €1,050 million (ACTUAL 2021: €983.7 million). The Managing Board estimates that operating earnings before interest, taxes, depreciation and amortization (EBITDA) of the SMA group will amount to between €10 million and €60 million in 2022 (ACTUAL 2021: €8.7 million). The reason for the subdued sales and earnings guidance and the broad forecast margins despite a continued extremely good level of incoming orders is the ongoing shortage of electronic components, which is particularly affecting European manufacturers of PV inverters as well as many other industries. The global production capacities for electrical components are not sufficient to cover the sharply increased demand, especially from the automotive electronics industry and consumer electronics industry. This leads to a sometimes substantial prolongation of delivery periods culminating in delivery failures, which were exacerbated by the coronavirus pandemic. The SMA Managing Board has taken extensive measures to counter the significant challenges related to this. These include setting up a cross-divisional task force at the top management level, working closely with the procurement teams of the semi-conductor suppliers as well as exploiting redesign opportunities for series that are particularly affected. For the second half of 2022, the Managing Board is anticipating higher sales than in the past six months. At the same time, it assumes that the supply of electronic components will continue to be challenging in the course of 2022, but against the backdrop of an expected sustained easing. The Managing Board currently sees no threat to the forecast due to the war in Ukraine. A conclusive assessment is not possible at this time.

Depreciation and amortization are expected to come to approximately €40 million in 2022. On this basis, the Managing Board expects an EBIT of –€30 million to €20 million (ACTUAL 2021: –€33 million). In 2022, capital expenditure of approximately €60 million (including capitalized development costs and lease investments) will be approximately on a par with 2021 (ACTUAL 2021: €56.4 million). The SMA group is investing in the future to benefit from the significant potential arising from the megatrends of decentralization, decarbonization and digitalization of the energy supply worldwide, and is developing highly integrated and digitalized solutions for the resulting requirements. In the current 2022 fiscal year, the company is therefore making particular investments in new products, land and buildings, technical equipment and machinery, and the capitalization of research and development costs.

As a result of an intensified stockpiling strategy due to the continuing shortage of components, net working capital at the end of the year will be between 26% and 28% of sales, higher than at the end of the previous year. This will have a negative impact on net liquidity, which is expected to be around €175 million.

For details regarding risks, please refer to the “Risks and Opportunities Report” section in the present Consolidated Interim Management Report and the Risks and Opportunities Report in the SMA Annual Report 2021.

#### SMA group guidance for 2022 at a glance

Key figure	Guidance 2022	Actual 2021
Sales in € million	900 to 1,050	983.7
Inverter output sold in GW	12 to 15	13.6
EBITDA in € million	10 to 60	8.7
Capital expenditure in € million	approx. 60	56.4
Net working capital in % of sales	26 to 28	26.2
Net cash in € million	approx. 175	221.7
EBIT in € million	–30 to 20	–33

The SMA group’s sales and earnings depend on global market growth, market share, price dynamics and the supply of electronic components. Our global presence and our comprehensive portfolio of products and solutions for all segments (Home Solutions, Commercial & Industrial Solutions and Large Scale & Project Solutions) enable us to respond quickly to changing market conditions, offset fluctuations in demand and take advantage of developments in global photovoltaic and storage markets. Its broad product and solution portfolio in all market segments is a major distinguishing feature for the SMA group. The Managing Board of SMA Solar Technology AG forecasts the following performance for individual SMA segments in the 2022 fiscal year:

#### Segment guidance for 2022 at a glance

Business unit	Sales	EBIT
Home Solutions	Up slightly	Down slightly
Commercial & Industrial Solutions	Up slightly	Up slightly
Large Scale & Project Solutions	Constant	Up significantly

## Strategic areas of action strengthen long-term competitiveness

After overcoming the shortage of components, the Managing Board sees excellent growth prospects for the SMA group. Significant impetus will be generated by the anticipated growth of the global PV market and of major future fields, such as storage systems, e-mobility, digital energy services and green hydrogen. With its Strategy 2025, its global presence with experts in 20 countries on six continents and products and solutions, the SMA group is well positioned to benefit from the positive developments and consolidate its market position. The ongoing development of the portfolio into a system landscape for decentralized energy supply is progressing steadily.

The goal of the SMA Strategy 2025 is to develop the SMA group into an innovative and sustainable “energy transition company” that offers appropriate solutions for all essential areas of future energy supply. We are leveraging our systems expertise to develop complete, future-proof solutions of significant customer benefit in close collaboration with our strong partners and to tap into new business areas.

In 2021, we successfully started implementing our Strategy 2025. Strategic areas of action were developed that will strengthen the competitiveness of the SMA group in the long term. They will be pressed ahead by corresponding business initiatives and address key trends and growth segments with high future potential. These include PV and storage solutions, energy market integration, e-mobility and future business fields. They bundle the business initiatives that are essential for achieving the strategic objectives and are implemented with a clear segment focus. The extent to which our objectives have been achieved and the progress within the areas of action are made transparent in quarterly strategy reviews. Management derives appropriate courses of action from the results.

## The SMA group will benefit from the increased change in energy supply <sup>1</sup>

The expansion of renewable energies and storage systems and the electrification of other sectors, such as mobility, heating and air conditioning, will be further accelerated by the increased fight against climate change and the striving for an energy supply that is largely independent from imports of raw materials and rising prices. At the same time, the global PV market consolidation will progress. This is releasing market shares and is also expected to further slow down the price pressure in the field of PV inverters over the coming years.

