



Annual Report 2023

SMA Solar Technology AG



SMA Solar Technology AG at a glance

SMA Group		2023	2022	2021	2020	2019
Sales	€ million	1,904.1	1,065.9	983.4	1,026.6	915.1
Export ratio	%	63.4	68.8	74.9	79.6	76.1
Inverter output sold	MW	20,454	12,225	13,584	14,416	11,409
Capital expenditure ¹	€ million	95.1	65.8	56.4	57.1	54.4
Depreciation	€ million	41.5	38.1	41.7	43.6	46.0
EBITDA	€ million	311.0	70.0	8.5	71.5	34.2
EBITDA margin	%	16.3	6.6	0.9	7.0	3.7
Net income	€ million	225.7	55.8	-23.2	28.1	-8.6
Earnings per share ²	€	6.50	1.61	-0.67	0.81	-0.25
Employees ^{3,7}		4,377	3,635	3,510	3,264	3,124
in Germany		3,039	2,610	2,506	2,293	2,207
abroad		1,338	1,025	1,004	971	917

SMA Group		2023/12/31	2022/12/31	2021/12/31	2020/12/31	2019/12/31
Total assets	€ million	1,621.9	1,110.0	1,053.7	1,051.2	1,107.3
Equity	€ million	686.2	463.5	408.0	439.1	416.9
Equity ratio	%	42.3	41.8	38.7	41.8	37.6
Net working capital ⁴	€ million	392.1	238.5	257.5	210.6	159.5
Net working capital ratio ⁵	%	20.6	22.4	26.2	20.5	17.4
Net cash ⁶	€ million	283.3	220.1	221.7	226.0	303.0

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

⁷ The distribution of employees in Germany and abroad was adjusted for the years 2018 to 2021 due to a change in allocation.

ENERGY

THAT CHANGES

As a leading global specialist in system technology, the SMA Group is setting the standards for the decentralized and renewable energy supply of tomorrow.

More than 4,300 SMA employees in 20 countries have devoted themselves to this task.

Our innovative solutions for the sustainable generation, storage and use of energy enable people and companies around the world to meet their energy needs with greater independence.

In collaboration with our partners and customers, we are helping the world transition to a digital, decentralized and renewable energy supply. Our energy inspires the world's most important customer. Our future.





DR.-ING. JÜRGEN REINERT

Chief Executive Officer SMA Solar Technology AG

FOREWORD BY THE MANAGING BOARD

Dear Shareholders,

A look back on the past year reveals a mixed picture. We have seen that geopolitical tensions have not dissipated in 2023, but have instead become even more acute. The effects of the global climate crisis are also becoming increasingly noticeable: Severe droughts, forest fires and floods seemed to be the order of the day in 2023.

If we look at Germany and the current political situation, we can see that important political decisions have yet to be made. The German economy's urgently necessary path toward climate neutrality needs a stable and reliable framework in order to be successful. The government is called upon to courageously and resolutely join forces with the democratic opposition to facilitate the transformation that is essential for Germany's competitiveness.

We are increasingly concerned about the rise of antidemocratic and populist movements and parties – both in Germany and globally. Democracy and freedom are the foundation on which our company is built. SMA employs people from a wide variety of origins and backgrounds. This diversity and openness is a key value for us, which we see as part of our culture and our success. That is why it is important to us to take a clear stance against xenophobia and intolerance at all times.

A STRONG YEAR FOR RENEWABLES AND SMA

So what gives us hope in the face of so many challenges? For us at SMA, it is clearly the progress of the global energy transition. We saw in 2023 that the age of fossil fuels is coming to an end. At the climate conference in Dubai, the world agreed to move away from coal, oil and gas. Countries are being called upon to triple their renewable energy capacities by 2030. At the same time, the proportion of renewable energies in the German fuel mix has risen above the 50% mark for the first time.

There are therefore many reasons to be optimistic about the future.

Renewable energies are making unstoppable inroads around the world. The PV industry has a key role to play here. According to our estimates, PV installations worldwide increased by over 70% to a total of around 368 to 374 GW in 2023.

SMA is ideally positioned in this growth market. This is also shown by our extraordinary results for the 2023 fiscal year. With sales of €1,904.1 million (2022: €1,065.9 million), operating earnings before interest, taxes, depreciation and amortization (EBITDA) of €311.0 million (2022: €70.0 million) and EBIT of €269.5 million (2022: €31.9 million), we are closing an extraordinarily successful year. In the past fiscal year, we sold a total of 20.5 GW (2022: 12.2 GW) of inverter output and thus grew faster than the market as a whole.

In the second half of 2023, we saw a slight decline in order volumes in the Home Solutions and Commercial & Industrial Solutions segments. We had already forecasted this development at the beginning of the year, but like the majority of experts, we assume that this is not a trend reversal but a temporary effect. On the contrary, the market for photovoltaic solutions will continue to grow globally.

CONSISTENTLY ON COURSE FOR FURTHER GROWTH

We see the best opportunities in the market for large-scale PV power plants and storage solutions in particular. We are ideally prepared for this development with our new GIGAWATT FACTORY, which will double our production capacity to 40 gigawatts. We broke ground here in April 2023, and from 2025, we will be supplying innovative system solutions for large-scale PV power plants all over the world from our Niestetal site. We are also strengthening our production internationally. We will build a production capacity of 3.5 GW in North America and put it into operation in 2025.

The significant year-on-year increase in sales reflects the strong demand for SMA products and the improved delivery situation since the beginning of the year. For the 2024 fiscal year, the Managing Board is optimistic that we will be able to continue our success story and grow further with our segment-specific platform strategy. At the same time, further development will be influenced by important factors for our industry such as the speed of expansion, functioning supply chains, inventory management on the customer side and overall economic momentum. In light of this, for the current fiscal year, we are anticipating sales of between €1,950 million and €2,220 million and an operating result (EBITDA) of between €220 million and €290 million.

OUR STRATEGY FOR THE FUTURE

2023 was also the year in which we continued to consistently position SMA as an energy transition company in a future-oriented and customer-centric manner. In line with our Strategy 2025, we strengthened the three segments, aligned processes and structures with customer needs and anchored the new ways of working in the company. Our primary goal here was to develop and deliver our solutions faster, more seamlessly and in a more needs-oriented manner. The implementation of this goal took a major step forward last year. We have structured the company along the added value processes, strengthened our international focus and, at the same time, set up central functions such as Sales, HR, Communication and Sustainability in a powerful way.

We are also consistently implementing the requirements of a modern, global and networked energy market in our products. SMA is developing into a solution provider with a strong focus on comprehensive system solutions for grid stability, virtual service options as well as power supply solutions for green hydrogen applications.

We achieved a lot in 2023, and we have big plans for 2024. To achieve this, all of more than 4,300 SMA employees worldwide will need to pull together and consistently exploit the opportunities offered by the market in the interests of our customers.

Our thanks therefore go first and foremost to SMA's employees, who work with passion and commitment every day in 20 countries to make the energy transition a reality. They are the ones who make our company not only successful but also unique.

Dear Shareholders, we would like to thank you for your trust and would be pleased if you continued to accompany the SMA Group on its path in the future.



Dr.-Ing. Jürgen Reinert
Chief Executive Officer
SMA Solar Technology AG

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THE MANAGING BOARD TEAM

BARBARA GREGOR

Board Member for Finance and Legal

Barbara Gregor (b. 1970) started her career at the thyssenkrupp group after graduating in business management. She held a number of positions in Germany and abroad as well as at the group headquarters (central corporate function of controlling). Between 2002 and 2013, she worked in the group's stainless steel segment, where she supported the establishment of the Shanghai Krupp Stainless joint venture in Shanghai. Her last role was head of controlling and authorized officer for the thyssenkrupp Stainless International Group. From 2013 to 2015, she was CFO of the apt Hiller Group where she spearheaded international growth and M&A projects. Before joining SMA, Barbara Gregor was CFO of the international operating unit thyssenkrupp Materials Trading and Managing Director (CFO) of thyssenkrupp Materials Trading GmbH, where she was responsible for managing and further developing the areas of Finance, Controlling, Accounting, Risk Management, Human Resources and IT. Since December 1, 2022, Barbara Gregor has been responsible for Finance, Investor Relations and Real Estate Management, Digitalisation/IT, Legal, Governance, Compliance, Risk Management and Internal Audit on the SMA Managing Board.

DR.-ING. JÜRGEN REINERT

Chief Executive Officer

After studying electrical engineering in South Africa, Dr.-Ing. Jürgen Reinert (b. 1968) received his doctorate at the Institute for Power Electronics and Electrical Drives (ISEA) at RWTH Aachen, Germany, and began his career as senior engineer there. From 1999 to 2011, he worked for Emotron AB in Sweden, where in his last position, as General Manager, he was responsible for Technology and Operations. From 2011 to 2014, as Executive Vice President, he was responsible for the division Power Plant Solutions at SMA. Under his leadership, SMA was successful in expanding its worldwide project business and developing turnkey system solutions for large-scale PV power plants. Since April 2014, Dr. Reinert has been a member of the Managing Board. He was appointed Chief Executive Officer in October 2018. With the extension of his contract in July 2023, the Supervisory Board appointed him Chairman of the Managing Board. Dr. Reinert is responsible for Strategy, Research & Development, Operations, the Home Solutions, Commercial & Industrial Solutions and Large Scale & Project Solutions segments as well as Sales & Service, Communication & Sustainability and Human Resources and also serves as labor director of SMA. He is a member of the Supervisory Board at Danfoss A/S.

SUPERVISORY BOARD REPORT

Dear Shareholders,

Prospects for renewable energy sources continuing to become positive and the progressing development of the SMA Group into a solutions provider have enabled SMA to increase its profitability. This is particularly pleasing in view of the simultaneous significant growth of the SMA Group and the associated challenges.

In the reporting year, collaboration within the Supervisory Board and between the Supervisory Board and Managing Board was characterized by openness, intensity and constructiveness. The Supervisory Board assisted the Managing Board in an advisory capacity and continuously monitored the Managing Board with regard to the management of the company in accordance with the law, Articles of Incorporation and Rules of Procedure. For its part, the Managing Board involved the Supervisory Board and its committees early on in all decisions of fundamental importance to the SMA Group. Furthermore, the Supervisory Board was kept informed, both in writing and verbally, of all strategy issues relevant to the company, the market and competitive situation, and business developments. The Managing Board also regularly updated the Supervisory Board on the SMA Group's sales, earnings and general situation. Furthermore, the Managing Board presented detailed information on proposed business policies and other important questions concerning corporate planning, in particular financial, investment, production and personnel planning, as well as significant business transactions to the Supervisory Board. Deviations in how events actually transpired in comparison to planned projects or objectives were provided, including reasons for the variances. Plus, the Supervisory Board was informed about the SMA Group's profitability, above all the return on equity, risk and opportunity management, risk status and compliance.

The Supervisory Board closely scrutinized and discussed business transactions requiring the approval of the Supervisory Board as well as instances where business performance deviated from corporate planning. Even beyond the regular Supervisory Board and Audit Committee meetings, the Chairman of the Supervisory Board and his deputy as well as the Audit Committee Chairwoman were in frequent contact with the Managing Board and discussed subjects concerning strategy, planning, business development, position of risk, risk management and compliance, as well as significant business transactions and upcoming decisions. The Supervisory Board members took general and specialized training necessary for their tasks of their own accord, and in doing so, they received appropriate support from the company if needed. No Supervisory Board or Managing Board members reported any conflicts of interest to the Supervisory Board.

Focus of Supervisory Board consultations

The Supervisory Board examined all material events and discussed them with the Managing Board at five meetings in person and adopted necessary resolutions in accordance with the law, Articles of Incorporation and Rules of Procedure. Kim Fausing participated in three meetings. Roland Bent, Martin Breul, Oliver Dietzel, Alexa Hergenröther and Yvonne Siebert participated in four meetings. The other Supervisory Board members participated in all five meetings.

In preparation for the meetings, the Supervisory Board received written reports from the Managing Board on a regular basis and on time. At each regular meeting, the subject matter of the deliberations were current business developments, the evolution of markets of particular importance to the SMA Group and corporate planning. Members of the Managing Board participated in all regular Supervisory Board and Audit Committee meetings, but were not present for discussions of matters relating to the Supervisory Board or Managing Board itself.

At its meeting on February 8, 2023, the Supervisory Board dealt with the Corporate Governance Report included in the 2022 Annual Report, the Remuneration Report and the Supervisory Board Report for 2022. In addition, the Supervisory Board discussed the contents of the combined non-financial statement presented by the Managing Board and possible proposals to the Annual General Meeting on profit appropriation. The competence profile of the Supervisory Board, proposals to amend the company's Articles of Incorporation and the composition of the Managing Board were also the subject of deliberations and discussions.

At its meeting convened to adopt the accounts on March 22, 2023, the Supervisory Board acknowledged the 2022 Annual Financial Statements, approved the 2022 Consolidated Financial Statements after in-depth consultation and also passed the proposal to the Annual General Meeting on profit appropriation for 2022, the Corporate Governance Report, the Supervisory Board Report, the non-financial statement and the Remuneration Report. Additionally, the Supervisory Board passed the proposal for selection of the auditors of the Financial Statements and the Consolidated Financial Statements for 2023 and approved the Managing Board's proposal for a virtual Annual General Meeting. Changes to the remuneration systems for the Managing Board and Supervisory Board were also the subject of deliberations and discussions. Finally, the Supervisory Board evaluated the achievement of objectives by the Managing Board members in 2022 and adopted the Managing Board's objectives for 2023.

At its meeting on May 23, 2023, the Supervisory Board discussed the content of the personnel-related plans and the company's strategies and efforts to improve sustainability.

The meeting on September 9, 2023, focused on implementation of the company's Strategy 2025 and transformation of the company organization to a more customer-centric, decentralized structure. In addition, the Supervisory Board was informed about the new approaches to solution offerings, product innovations and the company's product roadmap as well as the status of the review of project handling and about the financial developments of SMA Solar Technology AG's subsidiaries. Finally, the Supervisory Board adopted separate rules of procedure for the Audit Committee, which also provide for responsibility for monitoring and advising the Managing Board on sustainability issues relevant to the company and preparing the negotiations and resolutions of the Supervisory Board on the audit/audit review of the non-financial statement or the separate non-financial report (Section 289b of the German Commercial Code) by the Audit Committee.

At its meeting on December 6, 2023, the Supervisory Board dealt in depth with the budget for the 2024 fiscal year submitted by the Managing Board. It also discussed the Managing Board's plan to build up local production capacity in the U.S. and the company's growth areas presented by the Managing Board. The Supervisory Board received training on company-related, non-financial sustainability issues. In addition, the Managing Board and the Supervisory Board adopted a new Declaration of Conformity pursuant to Section 161 (1) sentence 1 of the German Stock Corporation Act (AktG) in order to comply with the recommendations of the German Corporate Governance Code.

Focus of committee meetings

To improve the efficiency of the work carried out by the Supervisory Board, the Supervisory Board maintains four permanent committees: the Presidial Committee, Audit Committee, Nomination Committee and Mediation Committee. You will find the names of the persons appointed to these committees on our [corporate website](#) as well as in the Corporate Governance Statement 2023.

The committees prepare the topics and resolutions to be reviewed by the entire Supervisory Board, and, within the framework of the competencies assigned to them, they resolve those matters they have been assigned instead of the Supervisory Board. The content of the committee meetings is reported on by the committee chairperson at the subsequent plenary session of the Supervisory Board. All members of the Supervisory Board receive the content and resolutions of the committees in writing.

The **Presidial Committee** met three times – two of which were in person – in 2023. The committee's work focused in particular on dealing with matters relating to the Managing Board and setting the financial and non-financial objectives for the Managing Board, as well as preparing the efficiency check on the Supervisory Board. Kim Fausing participated in one meeting, Yvonne Siebert participated in two meetings. The other members participated in all meetings of the committee.

The **Audit Committee** met ten times – four of which were in person – in 2023. The meetings focused on discussing the company's business performance and cost efficiency, the Quarterly Statements and Half-Yearly Financial Report. In addition, the committee familiarized itself with the main points and overall findings of the auditor for the 2022 Annual Financial Statements and, upon review, confirmed the auditor's independence. The Audit Committee also dealt with tax issues. Another key area of the committee's work was reviewing the internal monitoring system (internal control system, internal risk management system, internal audit and compliance), with the committee members gathering comprehensive information about these systems' methods and effectiveness. Furthermore, the committee handled the Half-Yearly Financial Report prepared by the Internal Audit department and the Compliance Report, neither of which showed any significant irregularities in SMA business processes. Other topics of the committee meetings were the contents of the combined non-financial statement of the company pursuant to Section 289c of the German Commercial Code (HGB) and the extended Auditors' Report. The Audit Committee also reviewed the recommendation made for the entire board regarding profit appropriation, selecting the auditor for 2023 and granting the audit mandate for the financial and non-financial reporting. Finally, deliberations and discussions addressed the implementation of new statutory requirements relating to the company's non-financial topics, as well as risk management, accounting, financial reporting and audits. Oliver Dietzel attended seven meetings, while the remaining members of the committee attended all meetings.

The **Nomination Committee** and **Mediation Committee** did not convene in 2023.

Corporate Governance

In the reporting year, the Supervisory Board dealt with the contents of the German Corporate Governance Code that had been adopted in June 2022. For the reporting year, the Supervisory Board and the Managing Board issued a Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) in compliance with the recommendations of the German Corporate Governance Code. The joint report issued by the Supervisory Board and the Managing Board on compliance with the rules of the German Corporate Governance Code pursuant to clause 23 of the German Corporate Governance Code (Corporate Governance Report) has been made permanently available on our [corporate website](#). Moreover, the Corporate Governance Report is presented in the "Corporate Governance" section of the Combined Management Report. This is also where you will find statements on conflicts of interest and how they are handled.

Annual Financial Statements and Consolidated Financial Statements

The Annual Financial Statements prepared by the Managing Board as of December 31, 2023, the Combined Management Report of SMA AG for the 2023 fiscal year, the Consolidated Financial Statements as of December 31, 2023, and the Combined Management Report of the SMA Group for the 2023 fiscal year were audited by the accounting firm BDO AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany. The Supervisory Board granted the audit assignment in accordance with the resolution adopted by the General Meeting on May 24, 2023. The Supervisory Board also monitored the independence of the auditor.

The Consolidated Financial Statements of the company were prepared in line with Section 315a of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS) as applicable in the EU. The auditor granted an unqualified audit opinion for the Annual Financial Statements and the Combined Management Report of SMA AG as well as for the Consolidated Financial Statements and the Combined Management Report of the SMA Group.

The reporting documents, including the combined non-financial statement of the company, and the Managing Board's proposal on the appropriation of profits as well as the audit reports were made available to the Supervisory Board in good time. These were first discussed by the Audit Committee at its meetings on February 7 and March 19, 2024, together with the auditors and then by the Supervisory Board at its meeting on March 20, 2024, on each occasion in the presence of the auditor's representatives.

The auditor's representatives reported on the audit findings and provided detailed explanations of the net assets, financial position and results of operations of the company and the group. The questions posed by the Supervisory Board were answered and the reporting documents were reviewed in detail with the auditor's representatives and discussed and examined by the Supervisory Board. The Supervisory Board raised no objections after concluding its examination. Thereafter, the findings of the audit were approved. Accordingly, the Supervisory Board approved the Financial Statements prepared by the Managing Board and the related Combined Management Report for the 2023 fiscal year at its meeting convened to adopt the accounts on March 20, 2024. Hence, the company's Annual Financial Statements have been approved as set out in Section 172 of the German Stock Corporation Act (AktG).

Finally, at its meeting held on March 20, 2024, the Supervisory Board approved the Managing Board's proposal on the appropriation of the balance sheet profit. In this respect, the Supervisory Board discussed the company's liquidity position, the financing of planned investments and estimated business development. In doing so, the Supervisory Board came to the conclusion that the proposal was in the interests of the company and the shareholders.

Changes to the Managing Board and Supervisory Board

The Supervisory Board has reappointed Dr. Reinert to the Managing Board for a term until June 30, 2028. There were no other personnel changes on the Managing Board or Supervisory Board in the reporting period.

In 2023, the SMA Group succeeded in increasing its profitability by responding flexibly to rapidly changing market conditions, through clever strategic planning and by systematically taking the necessary action. We must continue to pursue this path consistently over the next few years to be a part of the promising future of renewable energies.

The Supervisory Board would like to thank the Managing Board and all employees for their dedicated work and their strong commitment in continuing to lead the SMA Group and the cause of renewable energies to a successful future.

Niestetal, March 20, 2024

The Supervisory Board

Uwe Kleinkauf
Chairman

**ROLAND BENT**

Shareholder Representative

**MARTIN BREUL**

Employee Representative

**OLIVER DIETZEL**

Employee Representative

**KIM FAUSING**Shareholder Representative
(Deputy Chairman)**JOHANNES HÄDE**

Employee Representative

**ALEXA HERGENRÖTHER**

Shareholder Representative

**UWE KLEINKAUF**Shareholder Representative
(Chairman)**ILONKA NUSSBAUMER**

Shareholder Representative

**YVONNE SIEBERT**

Employee Representative

**ROMY SIEGERT**

Employee Representative

**JAN-HENRIK SUPADY**

Shareholder Representative

**DR. MATTHIAS VICTOR**

Employee Representative

COMBINED MANAGEMENT REPORT¹

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¹ The present Combined Management Report has been drawn up for both the SMA Group and SMA AG. It was prepared in accordance with Sections 289, 289a, 315 and 315a of the German Commercial Code (HGB) and German Accounting Standards (GAS) numbers 17 and 20.

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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 solar 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 making a sustainable, secure and cost-effective energy supply a reality worldwide.

Organizational structure

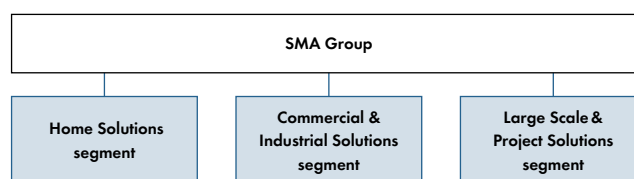
LEGAL STRUCTURE OF THE GROUP

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 Combined Management Report includes information regarding the parent company and all 28 group companies (2022: 29), including 6 domestic companies and 22 companies based abroad. In addition, SMA Solar Technology AG holds a 42% interest in elexon GmbH. The joint venture in the field of charging infrastructure facilities was established in 2019 and is included in the Consolidated Financial Statements using the equity method. The SMA Group sold its interest in elexon GmbH to VARO Energy Management AG in January 2024 (closing).

ORGANIZATIONAL AND REPORTING STRUCTURE

The SMA Group operates under a functional matrix organization. In this organization, the Home Solutions, Commercial & Industrial (C&I) Solutions and Large Scale & Project Solutions segments 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.

COMPOSITION OF THE MANAGING BOARD

Since December 1, 2022, the Managing Board of SMA Solar Technology AG has comprised the following members: Dr.-Ing. Jürgen Reinert (Chairman of the Managing Board and Board Member for Strategy, Research & Development, Operations and for the Business Units (segments) Home Solutions, Commercial & Industrial Solutions and Large Scale & Project Solutions, Sales & Service, Communications & Sustainability and Human Resources) and Barbara Gregor (Board Member for Finance, Investor Relations as well as Real Estate Management, Digitalization/IT, Legal, Governance, Compliance, Risk Management and Internal Audit).

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.

Products and services¹

As a specialist in system technology, the SMA Group develops and globally sells systems and solutions consisting of hardware, software and services that allow energy to be efficiently generated and intelligently monitored, managed and used. The portfolio of the SMA Group contains a wide range of PV inverters, holistic system solutions for PV systems of all power classes, battery storage solutions, intelligent energy management systems, charging solutions for private and commercial electric vehicles, digital energy services for private and business customers, and complete solutions for PV diesel hybrid applications. The SMA Group also operates successfully as a system integrator for complex power plant solutions in the areas of large battery storage systems, hydrogen production and hybrid systems. In addition, the SMA Group offers extensive services up to and including operation and maintenance services for photovoltaic power plants and large battery storage systems (O&M business) and power supplies for hydrogen production. The inverters of the SMA Group already come integrated with all the functions required to generate maximum yields, without any additional cost to customers. These functions include effective shade management with SMA ShadeFix and inverter monitoring with SMA Smart Connected within the string inverters. The satisfaction of our customers and the sustainability of our products and solutions is always our top priority at SMA.

In the **Home Solutions** segment, the SMA Group offers integrated solar energy solutions for private PV systems worldwide. The new SMA Home Energy Solution comprises systems for the generation, storage and management of solar energy as well as for heating or charging purposes. The system is supplemented by various components such as hybrid inverters, battery storage systems, heat pump connections, wall boxes and an AI-based intelligent energy management system. The ennexOS energy management platform interconnects the various energy sectors and provides the basis for linking the sectors, thus enabling maximum efficiency and functionality. Taking comprehensive data protection standards into account, the system can be adapted to individual customer needs thanks to its modular design.

Further innovations and solutions were unveiled in the 2023 fiscal year under the new “I love the sun” slogan. In addition to the single-phase Sunny Boy Smart Energy inverter and the modular SMA Home Storage battery, the Home Solutions segment is delivering the next generation of the Wallbox Home EV Charger with the eCharger. The Sunny Boy Smart Energy is a hybrid two-in-one PV and battery inverter that is compatible with the new SMA Home Storage battery and other HV batteries from leading brands. The SMA Home Storage battery is designed for use in and adaptation to various applications. If required, its capacity can be expanded anytime.

