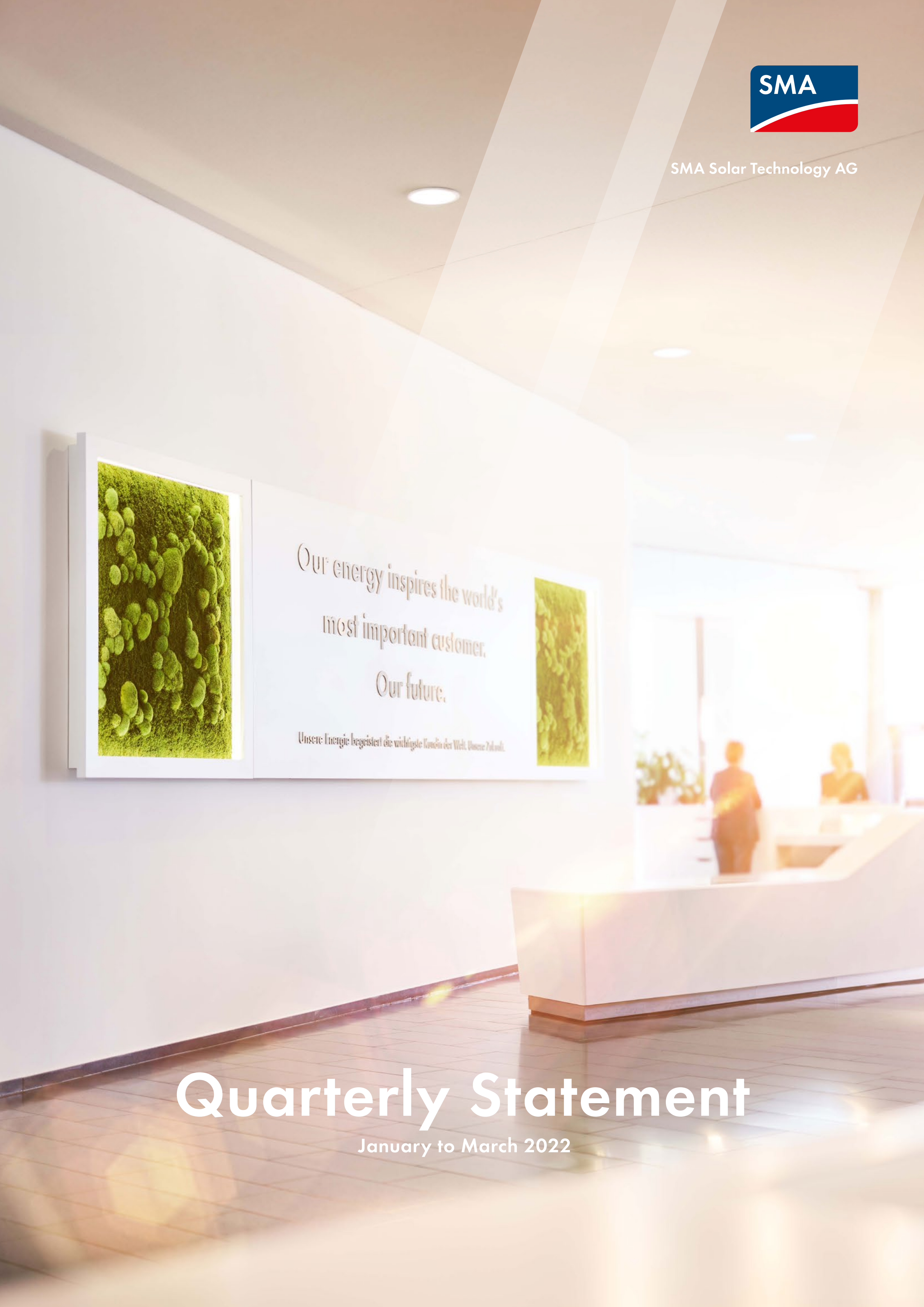
SMA Solar Technology AG



Quarterly Statement

January to March 2022

SMA Solar Technology AG at a glance

SMA group		Q1 2022	Q1 2021	Change	Full Year 2021
Sales	€ million	220.6	240.4	–8.2%	983.7
Export ratio	%	72.4	72.4		74.9
Inverter output sold	MW	2,788	3,360	–17.0%	13,584
Capital expenditure [1]	€ million	12.6	10.4	21.2%	56.4
Depreciation	€ million	9.3	10.6	–12.3%	41.7
EBITDA	€ million	14.8	20.1	–26.4%	8.7
EBITDA margin	%	6.7	8.4		0.9
Net income	€ million	3.0	8.0	–62.5%	–23.0
Earnings per share [2]	€	0.09	0.23		–0.66
Employees [3]		3,525	3,330	5.9%	3,510
in Germany		2,517	2,308	9.1%	2,474
abroad		1,008	1,022	–1.4%	1,036

SMA group		2022/03/31	2021/12/31	Change
Total assets	€ million	1,062.1	1,052.5	1%
Equity	€ million	414.8	410.4	1%
Equity ratio	%	39.1	39.0	
Net working capital [4]	€ million	272.7	257.5	6%
Net working capital ratio [5]	%	28.3	26.2	
Net cash [6]	€ million	199.9	221.7	–10%

1 Investments including additions of rights of use in accordance with IFRS 16
2 Converted to 34,700,000 shares
3 Reporting date; including trainees and learners; excluding temporary employees
4 Inventories and trade receivables minus trade payables and liabilities from advanced payments received for orders
5 Relating to the last twelve months (LTM)
6 Total cash minus interest-bearing financial liabilities to banks

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ECONOMIC REPORT

Results of operations

Sales and earnings

SHORTAGE OF COMPONENTS IMPAIRS SALES

The SMA group's sales decreased by 8.2% to €220.6 million from January to March 2022 (Q1 2021: €240.4 million). In the reporting period, inverter output sold amounted to 2,788 MW (Q1 2021: 3,360 MW). The lower level of sales compared with the previous year is due mainly to the considerable challenges in connection with the continuing tight supply situation for electronic components.