The SMA group is well positioned to benefit from these trends in all market segments and regions. With our products and solutions, we actively contribute to combating the global climate crisis. In addition, we have an international sales and service organization and decades of experience and technological expertise in all PV and storage applications as well as key future fields for energy supply. Our total installed inverter output of approximately 120 GW worldwide is a particularly good foundation for data-based business models, as valuable energy data can be compiled by the inverter. Our extensive knowledge of managing complex battery-storage systems and linking solar power systems to other energy sectors, such as heating, ventilation and cooling technology as well as e-mobility, is an excellent basis for developing future growth potential for digital energy solutions.

<sup>1</sup> This section is not a subject of the financial audit.

The SMA group has also already positioned itself in the high-margin business field of green hydrogen production, which is expected to see strong growth in the future. We will continuously expand our range of solutions for optimized hydrogen production. In addition, we will almost double our production capacities for inverter technology at our headquarters in Niestetal/Kassel, Germany, from 21 GW to around 40 GW by 2024 and create more than 200 additional high-quality jobs here. This will increase the company’s flexibility in a dynamic market environment and will minimize risks, dependencies and costs.

## The SMA group will take advantage of the opportunities posed by digitalization <sup>2</sup>

Thanks to its extensive knowledge and experience in PV system technology, the ability to quickly implement changes, alignment of the subsidiaries toward future business areas and its numerous strategic partnerships, the SMA group is well prepared for the digitalization of the energy industry and will take advantage of the opportunities that it yields. As a specialist in holistic solutions in the energy sector, we will help shape the energy supply of the future, launch a number of innovations and establish further strategic partnerships as part of our centralized and focused partner management. In the process, we will build on our strengths to design additional system solutions for the conversion to a cost-effective, reliable and sustainable energy supply that is based on decentralized renewable energy.

Niestetal, August 2, 2022

SMA Solar Technology AG  
The Managing Board

<sup>2</sup> This section is not a subject of the financial audit.

# HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

## Income statement SMA group <sup>1</sup>

in €'000	Note	April – June (Q2) 2022	April – June (Q2) 2021	Jan. – June (H1) 2022	Jan. – June (H1) 2021
<b>Sales</b>	5	<b>251,264</b>	<b>247,899</b>	<b>471,826</b>	<b>488,256</b>
Cost of sales		200,873	192,553	375,849	379,638
<b>Gross profit</b>		<b>50,391</b>	<b>55,346</b>	<b>95,977</b>	<b>108,618</b>
Selling expenses		26,200	22,514	47,764	43,488
Research and development expenses		12,376	13,193	22,589	26,933
General administrative expenses		14,322	13,793	29,319	26,724
Other operating income		14,905	5,631	33,146	16,848
Other operating expenses		20,690	3,800	32,205	11,187
<b>Operating profit (EBIT)</b>		<b>-8,292</b>	<b>7,677</b>	<b>-2,754</b>	<b>17,134</b>
Income from at-equity-accounted investments		560	-386	560	-386
Financial income		79	414	155	1,740
Financial expenses		1,632	714	3,193	1,550
<b>Financial result</b>	8	<b>-993</b>	<b>-686</b>	<b>-2,478</b>	<b>-196</b>
<b>Profit before income taxes</b>		<b>-9,285</b>	<b>6,991</b>	<b>-5,232</b>	<b>16,938</b>
Income taxes		4,270	1,665	5,368	3,649
<b>Net income</b>		<b>-13,555</b>	<b>5,326</b>	<b>-10,600</b>	<b>13,289</b>
of which attributable to shareholders of SMA AG		-13,555	5,326	-10,600	13,289
Earnings per share, basic (in €)		-0,39	0,15	-0,31	0,38
Earnings per share, diluted (in €)		-0,39	0,15	-0,31	0,38
Number of ordinary shares (in thousands)		34,700	34,700	34,700	34,700

## Statement of comprehensive income SMA group <sup>1</sup>

in €'000	April – June (Q2) 2022	April – June (Q2) 2021	Jan. – June (H1) 2022	Jan. – June (H1) 2021
<b>Net income</b>	<b>-13,555</b>	<b>5,326</b>	<b>-10,600</b>	<b>13,289</b>
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	109	-496	1,509	1,902
All items of other comprehensive income may be reclassified to profit or loss in subsequent periods.	109	-496	1,509	1,902
<b>Overall result</b>	<b>-13,446</b>	<b>4,830</b>	<b>-9,091</b>	<b>15,191</b>
of which attributable to shareholders of SMA AG	-13,446	4,830	-9,091	15,191

<sup>1</sup> The financial information for the second quarter (April to June 2021 and 2022) included in the Q2 columns is not subject to the review of the Half-Yearly Financial Report.