The Sunny Home Manager 2.0, the SMA energy manager for homeowners, has recorded considerable growth since its launch with over 300,000 units (more than half of those in 2023) sold. This success underlines the growing importance of intelligent energy management, which also enables the integration of heat pump connections.

SMA serves key photovoltaic markets worldwide (excluding China) and, in addition to hardware, offers communication products, accessories, warranties, spare parts and modernization services (repowering) to increase system performance and service life. Digital energy services round off the extensive offering.

In the **Commercial & Industrial Solutions** segment, the focus is on global markets for commercial PV systems with and without energy management, battery storage and electric vehicle charging solutions. The SMA Commercial Energy Solution, featuring ideally matched hardware, software, tools and services, gives commercial enterprises and the real estate industry the option of producing, storing and selling solar power themselves, organizing their companies' energy flows in a transparent and cost-efficient way as well as charging and managing electric vehicle fleets efficiently and sustainably. The solutions comprise the three-phase string inverters of the Sunny Tripower product family with outputs of 12 kW and up to 110 kW, storage solutions for the commercial sector and island applications in the Sunny Tripower Storage and Sunny Island product families as well as holistic energy management solutions for commercial integrated energy. Solutions for charging management and billing of electric vehicle fleets on the basis of the ennexOS platform were implemented by the Commercial & Industrial Solutions segment together with the subsidiary company coneva. As an SaaS provider for intelligent energy management, coneva connects all energy-related sectors, optimizing energy flows and making them transparent.

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The product offering in this segment is rounded off by integrated services and digital services along the product life cycle, starting with the planning of a custom energy solution and including the commissioning of the systems and operational system management right through to system repowering and expansion.

The **Large Scale & Project Solutions** segment offers products, systems and solutions for industrial solar, storage and hydrogen projects as well as for the conversion of utility grids to a higher proportion of renewable energy. These are complete solutions including turnkey medium-voltage stations for international markets that perform optimal grid service and monitoring functions on the basis of central and string inverters and system controllers.

The offering is complemented by services such as repowering, engineering services, operation and maintenance as well as customized solutions for individual customer requirements.

Grid stability and grid reliability are becoming increasingly important as the energy mix is transitioned from conventional to renewable energies. The Large Scale & Project Solutions segment is addressing these challenges with grid-forming solutions in combination with large-scale storage systems. These systems enable numerous additional services, such as energy arbitrage, black starts, frequency control, inertia, stability services and system restoration.

Ensuring sustainable grid stability is a basic prerequisite for the successful expansion of renewable energies. In October 2023, the SMA Group opened a Competence Center in Bangalore, India, for the targeted promotion of and further research into grid stability. With what is now its second office in India, SMA is strategically realigning itself and creating a central competence center to promote the development of expertise and knowledge sharing on an international scale. From here, SMA experts will process global inquiries and use their services to make an important contribution to the further expansion of renewable energies. From Bangalore, customers all over the world are assisted and supported in grid stability matters. This service is an important part of SMA's comprehensive portfolio.

Customers of the Large Scale & Project Solutions segment include independent power producers; developers and institutional investors; engineering, procurement and construction companies; system integrators; public utility companies and grid operators as well as energy-intensive industries, particularly for hydrogen applications.

Important sales markets and competitive situation¹

With its extensive portfolio of systems and solutions, the SMA Group is well positioned to benefit in all segments from the growth of global solar and battery-storage markets and from the increasing demand for holistic solutions for energy management and electric vehicle charging for private and commercial applications. Key differentiator of the SMA Group is its broadly diversified range of products and solutions in three segments. Its own presence with experienced specialists in 20 countries on six continents enables the SMA Group to serve all markets worldwide. Our main customer groups include companies from the sectors of investment, project development, engineering, procurement and construction (EPC), system integration, energy supply, operation and maintenance services, real estate industry, wholesale and installation companies as well as commercial enterprises.

Our production site in Niestetal (Germany) has an overall annual capacity of 21 GW. The competence center for coils (electromagnetic components) is based in Modlniczka, near Krakow (Poland). With its international positioning and product and service portfolio for all types of applications within the three segments and different regional requirements, the SMA Group can respond quickly to shifts in demand on international markets anytime.

SMA estimates that approximately 368 GW to 374 GW of new PV power was installed worldwide in 2023. This is again a significant increase compared to last year's level (2022: 212 GW; figures exclude inverter retrofitting and battery inverter technology). SMA estimates that global PV inverter technology sales, including inverter retrofitting and battery inverter technology, increased to around €15.7 billion to €16.9 billion in the reporting period (2022: €10.9 billion).

According to SMA estimates, the share of the photovoltaic markets in Europe, the Middle East and Africa (EMEA) in global sales decreased to 31% in 2023 (2022: 35%). With approximately 24%, American photovoltaic markets declined (2022: 29%). The Chinese market accounted for 34% of global sales in 2023 (2022: 22%) due to further strong growth. The Asia-Pacific photovoltaic markets (excluding China) accounted for 11% of sales and thus less than in the previous year (2022: 14%).

¹ The estimated values (as of February 5, 2024) in the following section are not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and are therefore not a subject of the financial audit.

CONSOLIDATED SALES WELL ABOVE PREVIOUS YEAR DUE TO IMPROVED SUPPLY SITUATION

The SMA Group closed the 2023 fiscal year with an extremely positive result. The existing high order backlog was successfully managed thanks to the improved supply situation and the higher production volume this entailed. Sales increased to €1,904.1 million (2022: €1,065.9 million). The cumulative inverter output the SMA Group sold amounted to 20,454 MW (2022: 12,225 MW).

In the reporting year, the SMA Group consistently pressed ahead with its ongoing strategic development to become an innovative and sustainable systems and solutions provider and systematically expanded its product portfolio. During the year, efforts were focused on storage solutions, which are becoming increasingly important given the efficient use of renewable energies as well as the greater flexibility and assured grid stability they provide.

Strategy

Climate change is currently one of the major challenges society is facing. The negative consequences of the climate crisis are repeatedly being felt around the world. The expansion of renewable energies therefore remains the top priority. Added to this were rising energy prices for fossil fuels in recent years, which are set to further accelerate the transition to renewable energies. In its "Renewables 2022" report, the International Energy Agency (IEA) outlines its expectation that global power generation capacity from renewable energies will increase by 2,400 gigawatts (GW) by 2027. This means that renewable power generation capacity will almost double accompanied by the substitution of coal as the biggest source of power generation. Alongside photovoltaics, the experts also attest to the enormous growth potential of green hydrogen (power-to-gas) in the coming years. Other growth drivers include the electric vehicle sector and battery storage systems, the use of which plays an indispensable role in the success of the energy transition and is increasing worldwide.

The rapid global expansion of power generation capacity in photovoltaics as the most cost-effective energy source is being driven by electric utility companies largely through the construction of large-scale PV power plants. In addition, 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 also lead to a rise in demand for energy storage solutions. Plus, energy will be increasingly distributed via smart grids to manage electricity demand, avoid consumption peaks and take the strain off utility grids. In addition, the growing number of electric vehicles is contributing to higher levels of self-consumption among renewable energies. Using artificial intelligence, the decentralized energy consumption and storage can be adapted to the fluctuating production of electricity from renewable energies, thus enabling the overall system to be optimized.

In this context, innovative system technologies that generate and temporarily store solar power and provide energy management to private households and commercial enterprises, or are used on a power plant scale for grid stabilization, offer worthwhile business opportunities for the SMA Group. 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 promote new business models. Plus, 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. 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 thus becoming increasingly significant.

The SMA Group has aligned itself with a clear focus on these growth markets as well as the global change in energy supply and has set a course for sustainable growth, long-term business success and successful positioning as part of its Strategy 2025. The SMA Group is already an innovative and sustainable "energy transition company". To be able to offer and systematically further develop suitable solutions for all key areas of future energy supply, the SMA Group offers a broadly diversified portfolio of products and solutions in the three segments Home Solutions, Commercial & Industrial Solutions, and Large Scale & Project Solutions. We are leveraging our systems expertise to develop complete, futureproof solutions of significant customer benefit in close collaboration with our strong partners and to tap into new business areas.

The entire Strategy 2025 is based on defined ambition levels from which the respective annual objectives are derived. Regular monitoring of strategy implementation and ongoing updates are ensured by a continuous management process that includes reviews at quarterly level and an annual strategy conference. The extent to which the objectives have been achieved and the progress made within the objectives and areas of action are thus made transparent to all key stakeholders and also regularly communicated to employees. Management derives appropriate courses of action from the results of the strategy reviews.

In 2024, a comprehensive analysis of external and internal factors will also lay the foundation for the ongoing development of Strategy 2025 beyond its validity period.

Purpose, vision and mission¹

SMA's purpose reflects the strong entrenchment of sustainability within the company, which also represents a key element of the SMA Strategy 2025. It is: "Our energy inspires the world's most important customer. Our future". We think long-term, strive for an eco-friendly and resource-saving way of doing business and have a livable planet for future generations in mind.

The same is true of our vision, which sets out the SMA Group's vision for the future and the standard we are setting ourselves: "We pioneer access to clean energy". With our experience, our innovative strength and our knowledge of system technology, we make renewable energies accessible to people all over the world in an easy, straightforward and sustainable way.

Our mission statement describes how we intend to achieve this objective and meet the ambitions and needs of our customers and other stakeholders: "We leverage 40 years of expertise and passion in renewables to drive the world's energy transition with our partners". In our daily interactions, we embody our company values of trust, performance and team spirit, and allow our actions – within and outside the company at all levels – to be influenced by our brand values: We are **sustainable** and respect people and the planet, we are **passionate** in all that we do, we are **connected** and work together to achieve our objectives, we are **visionary** and dare to innovate, and we are a **reliable** partner.

Strategic corporate objectives

The strategic corporate objectives form the basis for the future viability and long-term corporate success of the SMA Group. They define the ongoing development of the company and key success factors across all segments. For each objective, priorities are set on an annual basis and their achievement is ensured through clearly defined and measurable interim targets and regular reviews.

OBJECTIVE 1: CLOSER TO THE CUSTOMER

We inspire our customers with a high level of user-friendliness and solution-oriented cooperation.

The future corporate success of the SMA Group will depend largely on us aligning our actions even more consistently with the requirements of our customers. Customer focus is therefore purposefully the first objective of our strategy.

The implementation of the company-wide SPIRIT program launched in 2022 was one of the main priorities of the strategic work in the 2023 reporting year as well. With SPIRIT, we have set ourselves the objective of systematically bringing our processes and structures in line with the various customer segments and designing them in such a way that we can develop and deliver even faster, more seamlessly and in a more demand-oriented manner. We are thus able to align our portfolio of systems and solutions even more precisely to the current and future requirements of the various customer segments. To this end, we elaborated on and rolled out the end-to-end processes along the main value chains of our three business segments Home Solutions, Commercial & Industrial Solutions and Large Scale & Project Solutions. Underpinned by continuous communication and training measures, SPIRIT ensures clear roles and responsibilities, faster decision-making and a much improved understanding of customer requirements throughout the organization.

The committee structure was also revised extensively in 2023 and the global functions were integrated into the business processes at international level.

One of our objectives for 2024 is to systematically, uniformly and regularly survey customer satisfaction across all customer groups in order to incorporate customer feedback in a targeted manner to improve our business processes and our range of services.

OBJECTIVE 2: PROFITABLE GROWTH

We are sustainably increasing our profitability through the further development of our core business and the targeted development of new business areas.

SMA's market environment experienced very positive development in the 2023 reporting year and the prospects for future growth are extremely good. Our own ambition to grow faster than the market led to the decision to replace the title of the "Stability through profitability" objective with "Profitable growth". Profitable growth will be the basis for entrepreneurial freedom, strategic

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investments and economic security. We have therefore defined increasing sales and profit as key objective categories and raised our own ambitions:

In 2023, we significantly increased our delivery capacity while limiting increases in material costs. Combined with the stabilization of our own prices, this led to the positive result for the year. These successes have also helped us to achieve solid net liquidity and an improved free cash flow.

For 2024, we will continue to focus on the market launch of new segment-specific platforms and corresponding products as part of our positioning as a systems and solutions provider. We will continue to drive forward the actions initiated in 2023 to improve strategic project portfolio management in order to make prioritization decisions more effectively. As part of ongoing process improvements, projects to reduce costs and increase efficiency are being implemented at process level in order to successfully tackle the challenges posed by a rapidly growing installed base of devices. The focus on a positive development of net liquidity will continue to be one of the SMA Group's key annual targets in 2024 given the high number of planned investments.

OBJECTIVE 3: HOLISTIC SUSTAINABILITY

We live sustainability in all areas of the company and take over a leading role in shaping a better future.

Holistic sustainability in all areas of the company is one of the key objectives at the heart of our strategy. The Managing Board is thereby not only underlining the considerable importance of the topic of sustainability within the SMA Group, but also taking account of the ever-increasing interest and expectations of major stakeholder groups. Our aspiration for the "holistic sustainability" objective is to integrate sustainability into all areas of the company and to take a leading role in creating a better future with the SMA Group. Sustainability risks and opportunities must therefore be assessed in all business processes and encompass the entire value chain, as every area of the company can make a contribution toward achieving the objectives. Our holistic sustainability strategy comprises four areas of action: environment & energy, employees, governance & ethical business and product stewardship.

In the "environment & energy" area of action, we strive to keep the environmental impact of our business activities as low as possible and protect the climate by handling resources responsibly along the value chain and using renewable energies. We thus help establish the conditions for a livable future for all people.

Committed, highly motivated and skilled employees are an essential factor in the success of the SMA Group. Our goals and measures in the "employees" area of action take this into account. Ensuring the health and safety of our employees is just as much a part of securing the future of the company as bringing diversity to life. We promote diversity and equal opportunities and recognize the excellent commitment of our employees through fair pay and company benefits.

In the governance & ethical business practices area of action, we are continuously working on improving our processes – such as bundling business decisions requiring approval by the Managing Board in an approval catalog – and structures to ensure good corporate governance as well as integrity and compliance. We select our business partners with care and are committed to protecting human rights and acting sustainably and responsibly throughout the supply chain.

In the product stewardship area of action, it is our aim to meet our customers' incredibly exacting quality requirements and provide them with products with a long lifetime. For us, product stewardship means taking responsibility for the impact of our products throughout the product life cycle, from their development to the end of their lifetime.

Detailed information on the sustainability strategy and management of the SMA Group and on development and progress within our four areas of action of sustainability in the reporting year can be found in the "Combined non-financial statement" section.

OBJECTIVE 4: SHAPING THE FUTURE WITH INNOVATIONS

We use our expertise, experience and innovative strength to position SMA for the future in existing and new business fields.

Our business environment is characterized by ever-faster innovation cycles, high complexity and accelerated technological change. Our high capacity for innovation continues to be what fundamentally sets us apart from the competition. To expand our competitiveness further, we are systematically addressing future topics, continuing to promote digitalization and increasing our ability to deal with complexity.

Core actions in 2023 included formulating a vision for 2030, including a trend radar, which will be actively used in the ongoing development of our corporate strategy. The successful expansion of systematic trend management will also enable us to prioritize our innovation activities and investments both in terms of customer added value and in line with the trends most relevant to SMA. We also continued to focus on the megatrend of digitalization for SMA in 2023. Two further releases were successfully rolled out in the “Digital Core” program, which help flexibly map new business models within an end-to-end digital system landscape. A “digital objective” has also been formulated, which serves to look beyond current trends at future topics in digitalization from all relevant perspectives and to position SMA for success at an early stage. The “digital objective” has also created clarity around a data strategy designed to monetize new business models based on our extensive data.

In 2024, our primary focus will also be to further expand the digitalization of our production and production-related processes via the “Digital Factory” program in order to operate our current and future production facilities based on the latest state of the art.

OBJECTIVE 5: POWERFUL PARTNERSHIPS

We develop a powerful partner network and take advantage of the opportunities it creates.

Our systems and solutions business thrives on powerful partnerships. They are the key to comprehensive solutions with high customer value and a broad range of applications. To be successful in this area, our management processes are geared to the targeted integration of partners with whom we are shaping the energy supply of the future. In this respect, the SMA Group will be able to benefit from new business opportunities and broader room for maneuver. By improving our efficiency, productivity and competitiveness we are also increasing our internal and external impact.

In 2023, we developed and implemented a governance model for the systematic integration of partners. The relevant committees and decision-making processes were established and communicated within the SMA organization as part of this governance model. Regarding the leveraging of new business opportunities with partners, we have implemented a partner funnel and a set of evaluation criteria in order to select the most promising partners in a targeted manner.

In 2024, we will coordinate a systematic analysis of our own skills and capabilities (capability map) within the company. This is intended to ensure a targeted selection of partnerships with high potential for SMA. We will also operationalize partner management processes globally and systematically measure the success of our partnerships in order to identify potential for improvement.

Strategic areas of action

The strategic areas of action of the SMA Strategy define the company’s focus and have therefore been formulated across all segments. Derived from the overarching megatrends in our market environment and the growth potential in SMA’s core markets described above, the strategic areas of action create the basis for clarity and prioritization in an increasingly complex market environment.

This includes focusing on the **core photovoltaic business** as well as the further development of the SMA Group in the relevant growth fields of **battery storage systems, e-mobility, energy management solutions** and **energy market integration**. We have also invested in the expansion of the high-potential **power-to-gas business** at an early stage and are systematically expanding our investment.

The segments are responsible for defining and implementing the relevant business initiatives within the areas of action. In the context of clearly defined financial targets, they therefore have the necessary scope to successfully shape their business.

SMA is thus optimally positioned for future business success and sustainable growth. With its portfolio of products, systems and solutions for all PV segments and applications, its level of system expertise and its global presence, the SMA Group thus makes a significant contribution to the rapid and sustainable transformation of the world’s energy supply structures and exploits the opportunities arising from the megatrends of decentralization, decarbonization and digitalization.

Enterprise management

Overview

The SMA Group's corporate management is based on the leading indicators and financial management parameters outlined below. Corporate management also incorporates non-financial performance indicators. More information on this can be found in the "Combined non-financial statement" section.

Leading indicators

To be able to respond to market changes in a timely manner, it is exceedingly important for the SMA Group to recognize opportunities and risks early on. To achieve this, we will have ongoing discussions about what are commonly referred to as operative leading indicators at both the Managing Board and segment level and the general managers of SMA subsidiaries. Indicators relevant to the SMA Group include changes in PV system incentive programs and their effect on regional market potential, growth and competitiveness of the SMA Group in regional markets, customer acceptance of new products as well as market-related information stemming from discussions with customers, suppliers and associations. The myriad of influencing factors and the complex way they interact make it difficult to produce a detailed forecast that holds up long term.

As part of annual and medium-term planning, the Managing Board specifically discusses opportunities and risks with regard to markets and sales volumes with the sales and segment heads and records the final assumptions for planning. In the reporting period, the Managing Board and segment heads were informed on a monthly basis of the financial development of the entire SMA Group and the individual segments. They were continuously compared with planning assumptions. In the event of deviations or unforeseen events, short-term countermeasures could therefore be taken on the basis of intra-year forecasts.

Financial management parameters

In 2023, the SMA Group used the following key financial management parameters for its operative business as explained below. Compared with the previous year, there were no changes in the calculation of key figures or in the management system.

SALES

Sales include all the sales generated over the reporting period. Because the market for inverters was shaped partly by plummeting prices, we measure inverter output sold along with sales. We calculate sales at both the group and segment level. In addition, sales and the contribution margin are calculated at the product group level on a monthly basis.

OPERATING PROFIT (EBIT)/OPERATIVE EARNINGS MARGIN

In addition to sales and the cost of sales, the operating profit includes functional costs and other operating expenses and income. We use this key figure to measure the profitability of the individual segments and the group. To determine the operative earnings margin, we calculate operating profit in relation to total sales. We measure the operating profit and operative earnings margin at both the group and segment level.

EARNINGS BEFORE DEPRECIATION AND AMORTIZATION (EBITDA/EBITDA MARGIN)

We calculate operating earnings before interest, income taxes, depreciation and amortization (EBITDA) based on operating earnings (EBIT), plus depreciation and amortization of fixed and intangible assets. To determine the EBITDA margin, we calculate the operating earnings before interest, income taxes, depreciation and amortization in relation to total sales. We use these key figures to measure profitability at the group level, excluding imputed depreciation of investments made.

NET WORKING CAPITAL/NET WORKING CAPITAL RATIO

In addition to inventories, net working capital comprises trade receivables, trade payables, prepayments received from customers and prepayments made to suppliers. We measure our customers' and suppliers' accounts receivables as well as product manufacturing inventories regularly in relation to sales over the last 12 months. We measure and manage net working capital at the corporate group level.

CAPITAL EXPENDITURE

Capital expenditure is another key driver of liquidity planning. To manage capital expenditure, we formulate budgets as part of our annual planning, which the Managing Board approves over the course of the fiscal year. This applies particularly to large-scale capital expenditure projects, which are additionally evaluated with a profitability calculation. We manage capital expenditure at the corporate group level.

NET CASH

With net cash, we review our own financing possibilities for the ongoing business like net working capital and capital expenditure. It includes liquid funds and securities contained within working capital and cash on hand pledged as collateral less interest-bearing financial liabilities to banks. We manage net cash at the corporate group level.

Intragroup reporting and management

INTRAGROUP REPORTING

The monthly reporting includes, among other information, detailed status reports on orders placed and order volumes, the amount of inverter output sold, sales figures, results of operation, cash flow statements, research and development activities, investments and net working capital. The aim is to compare changes in decisive items on the income statement and balance sheet both with the budget and figures of the previous month and to take any corrective measures necessary. Reporting is mapped using SAP Analytics Cloud (SAC), and SAP Business Warehouse, an electronic management information system, serves as the home for the information.

INTRAGROUP MANAGEMENT SYSTEM

In the reporting period, the basic elements of the intragroup management system were the regular Managing Board and Supervisory Board meetings as well as the monthly discussions on results with the segment heads. Strategy implementation was also discussed during quarterly business reviews with the segments as was an assessment on the progress of objectives. In addition, the intragroup management system encompasses the regular Risks and Opportunities Report and the report prepared by the Internal Audit department.

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 hydrogen.

At the end of 2018, the decision was made to discontinue development in China and to concentrate development on segment-specific platforms (instead of individual products) at the Kassel site. We have created the basis for this in recent years. The first products on these platforms will be available on the market starting 2024. 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.¹

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The implementation of the platform strategy in the Large Scale & Project Solutions segment will be made possible thanks to the new GIGAWATT FACTORY at the Niestetal site near Kassel, Germany. The new factory, which is scheduled to go into operation at the beginning of 2025, will enable us to double our production capacity from its current level of 21 GW to nearly 40 GW. In doing so, we want to safeguard supply chains and become more independent of fluctuating trading conditions. Increased customer proximity will also be an important driver, especially in the large-scale plant business. This will allow us to strengthen our excellent brand reputation, especially in the core markets of Europe and the U.S. We also want to drive innovations from Germany for the global market and increase added value at our main location in Germany.

SMA Solar Technology AG was granted or had registered 1,628 patents and utility models worldwide by the end of the reporting period. Additionally, 564 other patent and utility model applications were still pending as of December 31, 2023. Furthermore, SMA Solar Technology AG holds the rights to 1,529 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).

Research and development expenses of the SMA Group

in € million	2023	2022	2021	2020	2019
Research and development expenses	119.8	86.8	77.7	71.2	63.1
of which capitalized development projects	41.2	35.2	27.4	15.2	10.9
Depreciation on capitalized development projects (scheduled)	9.7	6.9	8.8	9.1	9.0
Research and development ratio in % in relation to sales	6.3	8.1	7.9	6.9	6.9

Holistic solutions for the energy supply of the future¹

PRIVATE APPLICATIONS: HYBRID INVERTERS AT THE HEART OF RENEWABLE ENERGY MANAGEMENT

In the **Home Solutions** segment, the single-phase Sunny Boy Smart Energy hybrid inverter for markets and applications with specific requirements for single-phase systems was successfully unveiled at Intersolar 2023. As a hybrid inverter that combines both PV and battery inverter functions in one product, it ensures seamless integration of solar power generation and battery storage systems. With its secure electricity supply and optional battery backup, the Sunny Boy Smart Energy provides a stable energy supply, even during grid failures. It is also compatible with the new SMA Home Storage battery and all other HV batteries from leading manufacturers. The Sunny Boy Smart Energy will be available in the U.S. starting the first quarter of 2024. Depending on country-specific certification, launches in Germany, Austria, Benelux, Spain, Italy and Switzerland will follow from the end of the first quarter of 2024. The market launch in Australia and other European countries is planned at some point over the course of 2024.

The modular SMA Home Storage battery was developed as an addition to the hybrid inverters of the Sunny Boy Smart Energy and Sunny Tripower Smart Energy families. It offers homeowners maximum flexibility, including when expanding existing PV systems, and reliably enables the optimal use of sustainable energy supply. The SMA Home Storage battery is already being sold in Germany, Austria, Switzerland, Belgium, Luxembourg and the Netherlands. Other European countries will follow in the first quarter of 2024. A market-specific solution for the U.S. market is also in the pipeline.