The SMA group is well positioned internationally and generates sales in all relevant regions. In the reporting period, the company generated 54.1% of external sales in European countries, the Middle East and Africa (EMEA), 24.7% in the North and South American (Americas) region and 21.2% in the Asia-Pacific (APAC) region (Q1 2021: 51.6% EMEA, 35.9% Americas, 12.5% APAC). The main markets for SMA in the reporting period were again Germany, the U.S. and Australia.

The Large Scale & Project Solutions segment made the largest contribution to sales in the first quarter of 2022, accounting for 46.0% (Q1 2021: 43.0%). In the reporting period, the Home Solutions segment generated 28.4% of the SMA group's sales, while the Commercial & Industrial Solutions segment[1] generated 25.6% (Q1 2021: 31.4% Home Solutions, 25.6% Commercial & Industrial Solutions).

As of March 31, 2022, the SMA group had a large order backlog of €1,047.4 million (March 31, 2021: €835.7 million). At €572.1 million, more than half of this is attributable to product business (March 31, 2021: €354.5 million). The order backlog in the service business amounts to €475.3 million.[2] Most of this share will be implemented over the next five to ten years.

In the reporting period, earnings before interest, taxes, depreciation and amortization (EBITDA) decreased to €14.8 million (EBITDA margin: 6.7%; Q1 2021: €20.1 million; 8.4%). Earnings before interest and taxes (EBIT) fell to €5.5 million (Q1 2021: €9.5 million). This equates to an EBIT margin of 2.5% (Q1 2021: 3.9%). Net income amounted to €3.0 million (Q1 2021: €8.0 million). Earnings per share thus amounted to €0.09 (Q1 2021: €0.23).

Sales and earnings per segment

HOME SOLUTIONS SEGMENT CONTINUES TO HAVE GOOD PROFITABILITY DESPITE 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.