## Balance sheet SMA group

in €'000	Note	2022/06/30	2021/12/31
<b>ASSETS</b>			
Intangible assets	9	77,372	62,700
Property, plant and equipment	10	189,033	194,173
Investment property		14,397	14,521
Other financial assets, non-current		3,230	2,662
Deferred tax assets		56,979	59,113
<b>Non-current assets</b>		<b>341,011</b>	<b>333,169</b>
Inventories	11	288,585	273,024
Trade receivables		145,476	142,674
Other financial assets, current (total)	12	71,002	133,689
Cash equivalents with a duration of more than 3 months and asset management		38,951	105,857
Rent deposits and cash on hand pledged as collaterals		12,633	10,188
Remaining other financial assets, current		19,418	17,644
Income tax assets		9,895	9,897
Value added tax receivables		19,324	27,401
Other non-financial assets, current		12,333	5,966
Cash and cash equivalents	13	124,710	113,978
		671,325	706,629
Assets held for sale		13,260	12,698
<b>Current assets</b>		<b>684,585</b>	<b>719,327</b>
<b>Total assets</b>		<b>1,025,596</b>	<b>1,052,496</b>
<b>LIABILITIES</b>			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		247,418	256,509
<b>SMA Solar Technology AG shareholders' equity</b>	14	<b>401,318</b>	<b>410,409</b>
Provisions, non-current	15	104,588	104,431
Financial liabilities, non-current	16	17,862	28,485
Contract liabilities, non-current	18	155,124	155,094
Other non-financial liabilities, non-current	19	1,016	1,550
Deferred tax liabilities		340	364
<b>Non-current liabilities</b>		<b>278,930</b>	<b>289,924</b>
Provisions, current	15	90,552	104,467
Financial liabilities, current	16	28,000	18,170
Trade payables		128,151	134,026
Income tax liabilities		3,990	6,629
Contract liabilities (advances)	18	27,969	24,206
Other contract liabilities, current	18	40,325	43,330
Other financial liabilities, current	17	334	538
Other non-financial liabilities, current	19	26,027	20,797
<b>Current liabilities</b>		<b>345,348</b>	<b>352,163</b>
<b>Total equity and liabilities</b>		<b>1,025,596</b>	<b>1,052,496</b>

## Statement of cash flows SMA group

in €'000	Jan. – June (H1) 2022	Jan. – June (H1) 2021
Net income	-10,600	13,289
Income taxes	5,368	3,649
Financial result	2,478	196
Depreciation and amortization of property, plant and equipment and intangible assets	18,719	20,983
Change in provisions	-13,757	-14,864
Result from the disposal of assets	128	87
Change in non-cash expenses/revenue	-2,261	-2,964
Interest received	623	658
Interest paid	-515	-418
Income tax paid	-3,333	11,274
<b>Gross cash flow</b>	<b>-3,150</b>	<b>31,890</b>
Change in inventories	-17,674	-46,190
Change in trade receivables	-4,499	-13,672
Change in trade payables	-5,875	-10,194
Change in other net assets/other non-cash transaction	17,098	50,203
<b>Net cash flow from operating activities</b>	<b>-14,100</b>	<b>12,037</b>
Payments for investments in property, plant and equipment	-9,092	-7,161
Proceeds from the disposal of property, plant and equipment	72	120
Payments for investments in intangible assets	-19,180	-12,385
Payments for the acquisition of shares in associated companies	0	-750
Proceeds from the disposal of securities and other financial assets	66,650	40,900
Payments for the acquisition of securities and other financial assets	0	-19,996
<b>Net cash flow from investing activities</b>	<b>38,450</b>	<b>728</b>
Redemption of financial liabilities	-8,342	-1,672
Payments for lease liabilities	-3,536	-3,337
Dividends paid by SMA Solar Technology AG	0	-10,410
<b>Net cash flow from financing activities</b>	<b>-11,878</b>	<b>-15,419</b>
Net increase/decrease in cash and cash equivalents	12,472	-2,654
Changes due to exchange rate effects	-1,740	-763
Cash and cash equivalents as of January 1	113,978	123,707
<b>Cash and cash equivalents as of June 30</b>	<b>124,710</b>	<b>120,290</b>

## Statement of changes in equity SMA group

in €'000	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
<b>Shareholders' equity as of January 1, 2021</b>	<b>34,700</b>	<b>119,200</b>	<b>-523</b>	<b>285,769</b>	<b>439,146</b>
Net income				13,289	13,289
Other comprehensive income after tax			1,902		1,902
Overall result					15,191
Dividend payments of SMA Solar Technology AG				10,410	10,410
<b>Shareholders' equity as of June 30, 2021</b>	<b>34,700</b>	<b>119,200</b>	<b>1,379</b>	<b>288,648</b>	<b>443,927</b>
<b>Shareholders' equity as of January 1, 2022</b>	<b>34,700</b>	<b>119,200</b>	<b>4,150</b>	<b>252,359</b>	<b>410,409</b>
Net income				-10,600	-10,600
Other comprehensive income after tax			1,509		1,509
Overall result					-9,091
<b>Shareholders' equity as of June 30, 2022</b>	<b>34,700</b>	<b>119,200</b>	<b>5,659</b>	<b>241,759</b>	<b>401,318</b>

# CONDENSED NOTES AS OF JUNE 30, 2022

## General information

### 1. Basics

The Condensed Half-Year Consolidated Financial Statements of SMA Solar Technology AG as of June 30, 2022, were prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In the 2022 fiscal year, the Half-Year Financial Statements of SMA Solar Technology AG are therefore prepared in accordance with IAS 34, "Interim Financial Reporting." Pursuant to the provisions of IAS 34, a condensed scope of reporting was chosen in comparison with the Consolidated Financial Statements as of December 31, 2021. The Condensed Financial Statements do not include all the information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the Consolidated Financial Statements as of December 31, 2021.