At Intersolar 2023, SMA also unveiled the new eCharger, the successor to the current EV Charger. Its charging mode, which is based on an AI algorithm, is characterized by a near-production charging function. Safety and reliability are paramount concerns for the SMA eCharger. It offers improved user protection and integrated overload protection, which not only ensures safe charging but also protects against possible power outages in the home. A billing function is also planned for the new SMA eCharger,

¹ The following section is not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and therefore not a subject of the financial audit.

which will allow company employees to charge their company vehicles easily and bill their employer directly. The processes and installation are controlled via the SMA eMobility Portal. The market launch in Benelux, France and Germany is scheduled for the beginning of the second quarter of 2024. Other European countries will follow in the same quarter.

Energy management is one of the most important topics of the future. This was also demonstrated in the reporting year by the continued high demand for our SMA Sunny Home Manager 2.0. The Sunny Home Manager has been one of the most successful products since its market launch, with more than 300,000 devices sold. The Sunny Home Manager 2.0 is an innovative interface that interconnects PV systems, wall boxes, batteries and household appliances. Its adaptive algorithms learn individual habits and minimize power consumption through intelligent management of energy flows. The Home Manager also plays an important role in the integration of heat pumps. Energy management is indispensable for the optimal use of sustainable energy sources and for easing the strain on utility grids worldwide. By continuously improving the intelligence of the Sunny Home Manager and through our cooperation with strong partners, such as Samsung, SMA will continue to strengthen its position in the field of energy management.

COMMERCIAL & INDUSTRIAL: INTEGRATED SOLUTIONS FOR COMMERCIAL APPLICATIONS

In the **Commercial & Industrial (C&I) Solutions** segment, the SMA Group presented the new integrated SMA Commercial Storage Solution for grid-connected commercial storage applications for the first time in the reporting period. The solution enables business owners and industrial companies to optimize their self-consumption and avoid expensive load peaks. The modular design also allows for flexible expansion of the overall system, for example, with PV inverters or EV chargers, as well as simplified planning for professional partners and optimization of current and future energy costs for commercial customers. The storage solution was successfully launched into the EU market in the second half of 2023. The company is currently preparing to launch the product into other markets.

In addition to the on-grid storage solution, the SMA Group offers a comprehensive, scalable storage solution for stand-alone grids and backup applications ranging from 4.4 kW up to 288 kW. The SMA Group has over 20 years of experience in rural electrification and offers one of the most robust battery inverters in the world: the Sunny Island. The new Sunny Island X battery inverter ensures the integration of storage into both grid-connected and off-grid power supply systems. The market launch will take place at the end of the fourth quarter of 2024 and will extend the performance spectrum of the SMA Commercial Storage Solution into the megawatt range.

In the U.S. market, a number of pilot projects were supplied with the STP-X inverter at the end of the second quarter of 2023. The transition to series production and delivery took place in the third quarter of the reporting year. The successor to the Sunny Tripower CORE 2 was presented at Intersolar Europe 2023. The new inverter has a rated power of 125 kW and will be launched into the market in mid-2024.

Also at Intersolar Europe 2023, the SMA Group presented the expanded SMA Commercial eMobility Solution, with which business owners can act as charging infrastructure operators themselves. With the newly available version of the EV Charger Business charging station in compliance with calibration laws, kilowatt-hours can now be billed precisely in Germany too. A roaming function in the SMA eMobility Portal also allows for billing to third parties.

In addition, the SMA Group expanded its Sunny Design software for planning renewable energy systems in the first half of 2023. Besides product improvements to increase efficiency and provide optimal support for the current product portfolio, expanded planning options were established, particularly in the field of e-mobility. Sunny Portal, one of the world's largest PV portals, is increasingly being converted to the Sunny Portal powered by ennexOS version. In Australia and the U.S., the migration of existing systems from the Classic Portal is already complete.

In the past fiscal year, the Commercial & Industrial Solutions segment implemented a number of additional fee-based services. The SMA Planning Service creates customized energy concepts consisting of PV, commercial storage systems and charging infrastructure for commercial projects. The result is extensive customer documentation that covers all energy-related and economic key figures as well as a full list of components. The Planning Service was initially rolled out in Germany, Austria, Switzerland and France. Additional countries are currently being instructed for a market launch.

In addition, a modular SMA Certification Service was introduced, which handles the certification process from application to telecontrol for type A and B system certificates. The Certification Service can currently only be booked in Germany, but the company is planning to expand it to other European countries. The new services enable 360-degree support for PV experts.

Coneva GmbH will continue to expand its range in the Commercial & Industrial solutions segment in particular. At the start of the new 2024 fiscal year, a dynamic electricity tariff for commercial and industrial electricity consumers with a minimum purchase volume of 100 megawatt hours per year will be added to its range of services. The company procures the required amount of electricity directly on the spot exchange and passes on the variable prices to customers. Over the past 1.5 years, coneva has continued to optimize the Hilden charging park and established an integrated energy management system. The charging park has more than 100 charging stations (mainly fast-charging stations) and a 400 kWp PV system. With the introduction of the dynamic electricity tariff, coneva will also take over the supply of electricity to the Hilden charging park from January 1, 2024. A 2,000 kWh battery storage system provides the necessary flexibility to purchase the electricity required for the charging park from the grid at favorable times on the short-term EPEX Spot electricity markets and thus to supply the charging park with electricity at the coneva Flex tariff. The synergies from electricity procurement and local energy management enable cost savings of between 15% and 30%.

PROJECT BUSINESS: SYSTEMS AND SOLUTIONS FOR THE POWER PLANTS OF TOMORROW

R&D activities in the **Large Scale & Project Solutions** segment focus on developing a comprehensive portfolio of products, systems and solutions to meet the challenges of decarbonization and systematically drive forward the energy transition. One focus is on digitalization and how it can help increase the optimization and efficiency of systems along the entire value chain – from system design to system operation and integration into the energy market. Furthermore, systems and solutions are being developed that enable optimal and efficient integration of sector coupling at both the system and plant level.

Other key topics are sustainability and the ongoing development of sustainable products and solutions. In 2023, a comprehensive life cycle assessment was published for the Sunny Highpower PEAK3. Life cycle assessments enable us to determine the factors that influence the environmental performance of our products throughout their entire life cycles.

In the green hydrogen production business, the turnkey container solution developed by SMA, including medium-voltage technology, enables the construction of highly efficient systems without any additional filters or compensation units for the operation of the electrolyzer. The converter has a wide DC operating window for electrolyzer operation. This makes it possible to use almost all types of electrolyzers. The carefully selected low- and medium-voltage components ensure highly efficient and reliable operation over the entire service life of the electrolyzer.

The service offering for PV power plants is being systematically expanded. This includes free remote service from experts for quick fault analysis and rectification and the provision of software updates via remote transmission according to the highest security standards and system availability. The SMA Virtual Support app enables the maintenance of central inverters on-site with support via remote service for both corrective and preventive maintenance, including the replacement of components.

R&D activities for large-scale PV power plants and project solutions are also focused on developing the next generation of platforms. Our goal is to change the way power plants are designed, built and operated. The new generation of platforms, which will be produced in the GIGAWATT FACTORY, also offers additional opportunities for expanding our range of products and solutions, including the integration of battery storage capacities into the core system while also supporting PV and hydrogen as well as the use of hybrid systems. We will also continue to expand our range in the area of grid integration to drive forward innovation across the entire energy market.

COMBINED NON-FINANCIAL STATEMENT

Basic information on the combined non-financial statement

In this combined non-financial statement, the SMA Group reports on the developments and progress in its areas of action for sustainability in the 2023 fiscal year in accordance with the statutory requirements under Section 289c-e and Section 315c of the German Commercial Code (HGB) and Article 8 of the Taxonomy Regulation. Some of the wording and requirements used in the Taxonomy Regulation and the complementary delegated acts are still subject to interpretation uncertainty at present. An interpretation thereof by SMA Solar Technology AG's legal representatives is given in this combined non-financial statement. The combined non-financial statement requires the approval of the Managing Board and Supervisory Board of SMA Solar Technology AG. The reported information has been prepared with reference to the Global Reporting Initiative (GRI) Standards. The GRI content index given at the end of the combined non-financial statement provides a detailed overview of where in the SMA Annual Report the information relevant for the GRI Standards can be found. General information on the SMA Group's business model, on products and services as well as on the sales markets can be found in the "Basic information about the Group" section.

NON-FINANCIAL RISKS

Non-financial risks in connection with the SMA Group's business activities, products and services, and business relationships are described in the "Risks and opportunities report" section if these risks also meet or exceed the criteria and financial thresholds for risk and opportunity management set out therein.

We have also identified a material non-financial risk in accordance with Section 289c (3) HGB that is relevant for 2023. We procure the components for our electronic devices from a global supplier base. Due to the purchase of components from risk countries and a lack of transparency in the wider value chain (tier 2-n), there is an increased risk in connection with working conditions. In order to contractually obligate our suppliers to comply with human rights and environmental due diligence obligations, we

have formulated additional human rights and environmental contractual clauses in addition to our Business Partner Code of Conduct, to which all business partners are subject, which we require suppliers who supply direct material to sign. As of December 31, 2023, nearly 50% of the suppliers addressed have recognized the supplementary contract clauses. Our strategic purchasing department is still working hard to bring the remaining suppliers to sign. In the "Sustainable supply chains" section, we report on further comprehensive measures to reduce risk.

REPORTING BOUNDARIES

Unless stated otherwise, all disclosures in the governance & ethical business and product stewardship areas of action relate to the entire SMA Group, including the parent company SMA Solar Technology AG. The companies included therefore correspond to the list of fully consolidated group companies published in the "Notes SMA Group". This also applies to the employees area of action, with the exception of the "occupational health & safety" aspect. Unless stated otherwise, all disclosures in the environment & energy area of action and in the "occupational health & safety" aspect cover all major locations. We have defined major locations as locations that occupy 400 square meters or more. In addition to the parent company SMA Solar Technology AG, these embrace locations of the group companies conevea GmbH, SMA Solar Technology America LLC, SMA Magnetics Sp. z o. o., SMA France S.A.S., SMA Italia S.r.l., SMA Australia Pty. Ltd., SMA Solar India Private Limited, SMA Japan Kabushiki Kaisha, SMA Benelux BV and SMA Ibérica Tecnología Solar, S.L. The information relates to the report period from January 1, 2023 to December 31, 2023. It is reported annually. The combined non-financial statement 2023 will be published on March 27, 2024, in the Combined Management Report 2023 of SMA Solar Technology AG.

COLLECTION OF KEY FIGURES

The key figures in all areas of action were gathered and verified by the responsible departments to ensure that the information was complete and correct. The data for the environment & energy area of action and for the "occupational health & safety" aspect were largely compiled using the software Cority. The key figures on energy at the headquarters in Niestetal/Kassel, Germany, were managed using the software InterWatt. The key financial and personnel figures were largely recorded using global SAP systems.

The risk assessment of suppliers was performed using Sphera. When determining the sustainability performance of our suppliers, we work with IntegrityNext. Key figures relating to the “integrity & compliance” aspect are managed using datasheets. An overview of sustainability key figures can be found at the end of the combined non-financial statement. We publish further information about sustainability in the SMA Group on our [website](#).

EXTERNAL AUDIT

BDO AG Wirtschaftsprüfungsgesellschaft performed an audit of the combined non-financial statement in accordance with ISAE 3000 (Revised) with limited assurance. The “Independent auditor’s limited assurance report” can be found starting on page 172 et seq.

UN SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals (SDGs) in the areas of environment, economy and social welfare are at the heart of the 2030 Agenda for Sustainable Development adopted by all member states of the United Nations at the UN Sustainable Development Summit 2015. It is a joint roadmap for a future characterized by peace and prosperity for people and the planet. All participants in society are called upon to help achieve these goals. The Managing Board of SMA Solar Technology AG is committed to this responsibility. In 2021, the contribution of SMA’s business activities to the SDGs was evaluated down to the level of the SDG subgoals. We reviewed the valuation in the reporting year. Within the main aspects, the SMA Group’s activities contribute to nine of the 17 SDGs. Its business activities have the greatest influence on SDG 7 “Affordable and clean energy”.

UN GLOBAL COMPACT

In the opinion of the SMA Managing Board, producing technologies for the decarbonization of the energy supply is not enough for a holistic understanding of sustainability. It is equally important for these solutions to be produced in accordance with high environmental, social and governance standards. Against this backdrop, the Managing Board is committed to the ten principles of the UN Global Compact. SMA Solar Technology AG joined this United Nations initiative in 2011. The UN Global Compact sets out ten principles relating to human rights, labor standards, environmental protection and the fight against corruption, which are based on the central conventions of the United Nations. We report on our progress with respect to the UN Global Compact within the scope of the Communication on Progress (CoP) format.

Sustainability management

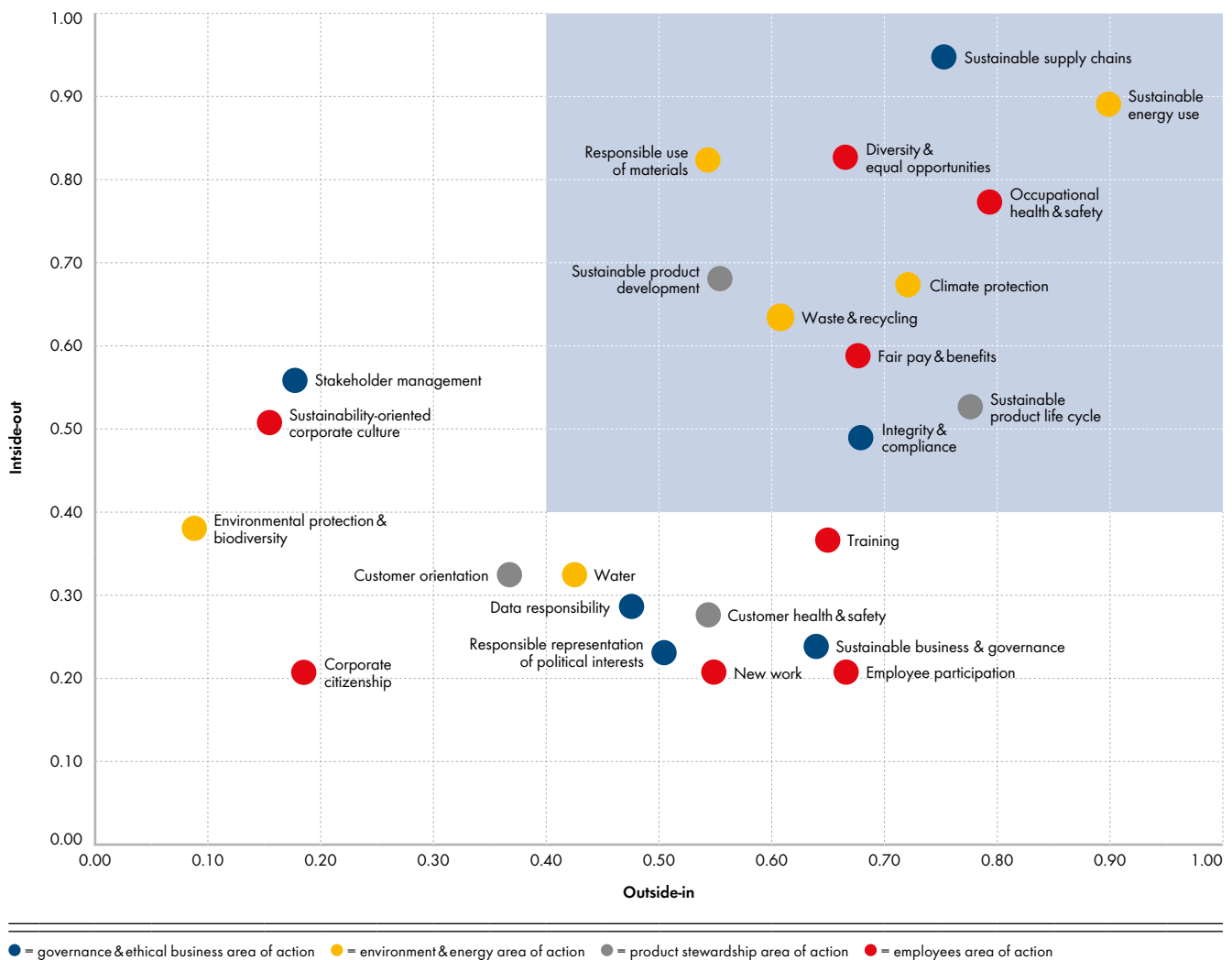
With its solutions, the SMA Group has played a major part in the conversion to a climate-friendly electricity supply based on renewable energies worldwide for over 40 years. For us, sustainable business means making a significant contribution to the company’s long-term success by way of responsible and respectful treatment of people, the environment and resources with increasing use of decentralized renewable energies along the entire value chain. As such, the SMA Group’s business activities directly contribute to SDG 7 “Affordable and clean energy” and take an active part in combating the global climate crisis. Our aim is to assess sustainability-related risks and opportunities within SMA processes and to integrate sustainability requirements into the processes. The SMA Group’s sustainability management is managed centrally and based within the Global Communication & Sustainability department. The head of this department reports directly to the Chairman of the Managing Board.

MATERIALITY ANALYSIS

The sustainability management of the SMA Group comprises four areas of action: governance & ethical business, environment & energy, product stewardship and employees.

The SMA Group identifies the materiality of the sustainability aspects within these four areas of action by means of a materiality analysis. The materiality analysis maps the outside-in and inside-out perspectives of sustainability aspects. The outside-in perspective provides an understanding of how sustainability aspects were assessed by major stakeholders. For example, requirements of politicians and legislators are included, as are customer perspectives. The inside-out perspective presents the influence that the SMA Group can have on the aspects assessed. To this end, we have performed a detailed evaluation of the UN Sustainable Development Goals and our influence along the value chain.

SMA Group materiality matrix



We have examined the material aspects and SDGs to which we thus contribute along the entire SMA value chain and presented the points in the value chain where they are relevant.

Delineation of material aspects and SDGs along the value chain

Area of action	Material aspects	Procurement	Own production, administration	Delivery logistics	Product use	Product end of life	SDG sub-goal
Governance & ethical business	Sustainable supply chains	x	x				5.2, 8.7, 12.7, 16.2
	Integrity & compliance	x	x	x	x		16.5
Environment & energy	Sustainable energy use	x	x	x	x		7.1, 7.2
	Climate protection	x	x	x	x	x	7.3, 12.2, 13.2
	Responsible use of materials	x	x	x			8.4, 12.2
	Waste & recycling	x	x	x		x	12.4, 12.5
Product stewardship	Sustainable product development	x	x		x	x	7.b, 9.5
	Sustainable product life cycle		x		x	x	12.4, 12.5
Employees	Occupational health & safety	x	x	x			8.8
	Fair pay & benefits	x	x	x			8.5, 10.1
	Diversity & equal opportunities	x	x	x			4.3, 5.1, 5.5, 8.5, 10.2, 10.3

We reviewed the key aspects in the reporting year. The materiality of the aspects in the fields of action of environment & energy and product responsibility was confirmed. The materiality of the “integrity & compliance” aspect in the upstream value chain was identified as essential for the governance & ethical business area of action. Within the employees area of action, the materiality of the “diversity & equal opportunities” and “occupational health & safety” aspects was confirmed. The materiality of the “fair pay & benefits” aspect was not confirmed in the course of the review for our own business area. In the upstream value chain, however, the materiality of human rights issues was confirmed. We report on how we deal with these issues in the “Sustainable supply chains” section. In addition to materiality, we base our reporting on the requirements of key stakeholders. With this in mind, we have integrated corresponding information on the non-material “water” aspect in the reporting in the environment & energy area of action. We added information on the “further training” aspect, which is still not material and was previously reported in the employees area of action, to the “Stakeholder management” section in the information on “Employees”. Information on the non-material aspect of “nature conservation and biodiversity” can be found in the “EU Taxonomy” section.

In the reporting year, we prioritized the preparation of the “[Policy Statement on Human Rights and Environmental Due Diligence](#)” issued by the Managing Board of SMA Solar Technology and the internal “Sustainability Management Guideline” over the originally planned update of the SMA Sustainability Guiding Principles. We also drew up a [Sustainable Procurement Policy](#) that provides an overview of all sustainability-related requirements that are relevant to procurement. In 2024, we will review the need to publish further guidelines and policies.

STAKEHOLDER MANAGEMENT

We place high value on ongoing, transparent dialogue with important stakeholder groups, which is a catalyst for the further development of our sustainability management. We define stakeholders as individuals or organizations that could influence our decisions and activities or that could be influenced by decisions and activities of the SMA Group. We report important events within the company in ad hoc messages, press releases, on our website and social media channels.

One important tool for assessing opportunities and risks relating to our stakeholders is our annual stakeholder analysis, which gives us an insight into the SMA Group's stakeholders and their expectations. We analyze the data and prioritize the expectations. If prioritized expectations are not met by the SMA Group, we define appropriate measures. The most important stakeholder groups for us are employees, customers, investors and analysts, politicians and legislators, suppliers, service partners and service providers as well as media and non-government organizations (NGOs). In the reporting year, the stakeholder analysis was expanded to include the topic of information security.

Employees

Open and trustful interaction with each other as well as the highest possible transparency and involvement of all employees and temporary employees in corporate decisions are highly important to us. That is why we not only provide them with regular and comprehensive information about developments and changes in the company but also develop important topics and content in a participatory way.

Following the end of the coronavirus pandemic, dialogue with employees and temporary employees took place both virtually and increasingly on-site again in the reporting year. The Managing Board provided information directly on-site, in video messages and via intranet articles on the company's current situation and outlook as well as other important topics and developments. In addition, a virtual and a physical works meeting were held in the reporting year with presentations by the Works Council, Managing Board and Industrial Union of Metalworkers. Employees and temporary employees were able to put questions to the Managing Board and Works Council both in advance and directly at the events. New employees were also welcomed using the virtual format New@SMA in the reporting year and had the opportunity to meet the Managing Board. At the headquarters in Niestetal/Kassel, Germany, all areas that provide services for employees also presented themselves at the quarterly SMARt Start event.

We normally use our annual employee appraisals for employees worldwide to coordinate their tasks and the associated qualification requirements, to measure performance and to provide feedback on collaboration in an exchange between manager and employee. This does not apply to trainees and learners.

For further qualification, employees of the SMA Group benefit, in addition to external training opportunities, from a diverse internal training program that they can make use of in line with their individual needs and learning objectives. Alongside methodological skills training, language courses and a variety of other topics, this program also includes the "Masterplan" learning platform. It contains video courses on various topics covering everything from digitalization and soft skills through to new technologies and sales expertise. Employees can organize and use the courses themselves to suit their requirements. In the reporting year, we began equipping employees for their new roles within the SMA organization, which has been realigned to focus on customer-oriented processes, by means of mandatory learning trips.

Global employee surveys are generally conducted every two years and help us identify important topics for employees. The last survey was held in 2020. One integral part of the survey is the topic area of "Engagement", which addressed topics relating to the work situation, management and team spirit in the 2020 survey. The evaluation results in a transparent Engagement-KPI across all areas of the SMA Group and thus allows for targeted improvements. Measures are derived by the business divisions in collaboration with the HR department. Due to the realignment of the SMA Group's organizational structure implemented in the past two years as part of the SPIRIT project, no employee survey was carried out in 2022. Once the realignment is complete, as part of the transformation process the survey will be carried out in 2024 to identify important issues and gather information on initial employee experiences of the new structure. Representative surveys of executives and employees to measure the success of the change process began in the third quarter of 2023.

In addition to the global survey, executives and responsible project managers can conduct short "pulse check" surveys in collaboration with the HR department, which can be used to measure the mood in change processes, for example.

Customers

The significant importance that our customers hold for the SMA Group's business success is reflected within the SMA Strategy 2025 in the objective "Closer to the customer". With this in mind, we oriented the SMA Group's entire organizational structure toward customer-oriented processes in the last two years. Further information on the SMA Strategy 2025 can be found in the Combined Management Report in the "Strategy" section.

The dialogue and close collaboration with our customers take place in addition to the personal support in daily collaboration by the SMA Sales department, in particular at customer events, as part of the SMA partner program, at SMA Solar Academy seminars and at international trade fairs. Besides 505 seminars and webinars at the SMA Solar Academy with a total of around 14,000 participants worldwide, more than 250 solar power professionals attended the Solar Power Professionals Day and C&I Solutions Day at the headquarters in Niestetal/Kassel, Germany, in the reporting year. The “Meet-Listen-Act” format introduced in 2022 was also continued in the reporting year. Within this framework, employees from different areas meet customers to discuss specific problems with them and to work on solutions or provide feedback within a defined period of time. The derived measures are regularly monitored for their effectiveness within the SMA Group. Under this format, employees from the management team of a major customer also attended the SMA Management Meeting to report on their experiences of working with the SMA Group.

To systematically monitor and further improve customer satisfaction, we also began introducing the net promoter score key figure (customer recommendation rate) in the reporting year. As part of the project, we have set up a rudimentary measurement based on customer feedback, which is currently still limited and shows a qualitative improvement for 2023 compared with 2022. The Customer Experience Manager position responsible for the process has been filled. The next steps involve the ongoing formulation of the definitions and the development of a sensor system, the monitoring and the tracking of derived measures.