In the first quarter of 2022, external sales in the Home Solutions segment declined by 17.2% to €62.6 million due to the ongoing shortage of components (Q1 2021: €75.6 million). Its share of the SMA group's total sales was 28.4% (Q1 2021: 31.4%). The EMEA region accounted for 83.8% (Q1 2021: 81.2%) of the Home Solutions segment's gross sales, the Americas region for 9.6% (Q1 2021: 10.8%) and the APAC region for 6.6% (Q1 2021: 8.0%).

The Home Solutions segment's EBIT decreased year on year to €8.3 million (Q1 2021: €14.2 million) as a result of the decline in sales. In relation to external sales, the EBIT margin was 13.3% (Q1 2021: 18.8%).

[1] former Business Solutions segment
[2] The order backlog in the Service business includes a high double-digit million amount for operation and maintenance services, which will be cancelled in subsequent periods as a result of the termination of a contract in this area described in the Annual Report 2021.

COMMERCIAL & INDUSTRIAL SOLUTIONS SEGMENT CONTINUES TO BE AFFECTED BY SHORTAGE OF COMPONENTS

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 fell to €56.5 million in the first quarter of 2022 (Q1 2021: €61.6 million) as a result of the shortage of electronic components. Its share of the SMA group's total sales was 25.6% (Q1 2021: 25.6%). 77.1% of gross sales were attributable to the EMEA region, 13.7% to the Americas region and 9.2% to the APAC region (Q1 2021: 73.6% EMEA, 15.7% APAC, 10.7% Americas).

In the first quarter of 2022, the Commercial & Industrial Solutions segment's EBIT decreased to –€4.4 million (Q1 2021: –€4.1 million) and was therefore almost on a par with the previous year despite the decline in sales. In relation to external sales, the EBIT margin was –7.8% (Q1 2021: –6.7%).

POSITIVE RESULT IN LARGE SCALE & PROJECT SOLUTIONS SEGMENT

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 decreased by 1.6% to €101.5 million in the first quarter of 2022 (Q1 2021: €103.2 million). Its share of the SMA group's total sales was 46.0% (Q1 2021: 43.0%). The Americas region accounted for 41.1% (Q1 2021: 69.8%) of the Large Scale & Project Solutions segment's gross sales, the APAC region for 37.6% (Q1 2021: 13.9%) and the EMEA region for 21.3% (Q1 2021: 16.3%).

Despite the decline in sales, EBIT in the Large Scale & Project Solutions segment improved to €0.9 million (Q1 2021: –€3.6 million). A compensation payment in the mid single-digit million range as a result of a contract termination by a customer contributed to this. In relation to external sales, the EBIT margin was 0.9% (Q1 2021: –3.5%).

Development of significant income statement items

SOLID GROSS MARGIN DESPITE DECLINE IN SALES

Cost of sales decreased by 6.5% year on year to €175.0 million (Q1 2021: €187.1 million). The main reason for the decline was lower sales as a result of the shortage of materials for electronic components. Higher material and logistics costs and a less favorable product mix compared with the same period in the previous year impacted the gross margin. In the reporting period, the gross margin was 20.7% (Q1 2021: 22.2%). SMA is continuously working on cost optimization of existing products and the introduction of new, more cost-effective products in all segments.

Personnel expenses included in cost of sales decreased by 2.3% to €29.9 million in the reporting period (Q1 2021: €30.6 million). Material costs, including changes in inventories, amounted to €130.1 million (Q1 2021: €139.9 million).

From January to March 2022, depreciation and amortization included in the cost of sales amounted to €7.9 million (Q1 2021: €9.2 million). This comprises scheduled depreciation on capitalized development costs of €1.5 million (Q1 2021: €2.4 million). Other costs decreased to €7.1 million (Q1 2021: €7.4 million).

Selling expenses rose to €21.6 million (Q1 2021: €21.0 million). The cost of sales ratio was 9.8% in the reporting period (Q1 2021: 8.7%).

Research and development expenses, excluding capitalized development costs, amounted to €10.2 million in the first quarter of 2022 (Q1 2021: €13.7 million). The ratio of the research and development expenses amounted to 4.6% (Q1 2021: 5.7%). Total research and development expenses, including capitalized development costs, were above the previous year's level at €20.0 million (Q1 2021: €18.5 million). Development costs were capitalized in the amount of €9.8 million in the reporting period (Q1 2021: €4.8 million).