The Condensed Half-Year Consolidated Financial Statements were prepared in euro. Unless indicated otherwise, all amounts are stated in euro and rounded to whole thousands (€'000) or millions (€ million) to improve clarity. In individual cases, rounding may result in values in this report not adding up exactly to the totals given and percentages not being derived from the values presented.

The Half-Year Consolidated Financial Statements are prepared using the amortized acquisition cost principle. Exceptions to this are in particular derivative financial instruments and securities (in the form of shares in institutional mutual funds).

The income statement is classified according to the cost of sales method.

The Managing Board of SMA Solar Technology AG authorized the Half-Year Consolidated Financial Statements on August 2, 2022, for submission to the Supervisory Board.

The registered office of the company is Sonnenallee 1, 34266 Niestetal, Germany. Shares of SMA Solar Technology AG are traded publicly. They are listed in the Prime Standard of the Frankfurt Stock Exchange. The company has been listed in the TecDAX since June 20, 2022.

SMA Solar Technology AG (SMA AG) and its subsidiaries (SMA group) develop, produce and sell solar inverters, transformers, chokes and monitoring systems for solar power systems. In addition, the company offers intelligent energy management solutions and services, including operation and maintenance services for photovoltaic power plants (O&M business). Another business segment is digital services for the future energy supply. More detailed information on the segments is provided in section 5.

### 2. Scope of consolidation and consolidation principles

With the exception of elexon GmbH, all companies within the scope of consolidation are fully consolidated. elexon GmbH is recognized as a joint venture in the Consolidated Financial Statements according to the equity method. The UNIKIMS GmbH entitled to investments in the list of shareholdings as specified in the Consolidated Financial Statements as of December 31, 2021, is not consolidated due to its subordinate importance.

The Half-Year Consolidated Financial Statements are based on the Financial Statements of SMA Solar Technology AG and the subsidiaries included in the scope of consolidation, which were prepared using uniform accounting policies throughout the SMA group.

Further details can be found in the Notes to the Consolidated Financial Statements as of December 31, 2021.

The scope of consolidation as of June 30, 2022, did not change in comparison with December 31, 2021. The company name of SMA Brasil Tecnologia Ferroviária e Solar Ltda. was changed to SMA BRASIL TECNOLOGIA SOLAR LTDA.



### 3. Accounting and valuation policies and adoption of new accounting standards

#### ACCOUNTING AND VALUATION POLICIES

In the present Half-Year Consolidated Financial Statements as of June 30, 2022, there was the following change in the accounting and valuation principles compared to the Consolidated Financial Statements of SMA Solar Technology AG as of December 31, 2021:

As a result of the rapid devaluation of the Turkish lira, Turkey is now classified as hyperinflationary. Accordingly, IAS 29 “Financial Reporting in Hyperinflationary Economies” is applicable to these financial statements for the first time. To reflect the change in purchasing power, non-monetary assets and liabilities as well as equity and other comprehensive income have to be translated into a measuring unit valid as of the reporting date. This is carried out based on a general price index. Monetary items are not translated because they are already expressed in terms of a measuring unit current as of the reporting date. The Turkish subsidiary was established in October 2021 and is in the start-up phase. A review has shown that the effect of the change in purchasing power is insignificant at group level. Accordingly, it has not been taken into account. This assessment continues to be reviewed.

#### ADOPTION OF NEW ACCOUNTING STANDARDS

The SMA group has not yet applied the new standards, interpretations or changes to the standards published that were not yet mandatory as of the balance sheet date. The standards that have to be applied in the future can be found in the Notes to the Consolidated Financial Statements for the 2021 fiscal year under section 2, New IASB Accounting Standards.

The following amendments to the IFRS Standards are effective as of the beginning of the current fiscal year: annual improvements to IFRS (2018 to 2020 cycle), amendments to IAS 16 Income before the operational status, amendments to IAS 37 Scope of compliance costs for onerous contracts, amendments to IFRS 3 Reference to the Conceptual Framework, amendments to IFRS 16 Covid 19-Related Rent Concessions beyond June 30, 2021. For further details, see our 2021 Annual Report. The amendments have no material effect on the group’s accounting.

In addition, the following agenda decisions have been adopted by the IFRS Interpretations Committee as of December 31, 2021, which are now taken into account when applying IFRS but have no impact on the Consolidated Financial Statements: Decisions on IFRS 9 and IAS 20 (TLTRO III), on IAS 7 (Demand Deposits) and on IFRS 15 (Principal vs. Agent: Software Resellers).

### 4. Significant judgments, estimates and assumptions

With regard to the effects of the war between Russia and Ukraine as well as the coronavirus pandemic and the associated economic and market impacts, SMA examined whether there could currently be an impact that should be taken into account.

These indicators, combined with the climbing interest rate environment, gave rise to an impairment assessment at the level of the cash-generating units outside the annual cycle. Taking into account the increased capital costs (June 30, 2022: 12.33%; December 31, 2021: 10.91%), with planning assumptions otherwise continued compared with December 31, 2021, there was no indication of impairment as of the reporting date. This review is ongoing due to the rapidly changing situation and could lead to adjustments due to a changed risk assessment or market parameters in the future.

Regarding the measurement parameters for the individual and general warranty provisions, new findings (particularly a reduction in the expected development of defects based on updated quality data) have resulted in an overall reversal of provisions. As of June 30, 2022, general warranty provisions amounted to €133.8 million (December 31, 2021: €145.5 million).