Investors and analysts

We also aim to ensure transparency, up-to-date information and credibility in our capital market communication. This year’s Capital Markets Day was held as a hybrid event, both in person at the headquarters in Niestetal/Kassel, Germany, and broadcast live on the Internet. SMA’s Annual General Meeting 2023 was held virtually again. In addition, the Chief Financial Officer met investors and analysts at the Intersolar trade fair and took part in roadshows, conferences and virtual formats. The Chief Financial Officer conducted conference calls for institutional investors and analysts to coincide with the publication of the financial reports. Investors also visited the company’s headquarters and took part in production tours. The Sustainability department was directly involved in discussions with investors on specific issues, such as the company’s sustainability performance. To further increase transparency, we regularly participate in the ESG ratings and rankings that are most relevant to us and work continuously to further improve the ratings.

Our sustainability ratings at a glance

MSCI	AAA (rating scale AAA to CCC)
ISS ESG	Prime (B-) (rating scale A+ to D-)
Sustainalytics	17.0/rank 26 out of 281 companies
Ecovadis	Gold medal
CDP	Climate Change 2023: B Supplier Engagement 2022: A-

Politicians and legislators

As a globally operating company, the SMA Group is subject to a wide variety of political changes and decisions that affect its business activities. To safeguard the future of the SMA Group, it is important to communicate the company’s interests in open dialogue with governments, industry associations and organizations. We also respond to our business partners’ suggestions and interests with the same openness. Our principles on political dialogue and representation of interests form the basis for a set of responsible, reliable and honest practices aimed at reconciling commercial and social interests. In the reporting year, we did not make any financial donations to political parties.

We are organized in industry associations for the purpose of representing our interests. The main national and international advocacy groups of which we are a member include SolarPower Europe, the Solar Energy Industries Association, Bundesverband Solarwirtschaft (German Solar Industry Association), Bundesverband Erneuerbare Energie (German Renewable Energy Federation), Zentralverband Elektroindustrie (German Electrical and Digital Industry Association) and Verband der Elektrotechnik, Elektronik und Informationstechnik (Association for Electrical, Electronic and Information Technologies). As part of our membership of SolarPower Europe, in the reporting year, the Chairman of the Managing Board of SMA Solar Technology AG together with representatives of other companies in the industry continued to advocate ambitious growth targets for renewable energies and the expansion of the European solar industry in meetings with members of the European Parliament, as in the previous year, and once again put his name to an open letter with this objective to the President of the European Commission.

In the reporting year, the SMA Group supported a global initiative for the World Climate Conference (COP28) for the first time. During the event in Dubai, the Chairman of the Managing Board of SMA Solar Technology AG joined forces with representatives of other international organizations and companies to call for a tripling of global renewable energy generation capacity by 2030. This goal was adopted in the final declaration of COP28.

The SMA Group is also a member of the “Allianz für Transformation” (Alliance for Transformation), which was launched by the German federal government in June 2022. The central dialogue between the federal government and decision-makers from business, trade unions and the associations aims to underpin the transformation of society toward climate neutrality, digitalization and sustainability in the long term with concrete solutions.

At a local level, we are also involved in the “Klimaschutzrat Kassel” (Climate Protection Council) at our headquarters. This committee, which includes representatives from business, science,

civil society, culture, education, youth organizations, religion and social welfare, advises the city council on climate protection. It reflects a broad range of opinions of different stakeholder groups. Taking account of the Climate Protection Council’s recommendations, the city of Kassel has set itself the goal of reaching climate neutrality by 2030 and implementing a 100% decentralized supply of renewable energy.

The table below shows a summary of the main stakeholder groups for the SMA Group, their type of involvement and important topics and concerns expressed.

SMA stakeholder dialogue

Stakeholder	Type of involvement	Issues raised and expectations of SMA
Employees	Regular company-wide and division-specific „pulse check“ surveys, works meetings held by the Works Council, intranet communication with comment functions, collaboration tools, leadership events, communication with „climate representatives“, newsletters, division and department meetings, committees, working groups	Working conditions, working hours and location arrangements, mobile working, training, career opportunities, fair, transparent and performance-based remuneration, sustainable corporate strategy, safe jobs, business success, equal opportunities
Politicians/legislators	Organization of events, joint initiatives, proactive contact, participation in consultations, personal meetings, presentation of positions via industry associations, involvement in local initiatives	Securing jobs, location image and positive reputation, specialist support in the field of renewable energies and sustainability strategies, evaluation of solar-specific issues, economic performance, willingness to invest, preparation of positions
Press/NGOs	Press releases, annual press conference, ad hoc messages, social media channels, interviews, background discussions, responding to inquiries, media center on corporate website	Transparent communication, sense of responsibility in dealing with sustainability issues, compliance with global standards (e.g. UN Global Compact), business success, securing jobs, working conditions, location image and positive reputation, renewable energies, technological development and innovation
Customers/key accounts/distributors/project partners/installers	Personal and virtual meetings/sales visits, key account management, events, trade fair presentations, customer survey and customer audits, surveys to measure satisfaction and identify potential for improvement, SMA Solar Academy and partner programs for installers	Quality, reliability, value for money of systems and solutions, contract compliance and delivery reliability, compliance, fairness, sustainability performance of products, product certification, training for installers, innovative applications, lifetime, customer service, holistic collaboration
Investors/analysts/rating agencies	Financial and sustainability reporting, Annual General Meeting, Capital Markets Day, one-to-ones with investors and analysts, conferences and roadshows, participation in ESG ratings and rankings	Transparent and extensive communication on the company’s development, economic profitability, high sustainability performance/ESG
Service partners/service providers	Bilateral exchange with SMA departments, review meetings, steering committee meetings	Open and constructive communication, reliable partnership, contract compliance, optimal product support
Suppliers	Bilateral dialogue via commodity managers, partnerships, annual or quarterly discussions, Supplier Day, supplier training, participation in supplier evaluations, supplier development with regard to quality, supplier audits	Reliable partnership, compliance with legal regulations, fair competition and ethical conduct, clear guidelines for quality, occupational safety requirements and environmental standards, reliable capacity and procurement planning

Area of action: governance & ethical business



The Managing Board and Supervisory Board of SMA Solar Technology AG firmly believe that effective and transparent corporate governance in accordance with internationally and nationally recognized standards is an essential factor for business success. Observing the principles of good corporate governance is extremely significant for us in order to uphold the trust of shareholders, business partners, employees, other company-affiliated groups and the public. Our corporate governance is based on the recommendations and stipulations of the German Corporate Governance Code. More information on corporate governance and on the company's corporate bodies and their functions can be found in the Combined Management Report in the "Corporate governance" section.

In recent years, we have also integrated sustainability governance into the company. To strategically integrate and promote sustainability within the company, the SMA Managing Board established a Sustainability Committee in 2021, which is chaired by the Chairman of the Managing Board. The committee makes decisions on sustainability issues and reviews the degree to which the sustainability objectives have been achieved on a quarterly basis.

Sustainability management is coordinated globally within the SMA Group. A Global Sustainability Meeting at which all major group companies of the SMA Group are represented has been initiated for this purpose in 2021. The goal is to communicate sustainability initiatives and coordinate standards and key figures.

The high importance of sustainability for the SMA Group and corporate management is also reflected in the remuneration system for the Managing Board. It provides for the integration of non-financial performance indicators in the remuneration-related targets of the Managing Board as part of both the one-year bonus and the long-term bonus. The targets are approved by the Supervisory Board and incorporated in corporate management. Since the 2022 fiscal year, the non-financial performance indicators "Proportion of women in the total workforce (excluding apprentices and trainees) with a target value of 26% in 2025" and "100% assessment of the sustainability performance of A and B suppliers by 2025" have been part of the Managing Board's remuneration-

relevant targets. Both performance indicators were integrated into the targets set for the long-term bonus for the years 2022 to 2025 within the Managing Board remuneration system that applies for employment contracts concluded since 2021. The Managing Board's long-term bonus for 2023 to 2026 includes the non-financial performance indicators of "Introduction and application of the net promoter score (customer referral rate) by 2026" and "Proportion of women in the top two management levels below the Managing Board (within SMA Solar Technology AG) with an overall target of 20% in 2026". The "Assessment for suitable alternatives for 75% of all components containing substances of very high concern (SVHC substances according to the REACH regulation)" is part of the personal objectives of all members of the Managing Board for 2023. The remuneration of the Managing Board is detailed in the "Remuneration report" section. The degree of target achievement of all long-term targets mentioned in the reporting year and the forecast values for 2024 are also presented in the "Forecast report" section.

Sustainable business & governance

VALUES AND PRINCIPLES

In an international and European context, compliance with international principles and standards has become much more important in recent years. Legal regulations increasingly enshrine requirements for the recognition of international human rights and labor standards and demand that measures be taken to comply with them. By obligating their suppliers to comply with human rights due diligence obligations, these requirements are passed on along the supply chain.

By signing the UN Global Compact in 2011, the Managing Board of SMA Solar Technology AG has committed itself to the ten embedded principles covering human rights, labor standards, environmental protection and anti-corruption. The Managing Board is also committed to the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the United Nations International Bill of Human Rights and the core labor standards of the International Labour Organization (ILO). The SMA Group pledges to uphold these principles and standards, including freedom of association in accordance with ILO conventions 87 and 98, at all locations worldwide, as long as this does not conflict with specific federal state legislation to which the respective group company is subject. The SMA Group does not have a representative office with more than 100 employees in any country where freedom of association and the right to collective bargaining are restricted.

Our Employee Code of Conduct creates a group-wide uniform framework that helps all employees consistently make the right decisions in the interests of the SMA Group. It underscores the group's desire to fully comply with and implement all legal and regulatory requirements. It also commits all SMA Group employees to act ethically, with integrity and in accordance with key sustainability requirements at all times, to assume corporate responsibility and to treat others with respect. All SMA employees are bound by the Code of Conduct. Training campaigns are held annually on changing key topics. The Code of Conduct is publicly available on our [website](#).

STRATEGIC OBJECTIVE OF HOLISTIC SUSTAINABILITY

The strategic objective of "holistic sustainability" within the SMA Strategy 2025 sets out the aspiration of integrating sustainability in the areas of the company and taking on a leading role in creating a better future with the SMA Group. As part of the strategy process, measures are defined annually to achieve the sustainability targets, which are monitored by those responsible for program management. Clear responsibilities are assigned for the sustainability targets and the defined measures. The management is briefed on the implementation status of the targets and measures to achieve them in quarterly strategy reviews.

Further information on the SMA Strategy 2025 can be found in the Combined Management Report in the "Strategy" section.

EU TAXONOMY

The European Green Deal aims to achieve sustainable growth in harmony with the well-being and health of society and protection of the environment and biodiversity. At the heart of the growth strategy is the European Union's target of climate neutrality by 2050.

With the Sustainable Finance package, the European Commission has adopted extensive measures to guide finance flows toward sustainable activities and thus close financing gaps for climate protection. The Taxonomy Regulation forms the basis for improving transparency with regard to sustainable economic activities.

The EU Taxonomy has defined a set of requirements for determining which economic activities are environmentally sustainable and contribute to the goals of the Green Deal. Economic activities that are described in the Taxonomy Regulation and in the complementary delegated acts are classified as taxonomy-eligible. Activities are considered to be taxonomy-aligned if they also fulfill defined minimum safeguards and other screening criteria. The screening criteria include that an economic activity must make a significant contribution to one of the six environmental objectives of the Taxonomy Regulation and "do no significant harm" (DNSH) to the other environmental objectives.

In 2022, following an in-depth analysis as part of a taxonomy project with the help of an external consultant, we have already reported the key figures on taxonomy eligibility and alignment for the economic activities performed by the SMA Group 3.1 "manufacture of renewable energy technologies" and 7.6 "installation, maintenance and repair of renewable energy technologies", which make a significant contribution to the environmental objective of climate protection.

In 2023, the European Commission published further delegated acts on the EU taxonomy. First, these relate to the inclusion of additional economic activities with regard to the environmental targets of climate change mitigation and climate change adaptation. Second, economic activities and technical evaluation criteria were defined for the four additional environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Companies that perform one or more of the added economic activities must report the key figures for taxonomy eligibility for the 2023 fiscal year. Reporting on taxonomy alignment will be mandatory from the 2024 fiscal year.

The review of taxonomy-eligible economic activities, the significant contribution to an environmental objective, the avoidance of significant harm on other environmental objectives (DNSH criteria) and compliance with the minimum safeguards was performed repeatedly in the reporting year. The Sustainable Finance Council was established to ensure the fulfillment of agreed measures and as a body for regular exchange. The Sustainability Committee receives regular reports on the status of implementation.

Determining taxonomy-eligible economic activities

In the reporting year, we again reviewed the economic activities of the SMA Group in a project involving all relevant group companies and departments. In addition to the taxonomy-eligible economic activities “manufacture of renewable energy technologies” and “installation, maintenance and repair of renewable energy technologies” already identified in 2021 and confirmed in 2022, we have, on the basis of the newly added delegated acts, added the economic activity 3.20 “manufacture, installation and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation” (hereinafter: “manufacture of technical equipment”) under the environmental objective of climate change mitigation and the economic activity 5.2 “sale of spare parts” under the environmental objective of transition to a circular economy. For 2023, we are disclosing the mandatory key figures for these new taxonomy-eligible economic activities. Reporting on taxonomy conformity will take place from 2024. The SMA Group does not carry out any activities relating to nuclear energy and fossil gas pursuant to Delegated Regulation 2022/1214.

Significant contribution to the environmental objective of climate change mitigation

The SMA Group’s taxonomy-eligible economic activities already identified in 2021, “manufacture of renewable energy technologies”, to which we assign the majority of our products, and “installation, maintenance and repair of renewable energy technologies”, to which we assign our services, make a significant contribution to climate change mitigation in the area of enabling economic activities as defined in Article 10(1) (i) in conjunction with Article 16 of the Taxonomy Regulation. Enabling economic activities do not contribute significantly to climate change mitigation with their own performance, but rather play a key role in the decarbonization of the economy, as they make it possible to improve the climate footprint and environmental performance of other activities.

Avoiding significant harm to other environmental objectives

To further determine taxonomy alignment, we then conducted a review involving the relevant business areas to check whether these business activities did any significant harm to the five other environmental objectives. The review covered climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

Climate change adaptation

To avoid significant harm to the environmental objective of climate change adaptation, the EU taxonomy makes provisions for conducting climate risk and vulnerability assessments to identify significant physical climate risks and implementing adaptation measures where a risk has been identified. To this end, we worked with an external service provider in 2022 to conduct data-driven climate projections over the next 30 years based on the four IPCC scenarios RCP2.6, RCP4.5, RCP6.0, and RCP8.5. The results were assessed by SMA experts. For our production sites in Germany and Poland, the results show that, relative to the overall risk, there are no significant risks for the economic activity “manufacture of renewable energy technologies”. Accordingly, no climate change adaptation solutions need to be implemented.

The economic activity “installation, maintenance and repair of renewable energy technologies” takes place directly on-site at customer premises worldwide. Given the various locations, it is not possible to conduct a climate risk and vulnerability assessment in detail for specific locations. We therefore adopted a risk-based approach to review the activity. Focusing on the key regions where systems are installed and either commissioned, maintained or repaired by the SMA Group, this approach aims to determine relevant climate risks and assess the resilience to climate change of the SMA products and activities provided. The risk-based approach covers the most important regions for the SMA Group, in which more than 50% of SMA’s inverter output has been installed over the past 20 years. These include Germany, Australia and various regions within the U.S. Other countries and regions that individually account for no more than 3% of the total SMA inverter output installed were not included under the risk-based approach. In five of the regions assessed, several physical risks (e.g., flooding, heavy precipitation, heat and water stress) were identified that could have a negative impact on SMA products and economic activities. Due to the design of SMA inverters for operation under extreme environmental conditions, the transparent provision of information on fault-free operation and the possibility of temporary postponements of service activities, the SMA Group is not vulnerable to the identified risks. On this basis, no further adaptation solutions prescribed by the Climate Delegated Act are required. Further information on climate-related risk and vulnerability assessments can be found in the Combined Management Report in the “Risks and Opportunities Report” section.

Sustainable use and protection of water and marine resources

The DNSH criteria for the environmental objective of sustainable use and protection of water and marine resources refer to legal and regulatory requirements, compliance with which is ensured by the SMA Group. At the production sites in Germany and Poland, fulfillment of the requirements is ensured through implementation of legal registers. Processes undergo regular internal and external audits within the scope of our DIN ISO 14001 certified environmental management system at the headquarters in Niestetal/Kassel, Germany. More information on this can be found in the “Legal compliance” section.

Transition to a circular economy

The DNSH criteria for the environmental objective of transition to a circular economy prescribe the implementation of measures that we were already working on before the Taxonomy Regulation came into force and which we have further intensified. In light of the major potential repercussions, we believe we have a particular duty as a manufacturer of electronic products to avoid significant harm to this environmental objective. Our materiality analysis confirms this. The measures we have addressed contribute to several DNSH criteria for the environmental objective of transition to a circular economy. To provide a better overview of where we report on the individual criteria, we have included the following table:

DNSH criterion within “transition to a circular economy”	Section in the combined non-financial statement
Use of secondary raw materials	Responsible use of materials/secondary raw materials
Reuse of components	Sustainable product life cycle/repairability and reuse
Design for long life	Sustainable product life cycle/product lifetime
Design for recyclability	Sustainable product life cycle/repairability and reuse
Design for easy disassembly	Sustainable product development
Design for adaptability	Sustainable product development
Waste management	Waste & recycling
Waste management	Waste & recycling
Information on substances of concern and traceability	Responsible use of materials/substances of concern

Pollution prevention and control

The general DNSH criteria for pollution prevention and control regarding the use and presence of chemicals mentioned in the Delegated Act on Climate state that an activity does not cause significant harm to the environment if it does not lead to the production, placing on the market or use of substances regulated in different European legal acts. This includes certain hazardous substances in electrical and electronic equipment under the RoHS Directive, certain substances that deplete the ozone layer, mercury and mercury compounds, certain persistent organic pollutants (POP), and substances covered by the Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). For substances of very high concern under REACH (SVHC substances) that are not subject to authorization restrictions, exemptions are provided under the DNSH criteria. The manufacture, placing on the market or use of these substances is permitted if no suitable alternative for their use is available. The use of the substances mentioned does not prevent taxonomy alignment only if no such alternative is available. For this purpose, the non-existence of a suitable alternative for a harmful substance must be assessed and documented. The SMA Group uses these substances of concern in compliance with all relevant legal provisions. Furthermore, in the course of the economic activity “manufacture of renewable energy technologies”, we do not use any substances that deplete the ozone layer, nor do we use either mercury or mercury compounds or persistent organic pollutants under the Stockholm Convention.

To manufacture our string inverters, we use “restricted substances” that are classified as such in the RoHS Directive in compliance with all legal provisions. According to the Climate Delegated Act, this is not sufficient to be classified as taxonomy-aligned. Proof of taxonomy alignment excludes the manufacture, placing on the market and use of the hazardous substances regulated in the RoHS Directive without exception. We are therefore unable to demonstrate taxonomy alignment for our string inverters at this time.

Central inverters, however, are large-scale fixed installations that are excluded from the scope of the RoHS Directive. To achieve taxonomy alignment in accordance with the Climate Delegated Act, Appendix C, letter g, it must be demonstrated that there is no suitable alternative for the use of the SVHC substances in accordance with REACH. In this respect, the European Commission has not clearly defined what is meant by the concept of “suitable alternative” within the DNSH criterion for pollution prevention and control, Appendix C. Therefore, as is generally the case

with new legal regulations, uncertainties remain. At present, we include the technological and economic feasibility of substituting SVHC substances in the concept of “suitable alternatives” and document our approach in a comprehensible manner. We therefore consider the criteria in Appendix C of the Climate Delegated Act to have been met for our central inverters. Further details about our pollution prevention and control activities are outlined in the “Substances of concern” section.

Protection and restoration of biodiversity and ecosystems

The DNSH criteria for the environmental objective of protection and restoration of biodiversity and ecosystems make provisions for conducting environmental impact assessments (EIAs). According to European regulation, an EIA is mandatory if certain activities are carried out that could have a potentially harmful impact on biodiversity and ecosystems. The SMA Group’s activities are not covered by the scope of this. We also ensure that we fulfill all legal requirements at all times. Consequently, the SMA Group’s activities do no significant harm to this environmental objective. Further information can be found in the “Legal compliance” section.

Minimum safeguards

In accordance with Article 3(c) of the Taxonomy Regulation, proof of the environmental sustainability of economic activities also requires that they are performed in compliance with minimum safeguards as defined in Article 18 of the Taxonomy Regulation. The minimum safeguards require a comprehensive due diligence approach to ensure compliance with the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization’s core labor standards and the International Bill of Human Rights. The due diligence measures implemented by the SMA Group to ensure compliance with the minimum safeguards have been integrated into existing risk management systems. With the due diligence measures for minimum safeguards, we cover the topics of human and labor rights, corruption and bribery as well as taxation and fair competition.

We have included disclosures on the implementation of the requirements in these areas in the relevant sections of the combined non-financial statement. We cover the topic of human and labor rights for our own business area in the section “Safeguarding employee rights and maintaining high labor standards”. We describe the implementation of requirements in the areas of corruption and bribery, taxation and fair competition in the “Integrity & compliance” section. The implementation of the requirements for minimum safeguards in the supply chain are integrated into our human rights risk management system for the supply chain and are mapped in the “Sustainable supply chains” section.

Our review of compliance with human rights in our own business area has shown that legal regulations in the United Arab Emirates sometimes contravene the requirements of minimum safeguards. This relates in particular to principles of non-discrimination and the right to freedom of association. As the SMA Group has no control over these legal requirements, the sales of the relevant group company were deemed to be taxonomy-aligned and were included under the activity “installation, maintenance and repair of renewable energy technologies”. In addition, we have not identified any restrictions on the implementation of minimum safeguards.

Data collection and calculation process

To determine the disclosures on taxonomy eligibility and taxonomy alignment, we first analyzed consolidated sales and differentiated them by product group for the 2022 fiscal year. The basic approach of the analysis was retained in 2023, although it was refined by switching from looking at product groups to looking at materials. Based on this differentiation, the sales could then be directly assigned to the identified taxonomy-eligible economic activities. Charging solutions for electric vehicles and their accessories, which were previously assigned to “manufacture of renewable energy technologies”, are now reported separately under the newly introduced economic activity “manufacture of technical equipment”. Sales generated by PV and battery inverters and accessories continue to be assigned to the economic activity “manufacture of renewable energy technologies”; sales generated by extended warranties, operation and maintenance services, and other services continue to be assigned to the economic activity “installation, maintenance and repair of renewable energy technologies”. The spare parts sold reported under this activity in the 2022 fiscal year are now allocated to the economic activity “sale of spare parts” under the environmental objective of transition to a circular economy.

We looked at the capital expenditure (CapEx) of all group companies on a macro level. We deducted the capital expenditure in the activities that had previously been identified as non-taxonomy-eligible. This was then assigned to the company areas and finally split by company area between the economic activities, taking into account the new economic activities.

To calculate taxonomy-eligible operating expenditure (OpEx), we identified all the relevant consolidated items and assigned them to the company areas. We then also deducted the expenditure in the activities that had previously been identified as non-taxonomy-eligible. The expenditure was finally split by company area and assigned to the economic activities, taking into account the new economic activities.

The EU Taxonomy KPIs include all fully consolidated companies of the SMA Group. The company did not elect to include joint ventures.

Composition of the sales numerator

To calculate environmentally sustainable sales, net sales that make a contribution to climate protection were divided by the net sales of the SMA Group. Detailed information on the SMA Group's sales can be found in the Combined Management Report in the "Results of operations" section.

in €'000	2023	2022
Taxonomy-aligned sales in absolute terms	741,053	450,999

Composition of the capital expenditure numerator

Environmentally sustainable capital expenditure (CapEx) relates to assets that are connected with taxonomy-aligned economic activities. This includes additions under the following IFRS standards: additions to property, plant and equipment (IAS 16), additions to intangible assets (IAS 38), additions to rights of use (IFRS 16) and additions to investment property (IAS 40). Further notes on calculating the denominator can be found in the consolidated financial statements in the "Notes to the balance sheet SMA Group" section.

in €'000	2023	2022
Taxonomy-aligned additions property, plant and equipment	15,342	7,445
Taxonomy-aligned additions to intangible assets	15,400	11,411
Taxonomy-aligned additions to rights of use	4,047	1,830
Taxonomy-aligned additions to investment property	0	0
Taxonomy-aligned additions from business combinations	0	0
Total taxonomy-aligned	34,789	20,686

Composition of the operating expenditure numerator

Operating expenditure (OpEx) relates to direct, non-capitalized expenditure for research and development, building maintenance, servicing and repair costs, and current leases. The figure reflects the share of OpEx that relates to assets or processes that are connected with taxonomy-aligned economic activities.

in €'000	2023	2022
Taxonomy-aligned research and development expenses	19,849	10,006
Taxonomy-aligned short-term leasing	4,674	4,097
Taxonomy-aligned service, maintenance and repair	1,880	1,167
Total taxonomy-aligned	26,403	15,270

SMA disclosures on EU taxonomy

SMA Group in €'000	2023	2022
Sales	1,904,060	1,065,946
thereof taxonomy-aligned	741,053	450,999
thereof from activity 1 ¹	661,938	317,587
thereof from activity 2 ¹	79,116	133,412
Operating costs	67,520	43,457
thereof taxonomy-aligned	26,403	15,270
thereof from activity 1 ¹	24,703	12,891
thereof from activity 2 ¹	1,700	2,379
Investment expenditure	95,129	65,758
thereof taxonomy-aligned	34,789	20,686
thereof from activity 1 ¹	31,061	17,796
thereof from activity 2 ¹	3,728	2,890

SMA Group in %	2023	2022
Sales	100.0	100.0
thereof taxonomy-aligned	38.9	42.3
thereof from activity 1 ¹	34.8	29.8
thereof from activity 2 ¹	4.2	12.5
Operating costs	100.0	100.0
thereof taxonomy-aligned	39.1	35.1
thereof from activity 1 ¹	36.6	29.7
thereof from activity 2 ¹	2.5	5.5
Investment expenditure	100.0	100.0
thereof taxonomy-aligned	36.6	31.5
thereof from activity 1 ¹	32.7	27.1
thereof from activity 2 ¹	3.9	4.4

¹ Activity 1: Manufacture of renewable energy technologies;
Activity 2: Installation, maintenance and repair of renewable energy technologies

The tables of disclosures in accordance with Appendix II of the delegated act can be found at the end of the combined non-financial statement.