General administrative expenses totaled €15.0 million in the first quarter of 2022 (Q1 2021: €12.9 million). The ratio of administrative expenses amounted to 6.8% in the reporting period (Q1 2021: 5.4%).

The balance of other operating income and expenses resulted in a positive effect on earnings of €6.7 million in the reporting period (Q1 2021: €3.8 million). This includes income from renting the group's own buildings as well as foreign currency valuation effects.

Financial position

Cash flows impacted by material stockpiling

Gross cash flow reflects operating income prior to commitment of funds. It amounted to €14.2 million in the first quarter of 2022 (Q1 2021: €29.7 million).

In the first three months of the reporting year, net cash flow from operating activities amounted to –€7.9 million (Q1 2021: €16.6 million).

At €304.0 million, inventories were higher than at the end of the previous year (December 31, 2021: €273.0 million). The SMA group is continuing to pursue an intensified stockpiling strategy in view of the ongoing shortage of materials and high level of incoming orders. Combined with the €5.9 million increase in trade payables, the €4.9 million cash-effective decrease in trade receivables and the €3.8 million increase in liabilities from advance payments received, this resulted in an increase in net working capital to €272.7 million (December 31, 2021: €257.5 million). At 28.3%, the net working capital ratio in relation to sales over the past 12 months was higher than the figure at the end of the previous year (December 31, 2021: 26.2%) and was thus just above the range of 26% to 28% targeted by management.

In the first quarter of 2022, net cash flow from investing activities amounted to €13.3 million after €11.2 million in the previous year. At €25.4 million, it was significantly influenced by the disposal of securities. The outflows of funds for investments in fixed assets and intangible assets amounted to €12.1 million in the reporting period (Q1 2021: €9.4 million). At €9.8 million (Q1 2021: €4.8 million), capitalized development costs accounted for a large part of these investments.

As of March 31, 2022, cash and cash equivalents totaling €115.8 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 to banks, this resulted in net cash of €199.9 million (December 31, 2021: €221.7 million).

Investment analysis

In the first quarter of 2022, investments in fixed assets (including additions from rights of use under IFRS 16) and intangible assets amounted to €12.6 million and were thus above the previous year's figure of €10.4 million. This equates to an investment ratio in relation to sales of 5.7% compared with 4.3% in the first quarter of 2021.

€2.2 million was invested in fixed assets (Q1 2021: €3.4 million), primarily for technical equipment and machinery. The investment ratio for fixed assets was 1.0% in the first quarter of the fiscal year (Q1 2021: 1.4%). Additions of rights of use under leases amounted to €0.5 million (Q1 2021: €1.0 million). Depreciation of fixed assets, including depreciation of rights of use under leases, totaled €7.2 million (Q1 2021: €7.6 million).

Investments in intangible assets amounted to €9.9 million (Q1 2021: €6.0 million). These largely related to capitalized development costs. Amortization of intangible assets amounted to €2.1 million and was thus below the previous year's figure of €2.9 million.

Net assets

Total assets went up by 0.9% to €1,062.1 million as of March 31, 2022 (December 31, 2021: €1,052.5 million). At €337.4 million, non-current assets were above the level observed at the end of 2021 (December 31, 2021: €333.2 million).

Compared to the end of 2021, net working capital increased to €272.7 million (December 31, 2021: €257.5 million). This put the net working capital ratio in relation to sales over the past twelve months at 28.3%. Trade receivables moderately decreased by 4.3% compared to December 31, 2021, to €136.6 million as of the end of the first quarter of 2022 (December 31, 2021: €142.7 million). Days sales outstanding came to 52.9 days and were higher than at the end of the previous year (December 31, 2021: 49.1 days). Inventories grew to €304.0 million (December 31, 2021: €273.0 million) as a result of increased stockpiling to ensure delivery capacity. Trade payables rose by €5.9 million to €139.9 million (December 31, 2021: €134.0 million). At 13.2%, the share of trade credit in total assets was at the same level as at the end of the previous year (December 31, 2021: 12.7%).