Regarding the valuation parameters for the provision for anticipated losses from the settlement of a long-term contract for operations management and maintenance services for PV power plants (O&M), new findings have emerged over time. On the one hand, the current interest rate development leads to an adjustment of the risk-adjusted interest rate used for discounts, on the other hand, the progress in contract processing has resulted in new findings regarding the amount and timing of payments. The resulting effect on profit or loss is not material. This results in an adjusted range for the amount of the provision. For terminating the long-term contract, it amounts to at least €32.5 million and up to an estimated maximum of €54.3 million (December 31, 2021: €30.5 million to €68.5 million). The SMA group maps the most likely scenario. The provision amounted to €41.7 million as of the reporting date (December 31, 2021: €47.7 million) and is accounted in other provisions.

## 5. Segment reporting

The segments of the SMA group are described in the organizational and reporting structure in the Consolidated Interim Management Report and individually in the “Results of operations” section in the Consolidated Interim Management Report. SMA’s segment structure has not changed in comparison with the previous year.

### Financial ratios by segments and regions

The segment information in accordance with IFRS 8 for the second quarter of 2022 and 2021 is as follows:

in € million <sup>1</sup>	External product sales		External service sales		Total sales	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
<b>Segments</b>						
Home Solutions	70.6	68.6	2.3	3.7	72.9	72.3
C&I Solutions <sup>2</sup>	60.2	54.3	1.7	0.4	61.9	54.7
Large Scale & Project Solutions	99.3	105.2	17.1	15.7	116.4	120.9
<b>Total segments</b>	<b>230.1</b>	<b>228.1</b>	<b>21.1</b>	<b>19.8</b>	<b>251.2</b>	<b>247.9</b>
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
<b>Continuing operations</b>	<b>230.1</b>	<b>228.1</b>	<b>21.1</b>	<b>19.8</b>	<b>251.2</b>	<b>247.9</b>

<sup>1</sup> The above table is not part of the review of the Half-Yearly Financial Report.

<sup>2</sup> The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

in € million <sup>1</sup>			Depreciation and amortization		Operating profit (EBIT)	
			Q2 2022	Q2 2021	Q2 2022	Q2 2021
<b>Segments</b>						
Home Solutions			0.4	0.9	8.7	15.4
C&I Solutions <sup>2</sup>			1.2	1.1	-6.7	-7.4
Large Scale & Project Solutions			1.0	1.2	-7.2	-1.5
<b>Total segments</b>			<b>2.6</b>	<b>3.2</b>	<b>-5.2</b>	<b>6.5</b>
Reconciliation			6.8	7.2	-3.1	1.1
<b>Continuing operations</b>			<b>9.4</b>	<b>10.4</b>	<b>-8.3</b>	<b>7.6</b>

<sup>1</sup> The above table is not part of the review of the Half-Yearly Financial Report.

<sup>2</sup> The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

#### Sales by regions (target market of the product)

in € million <sup>1</sup>	Q2 2022	Q2 2021
EMEA	154.9	124.4
Americas	74.3	90.5
APAC	31.0	40.3
Sales deductions	-9.0	-7.3
<b>External sales</b>	<b>251.2</b>	<b>247.9</b>
thereof Germany	78.1	61.7

<sup>1</sup> The above table is not part of the review of the Half-Yearly Financial Report.

The segment information in accordance with IFRS 8 for the first half year of 2022 and 2021 is as follows:

in € million	External product sales		External service sales		Total sales	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
<b>Segments</b>						
Home Solutions	132.3	140.2	3.2	7.7	135.5	147.9
C&I Solutions <sup>1</sup>	114.2	115.4	4.2	0.9	118.4	116.3
Large Scale & Project Solutions	184.9	195.5	33.0	28.6	217.9	224.1
<b>Total segments</b>	<b>431.4</b>	<b>451.1</b>	<b>40.4</b>	<b>37.2</b>	<b>471.8</b>	<b>488.3</b>
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
<b>Continuing operations</b>	<b>431.4</b>	<b>451.1</b>	<b>40.4</b>	<b>37.2</b>	<b>471.8</b>	<b>488.3</b>

<sup>1</sup> The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

in € million	Depreciation and amortization		Operating profit (EBIT)	
	H1 2022	H1 2021	H1 2022	H1 2021
<b>Segments</b>				
Home Solutions	0.5	1.8	17.0	29.6
C&I Solutions <sup>1</sup>	2.3	2.1	-11.1	-11.5
Large Scale & Project Solutions	2.0	2.4	-6.3	-5.1
<b>Total segments</b>	<b>4.8</b>	<b>6.3</b>	<b>-0.4</b>	<b>13.0</b>
Reconciliation	13.9	14.7	-2.4	4.1
<b>Continuing operations</b>	<b>18.7</b>	<b>21.0</b>	<b>-2.8</b>	<b>17.1</b>

<sup>1</sup> The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

#### Sales by regions (target market of the product)

in € million	H1 2022	H1 2021
EMEA	277.6	251.1
Americas	130.4	178.7
APAC	79.0	71.0
Sales deductions	-15.2	-12.5
<b>External sales</b>	<b>471.8</b>	<b>488.3</b>
thereof Germany	140.8	129.4

**Reconciliation** of the segment figures to the correlating figures in the Financial Statements is as follows:

in € million <sup>1</sup>	Q2 2022	Q2 2021	H1 2022	H1 2021
Total segment earnings (EBIT)	-5.2	6.5	-0.4	13.0
Elimination	-3.1	1.1	-2.4	4.1
Consolidated EBIT	-8.3	7.7	-2.8	17.1
Financial result	-1.0	-0.7	-2.5	-0.2
<b>Earnings before income taxes</b>	<b>-9.3</b>	<b>7.0</b>	<b>-5.2</b>	<b>16.9</b>

<sup>1</sup> The financial information for the second quarter (April to June 2021 and 2022) included in the Q2 columns is not subject to the review of the Half-Yearly Financial Report.