In the 2023 fiscal year, the SMA Group generated sales of €1,904.1 million (2022: €1,065.9 million). Of these sales, €1,460.9 million are taxonomy-eligible (76.7%; 2022: €902.5 million; 84.7%). Sales that are non-taxonomy-eligible total €443.1 million (23.3%; 2022: €163.4 million; 15.3%). The variance of 8.0% is due mainly to the higher share of merchandise in sales compared with the previous year. These are not covered by the scope of the Taxonomy Regulation, nor are non-essential activities that cumulatively account for less than 1% of consolidated sales.

In the 2023 fiscal year, €741.1 million or 38.9% of sales can be classified as environmentally sustainable (taxonomy-aligned) as defined in the EU Taxonomy (2022: €451.0 million, 42.3%). Of these, sales of €661.9 million are attributable to activity 1 "manufacture of renewable energy technologies" (34.8%; 2022: €317.6 million; 29.8%). This is the share of sales that was generated by central inverters and their accessories. More information on this can be found in the "Pollution prevention and control" section. €79.1 million of taxonomy-aligned sales are attributable to activity 2 "installation, maintenance and repair of renewable energy technologies" (4.2%; 2022: €133.4 million; 12.5%). In addition, sales of €719.9 million were attributable to the sale of renewable energy technologies that are taxonomy-eligible but for which taxonomy alignment has not been proven, or to the "manufacture of technical equipment" and the "sale of spare parts", for which taxonomy alignment is not yet mandatory (37.8%; 2022: €451.5 million; 42.4%).

The taxonomy-related capital expenditure of the SMA Group amounting to €95.1 million (2022: €65.8 million) is 36.6% environmentally sustainable. This equates to capital expenditure of €34.8 million (2022: 31.5%; €20.7 million). A share of €31.1 million (32.7%; 2022: 27.1%; €17.8 million) was attributable to the activity "manufacture of renewable energy technologies" and €3.7 million (3.9%; 2022: 4.4%; €2.9 million) to the activity "installation, maintenance and repair of renewable energy technologies". Taxonomy-eligible but non-taxonomy-aligned activities accounted for €56.0 million (58.9%; 2022: €41.8 million; 63.6%). The share of capital expenditure that is non-taxonomy-eligible was €4.3 million (4.5%; 2022: €3.2 million; 4.9%).

In 2023, the SMA Group's operating expenditure that falls under the scope of the EU Taxonomy amounted to €67.5 million (2022: €43.5 million). Of this, 39.1% can be classified as taxonomy-aligned (€26.4 million; 2022: 35.1%; €15.3 million). A share of €24.7 million (36.6%; 2022: €12.9 million; 29.7%) was attributable to the economic activity "manufacture of renewable energy technologies" and €1.7 million (2.5%; 2022: €2.4 million; 5.5%) to the economic activity "installation, maintenance and repair of renewable energy technologies". €39.9 million (59.1%) of the taxonomy-related operating expenditure is taxonomy-eligible but does not meet all the criteria to be classified as taxonomy-aligned (2022: €26.7 million; 61.5%). €1.2 million of the operating expenditure is non-taxonomy-eligible (1.8%; 2022: €1.5 million; 3.4%).

Integrity & compliance

The “integrity & compliance” aspect, which means adhering to important principles and values as well as legal requirements and internal guidelines, is a crucial part of the way that the SMA Group does business. Our compliance management focuses on a value-based approach and promoting a culture of compliance. This is based on the conviction that a compliance culture established throughout the group offers the best protection against legal violations and reputational risks. A high level of acceptance of the rules among employees and an understanding of the goals and values behind these rules are thus the basis for effective compliance management.

All employees of the SMA Group are obligated according to its guidelines to act ethically in accordance with the laws and regulations of their country within the scope of their work for the company. All corporate compliance guidelines are available in several languages. Group Compliance reports regularly to the Group Executive Committee (GEC) several times per year. Reporting topics include current non-compliance issues and new or changed compliance risks. The management of the company is represented on the GEC by the entire Managing Board and the segment heads. This enables the top management to adequately evaluate the effectiveness of the Compliance Management System and to initiate further developments if necessary. In addition, Group Compliance reports annually to the Audit Committee of the Supervisory Board on key aspects of compliance work.

Compliance training courses are mandatory for the employees assigned and promote awareness of the importance of compliance among the employees and pass on the required knowledge. This is done both with web-based training formats for basic training and with online and on-site events for examining specific topics in depth. The frequency and scope of training depends on the participants’ risk situation in their specific roles. After completing their initial compliance training, new employees actively commit to the relevant principles and rules, including the SMA Employee Code of Conduct.

In the case of suspected compliance violations, employees of the SMA Group and all external stakeholders have access to the Speak-Up Line. This misconduct reporting system is operated by an external provider and can be used in the respective native language of the reporting person. At the reporting person’s request, their identity is kept anonymous. Reports of misconduct are treated as strictly confidential. The SMA Group assures all employees

freedom from sanctions for reports made in good faith. Further details, together with a complete description of the process for reporting misconduct, can be found on our [website](#). In addition, the SMA Compliance Helpline is available for questions relating to compliance. Concerns or indications of possible misconduct can also be reported here.

CORRUPTION AND BRIBERY

The SMA Group does not operate in a particularly corruption-intensive industry. Nevertheless, business activities in countries with a high level of corruption and collaboration with external business intermediaries mean that corruption risks exist in principle and must be countered with preventive measures. The SMA Group does not tolerate corruption internally or by its business partners and is actively committed to Transparency International’s Business Principles for Countering Bribery. To put this aspiration into practice, we have set up an extensive corruption prevention program throughout the group as a subarea of compliance management.

Corruption describes the abuse of entrusted power for private gain. Corrupt conduct could be committed by employees of the SMA Group as well as SMA’s business partners. Corruption has serious negative consequences for society and compromises fair competition. Corrupt conduct also brings legal risks, which may significantly damage the SMA Group’s reputation and unduly influence business agreements at the expense of the SMA Group or its business partners.

Regular compliance risk analyses, in which corruption risks are also recorded, provide the foundation for the conception and further development of all anti-corruption activities of the SMA Group. In addition to the responsibility of all employees and managers for compliance in their own area of work, the Managing Board of SMA Solar Technology AG has entrusted the Group Compliance function via the Compliance Charter with the cross-departmental creation of appropriate behavioral guidelines and standards as well as processes for the prevention of corruption. According to the SMA Employee Code of Conduct, it is clarified that employees must never abuse their professional position to gain personal benefits and must never offer anyone an improper personal benefit. The SMA Group’s anti-corruption guideline is contained in Chapter 3 of the SMA Compliance Handbook, which is binding for all employees and contains clear rules of conduct and prohibitions. The aim is to avoid even the appearance of questionable conduct. For this reason, higher-value gifts, invitations and certain other benefits as well as benefits granted to public officials must be approved by Group Compliance. Payments to unlawfully expedite official processes are explicitly forbidden within the SMA Group.

Business partners that may influence third parties while performing their service must go through the Business Partner Due Diligence Process. The risk-based approach ensures a careful selection of such business partners who operate for the SMA Group. Only business partners who share the SMA Group's standards of ethical and legally impeccable conduct and who guarantee compliance with the SMA Business Partner Code of Conduct are to be commissioned. This sets out the legal and ethical standards that business partners such as suppliers and service providers must fully comply with when conducting business with the SMA Group and making decisions that affect the SMA Group.

Regular communication between Group Compliance and Corporate Audit ensures the necessary flow of information between these functions. As part of its regular audits, Corporate Audit also examines functions in which an increased risk of corruption exists. Significant corruption risks without specific misconduct are reported to Corporate Risk Management via the Risk Management System.

In the reporting year, the Group Compliance function reviewed the corruption risk for all existing companies of the SMA Group that currently have active business operations by way of a compliance risk analysis. No high corruption risks were identified. In 2023, 3,021 full-time, part-time and temporary employees, or 60.0% of all SMA Group employees, received a training with anti-corruption content (2022: 1,638 full-time, part-time and temporary employees, 39.8% of all employees; the previous year's figures have been adjusted as the scope has also been extended to temporary employees). As in the previous year, no confirmed cases of corruption were recorded in the reporting year.

FAIR COMPETITION

Measures taken to ensure compliance with the provisions of competition laws are a focal point of compliance management work. In addition to the responsibility of all employees and managers to ensure compliance in their own areas of work, the Managing Board has also entrusted Group Compliance with the creation of appropriate cross-departmental guidelines, standards of conduct and processes via the Compliance Charter. Antitrust risks are an integral part of regular compliance risk analyses. In accordance with the SMA Employee Code of Conduct, the SMA Group conducts its business in strict compliance with competition law. We also pass this requirement on through the SMA Business Partner Code of Conduct to our business partners (e.g., suppliers and service providers). The Group Compliance guideline, which is based on these principles and incorporated in the SMA Compliance Handbook, also contains clear rules of conduct for dealing with direct competitors and internal approval requirements for agreements with customers that are prone to risk from a competition law perspective. A separately published compliance checklist for cooperations with competitors provides additional guidance.

In the context of Compliance Network Meetings, the employees of Group Compliance have regular discussions with representatives of functions that are particularly prone to risk (e.g., Sales, the Business Segments and Procurement) about transactions and risks relating to competition law. Group Compliance also provides training with a focus on competition law for these areas. Business contacts that are particularly fraught with competition law risk are managed in close consultation with Legal Services. Regular communication between Group Compliance and Legal Services ensures the necessary flow of information between these functions. Significant competition law risks can be reported to Corporate Risk Management via the Risk Management System.

TAXATION

The primary objective of the SMA Group with regard to taxes is to comply with the existing legal requirements and to submit complete and correct tax returns and other tax-related reports on time. We consider transparent cooperation with the authorities to be an essential component of tax compliance. Aggressive tax structuring and tax planning with the primary aim of positively optimizing the tax quota, as well as transactions relevant under criminal tax law, are strictly prohibited. A tax risk management system (Tax CMS) is maintained and continuously tested for the parent company SMA Solar Technology AG to provide an overview and control of tax issues arising in the company. A confirmation of material tax compliance issues and key controls is provided for the subsidiaries. The main responsibilities for this are defined in the Group tax guidelines. The Chief Financial Officer has supreme authority when it comes to the overall control of all tax matters relating to the SMA Group. Operational implementation is performed by the Global Tax function. The tax risks identified and assessed as part of the Tax CMS are regularly updated and tested by those responsible in order to respond to exogenous and endogenous developments and to counter them appropriately. If, during the risk assessment or auditing, measures are identified that need to be adapted or supplemented, documentation is performed both within the existing Tax CMS and in the corresponding other systems. Relevant tax risks are also recorded in the Enterprise Risk Management System. In addition, the Internal Audit department examines selected tax-related matters randomly on the basis of the risk-oriented audit plan. Keeping a record of the Objectives and Key Results (OKRs) as part of the Finance Strategy initiative also helps the company develop business process measures that eliminate tax risks and contribute to the work of the SMA Group's Tax Compliance Management System. Since 2022, the topic of tax compliance has also been included in the SMA Employee Code of Conduct. There were no legally binding convictions against the company for tax offences in the reporting year.

Sustainable supply chains

→ Our goal: Sustainability performance assessment covering 100% of direct A and B suppliers¹

The “sustainable supply chains” aspect includes all sustainability issues that are addressed as part of the risk management system for compliance with due diligence obligations in the supply chain. This includes in particular, but not exclusively, the issues of human rights and environmental protection within the supply chains. In this section, we also map the fulfillment of the minimum safeguard requirements relating to the supply chain in accordance with the Taxonomy Regulation.

The SMA Group sells its systems and solutions worldwide. The supply chains required for the SMA Group’s business activities result in a global supplier base. These supply chains include 464 direct suppliers of SMA Solar Technology AG from 25 countries that supply direct material for production. In total, SMA Solar Technology AG purchased goods worth around €1.2 billion from these suppliers in the regions of Europe, North and South America and Asia-Pacific in 2023.

Our procurement planning is based on forecasts and therefore on planned sales figures. Orders are placed in cooperation with our suppliers, taking account of their production capacities. If the planned sales figures change, planning adjustments are made in cooperation with our suppliers to enhance planning reliability. For selected purchased components, we also analyze the cost structure using a cost breakdown tool so that we are able to negotiate appropriate and fair prices with the relevant suppliers.

SUPPLIER MANAGEMENT

Our supplier management aims to establish long-term relationships with all suppliers with whom we are in direct contact. With this in mind, we aim to conclude contracts of unlimited duration with a supplier base that is as consolidated as possible. In addition to leveraging economies of scale in procurement, this gives us better oversight over our suppliers in terms of relevant risks, including sustainability risks. The annual Supplier Day, to which we invite the direct A and B suppliers of direct material to SMA Solar Technology AG, provides an opportunity to communicate current issues and challenges. Sustainability issues are a permanent item on the agenda in order to make suppliers aware of the importance of sustainability in SMA Solar Technology AG’s procurement processes. Supplier Day 2023 took place virtually and was recorded. The link to the video was sent to 138 suppliers. This corresponds to 7% of all direct suppliers of direct and indirect materials to SMA Solar Technology AG.

RISK MANAGEMENT IN THE SUPPLY CHAIN

Our process for ensuring compliance with due diligence obligations in the supply chain aims to prevent or minimize risks in the supply chain and to prevent, end or reduce the extent of breaches of duty. To achieve these goals, we have established a comprehensive risk management system for the supply chain. The Managing Board has appointed in writing a human rights officer charged with overseeing the due diligence obligations. By monitoring the effectiveness of our risk management system, we ensure the success of our measures and actions and the continuous improvement of our processes. As part of the Sustainability Committee, the Managing Board is kept regularly informed about the work of the Human Rights Officer and the implementation status of the Supply Chain Due Diligence Act (LkSG) in the SMA Group. As part of the Sustainability Congress 2023 organized by the Berlin Institute Supply Chain Management, we were awarded the finalist prize of the Sustainable Operations Championship Award in the Human Rights Due Diligence category for our process. The procedures are described in the Sustainable Supply Chains Policy, which we brought into effect in 2022.

The Policy Statement on Human Rights and Environmental Due Diligence issued by the Managing Board of SMA Solar Technology AG in the reporting year sets out our procedures and principles in detail. The policy statement is publicly available on the [corporate website](#). The SMA Business Partner Code of Conduct and the Sustainable Procurement Policy prepared in the reporting year set out our standards and the expectations we have of suppliers and other business partners with respect to the recognition of international values and principles, health protection, occupational safety and product quality, respect for human rights and fair labor practices, fair competition, protection of confidentiality, information and property and environmental protection and responsible energy use. In the reporting year, we renewed the Code of Conduct and added further requirements as part of the implementation of the LkSG. The Code of Conduct is binding for all suppliers as part of the general terms and conditions. Our suppliers also undertake to pass on this requirement in their supply chains. The Code of Conduct and the Sustainable Procurement Policy are publicly available on our [corporate website](#).

¹ The direct A suppliers for direct material make up 80% and the direct B suppliers for direct material 15% of the total purchasing volume for direct material of SMA Solar Technology AG.

Identification of risks in the supply chain

Our risk management system is based on a risk analysis with which we covered the direct suppliers of direct materials to SMA Solar Technology AG in the reporting year. If there is substantiated knowledge of possible violations of human rights or environmental obligations by indirect suppliers, we integrate them into the risk analysis. The risk analysis is updated annually and on an ad hoc basis. For example, we perform a risk analysis for a new direct supplier when we enter into a business relationship with them and subject an indirect supplier to a risk analysis as soon as we obtain substantiated knowledge of a possible breach of duty by them. Substantiated knowledge means we have actual evidence that an obligation has been violated. We use system-based processes, available risk information and knowledge gained in the course of our investigations to carry out the risk analysis. This procedure was explained to all commodity managers in a general sustainability training course in 2023. Process modeling, nationwide roll-out and training will take place in 2024.

Risks concerning direct suppliers are systematically identified with the help of external data sources. Country-specific risks and industry risks in connection with the economic activities of direct suppliers are identified first. Furthermore, information from the grievance mechanism described in the “integrity & compliance” aspect (speak-up line), which is available to all stakeholders for reporting breaches of duty in the supply chain, and from the monitoring of press releases is included in the identification of risks.

As part of risk assessment, the identified risks are evaluated and weighted taking into account the statutory appropriateness criteria for severity and probability of occurrence. The factors for the assessment include the severity or number of people affected and irreversibility. Detailed audit results, internal reports and completed questionnaires help substantiate the identified risks and enable assessment of these risks. This results in an actual risk disposition and a picture of the negative implications for people and the environment.

In the final step of the risk analysis, we prioritize the risks based on the criteria of our capacity for influence and contribution to causation. The results with regard to human rights and environmental risks and implications are incorporated into our corporate decision-making processes and actions. These include, for example, decisions on the selection of suppliers and business partners. The results also help us continually adapt our internal guidelines, actions and training measures to ensure compliance with our due diligence obligations. There were no incidents involving breaches of duty in the areas of human rights and labor practices or environment reported in 2023.

Since 2020, there have also been increased concerns due to indications of human rights violations against the ethnic group of Uighurs in the Xinjiang region in China. The SMA Group shares these concerns and has consequently conducted a supplier analysis. As a result, we can confirm that there are no business relationships with suppliers based in this region. In addition, we have implemented a process element in our global supplier selection to ensure that no products from the region are purchased in the future either. Following the start of Russia’s war of aggression on Ukraine, we also extended this process element to suppliers from Russia in 2022. Accordingly, we also confirm that we do not procure any goods from direct suppliers from Russia.

Sustainability performance of our suppliers

In 2017, we also started to assess the sustainability performance of our direct A and B suppliers, who deliver direct material for production to SMA Solar Technology AG, using the sustainability software of an external partner. The assessment of sustainability performance covers environmental protection, energy management, CO₂ footprint, labor and human rights, occupational health and safety, diversity and equal opportunities, living wages, corruption and bribery, quality and sustainable procurement. We are initially focusing on the suppliers that account for the largest shares in terms of the value of goods. Our target by 2025 is to include 100% of A and B suppliers that deliver direct material for production to SMA Solar Technology AG’s production facilities in the assessment.

In 2023, we changed the system provider for assessing the sustainability performance of suppliers. The new system enables us to better analyze supplier risks. Suppliers’ sustainability performance is assessed using a traffic light system. This renders it obsolete to continue pursuing the target that we set ourselves while using the previous system to assess the average percentage sustainability performance of our suppliers.

As of December 31, 2023, 81.8% of all A and B suppliers existing at the end of the fiscal year were covered by the sustainability performance assessment¹ in the new system (2022: 50.0% of all A and B suppliers existing at the end of 2022 in the old system). The suppliers that we had assessed at the end of 2023 represent a share of 81.8% of the direct material purchasing volumes of SMA Solar Technology AG. In addition to the switch to the new assessment system solution, the sharp increase in the number of assessed suppliers is also due to the fact that we continue to raise our suppliers’ awareness of the importance of sustainability.

¹ The threshold value for the “assessed” classification is the criterion that a supplier is rated better than red in at least one of ten categories used for evaluation in the IntegrityNext evaluation system.

If relevant risks or suggestions for improvement are identified, we get in touch with the suppliers to address these issues, define measures where necessary and monitor the implementation of these measures. When changing the system provider for evaluating suppliers in the reporting year, we aimed at having as many suppliers as possible assessed using the new software. Possible measures for suggestions for improvement are now identified in the next step.

Since 2022, the sustainability performance of our suppliers has been included as part of our supplier selection process. Other criteria for supplier selection include cost, quality aspects, technical potential and supply chain management performance. Furthermore, our commodity managers have regular interactions with suppliers on sustainability issues.

Area of action: environment & energy



The technologies developed and produced by the SMA Group for the efficient and sustainable generation, use and storage of solar energy contribute worldwide to an affordable, secure and climate-friendly energy supply based on renewable energies. Furthermore, by handling resources responsibly and using renewable energies across the entire value chain, we aim to minimize the environmental impact of our business activities and to help establish the conditions for a livable future for all living beings.

We endeavor to continuously reduce the use of resources along the entire value chain or to substitute them with more environmentally friendly versions, thereby increasing the use of renewable energies, environmentally friendly materials and sustainable forms of mobility. The “climate protection” aspect and the subject area of circular economy are at the heart of the environment & energy area of action.

Under circular economy, we include all topics that contribute to closing material cycles and reducing material flows. Within the environment & energy area of action, these topics are presented in the “responsible use of materials” and “waste & recycling” aspects. Other circular economy topics are outlined in the product

stewardship area of action. The topic of the circular economy is complex and is influenced by numerous areas of the company. So it is all the more important for us to incorporate the principles of the circular economy into our thinking and our business processes to ensure that impacts on the circular economy are always taken into account in corporate decisions.

Key figures on environment & energy that go beyond the disclosures in this section can be found in the overview of sustainability key figures at the end of the combined non-financial statement.

MANAGEMENT SYSTEMS

The SMA Group’s production sites in Germany and Poland have a qualified, centrally controlled environmental management system. In addition, the environmental management system at our headquarters in Germany and thus the production site in Niestetal/Kassel, Germany, is **certified** in accordance with ISO 14001. The system is subject to continuous monitoring, support and ongoing development by specialized environmental, waste and hazardous goods management officers. The energy management system at our headquarters in Germany and our subsidiaries Altenso GmbH and coneve GmbH is **certified** in accordance with ISO 50001 as well. Our management systems support us with our approach of minimizing the environmental impact at every stage of the value chain and acting in accordance with the current environmental and energy legislations. The processes of the environmental management system are comprehensively described and accessible to all employees of the SMA Group via the SMA Management Handbook.

LEGAL COMPLIANCE

At the headquarters in Germany, a legal provisions register and a permit register form the basis for ensuring that all applying laws and provisions and all binding obligations are complied with. The legal provisions register working group assesses the relevance of the provisions and defines responsibilities for complying with the legislation. The entrepreneurial and operator responsibilities for facilities and systems are transferred in writing to the executives responsible. Six-monthly reviews are conducted in cooperation with external consultants to ensure the legal provisions register remains up to date. Regular internal audits are conducted to ensure compliance with all legislation. In addition, quarterly reports are submitted to the Managing Board. No violations of environmental protection laws or regulations were identified in the reporting period and there were no legally binding convictions in this area.

Approval procedures are relevant for the SMA Group in the context of planning permissions for new buildings or building extensions. Buildings housing the company's operating activities are located at the headquarters in Germany and the second production site in Poland in industrial parks and designated business parks. The new building project to expand production at the headquarters (GIGAWATT FACTORY), which commenced in the reporting year, is also being implemented in a designated industrial park. The Sandershäuser Berg production site in Germany is located in a water protection area, which means that the water protection authorities are intimately involved in all building projects anytime. None of our locations is required to conduct a mandatory environmental impact assessment (EIA) on account of the activities undertaken there. We consider the negative impact of the SMA Group's activities on the surroundings to be low.

All binding obligations issued as part of planning permits for buildings and facilities at the main location in Germany are held in the permit register. In most cases, external service providers are appointed to implement these requirements during the construction phase and during operation. The Corporate Real Estate Management function is responsible for awarding these contracts and for maintaining and regularly updating the permit register.

Sustainable energy use

The SMA energy concept is based on three pillars with which we commit ourselves to continuously improving energy-related performance: avoiding energy consumption, using energy more efficiently and increasing the share of renewable energies. The SMA Group has already undertaken a number of flagship projects such as the SMA Solar Academy building in Niestetal, Germany, which functions independently from the utility grid, and two highly energy-efficient production buildings operated with renewable electricity. These projects are a testament to the high priority the SMA Group places on its sustainable energy management. The production buildings won the international Energy Efficiency Award and the Timber Construction Award for Hesse. Construction of the GIGAWATT FACTORY at the headquarters in Germany, which commenced in 2023, is also being carried out in accordance with the highest environmental standards. The building will be equipped with a PV system, constructed in accordance with the eco- and climate-friendly energy efficiency standard KfW 40 EE and is expected to be certified according to the DGNB's gold standard. In addition, the Corporate Real Estate Management function implemented the globally binding Sustainability in Real Estate guideline for all SMA Group companies in the reporting year. This defines requirements that all buildings built, acquired or rented by the SMA Group must fulfill.