The SMA group's equity capital base remained stable at €414.8 million (December 31, 2021: €410.4 million). With an equity ratio of 39.1%, SMA continues to have a solid equity capital base.

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

Ukraine war slows economic recovery

Russia's war against Ukraine is hitting the global economy hard. Accordingly, the International Monetary Fund (IMF) again lowered its growth forecast for the current year in April. Whereas in January the IMF economists still expected the global economy to grow by 4.6% in 2022, they reduced this forecast by 0.8 percentage points to 3.6% in the World Economic Outlook published in April. The experts take the view that achieving the forecast figure requires that the conflict remains confined to Ukraine, that further sanctions against Russia beyond the decisions announced by March 31 exclude the energy sector and that the effects of the pandemic subside during 2022. They forecast a severe recession for the Russian and Ukrainian economies. In addition, the war is straining commodity markets as well as trade and financial channels worldwide and will further fuel inflation.

For industrialized countries, the IMF economists now anticipate growth of 3.3% in 2022 (2021: 5.2%). For developing and newly industrialized countries, which are particularly hard affected by inflation, the IMF still forecasts growth of just 3.8% (2021: 6.8%). The experts have lowered their growth forecast for the U.S. due to the recent tightening of monetary policy by the U.S. Federal Reserve and the impact of lower growth in trading partners on the U.S. economy. They now anticipate only a 3.7% increase in economic output in 2022 (2021: 5.7%).

The outlook for the eurozone has also deteriorated. Rising global energy prices are hitting these countries hard because they are net energy importers. As a result, inflation is rising while production is falling. Disrupted supply chains are also having a negative impact on the European economy. Economies with a relatively large manufacturing sector and greater dependence on energy imports from Russia, such as Germany and Italy, are particularly affected. For the eurozone, the experts now expect economic growth of only 2.8% in the current year, 1.1 percentage points less than three months earlier (2021: 5.3%). According to the IMF, growth prospects for the Chinese economy have also almost halved year on year to 4.4% (2021: 8.1%). The background to this is the negative impact of the Chinese government's strict zero COVID policy on the economy and an expected decline in external demand in view of the Ukraine war.

The IMF expects the global economy to grow by 3.6% in 2023 as in the current year.

Future general economic conditions in the photovoltaics sector

Solar energy to become largest source of energy supply [1]

The fight against climate change 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.

[1] Source: IEA "Net Zero by 2050 – A Roadmap for the global Energy Sector"

Greater efforts to expand renewable energies are widely regarded as the central pillar in the response to climate change. Politicians are taking account of this with action plans such as the "European Green Deal" to achieve climate neutrality within the EU in 2050 and by appointing top-class teams of experts to tackle climate change, like the U.S. government is doing. These attitudes will expedite expansion of renewable energies over the coming years and decades. The experts at the analysis company Wood Mackenzie describe the solar industry as "highly investable" because it is increasingly able to meet both economic and political targets.

The experts at the International Energy Agency (IEA) emphasize the major role of solar energy in combating the climate crisis: In their "Net Zero by 2050 – A Roadmap for the Global Energy Sector" study, they explain that by 2050 the global energy supply will need to be based largely on renewables, with solar energy the single largest source of supply. The experts at the Potsdam Institute for Climate Impact Research (PIK) forecast that green electricity could cover three-quarters of global energy use in the long term, given a consistent climate policy.

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. In its "Energy Transition Outlook 2021," the 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 could account for 69% of grid-connected electricity power, according to the experts. 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. After stagnating at about $300 billion over the past three years, global investment in wind and PV capacity would need to increase to between $763 billion and $1.8 trillion annually from 2021 to 2030, depending on the scenario.