Circumstances are shown in the reconciliation, which by definition are not part of the segments. In particular, this comprises unallocated parts of group head offices, including centrally managed cash and cash equivalents, financial instruments, financial liabilities and buildings, the expenses of which are allocated to the segments. Business relationships between the segments are eliminated in the reconciliation.

## Selected notes to the SMA group income statement

### 6. Notes to the income statement

The notes to the income statement, including explanations of significant events and transactions, are provided in the presentation of the results of operations in the Consolidated Interim Management Report.

### 7. Employee and temporary employee benefits

in €'000	H1 2022	H1 2021
Wages and salaries	109,150	103,906
Expenses for temporary employees	3,575	7,626
Social security contribution and welfare payments	17,191	16,260
	<b>129,916</b>	<b>127,792</b>

### 8. Financial result

in €'000	H1 2022	H1 2021
<b>Result from at-equity-accounted investments</b>	<b>560</b>	<b>-386</b>
Interest income	155	1,067
Other financial income	0	663
Income from interest derivatives	0	10
<b>Financial income</b>	<b>155</b>	<b>1,740</b>
Interest expenses	501	417
Other financial expenses	2,239	785
Interest expenses from lease liabilities	453	348
<b>Financial expenses</b>	<b>3,193</b>	<b>1,550</b>
<b>Financial result</b>	<b>-2,478</b>	<b>-196</b>

The increase in other financial expenses and the decrease in other financial income are attributable mainly to the fair value measurement of shares in institutional mutual funds.

## Selected notes to the SMA group balance sheet

### 9. Intangible assets

in €'000	2022/06/30	2021/12/31
Goodwill	482	482
Software	2,232	3,100
Patents/licenses/other rights	2,521	2,715
Development projects	15,805	15,698
Intangible assets in progress	56,332	40,705
	<b>77,372</b>	<b>62,700</b>

The intangible assets in progress reflect development activities undertaken by the SMA group.

### 10. Property, plant and equipment

in €'000	2022/06/30	2021/12/31
Land and buildings, incl. buildings on third party property	108,885	111,305
Rights of use for buildings	21,223	24,552
Technical equipment and machinery	22,880	25,092
Rights of use for technical equipment/machinery	480	712
Other equipment, plant and office equipment	19,009	21,236
Rights of use for vehicle fleet	4,607	4,871
Prepayments and assets under construction	11,949	6,405
	<b>189,033</b>	<b>194,173</b>

### 11. Inventories

in €'000	2022/06/30	2021/12/31
Raw materials, consumables and supplies	132,298	99,609
Unfinished goods, work in progress	11,747	9,164
Finished goods, and goods for resale	116,870	137,335
Prepayments	27,670	26,916
	<b>288,585</b>	<b>273,024</b>

Inventories are measured at the lower value of the cost of acquisition or sales and net realizable value. In total, impairment as of June 30, 2022, amounted to €28.5 million (December 31, 2021: €35.4 million). The decrease is mainly due to the utilization of the allowances recognized as expense in previous years due to the scrapping of defective components. The addition to impairment on inventories, included under expenses as cost of sales, amounted to €1.5 million (H1 2021: €0.8 million).

### 12. Other financial assets and value added tax receivables

The other non-current financial assets mainly include shares in joint ventures and loan receivables.

The other current financial assets as of June 30, 2022, include in particular financial assets and time deposits with a term to maturity of more than three months, accrued interest totaling €39.0 million (December 31, 2021: €105.9 million) and a current component for claims to compensation payments of €15.0 million from a supplier. Receivables from tax authorities from sales tax refund claims of €19.3 million were recognized as of June 30, 2022 (December 31, 2021: €27.4 million). In addition, free derivatives with a positive market value amounting to €1.1 million are included (December 31, 2021: €0.0 million).

## 13. Cash and cash equivalents

Cash and cash equivalents of €124.7 million (December 31, 2021: €114.0 million) comprise cash in hand as well as bank balances, checks, payments in transit of €124.4 million (June 30, 2021: €120.2 million) and deposits with an original term to maturity of less than three months amounting to €0.3 million (June 30, 2021: €0.1 million). Bank balances bear interest at variable interest rates applicable to deposits subject to call.

## 14. Equity

The change in equity, including effects not shown in the income statement, is presented in the Statement of Changes in Equity.

On May 31, 2022, the Annual General Meeting of SMA Solar Technology AG waived the distribution of a dividend for the 2021 fiscal year (2020: €0.30 per qualifying bearer share).