In 2023, the SMA Group's total energy consumption was slightly below the previous year's level at 33.48 GWh (2022: 34.59 GWh). Of this total, 26.68 GWh was sourced from renewable sources and 6.81 GWh from non-renewable sources (2022: 20.93 GWh renewable, 13.66 GWh non-renewable). In 2023, the specific energy consumption per kW of inverter output produced significantly fell to 1.62 kWh/kW at the headquarters (2022: 3.14 kWh/kW) and to 2.08 kWh/kW globally (2022: 4.13 kWh/kW). In addition to the ongoing implementation of efficiency measures, the decline is due in particular to the higher production capacity utilization compared with the previous year. A detailed list of the energy carriers used in the SMA Group can be found in the key figures for the environment & energy area of action at the end of the combined non-financial statement.

RENEWABLE ENERGIES

→ Our objective: 100% electricity from renewable energies

With more than 4,000 employees in 20 countries, the SMA Group develops, produces and sells technologies that are fundamental to the transition to a sustainable energy supply. Our systems and solutions facilitate decentralized and efficient energy generation and use based on renewable energies. As such, the SMA Group's business activities directly contribute to SDG 7 "Affordable and clean energy." The transformation of global energy supply structures to generation based on decentralized renewable energies is an important factor in the fight against the global climate crisis. This fact is also being recognized in the international political arena, resulting in initiatives like the European Green Deal and U.S. Inflation Reduction Act. More information on this can be found in the "Future general economic conditions in the photovoltaics sector" section of the Forecast Report.

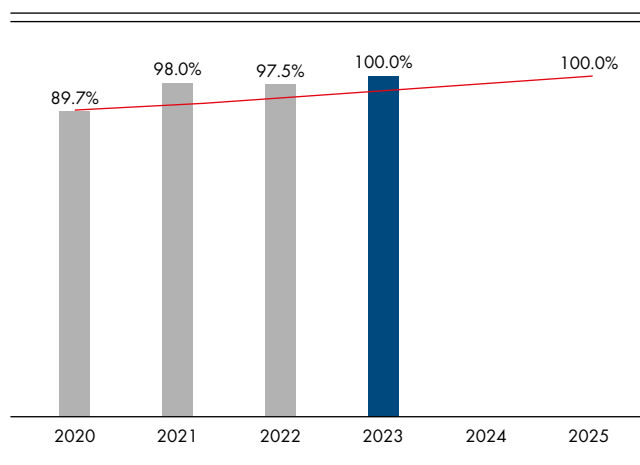
Renewable energies also play an important role in our own energy supply. Our power supply is based on the following hierarchy: Top priority is given to electricity from our own PV systems. The next level is formed by direct power purchase agreements (PPAs) with operators of renewable energy plants in the surrounding area. In third place are supply contracts with utilities that purchase renewable electricity directly from the generators. At the bottom of the hierarchy are supply contracts under which the utility buys renewable power on the exchange and additionally allocates it via certificates.

Since 2020, our headquarters in Germany has been supplied entirely with decentralized renewable power from the immediate surroundings. Our company-owned PV systems produced 6.92 GWh of electricity in 2023 (2022: 7.96 GWh). This corresponds to 36% of our total electricity consumption at our headquarters in Germany (2022: 42%). We used 2.23 GWh of the electricity generated ourselves (2022: 2.71 GWh). The rest was fed into the utility grid. To secure the targeted share of at least one third of self-generated solar power in the electricity supply at our headquarters in Germany in the long term, even with growth, we began modernizing our largest company-owned ground-based PV system by means of repowering in the reporting year. This will increase the nominal system power from 3.2 MWp to 5.4 MWp. We have also been purchasing electricity from a PV power plant in the surrounding area via a PPA since May 2023, which has enabled us to cover a further 19% of our electricity demand at the headquarters. As of next year, it is planned to account for one third of electricity demand. The PV power plant was designed to be environmentally friendly in collaboration with the lower nature conservation authority and is therefore also intended to help protect local biodiversity. In 2023, we also covered the remaining electricity demand at the headquarters through a power supply agreement with the local utility company and through power purchased from a local wind farm using certificates.

By the end of 2024, we have set ourselves the goal of increasing solar power generation through company-owned PV systems at the headquarters by around 43% compared with 2022. In addition to the aforementioned repowering of the ground-based PV system, a new PV system with an output of 1.15 MWp will also be installed on the roof of the GIGAWATT FACTORY, which is currently under construction and is scheduled to enter operation in summer 2024.

With the second production site in Poland, another major consumer within the SMA Group is fully supplied with electricity from renewable energies under a supply contract. This also applies to some of the international office locations, so that in the reporting year, only around 2.2% of group-wide power consumption has not been covered yet by green electricity due to contractual conditions. Internationally recognized green electricity certificates were acquired for these office locations in the reporting year. We have therefore already achieved the goal we set ourselves as part of the SMA Strategy 2025 of sourcing 100% of our electricity from renewable energies globally by 2025, including green electricity certificates. We have set ourselves the long-term goal of improving the quality of the renewable electricity supply at all locations in accordance with our electricity hierarchy and using certificates only where no other solution is possible. To this end, reporting and verification requirements were introduced in the reporting year for all international locations, regardless of function and size, and the requirement for a renewable energy supply for all new buildings rented, purchased or constructed by the SMA Group was integrated into the newly enacted global Sustainability in Real Estate guideline.

Achievement of objective: 100% electricity from renewable energies



ENERGY EFFICIENCY

Alongside our efforts to continuously increase the share of renewable energies, energy saving and energy efficiency have long represented another pillar of the company's sustainable energy utilization strategy. We have set ourselves the goal of implementing measures at the main site in Niestetal/Kassel that will lead to energy savings of around 5,700 megawatt hours by the end of 2024, starting from the base year 2022.

The energy focus team set up in 2022 in response to the energy crisis was returned to regular operations at the end of the reporting year. All efficiency measures and the achievement of targets at the main site are recorded, evaluated and further developed as part of energy management. An energy management software makes it possible for us to monitor and analyze all types of consumption on an ongoing basis, among others. In 2024, we will gradually integrate the Poland site into our energy management system in order to gather insights for the integration of the other international sites. On this basis, energy efficiency measures and reduction potentials are to be identified worldwide and measures developed.

Project: "warming instead of heating"

In the 2022/23 heating period and as part of an internal pilot project, some of the employees at the logistics center at the headquarters in Germany were equipped with thermal clothing and battery-powered smart textiles that maintain a constant body temperature depending on ambient temperature and activity level.

As a result, the room temperature in one section of the hall was gradually lowered from 21°C to 16°C without any loss of comfort for the employees. Although this measure affected only around 20% of the logistics center's area, the hall's heat consumption was reduced by a good 40%. Due to the positive results and the great energy-saving potential of this innovative approach, the trial was continued and expanded in the 2023/24 heating period.

Energy optimization in the production buildings at the headquarters

We also continued to optimize the energy efficiency of our production buildings in the reporting year. A more efficient hot water supply system, which will enter operation in 2024, was implemented in Solar Factory 3. A feasibility study was conducted for the logistics center to convert the lighting to LED lamps. As a result of this study, we will implement a new intelligent lighting concept based on motion-controlled LEDs in 2024. This measure is expected to more than halve our current lighting-related power consumption. In 2023, we also continued to pursue the measures to convert the heat supply to heat pumps, local and district heating in order to gradually reduce gas consumption. To further enhance awareness on saving energy among all SMA employees, we are also planning to expand our training concept for environmental and energy management.

Improving the energy efficiency of IT

As part of our "cloud first" strategic approach, we completed the relocation of a large proportion of the servers, files and applications used from our data center at our headquarters in Germany to the cloud in the reporting year and decommissioned the data center.

Climate protection

The Managing Board of SMA Solar Technology AG considers the global climate crisis to be one of the greatest challenges facing mankind. The Managing Board is convinced that the climate protection goals set out in the closing statement of the 2016 UN Climate Change Conference in Paris must be achieved to preserve a livable planet for future generations. But this will require us to step up our global climate protection activities significantly. States, public and private institutions and companies must all work together to limit global warming to 1.5 degrees Celsius. The SMA Managing Board believes that the outcome of the UN Climate Change Conference (COP28) that was held during the reporting year did not go far enough for us to reliably achieve this target.

The Managing Board has geared the SMA Group toward contributing to the target of limiting global warming to 1.5 degrees Celsius, both with its systems and solutions and in its operating activities. In 2022, the SMA Group also joined the European Climate Pact initiated by the European Commission as part of its European Green Deal. It provides a platform for people and organizations to share information, learn together and build networks in the fight against the climate crisis.

Participating in CDP has enabled us to increase transparency surrounding SMA's climate footprint for our stakeholders since 2021. CDP also helps us recognize opportunities in line with best practices and systematically integrate climate protection into our business processes. In the reporting year, as in the previous year, CDP gave us a B rating in the Climate Change category. We are thus meeting the European CDP average and are above the global average for the activity group "Renewable energy equipment", which is C. In addition, CDP has assessed our efforts undertaken with suppliers to reduce emissions in the supply chain with an A- in the CDP Supplier Engagement Rating 2022. The assessment for 2023 is not yet available.

CLIMATE FOOTPRINT

The SMA Group's direct greenhouse gas emissions (Scope 1) were at 2,733 tons of CO₂e in 2023 (2022: 2,444 tons of CO₂e). The reason for the increase is the refilling of refrigerants at the headquarters in Germany in the reporting year, which became necessary due to a maintenance backlog caused by a change of supplier. Indirect greenhouse gas emissions (Scope 2) fell to 192 tons of CO₂e (2022: 368 tons of CO₂e) due to the greening of the electricity supply at the international office locations described in the "Renewable energies" section, where a supply of renewable electricity is currently not possible. The intensity of greenhouse gas emissions fell to 1.28 tons of CO₂e/€ million of sales due to the strong increase in sales (2022: 2.08 tons of CO₂e/€ million of sales). The target that we originally set ourselves for 2025 of reducing specific CO₂e emissions in kg per kW of inverter output produced at the headquarters in Niestetal/Kassel, Germany, by 50% to 0.084 kg/kW compared to the 2018 base year has been achieved since 2020. In 2023, specific CO₂e emissions per kW of inverter output produced at the headquarters in Niestetal/Kassel, Germany, rose to 0.083 kg/kW (2022: 0.072 kg/kW) due to the refrigerant refill described above.

Since 2022, we have supplemented the recording of our Scope 1 and Scope 2 emissions with a Scope 3 balance. Balancing is conducted in accordance with the GHG Protocol. We worked with an external service provider to prepare our Scope 3 footprint and calculated Scope 3 emissions on the basis of international and scientifically sound emission factors (e.g., EcolInvent, Defra and

GaBI). Indirect emissions from the GHG categories of purchased goods and services, capital goods, fuel- and energy-related activities not included in Scope 1 or Scope 2, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, use of sold products and end-of-life treatment of sold products were taken into account. Other categories such as upstream and downstream leased assets, downstream transportation and distribution, processing of sold products and franchises were not taken into account because they either do not apply to the SMA Group's business model or are of low relevance and controllability. We chose to use the operational control approach to consolidate the data. To calculate emissions, we collected primary data for each of the categories we included and checked this data for plausibility. Wherever we were still unable to acquire any primary data, we used scientifically sound assumptions to generate a complete set of data for calculation purposes.

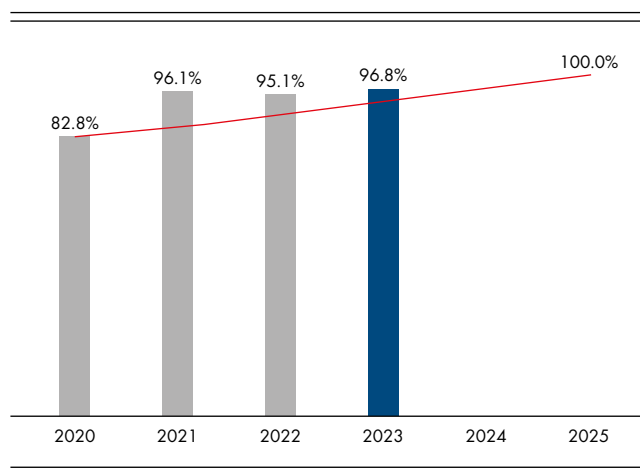
We calculated other indirect greenhouse gas emissions (Scope 3) of 1,088.0 thousand tons of CO₂e for the SMA Group in 2023 (2022: 618.1 thousand tons of CO₂e¹). At 870.4 thousand tons of CO₂e (2022: 461.3 thousand tons of CO₂e), "purchased goods and services" is by far the most relevant Scope 3 category for the SMA Group. This is followed by the categories "use of sold products" with 124.3 thousand tons of CO₂e (2022: 95.4 thousand tons of CO₂e), "capital goods" with 57.2 thousand tons of CO₂e (2022: 31.1 thousand tons of CO₂e), "upstream transport and distribution" with 19.4 thousand tons of CO₂e (2022: 20.4 thousand tons of CO₂e), "end-of-life treatment of sold products" with 8.3 thousand tons of CO₂e (2022: 3.4 thousand tons of CO₂e), "business travel" with 3.7 thousand tons of CO₂e (2022: 2.0 thousand tons of CO₂e), "employee commuting" with 3.0 thousand tons of CO₂e (2022: 2.5 thousand tons of CO₂e), "energy-related activities not included in Scope 1 or Scope 2" with 1.0 thousand tons of CO₂e (2022: 1.1 thousand tons of CO₂e), and "waste disposal" with 0.9 thousand tons of CO₂e (2022: 0.9 thousand tons of CO₂e). The significantly higher Scope 3 emissions compared to the previous year are due in particular to the strong increase in inverter output sold and sales generated in the year under review and the associated higher volumes of purchased goods and services. The very high Scope 3 emissions in relation to Scope 1 and Scope 2 emissions confirm the significance of Scope 3 emissions for the SMA Group. We took this into account when drawing up a climate roadmap with climate targets for 2030 in the reporting year, which is described in the following section.

DECARBONIZATION

→ Our objective: 100% climate neutrality

We have set ourselves the goal of supplying the SMA Group with 100% climate-neutral electricity and heating by 2025 as part of the corporate strategic objective of holistic sustainability. The electricity and heating supply at the headquarters in Niestetal/Kassel, Germany, has been climate-neutral since 2020. In doing so, we also use the instrument of CO₂ offsetting. In the reporting year, 494.73 tons of CO₂e from the gas and district heating supply were offset. Globally, we have achieved a climate neutrality ratio of 96.8% in 2023 (2022: 95.1%).

Achievement of objective: 100% climate neutrality



With our commitment to the [Science Based Targets initiative](#) (SBTi) in July 2023, we have once again significantly increased our ambitions and committed to setting short-term company-wide emission reduction targets in line with science to achieve the 1.5-degree target. We have developed our targets as part of a comprehensive climate roadmap and submitted them to the SBTi for validation. Starting from the base year of 2022, they envisage a 60% reduction in all Scope 1 and Scope 2 emissions of the SMA Group by 2030 and a continuous 100% renewable electricity procurement without the use of offsets. According to our scenario analyses up to 2030, this will require, among other things, an expansion of the renewable energy supply and the complete electrification of the vehicle fleet. To reduce Scope 3 emissions, and due to the great importance of the upstream and downstream supply chain, we have set ourselves the goal of committing those SMA Group suppliers who are responsible for a total

¹ The previous year's figures for Scope 3 accounting were adjusted due to the increase in the level of detail of the analysis in the year under review.

of 81% of emissions in the purchased goods and services, capital goods and upstream transportation and distribution categories to also set science based CO₂e emissions targets by 2028. To this end, we will develop a concept for climate-friendly procurement in 2024 and anchor climate-related requirements more firmly in purchasing processes.

The contribution that we make to climate protection through the electricity generated using PV inverters produced by us can also be measured, in both CO₂e emissions avoided and monetary terms. To calculate avoided emissions, in 2023, we also elected to use the World Resource Institute's methodology "Estimating and Reporting the Comparative Emissions Impacts of Products" as listed in the GHG Protocol. In accordance with this methodology, we have compared the CO₂e emissions per kWh of photovoltaic electricity with the CO₂e emissions per kWh of the respective fuel mix in the countries where our PV inverters are installed. With an underlying average lifetime of our PV inverters of 20 years and an average value in relation to the amount of electricity generated, the total PV inverter output sold by the SMA Group since 2003 of around 132 GW helped avoid greenhouse gas emissions of more than 70 million tons of CO₂e in the reporting year. This corresponds to avoided environmental damage of approximately €14 billion.

SUSTAINABLE MOBILITY

In addition to our business activities in the area of electric vehicle charging solutions, our commitment to more sustainable mobility also relates to our employees and our in-house vehicle fleet.

Our corporate mobility management aims to raise awareness of environmentally friendly forms of transportation among SMA employees in the interests of climate protection. To increase the proportion of cyclists among our employees, we introduced the option of bicycle leasing at our headquarters in 2016. In 2023, 523 employees made use of this possibility (2022: 470 employees). In the reporting year, an employee survey on commuting by bicycle was also conducted to identify further potential for improvement in the use of bicycles on the way to work as well as in the availability, security and weatherproofing of bicycle parking spaces. In 2024, we are aiming for certification as a bicycle-friendly employer for the headquarters in Niestetal/Kassel, Germany. The most relevant improvement measures from this evaluation and the employee survey are to be implemented in 2024 in order to make commuting by bike more attractive.

In addition, we once again significantly expanded the charging infrastructure for electric vehicles at the headquarters in Niestetal/Kassel, Germany, in the reporting year. We now provide our employees and visitors with a total of 103 electric vehicle charging stations at four locations with an entirely renewable electricity supply. In 2024, we will analyze the possibilities of using an electric truck in a tender process for operational shuttle transport between our production and logistics buildings.

We are also continuing to make progress on switching our in-house car fleet over to alternative drive systems. We thereby further reduced our vehicle fleet's CO₂ emissions to 60 g/km in 2023 (2022: 75 g/km). On the one hand, this can be attributed to an increase in the share of electric vehicles among our company cars. On the other hand, the proportion of electric vehicles in our fleet vehicles also increased significantly to 71% (2022: 47%) in the reporting year. Since our vehicle fleet is to reflect our corporate values, a new fleet regulation for Germany came into effect in 2023, according to which only fully electric vehicles will be permitted as new company cars. The development and implementation of a corresponding global mobility guideline are planned for 2024.

Responsible use of materials

For the SMA Group, responsible use of materials in our products means continuously increasing material efficiency, substituting materials with more environmentally friendly alternatives and complying with the material requirements for our products at all times. Improving our products' sustainability performance with these and other measures is something that we take into account in the product development process already. We describe this and the way that we handle our products at the end of their useful life in more detail in the product stewardship area of action. By contrast, the "responsible use of materials" aspect maps the start of the product life cycle. For all these aspects, we follow the circular economy approach and strive to close material cycles and steadily reduce the impact of our products on the environment.

SECONDARY RAW MATERIALS

To promote the circular economy and conserve natural resources, it is very important to avoid the use of primary raw materials by treating waste products and returning them to the production process as secondary raw materials. In view of the growing shortage of raw materials, this is also a tool for ensuring supply reliability.

With the Taxonomy Regulation, the increase in the secondary raw material quota has also entered the regulatory arena. To meet the DNSH criteria for “Transition to a circular economy”, the Climate Delegated Act stipulates that companies must assess the availability of secondary raw materials and, where feasible, use these materials in products manufactured.

In 2023, we significantly optimized our process for determining the secondary raw material quota. To this end, two sub-processes were initiated to enhance data quality. First, a template was created for this year’s supplier survey on the secondary raw material quota of the most relevant 80% of components in order to standardize the feedback. Based on experience from the previous year, internal stakeholders were also increasingly informed about the topic of secondary raw materials and made aware of their high relevance. In this way, we received evaluable feedback from more than half of the suppliers we contacted and were able to determine secondary raw material quotas for the majority of the materials considered. Second, and in parallel with the supplier survey, discussions were held with selected suppliers in order to determine what proportion of secondary raw materials could be achieved and to discuss implementation options. The response from suppliers to these talks was very positive, so follow-up dates are planned for 2024. Based on these two processes, we have set ourselves the goal of developing a standard for the SMA Group in order to further reduce the use of primary materials in our products in the future.

MATERIAL EFFICIENCY

By reducing the amount of material used for our products, we are conserving resources and benefiting the environment. In addition, resource efficiency results in economic benefits for the SMA Group. An optimization tool for inverter power electronics that we developed in-house is helping us to continuously improve power density and thus reduce the weight of the devices in kg per kW of inverter output produced. The target that we had originally set ourselves for 2025 of reducing the weight of our products by 30% to 1.49 kg per kW of inverter output produced compared to the 2019 base year had already been achieved since 2020. In 2023, we significantly lowered the average weight of our products to 1.24 kg/kW (2022: 1.46 kg/kW). This is due in particular to the reduction in the average weight of our string inverters to 1.80 kg/kW output (2022: 2.31 kg/kW). The great success of the Sunny Highpower Peak 3 and the launch of the Sunny Tripower X had a positive impact here. Both inverters have a particularly high power density. For our central inverters, the weight across all products was 0.97 kg/kW output (2022: 1.06 kg/kW). The high power density also reduces the number of inverters required within a PV power plant. The previous year’s figures for the average weight were adjusted in each case, because the data collection and quality for the calculation were also increased for the previous year in the reporting year.

AVOIDING PRODUCTION REJECTS

There is further potential to increase material efficiency by way of reducing production rejects. Rejects are produced when components and component groups cannot be used in the production process due to damage or faults. By improving production processes and ensuring the quality of components in procurement, the use of materials and quality costs can be reduced. We are working closely together with our suppliers on this. In cooperation with one supplier, for example, we are ensuring that all aluminum production rejects are handed back and directly returned to the supplier’s production process.

In 2022, we had already significantly exceeded our objective of reducing the ratio of production rejects to product output in our production facilities at the headquarters in Germany by 25% by 2025, starting from the base year 2020. In particular, a project successfully completed last year to expand and optimize the relevant processes contributed to this. The resulting improvement in data quality and faster and more efficient implementation of measures contribute to a lasting reduction in production waste. Against this backdrop, we have discontinued further target monitoring.

SUBSTANCES OF CONCERN

Materials that are harmful to people and the environment are often required for the production of (performance) electronic components. In our standard for compliance with material regulations, we require our suppliers to comply with the relevant applicable laws such as the Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and the Stockholm Convention on Persistent Organic Pollutants. SMA Solar Technology AG is committed to sustainable purchasing practices. We share this expectation with our stakeholders. Our “Responsible Minerals” program is based on the OECD Due Diligence Guidance for Responsible Business Conduct. Accordingly, our aim is to consistently identify and eliminate risks in the supply chain. SMA Solar Technology AG performs risk mitigation and due diligence appropriate to the nature of the risks associated with our suppliers, products or services. In accordance with steps 2 and 3 of the OECD Guidance, we continuously monitor our direct suppliers via the platform of a leading product compliance solution provider. The aim is to identify “smelters of interest” (e.g., smelters or refineries that show warning signs of risk according to the OECD Guidance) and to inform the supply chain about current risks and concerns, to promote informed purchasing behavior

along the entire supply chain and to encourage our suppliers to conduct similar due diligence checks themselves. On behalf of SMA Solar Technology AG and other companies subject to the same due diligence obligations, smelters are also contacted directly via the platform to communicate the importance of their undergoing independent audits to confirm that their procurement is conflict-free and/or from responsible sources.

As a company that supplies the European market with products that contain substances of very high concern (SVHCs) under the REACH Regulation in a concentration above 0.1% by weight, the SMA Group is required to report the specified information about its products to the ECHA (European Chemicals Agency). The agency manages the Substances of Concern in Products (SCIP) database and ensures that information on SVHCs is available to consumers and waste operators throughout the whole lifecycle of products. By taking these steps, we help meet the DNSH criteria for the environmental objective of transition to a circular economy and satisfy the requirement for provision of “information on and traceability of substances of concern throughout the lifecycle of the manufactured products”.

We have undertaken to reduce the share of SVHCs under the REACH Regulation and the possible exceptions under the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive) in our products. To this end, we have subjected all components that contain SVHC substances in accordance with the REACH Regulation to a substitution test. We assessed potential substitutes from an environmental, technical and economic standpoint. The SVHC-free components are now being introduced successively.

We also put safeguards in place through our Global Trade Service to ensure that we meet all international trade rules, resulting in no direct procurement from countries that the German Federal Office for Economic Affairs and Export Control (BAFA) has classified as embargo countries without a prior assessment of legality.

Waste & recycling

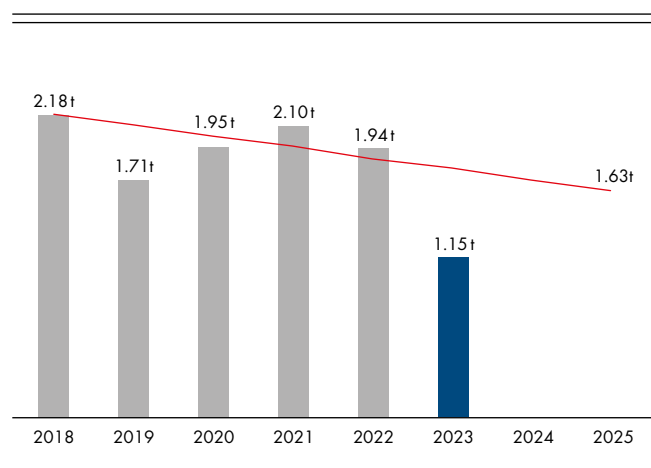
→ Our objective: 25% reduction in waste per € million of sales

Dealing with waste, we use the waste hierarchy set out in the EU Directive on Waste as a guideline. Accordingly, the top priority is to avoid waste. If this is not possible, then measures for reuse are examined. The next step is recycling measures, energy recovery and only then disposal. This approach to dealing with waste is consistent with the requirement of “waste management that prioritizes recycling over disposal in the manufacturing process” as outlined in the Climate Delegated Act. This also helps us meet the DNSH criteria for the environmental objective of transition to a circular economy.