Along with climate change targets, further decreases in its costs are contributing to the anticipated rapid growth of solar and wind energy. According to the 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 more than 170 GW

The SMA Managing Board anticipates growth in newly installed PV power worldwide to approximately 171 GW to 183 GW in 2022. The growth is expected to be driven by all regions. The Managing Board estimates that global investments in system technology for traditional photovoltaic applications will increase by around 5%. Investments in system technology for storage applications (excluding investments in batteries) will rise by approximately €100 million to €120 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 €7.5 billion to €8.4 billion in 2022 (2021: €6.9 billion to €7.6 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 40 GW to 43 GW in the Europe, Middle East and Africa (EMEA) region in 2022 (2021: 35 GW to 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 East European markets. According to SMA estimates, investments in PV and storage system technology will slightly grow to approximately €2.3 billion to €2.6 billion (2021: €2.1 billion to €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.

Americas region continues to grow

For the Americas region, the SMA Managing Board anticipates growth in newly installed PV power to approximately 34 GW to 37 GW (2021: 32 GW to 34 GW). Roughly between 24 GW and 26 GW of this amount is attributable to the North American markets (2021: 23 GW to 24 GW). The extension of the Investment Tax Credit (ITC) for PV systems by a further two years, which was adopted by the U.S. Congress in December 2020, and the Climate Change Agenda of the new U.S. government are providing positive impetus here. Inverter technology investments are expected to slightly increase to around €1.8 billion to €2.0 billion in the Americas region (2021: €1.7 billion to €1.9 billion). Whether the expected growth in the U.S. will be realized depends on if sufficient PV modules are available and on the further development of module prices in the U.S. market. Some projects have already been delayed.

Investments in Asia-Pacific region increase again

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 60 GW to 63 GW in 2022 (2021: 53 GW to 55 GW). Investments in inverter technology are expected to rise to approximately €1.6 billion to €1.8 billion (2021: €1.5 billion to €1.6 billion). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to grow to around 37 GW to 40 GW in 2022 (2021: 33 GW to 35 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 to €1.8 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 also expected to become 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 780 GW at the end of 2021 and will have an expected capacity of more than 920 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 in 2022, which corresponds to a potential of approximately €1.0 billion. 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 despite an extremely good level of incoming orders is the ongoing shortage of electronic components in the Home Solutions and Commercial & Industrial Solutions segments. 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, due to the coronavirus pandemic. This leads to sometimes substantial prolongation of delivery periods culminating in delivery failure. 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 semiconductor suppliers as well as exploiting redesign opportunities for series that are particularly affected. However, the Managing Board assumes that the situation will not relax significantly over the course of 2022. In the Large Scale & Project Solutions segment, high module prices and the limited availability of PV modules in the U.S. due to political measures are increasingly leading to project delays.

The Managing Board currently sees no threat to the forecast due to the war in Ukraine. A conclusive assessment is currently not possible.

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. 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 that precisely meet the resulting requirements. Against this background, investments, especially in new products, land and buildings, technical equipment and machines, as well as the capitalization of research and development expenses are planned for 2022.

For details regarding risks, please refer to the Risks and Opportunities Report in the SMA Annual Report 2021 starting on page 65.

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

Segment	Sales	EBIT
Home Solutions	Constant	Down significantly
Commercial & Industrial Solutions	Down slightly	Constant
Large Scale & Project Solutions	Up slightly	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 continuing positive development of the global PV market and by growth in 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 its products and solutions, the SMA group is well positioned to benefit from this market growth 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.

SMA group will reap the benefits of megatrends

The expansion of renewable energies and storage systems and the electrification of other sectors, such as mobility, heating and air conditioning will further accelerate the increased fight against climate change and the striving for an energy supply that is largely independent from imports of raw materials. At the same time, there will be a further continuation of the global PV market consolidation, which has already started. This is releasing market shares and is also expected to slow down the decline in prices 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 113 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. In addition, the SMA group has 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.

SMA group will take advantage of the potential of digitalization

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. We will be helped in this endeavor by SMA's corporate culture and our motivated employees who make a decisive contribution to the company's long-term success and are therefore also given a share in the SMA group's financial success.