## 15. Provisions

in € '000	2022/06/30	2021/12/31
Warranties	133,878	145,452
Personnel	6,672	5,693
Other	54,590	57,753
	<b>195,140</b>	<b>208,898</b>

Warranty provisions consist of general warranty obligations (periods of between five and ten years) for the various product areas within the group. In addition, provisions are set aside for individual cases that are mainly used in the following year. Warranty provisions for individual cases amount to €12.7 million (December 31, 2021: €28.0 million). General warranty provisions exist in the amount of €119.1 million (December 31, 2021: €117.4 million). For the short-term portion of €36.8 million, an outflow of funds is expected within one year; for the long-term portion, an outflow of funds is expected within a period of five to ten years.

Personnel provisions mainly include obligations for long-service anniversaries, death benefits and partial retirement benefits. Personnel provisions affect cash in relation to contractual commitments made.

## 16. Financial liabilities

in € '000	2022/06/30	2021/12/31
Liabilities due to credit institutions	21	8,362
Financial liabilities from derivative financial instruments	18,628	7,607
Lease liabilities	27,213	30,687
	<b>45,862</b>	<b>46,656</b>

In the previous year, liabilities to credit institutions mainly included liabilities for the financing of SMA Immo properties and an SMA AG PV system. These liabilities were repaid in the reporting period. Changes in liabilities to banks and from leases are reflected in the net cash flow from financing activities. Financial liabilities from derivative financial instruments relate to currency futures and options with negative fair values as of the reporting date.

## 17. Other financial liabilities

As at June 30, 2022, other current financial liabilities include costs for preparing the financial statements and other financial liabilities and are due within one year.

## 18. Contract liabilities

in €'000	2022/06/30	2021/12/31
Accrual item for extended warranties	166,031	165,545
Liabilities from prepayments received	27,969	24,206
Accruals for service and maintenance contracts	13,781	14,526
Other contract liabilities, current	15,637	18,352
<b>Total</b>	<b>223,418</b>	<b>222,629</b>

Contract liabilities entail accrual items for extended warranties, service and maintenance contracts and bonus agreements and prepayments. Non-current contractual obligations mainly include liabilities from chargeable extended warranties granted for products from the Home Solutions and Commercial & Industrial Solutions business units. The fulfillment of the non-current contractual obligations will extend over a period of 5 to 15 years from the start of the extended warranties. The prepayments included in contractual obligations relate to deliveries of goods.

Current contractual obligations mainly include prepayments received and relate to deliveries of goods, accruals for service and maintenance contracts and bonus agreements. They will mostly be fulfilled within the next 12 months.

## 19. Other non-financial liabilities

Other non-financial liabilities mainly include liabilities in the Human Resources department. They contain obligations to employees regarding performance-based bonuses and positive vacation and flextime balances as well as variable salary components and contributions to the workers' compensation association and to social insurance systems totaling €20.8 million (December 31, 2021: €17.6 million). Liabilities to tax authorities and subsidies received totaling €6.2 million are also recognized (December 31, 2021: €4.7 million).

## 20. Financial instruments

in €'000	Assessment category according to IFRS 9	2022/06/30 Book value	2021/12/31 Book value
<b>Assets</b>			
Cash and cash equivalents	AC	124,710	113,978
Trade receivables	AC	145,476	142,674
<b>Other financial assets</b>		<b>74,232</b>	<b>136,350</b>
of which institutional mutual funds	FVPL	38,860	105,857
of which other	AC	34,269	30,490
of which derivatives that do not qualify for hedge accounting	FVPL	1,100	0
<b>Liabilities</b>			
Trade payables	AC	128,151	134,026
<b>Financial liabilities</b>		<b>45,862</b>	<b>46,656</b>
of which liabilities due to credit institutions	AC	21	8,362
of which liabilities from leases	–	27,213	30,687
of which derivatives that do not qualify for hedge accounting	FVPL	18,628	7,607
<b>Other financial liabilities</b>	<b>AC</b>	<b>334</b>	<b>538</b>
<b>Of which aggregated according to valuation categories in accordance with IFRS 9</b>			
Financial assets measured at amortised cost	AC	304,455	287,142
Financial liabilities measured at amortised cost	AC	128,506	142,926
Financial assets measured at fair value through profit or loss	FVPL	39,960	105,857
Financial liabilities measured at fair value through profit or loss	FVPL	18,628	7,607

The book value amounts in the “AC” measurement category in our Consolidated Financial Statements are often a reasonable approximation of the fair values of the assets and liabilities, and therefore fair values are not disclosed separately. Cash and cash equivalents, trade receivables and remaining financial assets as well as other financial liabilities mainly have short terms to maturity. Accordingly, their book values on the reporting date were almost identical to their fair value.

The fair value of liabilities to credit institutions also differs only insignificantly from the book value.

The fair values of other non-current assets correspond to the present values of the payments related to the assets while taking into account current interest parameters, which reflect market- and partner-related changes in conditions and expectation, but which do not differ significantly from the cost of acquisitions.

Other financial investments relate to an investment not included in the scope of consolidation.

The fair values of the institutional mutual funds are based on quoted market prices at the end of the reporting period. (Level 1)

Trade payables and other current financial liabilities normally have short terms to maturity. The recognized values are almost identical to the fair values.