In 2023, the total waste volume of the SMA Group was 2,904 tons (2022: 2,416 tons). At 90%, the recycling rate was slightly lower than in the previous year (2022: 91%). The global share of hazardous waste materials decreased to 11.5% in 2023 (2022: 14.3%). In response to the increase in hazardous waste for disposal in the previous year, which primarily consisted of packaging materials for hazardous resins at the production site in Poland, two initiatives were launched in the reporting year. First, the weight of the packaging materials was reduced through the use of intermediate bulk containers instead of metal drums. Second, a new waste disposal contract was concluded, which enables us to recycle the packaging waste. As a result, we have both reduced the quantity of hazardous waste and improved the quality of disposal in accordance with the waste hierarchy.

The volume of waste generated plays a particularly important role in the operating divisions. We have therefore set ourselves a reduction target regarding the volumes of waste generated in these divisions. The target aims to reduce the waste generated by the operating divisions at the headquarters in Niestetal/Kassel, Germany, by 25% to 1.63 tons of waste per € million of SMA Group sales by 2025 compared with the 2018 base year. This target also includes hazardous waste. Construction waste is the only type of waste that is not included because this waste is subject to major fluctuations, very difficult to control and not always generated in the operating divisions. In the reporting year, the specific amount of waste generated in the operating areas at the Niestetal/Kassel site fell to 1.15 tons of waste per € million of sales (2022: 1.94 tons of waste/€ million of sales) due to the significant increase in sales and the increased use of reusable packaging. This means that we significantly exceeded our target for 2025 in the reporting year.

Achievement of objective: 25% reduction in waste per € million of sales



To avoid packaging waste, we have been working since 2012 on reusable systems for the movement of goods internally and with suppliers. To transport goods between our production sites in Germany and Poland, we use durable reusable containers that are specially tailored to our products. We use these in particular for our new product groups. We include suppliers in these reusable systems as far as possible. In the reporting year, we also set up a pilot project with the aim of investigating ways to recycle and reprocess packaging waste from supplier components generated at the production site in Germany.

For the packaging of finished products that are shipped to our customers, we have introduced sustainability criteria that we use as a basis for assessing packaging materials. Since 2015, we have refused to use polystyrene and PVC in our packaging for new products and to put glossy print on our packaging. We use composite materials only where this is essential for the type of product. In the reporting year, we also established a regional best practice network and increased the transparency of our internal processes. Both also help us derive effective measures for waste prevention.

Water

Water consumption does not play a significant role at the SMA Group's sites, because no water is used in the production processes. Water is used only in our Global Repair Center at our headquarters in Niestetal/Kassel, Germany, to clean defective devices before repair. Water is obtained worldwide via the public water supply. In some office buildings at our headquarters in Niestetal/Kassel, Germany, well water is used for environmentally friendly building cooling and reintroduced close to the surface. Total water consumption in the reporting year amounted to 81,740.91 m³ (2022: 71,393.57 m³). The total wastewater volume also amounted to 81,740.91 m³ (2022: 71,393.57 m³). Our sales and service locations in Belgium, Spain and Australia are located in areas with high or very high water stress. The water consumption at these locations amounted to 602.45 m³ in the reporting year (2022: 953.70 m³) and thus corresponded to 0.74% of our total water consumption (2022: 1.33%). In contrast, our production sites in Germany and Poland as well as our other international sites are not located in areas with high or very high water stress.

Area of action: product stewardship



For us, product stewardship means taking responsibility for the impact of our products throughout the product life cycle, from their development to the end of their lifetime. Our aim is to meet our customers' highest quality requirements and provide them with products with a long lifetime. We therefore develop high-quality products that meet the changing demands of an increasingly digitalized world and the requirements for the circular economy and that also function reliably over the long term under environmental conditions that are becoming ever more challenging as the climate crisis advances.

Our production sites are [certified](#) in accordance with DIN EN ISO 9001, thus guaranteeing compliance with internationally recognized quality standards. The high standards that we set for the quality and safety of our products and systems is supported by our accredited in-house test center. The expansion of our test center in 2021 enables us to test even larger devices for electromagnetic compatibility using state-of-the-art techniques and to ensure that our future solutions for PV power plants also satisfy the requirements and regulations on the international markets.

To examine the impact of our products on customer health and safety and the environment, we conduct risk assessments and extreme tests for fault simulation during the product development process, such as the creation of a flammable gas mixture that is caused to explode in the device. If necessary, we use the results to derive measures for achieving the desired condition of our products. The products of the SMA Group meet all the safety standards required by each of our markets (e.g., UL, JET, VDE). There were no violations in the reporting year in connection with the effects of our products on our customers' safety and health.

Sustainable product life cycle

It is important to us to know what effects our products have on the environment so that we can derive measures on this basis and improve product sustainability. In the past, we therefore performed internal life cycle assessments (LCAs) for representative product categories at the headquarters in Germany. The life cycle assessments help us identify the factors that influence the sustainability performance of our products throughout the product life cycle. To also create greater transparency and objectivity in terms of the environmental performance of our products for our customers, in 2022, we appointed a renowned institution to independently prepare a life cycle assessment for one of our string inverters and had it certified by the external body DEKRA for the first time. The life cycle assessment is based on a standardized method and the impact categories recommended by the European Environmental Footprint 3.0 (EF3.0). It therefore comprises a total of sixteen environmental impact categories, which have been split into target and control categories based on relevance and stability. The outcomes give us crucial guidance on what measures to take regarding product design. Overall, they confirm the findings from our previous internal life cycle assessments. In addition to our focus on the responsible use of materials, this also relates in particular to the findings on the product carbon footprint (PCF) and the need to reduce CO₂ emissions in the upstream stages of the value chain.

In addition to conformity with the requirements of ISO 14040 and ISO 14044, DEKRA confirms that the overall approach of the life cycle assessment is professional in accordance with the current state of the art. The underlying data, the life cycle model as well as the assumptions and calculations are also classed as appropriate and valid and, in the reviewer's opinion, they result in plausible outcomes as well as relevant conclusions and recommendations. A summary of the study with a focus on the carbon footprint of the inverter is published on our [corporate website](#).

To increase transparency in our product portfolio, we have launched another life cycle assessment for our current generation of central inverters with the same scope in 2023. We expect the final results after completion of the analysis and critical review by the certifier in the first half of 2024.

Among other things, we use the results of the life cycle assessments in a project to develop internal design tools that will provide our developers with even better support in making decisions in terms of sustainability during the design phase. An initial interim report has given us valuable information on where potential for improvement exists in our specific product development process and how this can be leveraged. The spectrum of approaches ranges from quick-to-prepare factsheets and checklists to specific material mixers for comparing different concepts. We are in discussions with providers to expand our system landscape so that we can perform these comparisons automatically in the future.

PRODUCT LIFETIME

Within our Design for Reliability process, we separately qualify components that are critical to the product's service lifetime before their use in SMA devices. As part of our extensive functional and endurance tests, within a test period of six months we can map out a service lifetime for components of 20 to 25 years, identify potential causes of failure and failure rates as well as derive countermeasures. We are working closely together with our suppliers and research facilities on this. We are continuously developing our knowledge of relevant aging models, the underlying aging effects and critical influencing factors, particularly as part of the publicly funded joint research projects "Reliability Design" and "Long Life". The results of our investigations are collected in a database and taken into consideration for every potential new use of the components in question. In addition, before series production begins, we validate our inverters through a series of tests conducted both in our accredited test center and in the field under real-life conditions. In the laboratory tests, we simulate a range

of environmental and grid connection conditions, artificially age the devices and test their electromagnetic compatibility. We thus ensure that our products and systems not only are of a high quality but also meet all international standards and can be adjusted to suit various requirements and conditions. We once again significantly increased the already high lifetime of our products for the Sunny HighPower Peak3. Provided it is installed and operated correctly, we can give proof of a lifetime of 25 years on the basis of extensive age simulations.

The design of our inverters with a focus on high reliability, the continuous reduction of wearing parts and efficient maintenance routines all make a contribution to meeting the DNSH criteria for the environmental objective of transition to a circular economy. The Climate Delegated Act calls for a design for high durability of products manufactured.

REDUCTION OF FAILURES IN THE FIELD

→ Our objective: 1.0% field failure rate

One important key figure for the quality of our products is their field failure rate. This key quality figure refers to the number of failures in the field after the products are approved. It includes failures for any devices that were shipped in the past two years (monthly rolling key figure; ratio of field failures over the past two years to the number of units shipped over the past two years). For each SMA product, ambitious and specific product lifetime and field failure rate targets are defined and assessed each year. Field behavior is evaluated continuously. Identified deviations are prioritized in terms of their impact from the customer's perspective and are remedied as part of a problem-solving process. Customer feedback is incorporated on an ongoing basis in the development of new products. Based on the failure rates and the installation figures for the products, we derive an overall failure rate target for overarching product groups and for the SMA Group. In order to adhere to our commitment to quality, we have set ourselves the target of reducing the field failure rate of our products to 1.0% by 2025. We derived this target in the 2018 base year by reference to the current and forecast products and the product mix in the field. In the reporting year, the field failure rate significantly fell to an average of 1.0% (2022: 1.5%). We therefore achieved our target for 2025 in the reporting year. Decisive factors included sustainable quality improvements in all segments, high sales of products with a high level of quality and the problem-free start-up of the new Sunny Tripower X inverter in the Commercial & Industrial Solutions segment.

REPARABILITY AND REUSE

To further minimize the environmental impact of our inverters, we aim to reuse the greatest possible proportion of materials once the inverters reach the end of their useful lives. We thereby become less dependent on raw material extraction, which involves working and environmental conditions that are difficult to control, and simultaneously enhance our supply security.

In our Global Repair Program, we have developed this approach in order to recycle used devices and components as comprehensively as possible and return equipment parts that are no longer usable to the material cycle. Reuse of components in manufactured products is also a requirement within the DNSH criteria for the environmental objective of transition to a circular economy. Our approach is as follows: If the source of the fault for devices in the field is known, the devices that require servicing are repaired by replacing defective components at the system operator's location. Only if this is not possible, the devices will be sent to our Global Repair Center in Niestetal, Germany, and replaced with reconditioned devices. We repair defective devices wherever possible and transfer them to our replacement device pool. Overall, the success rate of repairs carried out at the Repair Center is 97.4%, meaning that only a low single-digit percentage of devices have to be scrapped.

Components and assemblies that we can reuse are removed from decommissioned devices and reused for repair purposes. After defining system and process requirements, a pilot project was successfully completed last year and extended to another product group in 2023. When analyzing reuse, we factor in aspects such as technical feasibility, the availability of materials on the market and quality.

As part of the "Refurbished Inverter" subproject, we have also developed a process within the Global Repair Program that allows us in exceptional cases to offer refurbished products for which no use has been found in service for sale as used goods.

To decentralize inverter repair activities and also provide the required service closer to where the inverters are deployed as well as to increase reuse of components and extend product service life, we further intensified our partnership with a repair service provider in the U.S. in the reporting year. The selected partner has successfully carried out the first repairs of SMA products. The quality of the repairs was confirmed by the Global Repair Center in Niestetal, Germany. The aim for 2024 is to also decentralize quality controls using test equipment developed by the service provider in the U.S. After the project in the U.S. is completed, we will expand the analysis to other global locations.

Another component of the Global Repair Program was the “Disassembly of Inverters” subproject, where we assessed to what extent we can improve recyclability through inverter disassembly. In 2022 already, both our in-house team and an external service provider had dismantled an inverter into its constituent parts and assigned them to recycling categories. In the reporting year, the entire process of disposing of our inverters was also assessed as part of waste disposal audits: From collection, transportation and dismantling through to the separation and sorting of the various components so that they can be returned to production processes. As a result, we determined that because of the high recycling standards and legal requirements for waste disposal companies in Germany, single-origin scrap offers no significant added value over manual disassembly when it comes to sustainability.

The results of the certified life cycle assessment also attest to the high recyclability of our inverter components. We therefore satisfy the DNSH criterion stipulated for the environmental objective of transition to a circular economy of assessing the availability of and, where feasible, adopting techniques that support design for recyclability and easy disassembly.

During manual disassembly, we also found that some components could be separated only partially. This is because our development philosophy is focused on the longevity and reliability of our products. This can lead to conflicts between disassembly requirements on the one hand and serviceability requirements on the other. To identify the best possible solution here, the Development, Service and Repair functions are in constant dialogue with each other during the product development process to achieve the best outcome for SMA products in due consideration of all the relevant aspects.

PRODUCT END OF LIFE

Responsibility for our products throughout their life cycle does not end when they are sold, but also includes proper disposal. Extended producer responsibility (ERP) is a key principle of the European WEEE Directive. It regulates the handling and proper disposal of end-of-life electrical and electronic equipment. The purpose of the directive is to prevent or reduce the harmful effects of end-of-life electrical and electronic equipment, conserve resources and improve resource efficiency. In Germany, the directive was implemented through the Electrical and Electronic Equipment Act (ElektroG), which also applies to the electrical and electronic equipment placed on the market by the SMA Group in Germany and with which we comply at all times.

In line with this, we report the quantities of products placed on the German market to the Stiftung elektro-altgeräte register (ear) every month. Stiftung ear calculates the share of each manufacturer in the total quantity of appliances placed on the market on the basis of all appliances reported monthly and commissions them to dispose of the equivalent share of appliances currently awaiting disposal. This is usually performed by the manufacturers commissioning qualified waste management companies to dispose of the waste. The disposal costs for old electrical and electronic appliances are therefore already covered when they are placed on the market, and all appliances can be disposed of at the end of their life at zero cost to consumers. The Stiftung elektro-altgeräte register also coordinates the provision of containers for handover facilities at public waste disposal authorities. This is how we meet our responsibilities for proper disposal/recycling of end-of-life equipment. We satisfy requirements regarding the proper marking of electrical and electronic equipment with type labels. The marking tells consumers that our devices should not be disposed of with household waste, but must be collected separately.

Sustainable product development

Our top priority when developing our products and solutions is to consider the overall system across the sectors of electricity, HVAC and e-mobility. By standardizing the architecture of the core components (platform strategy) 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. The focus here is on highly integrated and digitalized solutions that cover as many functions as possible and thus meet the demands for sustainability, material efficiency and ease of use.

Product development at the headquarters in Niestetal/Kassel, Germany, follows a defined product development process (PEP). This covers the definition of product requirements through to the series production stage and ensures process and product quality. Our guideline for sustainable product design sets out key design criteria that have a positive impact on the sustainability performance of our products. From this, concrete specifications for sustainable product development are developed.

The product development process also takes account of the issue of design for easy disassembly and serviceability, which is addressed under the DNSH criteria for the environmental objective of transition to a circular economy. The relevant SMA guidance covers various criteria, including duty to repair, replacement of defective components in the field and availability of spare parts throughout the entire useful lives of the products (usually 20 years). The optimization tool that we developed for inverter power electronics factors in the quality criteria concerning the use of materials (weight), volume, cost and performance (efficiency) to calculate the optimal design using cutting-edge technologies. Optimal sizing of power electronics has increased the power density of string inverters in the higher power classes fivefold over the past ten years (more power in kVA per kilogram of material used).

Since 2021, we have also been working with a renowned research institute on a concept for the product- and component-specific evaluation of product sustainability. Based on the results, we will further develop our design criteria for sustainability. The life cycle assessment that was prepared by a highly respected institution in 2022 has already enabled us to identify the component groups with the largest CO₂ footprint. Currently, the relevant departments are deriving measures to reduce the CO₂ footprint from this.

We also ensure resource-efficient phase-out management, which is based on a defined phase-out process (POP). One task here is to manage the use of materials in a way that avoids rejects and ensures further use of materials in subsequent generations. This task is made more difficult particularly when there is a broad product portfolio and subsequent generations widely differ from previous products.

When developing our products and solutions, we also anticipate future requirements in areas such as digital communication and cybersecurity, thereby meeting the requirement for adaptability of products manufactured as part of the DNSH criteria for the environmental objective of transition to a circular economy. The SMA system architecture guideline sets out rules for software development, which ensure that all components and applications are established on a consistent basis, interact seamlessly within an efficient overall system and can be adapted to new requirements through remote updates. We will also provide our customers with this level of adaptability for older devices in the future. They will not be required to replace fully functioning, existing devices in order to meet new requirements, but instead will be able to continue using these devices by integrating an additional component.

Research and development expenses increased to €119.8 million in the reporting year (2022: €86.8 million). The research and development cost ratio in relation to sales came to 6.3 percent (2022: 8.1 percent). The SMA Group offers solutions in the field of renewable energy and efficient energy use, meaning that its entire product portfolio can be allocated to low-CO₂ technologies. For this reason, we attribute all expenses for our product development and R&D to the development of low-CO₂ technologies.

Further information on our development approach can be found in the Combined Management Report in the “Research and development” section.

Area of action: employees



The high level of commitment and willingness of our employees to always learn are essential factors in the success of the SMA Group. Diversity, equal opportunities, safeguarding employee rights and maintaining high labor standards (including freedom of association) are just as much a matter of course for us as complying with all working hours legislation. Within the SMA Group, working hours and break times are determined by the company on the basis of applicable legal requirements in the respective countries. In no country does the contractual target working time exceed 48 hours per week. As far as the company's requirements allow, working hours are organized flexibly according to the needs of the employees.

In the competition for talent, it is important to us to be perceived as an attractive employer. That is why we are continuously developing our corporate and leadership culture, which is characterized by fairness and respect, putting our values of trust, performance and team spirit into practice in our day-to-day work and creating scope for responsible, entrepreneurial action and opportunities for shaping international collaboration. We have mapped this in our leadership fundamentals, which aim to create an environment in which all employees of the SMA Group can unleash their individual talents and potential. The focus here is on a high level of self-organization in cross-functional and international teams, entrepreneurial thinking and action, a strong customer focus and valuing diversity and life-long learning. We have transferred the leadership criteria to our instruments and tools and see them as the basis for our leadership activities.

DEVELOPMENT OF THE NUMBER OF EMPLOYEES

As of December 31, 2023, the SMA Group had 4,377 employees worldwide (December 31, 2022: 3,635 employees)¹. Employee figures increased in Germany to 3,039 (December 31, 2022: 2,610) and to 1,338 abroad (December 31, 2022: 1,025). Employee turnover decreased to 4.8% in the reporting year (2022: 5.8%), corresponding to 184 employees (2022: 197). We define employee turnover as departures by employees (resignations) as a percentage of the average headcount. It is a global policy for employees who have resigned to be invited to take part in an exit interview in the form of a standardized, digital questionnaire. The responses are systematically gathered by Human Resources so that countermeasures can be taken for any negative structural anomalies if necessary.

The SMA Group also employs temporary employees to absorb order fluctuations and to ensure a flexible response at all times. Temporary employees are mostly deployed in the areas of production and logistics. The solid order situation meant that, as of the reporting date, the number of temporary employees increased significantly by 179 to 658 worldwide (December 31, 2022: 479). Wherever possible, we endeavor to take on temporary employees in direct employment. In the reporting year, 331 temporary employees were taken on by the SMA Group.

Employees

Reporting date	2023/ 12/31	2022/ 12/31	2021/ 12/31	2020/ 12/31	2019/ 12/31
Employees ¹	4,377	3,635	3,510	3,264	3,124
of which domestic	3,039	2,610	2,506	2,293	2,210
of which abroad	1,338	1,025	1,004	971	914
Temporary employees	658	479	226	388	442
Total employees ¹	5,035	4,114	3,736	3,652	3,566

Full-time equivalents

Reporting date	2023/ 12/31	2022/ 12/31	2021/ 12/31	2020/ 12/31	2019/ 12/31
Full-time equivalents (excl. trainees, learners and temporary employees)	3,981	3,308	3,203	3,089	2,950
of which domestic	2,672	2,306	2,222	2,138	2,051
of which abroad	1,310	1,002	982	951	898

The figures for previous years have been adjusted, as auxiliary staff are now also included in FTE calculation.

Training and qualification have a high priority within the SMA Group. We currently offer training at the Niestetal/Kassel location in nine different training occupations in the industrial/technical and commercial sectors. We also offer the dual study program B.Sc. Business Informatics and B.Sc. Computer Science and provide comprehensive professional orientation as part of the one-year technical college internship. As of December 31, 2023, 79 young people were in vocational training (December 31, 2022: 66). Following the cooperative vocational training, there is the possibility for further employment. The trainees benefit from the international nature of the organization and, apart from the opportunity to complete language training courses, they have the chance to complete an internship on project work at an international location for a defined period of time.

In addition, we are committed to topics relating to young MINT (mathematics, information technology, natural sciences and technology) talent. This commitment includes participation in the MäteB program, which enables girls from Kassel schools to gain insights into technical professions; organization of the regional "Jugend forscht" (Youth Researchers) competition in northern Hesse; and the ProInnovation partnership with a regional school to promote innovation and exceptionally talented learners. In addition, we gave 42 learners (2022: 33 learners²) the opportunity to gain some initial insights into potential career areas, complete the mandatory internship as part of the curriculum or write a thesis in a corporate context in the reporting year. In the area of academic support, 100 students gained practical experience at the SMA Group in the reporting year.

Additional key figures on employees, in particular on the gender balance at the management level, can be found in the overview of sustainability key figures at the end of the combined non-financial statement.

¹ Unless otherwise indicated, all employee figures include trainees, learners and auxiliary staff; the previous year's figures have been adjusted accordingly because 2022 was presented without trainees, learners and auxiliary staff.

² Learners = interns and employees working on a thesis; the previous year's figure has been adjusted accordingly because auxiliary staff were also included last year.

SAFEGUARDING EMPLOYEE RIGHTS AND MAINTAINING HIGH LABOR STANDARDS

→ Our objective: 100% coverage of SMA Group companies under a risk and monitoring system for labor standards

To ensure that the rights of employees are upheld and a high standard of labor practices is maintained throughout the whole SMA Group, we set up a group-wide due diligence process in 2022. With this, we not only meet the minimum safeguards of the Taxonomy Regulation but also exceed them. Our objective is to include 100% of SMA Group companies with active business operations under the specified risk and monitoring system for labor standards by 2025. The risk-based approach covers the areas of freedom of association and assembly, general working conditions, forced labor and human trafficking, child labor, discrimination, wages and remuneration, sustainable procurement practices as well as occupational health and safety. Since risks relating to working conditions can vary between countries and economic sectors, we have determined in principle both factors for our identification of risk with the help of the CSR Risk Check Tool from the German Agency for Business & Economic Development. In the next step, the degree of general risk potential was quantified using suitable international indicators and classified according to severity. We then projected the risks specifically to our companies, their business volume and number of employees. Our process for further analysis and prioritization provides for the inclusion of findings from audits conducted, information received by the SMA speak-up line and data from our risk software. In 2022, we audited all locations in countries with at least a medium risk for the risk categories identified. This means that we have already covered eight group companies with active business operations under the risk and monitoring system. Another four companies were added in 2023. Thus, in total, 54.5% of all 22 group companies with active business activities were covered at the end of the reporting year. The audit team has defined improvement measures based on the results, the implementation of which is monitored by the group companies using a system-based approach. The results of the audits and any necessary escalations are reported to the Sustainability Committee. The audit team normally comprises an auditor from the Management Systems department, a representative from HR and the Human Rights Officer of the SMA Group. The auditors were qualified for this activity in accordance with international standards. The risk evaluation is updated annually. Locations are monitored based on the level of risk; this process is set out in an audit plan. In 2023, there were no violations of labor laws identified at any locations of the SMA Group, nor were there any convictions under labor law.

Occupational health & safety

The safety and health of all SMA Group employees is a high priority for us. The processes for occupational health and safety at our headquarters in Niestetal/Kassel, Germany, have been **certified** in accordance with DIN ISO 45001 since 2018. As of December 31, 2023, 3,337 employees and temporary employees of SMA Solar Technology AG at the Niestetal, Kassel, Fuldabrück and Ulm locations have been covered by a certified management system for occupational health and safety. This corresponds to 66% of all employees and temporary employees in the SMA Group. Various subject-specific and department-specific meetings take place regularly to ensure that the topic of occupational health and safety management is firmly established at the production sites. These include the quarterly meetings held by the Occupational Safety Committee, which are chaired by the Labor Director at the headquarters in Germany with the participation of safety experts, the Works Council, the safety officers and the occupational health physicians. In the reporting year, the Health & Safety department implemented safety standards that apply to all SMA Group companies worldwide. The safety standards are summarized in the Health & Safety Directive and must be implemented globally by 2025 at the latest, in accordance with the SMA Strategy 2025.

Before implemented or used for the first time, new activities, work processes, workplaces and hazardous substances are assessed in terms of potential risks and hazards at our production sites. This process is performed at the headquarters following the STOP procedure. The substitution test (S) ensures that the activity/use of the hazardous material is absolutely necessary and that no alternative is available. If this is the case, technical measures (T) to reduce the risks are defined. If such measures are not possible or not sufficient, organizational measures (O) are taken. In the final step or in addition to the other measures, personal protective measures/equipment (P) have to be used.