Niestetal, May 3, 2022

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement SMA group

in €'000	Jan. – March (Q1) 2022	Jan. – March (Q1) 2021
Sales	**220,562**	**240,357**
Cost of sales	174,976	187,085
Gross profit	**45,586**	**53,272**
Selling expenses	21,564	20,974
Research and development expenses	10,213	13,740
General administrative expenses	14,997	12,931
Other operating income	18,241	11,217
Other operating expenses	11,515	7,387
Operating profit (EBIT)	**5,538**	**9,457**
Financial income	76	1,326
Financial expenses	1,561	836
Financial result	**–1,485**	**490**
Profit before income taxes	**4,053**	**9,947**
Income taxes	1,098	1,984
Net income	**2,955**	**7,963**
of which attributable to shareholders of SMA AG	2,955	7,963
Earnings per share, basic (in €)	0.09	0.23
Earnings per share, diluted (in €)	0.09	0.23
Number of ordinary shares (in thousands)	34,700	34,700

Statement of Comprehensive Income SMA group

in €'000	Jan. – March (Q1) 2022	Jan. – March (Q1) 2021
Net income	**2,955**	**7,963**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	1,400	2,398
Changes recognized outside profit or loss [1] (currency translation differences)	**1,400**	**2,398**
Overall result	**4,355**	**10,361**
of which attributable to shareholders of SMA AG	4,355	10,361

[1] All items of other comprehensive income may be reclassified to profit or loss in subsequent periods.

Balance Sheet SMA group

in €'000	2022/03/31	2021/12/31
ASSETS		
Intangible assets	70,475	62,700
Property, plant and equipment	189,629	194,173
Investment property	14,459	14,521
Other financial assets, non-current	2,670	2,662
Deferred tax assets	60,196	59,113
Non-current assets	**337,429**	**333,169**
Inventories	303,969	273,024
Trade receivables	136,551	142,674
Other financial assets, current (total)	110,367	133,689
Cash equivalents with a duration of more than 3 months and asset management	79,771	105,857
Rent deposits and cash on hand pledged as collaterals	11,911	10,188
Remaining other financial assets, current	18,685	17,644
Income tax assets	10,123	9,897
Value added tax receivables	23,001	27,401
Other non-financial assets, current	12,161	5,966
Cash and cash equivalents	115,820	113,978
	711,992	706,629
Assets held for sale	12,698	12,698
Current assets	**724,690**	**719,327**
Total assets	**1,062,119**	**1,052,496**
LIABILITIES		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	260,864	256,509
SMA Solar Technology AG shareholders' equity	**414,764**	**410,409**
Provisions, non-current	105,391	104,431
Financial liabilities, non-current	25,532	28,485
Contract liabilities, non-current	155,627	155,094
Other non-financial liabilities, non-current	802	1,550
Deferred tax liabilities	356	364
Non-current liabilities	**287,708**	**289,924**
Provisions, current	102,018	104,467
Financial liabilities, current	23,802	18,170
Trade payables	139,901	134,026
Income tax liabilities	7,871	6,629
Contract liabilities (advances)	28,017	24,206
Other contract liabilities, current	36,288	43,330
Other financial liabilities, current	249	538
Other non-financial liabilities, current	21,501	20,797
Current liabilities	**359,647**	**352,163**
Total equity and liabilities	**1,062,119**	**1,052,496**
Total cash (in € million) Cash and cash equivalents + cash equivalents with a duration of more than 3 months and asset management + rent deposits and cash on hand pledged as collaterals	208	230
Net cash (in € million) Total cash minus interest-bearing financial liabilities to banks	200	222