Derivative financial instruments are used to hedge against currency risks arising from operative business. These are exclusively currency futures outside hedge accounting. In principle, these instruments are only used for hedging purposes. As is the case with all financial instruments, they are recognized at fair value upon initial recognition. The fair values are also decisive for subsequent measurements. The fair value of traded derivative financial instruments is identical to the market value. This value may be positive or negative. The measurement of forward transactions is based on forward contract rates. The parameters that were used in the valuation models are in line with market data. (Level 2)

The following table shows the allocation of our financial assets and liabilities measured at fair values in the balance sheet, using the three levels of the fair value hierarchy:

in €'000	Level 1	Level 2	Level 3	Total
<b>2022</b>				
Financial assets, measured at fair value				
Institutional mutual funds	38,860	0	0	38,860
Other securities	0	0	3	3
Derivative financial instruments	0	1,100	0	1,100
Financial liabilities, measured at fair value				
Derivative financial instruments	0	18,628	0	18,628
<b>2021</b>				
Financial assets, measured at fair value				
Institutional mutual funds	105,857	0	0	105,857
Other securities	0	0	3	3
Derivative financial instruments	0	0	0	0
Financial liabilities, measured at fair value				
Derivative financial instruments	0	7,607	0	7,607



## Other disclosures

### 21. Events after the balance sheet date

There were no events after the balance sheet date.

### 22. Related party disclosures

Until May 31, 2022, the Managing Board of SMA Solar Technology AG comprised the following members: Dr.-Ing. Jürgen Reinert (Chief Executive Officer, Board Member for Strategy, Sales and Service, Operations and Technology) and Ulrich Hadding (Board Member for Finance, Human Resources and Legal). Ulrich Hadding left the company at his own request on May 31, 2022. As of June 1, 2022, Chief Executive Officer Dr.-Ing. Jürgen Reinert is responsible for Strategy, Sales and Service, Operations and Technology and also Human Resources. Thomas Pixa, as Board Member for Finance, is in charge of Finance and Legal.

On May 28, 2014, SMA concluded an agreement regarding a close strategic partnership with Danfoss A/S. As part of this partnership, Danfoss acquired a 20% stake in SMA and therefore belongs to the group of related entities. SMA entered into a strategic partnership with Danfoss in the areas of purchasing, sales and research and development. SMA also performs services on behalf of Danfoss.

Furthermore, elexon GmbH is recognized as a joint venture. It is a joint venture in the field of charging infrastructure facilities. Since 2019, SMA granted elexon GmbH loans totaling €2.0 million.

All agreements were concluded under fair market conditions. There is no material collateralization nor are there guarantees.

# RESPONSIBILITY STATEMENT

We assure to the best of our knowledge that, in accordance with the applicable accounting standards for half-year financial reporting, the Half-Year Consolidated Financial Statements give a fair view of the net assets, financial position and results of operations of the SMA group and that the Consolidated Interim Management Report gives a fair view of the course of business, including the results of operations and the SMA group's position, and describes the fundamental opportunities and risks associated with the expected development of the SMA group for the remaining months of the fiscal year.

Niestetal, August 2, 2022.

SMA Solar Technology AG  
The Managing Board

Dr.-Ing. Jürgen Reinert

Thomas Pixa

# REVIEW REPORT<sup>1</sup>

To SMA Solar Technology AG, Niestetal

We have reviewed the half year consolidated financial statements - comprising the income statement SMA group, the statement of comprehensive income SMA group, the balance sheet SMA group, the statement of cash flows SMA group, the statement of changes in equity SMA group and condensed notes as of June 30, 2022, - except for quarterly disclosures for the periods April to June 2021 and April to June 2022 presented within the income statement SMA group, the statement of comprehensive income SMA group and in the segment report in the condensed notes as of June 30, 2022, and with the exception of other disclosed information indicated by footnotes in the interim group management report -, and the interim group management report of SMA Solar Technology AG, Niestetal, for the period from January 1, 2022 to June 30, 2022 that are part of the semi annual financial report pursuant to section 115 German Securities Trading Act (WpHG). The preparation of the half year consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the half year consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the half year consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the half year consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we do not express an audit opinion.

Based on our review no matters have come to our attention that cause us to presume that the half year consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. Our audit opinion does not cover quarterly disclosures in the half year consolidated financial statements and other disclosed information indicated by footnotes in the interim group management report.

Frankfurt/Main, August 2, 2022

## **BDO AG**

Wirtschaftsprüfungsgesellschaft

Gebhardt  
Wirtschaftsprüfer  
(German Public Auditor)

Dr. Faßhauer  
Wirtschaftsprüfer  
(German Public Auditor)

<sup>1</sup> Convenience translation of the original independent review report issued in German language on the half-year financial statements as of June 30, 2022 and of the interim group management report prepared in German language by the management of SMA Solar Technology AG. Solely the original German review report is authoritative.

## FINANCIAL CALENDAR

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2022/11/10

Publication of Quarterly Statement: January to September 2022  
Analyst Conference Call: 13:30 p.m. (CET)

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## REGISTERED TRADEMARKS

The SMA company logo, as well as the names coneva, Energy that changes, ennexOS, JOIN, SMA, SMA Smart Connected, SMA Solar Technology, Sunny, Sunny Home Manager, Sunny Tripower are registered trademarks of SMA Solar Technology AG in many countries. The name elaxon is a registered trademark of elaxon GmbH in many countries.

## DISCLAIMER

The Half-Yearly Financial Report, in particular the Forecast Report included in the Management Report, includes various forecasts and expectations as well as statements relating to the future development of the SMA group and SMA Solar Technology AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provisions or fundamental changes in the economic and political environment. SMA does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this Half-Yearly Financial Report.



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