Statement of Cash Flows SMA group

in €'000	Jan. – March (Q1) 2022	Jan. – March (Q1) 2021
Net income	2,955	7,963
Income taxes	1,098	1,984
Financial result	1,485	–490
Depreciation and amortization of property, plant and equipment and intangible assets	9,343	10,596
Change in provisions	–1,488	–3,560
Result from the disposal of assets	265	81
Change in non-cash expenses/revenue	1,129	–822
Interest received	30	947
Interest paid	–209	–224
Income tax paid	–415	13,259
Gross cash flow	**14,193**	**29,734**
Change in inventories	–31,820	–45,181
Change in trade receivables	4,940	3,104
Change in trade payables	5,875	8,249
Change in other net assets/other non-cash transaction	–1,063	20,672
Net cash flow from operating activities	**–7,875**	**16,578**
Payments for investments in property, plant and equipment	–2,249	–3,441
Proceeds from the disposal of property, plant and equipment	72	88
Payments for investments in intangible assets	–9,888	–5,961
Proceeds from the disposal of securities and other financial assets	25,358	20,470
Net cash flow from investing activities	**13,293**	**11,156**
Payments for lease liabilities	–1,670	–1,729
Redemption of financial liabilities	–813	–992
Net cash flow from financing activities	**–2,483**	**–2,721**
Net increase/decrease in cash and cash equivalents	2,935	25,013
Changes due to exchange rate effects	–1,093	–1,138
Cash and cash equivalents as of January 1	113,978	123,707
Cash and cash equivalents as of March 31	**115,820**	**147,582**

Statement of Changes in Equity SMA group

in €'000	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2021	**34,700**	**119,200**	**–523**	**285,769**	**439,146**
Net income				7,963	7,963
Other comprehensive income after tax			2,398		2,398
Overall result					10,361
Shareholders' equity as of March 31, 2021	**34,700**	**119,200**	**1,875**	**293,732**	**449,507**
Shareholders' equity as of January 1, 2022	**34,700**	**119,200**	**4,150**	**252,359**	**410,409**
Net income				2,955	2,955
Other comprehensive income after tax			1,400		1,400
Overall result					4,355
Shareholders' equity as of March 31, 2022	**34,700**	**119,200**	**5,550**	**255,314**	**414,764**

Financial ratios by segments and regions

in € million	External product sales Q1 2022	External product sales Q1 2021	External services sales Q1 2022	External services sales Q1 2021	Total sales Q1 2022	Total sales Q1 2021
Segments						
Home Solutions	61.7	71.6	0.9	4.0	62.6	75.6
C&I Solutions [1]	54.0	61.1	2.5	0.5	56.5	61.6
Large Scale & Project Solutions	85.6	90.3	15.9	12.9	101.5	103.2
Total segments	201.3	223.0	19.3	17.4	220.6	240.4
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	**201.3**	**223.0**	**19.3**	**17.4**	**220.6**	**240.4**

[1] The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

in € million	Depreciation and amortization Q1 2022	Depreciation and amortization Q1 2021	Operating profit (EBIT) Q1 2022	Operating profit (EBIT) Q1 2021
Segments				
Home Solutions	0.1	0.9	8.3	14.2
C&I Solutions [1]	1.1	1.0	–4.4	–4.1
Large Scale & Project Solutions	1.0	1.2	0.9	–3.6
Total segments	2.2	3.1	4.8	6.5
Reconciliation	7.1	7.5	0.7	3.0
Continuing operations	**9.3**	**10.6**	**5.5**	**9.5**

[1] The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

Sales by regions (target market of the product)

in € million	Q1 2022	Q1 2021
EMEA	122.7	126.7
Americas	56.1	88.2
APAC	48.0	30.7
Sales deductions	–6.2	–5.2
External sales	**220.6**	**240.4**
thereof Germany	62.7	67.7

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

in € million	Q1 2022	Q1 2021
Total segment earnings (EBIT)	4.8	6.5
Elimination	0.7	3.0
Consolidated EBIT	5.5	9.5
Financial result	–1.5	0.5
Earnings before income taxes	**4.1**	**9.9**

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.

With regard to the economic and market impacts associated with the coronavirus, SMA examined whether there could currently be an impact on assets that should be taken into account.

In particular, trade receivables, intangible assets and property, plant and equipment were considered. As of the reporting date, we do not see any current or future negative developments in the business and market environment of SMA that would result in the devaluation of assets. This review is ongoing due to the rapidly changing situation and could lead to adjustments if the risk assessment changes.

FINANCIAL CALENDAR

2022/5/31	Annual General Meeting 2022
2022/8/11	Publication of Half-Yearly Financial Report: January to June 2022 Analyst Conference Call: 13:30 p.m. (CEST)
2022/11/10	Publication of Quarterly Statement: January to September 2022 Analyst Conference Call: 13:30 p.m. (CET)

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