At the headquarters in Niestetal/Kassel, Germany, hazardous materials are used only to a very limited extent on the basis of substitution testing and, wherever possible, in closed systems. Operating instructions and training are provided to ensure that all employees who handle hazardous substances are well-informed about the hazardous substances, their potential risks, emergency procedures and potential impacts to health. This training must be performed and documented before these activities begin. Employees at the headquarters who are regularly exposed to hazardous substances are also offered medical check-ups.

The obligation to perform hazard assessments is transferred to the executives in writing. While performing a hazard assessment, they may bring in the experts of the Occupational Health & Safety division for support. A defined process, subject-specific templates and support from the division ensure consistently high quality and monitoring of hazard assessments. The Occupational Health & Safety division also regularly checks that the hazard assessments are up-to-date and reports the results as part of the management assessment to the management.

In general safety instructions, we inform all employees in Germany and at the production site in Poland about the importance of occupational safety, obligations of employers and employees, safety organization, behavior in case of an emergency, and provide general information on safe and healthy behavior. In addition, there are workplace-related instructions in the divisions. Extensive information on occupational health and safety management as well as the current development of accident rates, templates, processes, organizational charts and contact details of the responsible contact persons are also available on the intranet for all employees.

The deployment of external companies on the SMA company premises in Niestetal/Kassel, Germany, and at the production site in Poland is specified via processes and corresponding guidelines. The guideline contains standardized requirements for the protection of people, property and the environment, and describes interfaces, tasks and responsibilities between the external company and the SMA Group. All external companies are provided with the guideline before starting work. They confirm that they acknowledge and comply with the requirements. Contractual partners with service, framework or work contracts confirm receipt and compliance for the duration of the contractual relationship when they sign the contract.

WORKPLACE SAFETY

→ Our objective: Global lost time incident rate of a maximum of 0.8

The focus of occupational health and safety management at the SMA Group is on avoiding work-related accidents and illnesses. As an employer, we have an obligation to eliminate possible risks and hazards. Despite all the measures mentioned, however, work-related accidents cannot always be avoided and we are working continuously to improve our processes. For 2025, we have set ourselves the goal of achieving a global Lost Time Incident Rate (LTIR; accidents with at least one day of absence multiplied by 200,000 in relation to total hours worked) of no more than 0.8 across all major SMA Group sites. Globally, the LTIR increased to 1.67 in the reporting year (2022: 0.96). The reason for the increase is the ramp-up of production at the headquarters in Niestetal/Kassel, Germany, and the associated recruitment of new employees, primarily through temporary work. The accident

situation was analyzed and the results presented to the Managing Board at a meeting of the Working Committee. As an initial measure, it was decided to review the induction process for potential improvements. There were no serious work-related accidents in the reporting year. These are classified as accidents at work resulting in injuries that the injured employees are not able to fully recover from within six months, or where the employees are not expected to regain the state of health they had prior to the accident. In the reporting year, there were 19 work-related accidents within the SMA Group that had high potential for a serious outcome but ultimately did not entail any serious consequences. Two of these accidents were electrical accidents. There have not been any fatal work-related accidents at the SMA Group since the company was founded. The key figure includes work-related accidents involving employees of the SMA Group and temporary employees.

Work-related accidents at the production sites are documented and investigated. The procedure for investigating accidents is based on the severity of the work-related accident. Possible causes and countermeasures for more minor accidents in production are discussed directly on-site at the daily meetings before the start of the shift. For more serious accidents, a detailed accident investigation report is prepared and measures are defined.

The nature of our business field involving the commissioning, servicing and maintenance of systems within our service business and the operation of electrical test areas entails a particular risk for the SMA Group in connection with electrical current. This includes arcing, fire hazard and electrocution that may have serious or lethal consequences. We have taken extensive measures to minimize the risks in these areas. These include compliance with mandatory specifications for setting up and operating test areas. In addition, test areas may be entered only by electrically qualified persons who receive regular training and instructions. Access is managed using electronic access control.

Despite all the precautions, emergencies involving risks to people, property or the environment cannot be ruled out in principle at the company. SMA Emergency Management regulates how to handle emergencies in the form of a binding guideline for the headquarters in Germany. For many types of emergency, such as fires or work-related accidents, there are also emergency plans specifying in a compact form what needs to be done and who needs to be informed when such incidents occur.

The goal of the Business Continuity Framework (BCF), which was newly regulated for SMA Solar Technology AG and its German subsidiaries in 2021, is to make it easier for the departments to identify potential major disruptions and to manage these effectively and efficiently in case they occur. We define major disruptions as disruptions that cannot be managed by the organizational structure and process organization of emergency management and that may be associated with significant monetary or reputational damage. In connection with the new regulation of the BCF, the relevant departments identified potential operational risks so

as to be able to respond to these faster if they occur. This gives the departments a framework for ensuring the proper functioning of the business operations until normal operations have been fully restored. A task force is being set up under the BCF that is to be specifically assembled depending on the type of major disruption and is commissioned by the Managing Board.

HEALTH

→ Our objective: 70% age-stable workplaces

SMA's health management at the headquarters in Niestetal/Kassel, Germany, is aimed at avoiding chronic unfavorable stress and thus minimizing the risk of illness and maintaining employees' ability to work and be employed in the long term. As employees age, comprehensive health promotion and measures in the field of ergonomics are becoming increasingly important. Our health measures are developed and implemented to meet the requirements of particular target groups. One area of focus is ergonomic age-stable workplace design in production and logistics.

In this context, the creation of age-stable workplaces plays an important role in SMA's health management. With age-stable workplaces, we create working conditions that allow all generations to perform to their full potential without suffering chronic unfavorable stress or long-term or delayed effects. We have set ourselves the target of assessing 100% of the workplaces in the operating areas at the headquarters in Niestetal/Kassel, Germany, for age-stability and increasing the proportion of age-stable workplaces in these areas to 70% by 2025. In the reporting year, the focus was placed on evaluation at workplace level and new software was introduced. This change enables an optimized evaluation procedure. By the end of the year, 62.9% of workplaces had been evaluated (2022: 72.8%). The proportion of workplaces evaluated has fallen compared with the previous year because the number of workplaces to be evaluated was adjusted upward in some areas. Of the workplaces assessed, 76.3% are currently age-stable (2022: 73.9%).

Another focus of health management at the headquarters is mental stress. Various measures were introduced in this area in 2023. We have started to assess the risk of mental stress in the workplace and offered employees relaxation initiatives and a series of target-group-specific stress workshops. In addition, training courses for mental health first-aiders (MHFA) were launched and psychological consultation hours were expanded. The sickness rate – including long-term sickness – at our headquarters in Germany fell in 2023 to 6.4% (2022: 7.0%). In Poland, it rose to 4.3% (2022: 3.4%).

External occupational health physicians support us with occupational health and safety management and with ergonomic workplace design at the production sites. Their tasks include taking part in company inspections, participating in hazard assessments, particularly in the case of hazardous substances, and attending meetings of the Occupational Safety Committee in Germany. In addition, they carry out the mandatory and optional examinations as determined in the hazard assessment, as well as in-house medical consultations. The occupational health physicians are assigned to the Occupational Health & Safety department. This department coordinates appointments for examinations, which take place on the company premises so that they are close by for the employees. Information on the occupational health physicians, their tasks and contact options is provided to employees in the annual safety training and on the intranet.

Fair pay & benefits¹

The attractive overall package that the SMA Group offers its employees includes market- and performance-oriented pay and extensive benefits. SMA Solar Technology AG and its subsidiaries are not subject to any collective bargaining agreements. Our goal is to use individual company regulations to create attractive employment conditions that are geared toward the needs of both the employees and the company. In Germany, this is done on the basis of employer/works council agreements, for example, which are always concluded in cooperative collaboration with the employee representatives.

In key operational change processes that affect the employees directly or indirectly, the employee representatives are involved in the context of co-determination and beyond. Changes are announced to and discussed with the employees before they are implemented.

FAIR PAY

It is important to us to acknowledge our employees' commitment and performance through appropriate remuneration in line with the market at a level that has been calculated for all group companies and is maintained. The standard market structure of our salary bands and remuneration development is ensured using data from renowned benchmark service providers such as Willis Towers Watson (WTW), Mercer or, for Germany, Lurse AG. Furthermore, the job level model that was introduced in Germany

¹ Unless otherwise stated, all information in the following section relates to employees excluding trainees, learners and auxiliary staff.

in 2016 and has since been rolled out at almost all SMA Group locations, along with the associated remuneration system, help create transparency and enable comparison of pay across all areas of the company. The job level is based on the requirements of each position. The classification of an employee in a job level can change accordingly if their tasks change. The remuneration system is organized and set up in a way that gives equal importance to the different career paths, such as professionals, project managers and executives. In addition to the basic remuneration, the system is supplemented with variable target-based remuneration components in the higher job levels.

Under the remuneration system, employees' individual remuneration is determined within defined regional salary ranges according to the same criteria. The remuneration ranges are regularly reviewed globally every two to three years and are adjusted if necessary. Remuneration is based on the middle of the market. The review is based on recognized benchmarks from specialist consultants. Accordingly, we ensure the payment of locally specified minimum wages at all times. Where no statutory minimum wage applies, we pay at least a living wage or fair remuneration based on benchmarks. Temporary employees at the SMA Group receive the same hourly wage as SMA Group employees performing similar duties. The salary bands within our job level model are applied accordingly.

The ratio of the annual total compensation of the highest-paid individual to the median annual total compensation of all employees of SMA Solar Technology AG (excluding the highest-paid individual) amounted to 1:28.5 in the reporting year; in relation to the median of all employees of the SMA Group (excluding the highest-paid individual), the ratio was 1:30.9.

SMA Group employees in management, project management or professional career paths, which are assigned to higher levels of the structure under the job level model, receive a variable remuneration component that is linked to short-term targets. In each case, half of this component is based on the SMA Group's EBIT and cash flow and the other half on individual targets. In Sales in particular, remuneration is also supplemented with variable target-based components right from the middle levels of the structure.

The remuneration of all SMA Group employees, with the exception of senior executives and employees of the German subsidiary coneve GmbH, also includes a variable component based on the company's annual profit (EBIT margin). The EBIT margin to be achieved corresponds to the target value set for the Managing Board in the respective fiscal year. The general conditions for profit sharing are the same across all countries.

All temporary employees working at the company worldwide are also entitled to a share of the profit. Employees of the parent company SMA Solar Technology AG also receive a non-performance-related annual Christmas bonus, which roughly corresponds to a monthly gross fixed salary. To promote the lower salary groups, a general employer/works council agreement was also concluded in 2023 stipulating that the gross Christmas bonus must be at least €3,500 if the individual monthly gross fixed salary is lower.

The maximum possible inflation adjustment bonus of €3,000 was also paid to all employees of the parent company SMA Solar Technology AG in February 2023. Part-time employees and employees on parental leave also received the full amount, as did temporary employees.

For us, it goes without saying that there are no systematic differences in remuneration for comparable roles, particularly between female and male employees. In previous years, we comprehensively analyzed structural salary differences between men and women (gender pay gap) in Germany. With regard to the headquarters in Niestetal/Kassel, Germany, the results show a structural disadvantage for female employees, which is due to the fact that women tend to be employed in lower job categories. In addition, an adjusted gender pay gap was identified in some group companies in the reporting year. Further information is provided in the "Diversity & equal opportunities" section.

BENEFITS

In addition to fixed and performance-related remuneration components, our remuneration system includes various additional monetary and non-monetary benefits. When it comes to company benefits, we do not in principle differentiate between full-time and part-time employees or between employees with fixed-term and with permanent contracts. However, specific conditions and requirements may mean that certain groups of employees are excluded for factual reasons or that special financial benefits are reduced depending on working hours. Because they are not directly employed by the SMA Group, temporary employees can only profit from company benefits that do not require a direct employment relationship. The benefits offered may differ worldwide and be based on the needs of the individual national companies and on local norms.

In Germany, the benefits are regulated in employer/works council agreements. They include additional benefits such as special leave, lifelong working-time accounts, public transport subsidies (Deutschlandticket; Germany ticket), sick pay allowance, company pensions, death benefits and anniversary bonuses. We offer medical care components and company pension models globally based on the market standards and statutory requirements. For employees in Germany who have been working at the company for at least six months, the company pays a contribution of €50 a month to the company pension plan. Employees also have the option under a defined contribution pension scheme of transferring part of their salary to a direct insurance policy or a provident fund. We pay a financial contribution to the amount paid into a direct insurance policy. For every euro of deferred remuneration paid into the pension plan, employees receive a subsidy of 15%. Through framework agreements with insurance companies, employees at the German location also receive discounted offers for occupational disability cover and supplementary medical insurance. For periods of long-term sickness, employees in Germany receive an allowance to make up the difference between statutory sickness benefit and their net basic salary, for a period of 26 weeks starting from six months of company service and for a period of 52 weeks starting from ten years of company service. In 2022, we introduced an employer-subsidized phased retirement program to make the transition to retirement easier for employees working in lower job levels at the production site in Germany whose work involves intense physical activity. This was extended to a larger group of people in the reporting year and was made permanent.

To support the organization of everyday life between family and work, we offer employees of SMA Solar Technology AG various other company benefits that go beyond the statutory minimum. These include family-oriented services as part of our family service; fast and unbureaucratic emergency childcare, childcare during school vacations; first aid courses specifically for parents; a digital tutoring platform for employees' children; and additional child sick days granted above and beyond the statutory minimum standard. The options offered for flexible work organization, such as flexitime, flexible or mobile working, depend on the operational circumstances and can be individually tailored to the workplace and its content in consultation with the responsible executives.

In a global benefits analysis, we recorded our employees' satisfaction with the respective national company benefits from 2018 to 2020. Based on the analysis, we were able to uncover short-term needs for action and adjusted offered benefits accordingly. In addition, we derived long-term cornerstones for a global benefits strategy from the results. The benefits strategy is a tool for categorizing and prioritizing actual and potential company benefits. It is based on the employees' individual needs and life phases and embedded in the SMA Group's corporate and brand values. At the heart of the strategy are the needs of each individual employee. Based on this starting point, the benefits portfolio can be broken down into financial benefits, offers for promoting physical and mental health, support for a balanced lifestyle and possibilities of individual development paths. Existing benefits shall be adapted to the strategy and potential new benefits are evaluated and selected in line with the strategy. In this way, we want to ensure that employee needs permanently determine the focus of the company benefits. The benefits strategy was not rolled out further internationally in the reporting year due to the company-wide realignment of organizational structures. This is to be addressed again in 2024 in order to establish the described approach even more strongly within the SMA Group.

We do not currently offer participation in the company's capital (employee share ownership program). We have already started to consider concepts for a future global share ownership program. In the reporting year, the Managing Board decided not to pursue this any further for the time being.

Diversity & equal opportunities

→ Our objective: 26% women in the workforce as a whole

The SMA Group is committed to diversity and equal opportunities. We see the diversity of our employees as an asset to our company. In joining the "Diversity Charter" in 2011, we also undertook to create a work environment in which all employees have the same opportunities for development, regardless of gender, nationality, ethnic or social origin, creed or belief, disability, age, sexual orientation or identity.

We strive to integrate different cultures and strengthen collaboration between employees of different nationalities. The SMA Group employs people of 75 different nationalities in 20 countries. In addition to promoting international collaboration, the possibility of deployment to our international locations and intercultural training, in 2017, we started implementing a concept to integrate refugees into our vocational training program.

We truly believe that diversity enriches collaboration and plays an important role in the financial success of a company. As such, increasing the proportion of female employees within the workforce is a key element of our diversity strategy with a focus on gender diversity, which also includes all the company's executives. Among other things, the strategy aims to increase the proportion of female employees, excluding trainees and learners, within the SMA Group to 26% by 2025. We have set ourselves the target of further increasing the proportion of female employees to 30% by 2030. On December 31, 2023, 71.3% of employees of the SMA Group were male (December 31, 2022: 73.6%) and the proportion of women increased to 28.7% (December 31, 2022: 26.4%). This means that we again exceeded the target proportion of women set for 2025 in the reporting year. By setting and publishing our targets for the proportion of women in the workforce as a whole, we have been raising awareness on gender equality for recent years. In addition to the information campaign, keynote speeches and targeted and individual consultations also helped to raise awareness of the need for more (gender) diversity. The planned extension of our production site at the headquarters in Germany will result in a greater number of new recruitments in the production area. In this context too, we must continue to increase the proportion of women and always have our targets in mind.

To counteract structural differences between men and women, we have also set ourselves targets for the proportion of women in professional and executive positions. The aim is for women to account for 25% of professional roles and 19% of executive positions within the SMA Group by 2025, and 30% and 22% respectively by 2030. By focusing on the appointment of women to executive positions, we increased the proportion of women in these positions to 20.7% in the reporting year, meaning that the target for 2025 has already been achieved (2022: 18.0%).

We have postponed the finalization of a global Diversity & Inclusion strategy originally planned for the reporting year until next year. This allows us to incorporate the results of the materiality analysis performed in 2023 into our strategy development. The kick-off for the strategy development took place in the reporting year. Our next step is to derive areas of action based on the results of the materiality analysis, a detailed analysis of our corporate structures and previous diversity and inclusion measures, a benchmarking exercise and qualified interviews with a representative global group of participants. These form the basis for the Diversity & Inclusion objectives and the implementation and realization of measures effective over the long term.

In 2023, we continued to monitor and analyze possible salary differences between men and women within the SMA Group using the Diversity Reporter. We found a gender pay gap adjusted to job level at some levels. We have decided on various measures to avoid this in the future. This includes monitoring compliance with uniform and clear criteria for performance evaluation and awarding individual pay increases; raising awareness among

executives of possible biases; the targeted individual review of employees' salaries in the job levels where a pay gap has been identified for appropriateness and equal opportunities; as well as documenting the review and monitoring, supporting and validating the results of the pay adjustment process in the respective units by the Human Resources department. We have set ourselves the goal of verifying, validating and, where necessary, eliminating the adjusted gender pay gap by 2025.

In the reporting year, we achieved initial successes in eliminating the structural salary differences identified in 2022 (unadjusted gender pay gap) within SMA Solar Technology AG. The unadjusted gender pay gap was reduced to 9.3% in 2023 (2022: 12.1%). To continue this positive trend, we are striving to further increase the proportion of women, particularly at the higher structural levels, as described above.

We completed the global information campaign on gender diversity launched in the previous year in 2023 and informed all divisions about their individual status quo. Other measures in the reporting year include a women's empowerment learning trip; the ongoing advertising all job vacancies in the SMA Group as full-time and part-time positions and the further establishment and promotion of networks and dialogue formats to increase problem awareness and gender competence. In addition to the women's network Woman@SMA, this includes a self-organized queer network within the company that looks at issues pertaining to a queer-friendly work environment. As part of Pride Week, awareness-raising and information campaigns were held at the headquarters in Niestetal/Kassel, Germany, in collaboration with other regional companies. This included displaying flags on the parking garage and an open information event on the establishment of queer networks. The Diversity Tuesdays format was successfully continued. In this virtual event series, internal and external experts shared knowledge and ideas on aspects such as part-time management, people with disabilities in the world of work, neurodivergence and right-wing extremism. This format will be continued in 2024. Another focus topic was the prevention of discrimination. In this context, a training module on discrimination and sexual harassment was included into the mandatory Code of Conduct training for employees in the reporting year. To further strengthen the Diversity & Inclusion role and expand the initiatives, a supplement in the form of job sharing will be set up in 2024. This is to be launched as a pilot project and, if successful, will be further established in the organization to promote flexible working models.

Sustainability key figures of the SMA Group¹

TARGET-RELATED KEY FIGURES

Target	Unit	2022	2023	Target value	Target year	Comments
Environment & energy						
100% electricity from renewable energies ¹	%	97.5	100.0	100	2025	The target value for 2025 was reached in 2023 with the inclusion of green electricity certificates.
100% climate neutrality ²	%	95.1	96.8	100	2025	
50% less CO ₂ e emissions in kg/kW of inverter output produced ³	kg/kW	0.072	0.083	0.084	2025	The target value for 2025 has been achieved since 2020.
30% less product weight in kg/kW of inverter output produced	kg/kW	1.46	1.24	1.49	2025	The target value for 2025 has been achieved since 2020.
25% less waste per € million of sales ⁴	t/€ million	1.94	1.15	1.63	2025	The target value for 2025 was reached in 2023.
Product stewardship						
1.0% field failure rate	%	1.5	1.0	1.0	2025	The target value for 2025 was reached in 2023
Employees						
100% coverage of SMA Group companies by a risk and monitoring system for labor standards	%	38.0	54.5	100	2025	
Global lost time incident rate of ≤0.8 ⁵	LTIR	0.96	1.67	≤0.8	2025	
Review of 100% of workplaces in the operating areas at the headquarters for age-stability ⁶	%	72.8	62.9	100	2025	
70% age-stable workplaces in operating areas at the headquarters ⁷	%	73.9	76.3	70	2025	
26% women in the workforce as a whole	%	26.4	28.7	26	2025	The target value for 2025 was achieved in 2023.
25% women in professional positions	%	24.2	26.3	25	2025	The target value for 2025 was reached in 2023.
19% women in executive positions	%	18.0	20.7	19	2025	The target value for 2025 was reached in 2023.
Governance & ethical business						
Sustainability performance assessment covering 100% of suppliers ⁸	%	50.0	81.8	100	2025	

¹ Applies to SMA locations covering 400 m² or more

² Market-based approach, after offsets; includes electricity and heating at locations covering 400 m² or more

³ Applies to CO₂e emissions (Scope 1 and Scope 2) at the main site Niestetal/Kassel, Germany

⁴ Applies to operating divisions in Niestetal/Kassel, Germany

⁵ Applies to SMA locations covering 400 m² or more; average across all locations

⁶ The percentage in each case relates to the jobs that have to be assessed at the end of the respective fiscal year.

⁷ The percentage in each case relates to the jobs already assessed at the end of the respective fiscal year.

⁸ The percentage in each case relates to all A and B suppliers in place at the end of the respective fiscal year.

¹ For the scope of the sustainability key figures in the individual areas of action and aspects, please see the section "Reporting boundaries" at the beginning of the combined non-financial statement.

AREA OF ACTION: GOVERNANCE & ETHICAL BUSINESS

		2023	2022
Companies assessed for risks of corruption ¹	Number	22	20
Companies assessed for risks of corruption	%	100	95
Anti-corruption training	Employees ²	3,021	1,638
Anti-corruption training	%	60.0	39.8
Confirmed cases of corruption		0	0

¹ Companies of the SMA Group with active business operations

² Full-time and part-time employees including trainees and learners as well as temporary workers; the previous year's figures have been adjusted as the scope has also been extended to temporary employees.

AREA OF ACTION: PRODUCT STEWARDSHIP

		2023	2022
Research and development expenses	€ million	119.8	86.8
Research and development ratio in relation to sales	%	6.3	8.1

AREA OF ACTION: ENVIRONMENT & ENERGY¹

		2023	2022
General key figures			
Sales	€ million	1,904	1,066
Inverter output produced	MW	16,066	8,380
Total weight of inverters produced	t	19,863	11,706
Energy			
Electric power	GWh	21.90	20.78
District heating ¹	GWh	3.57	3.64
Natural gas	GWh	3.04	4.13
Diesel fuel	GWh	2.59	3.11
Gasoline	GWh	2.36	2.89
Other fuels	GWh	0.02	0.03
Total energy consumption	GWh	33.48	34.59
of which energy from renewable sources	GWh	26.68	20.93
of which energy from non-renewable sources	GWh	6.81	13.66
Energy intensity (Niestetal/Kassel location)	kWh/kW	1.62	3.14
Energy intensity SMA Group	kWh/kW	2.08	4.13
Climate protection² (greenhouse gas emissions in CO₂e)			
Scope 1	t	2,733.41	2,444.75
Scope 2	t	191.71	368.11
Scope 1 + Scope 2	t	2,925.12	2,812.86
Compensation	t	494.73	596.23
Greenhouse gas emissions Scope 1 + Scope 2 after compensation	t	2,430.39	2,216.62
Specific greenhouse gas emissions Scope 1 + Scope 2	t/€ million	1.28	2.08
Greenhouse gas emissions Scope 3 ³	t	1,087,972.67	618,070.35
Waste & recycling			
Hazardous waste	t	333.06	344.93
of which recycled	t	311.97	323.23
of which not recycled	t	21.09	21.69
Non-hazardous waste	t	2,571.28	2,070.75
of which recycled	t	2,292.55	1,876.86
of which not recycled	t	278.72	193.89
Total waste	t	2,904.34	2,415.67

¹ Includes 0.66 GWh of local heating generated from biogas in 2022 and 0.23 GWh in 2023

² CO₂e emissions according to market-based approach. Scope 2 emissions in accordance with the location-based approach amounted to 9,847.19 metric tons of CO₂e (2022: 9,667.94 metric tons of CO₂e).

³ The previous year's figure has been adjusted due to the increase in the level of detail of the analysis in the reporting year.

AREA OF ACTION: EMPLOYEES

		2023	2022
Employees SMA Group¹		4,377	3,635
female		1,256	979
male		3,121	2,656
Employees EMEA		3,897	3,218
Employees Americas		309	266
Employees APAC		171	151
Full-time employees		3,900	3,246
female		962	737
male		2,938	2,509
Part-time employees		477	389
female		294	243
male		183	146
Employees with permanent contracts		3,723	3,218
female		1,015	838
male		2,708	2,380
Employees with fixed-term contracts		654	417
female		241	141
male		413	276
Trainees		79	66
Learners ²		42	33
Temporary employees		658	479
Employee categories			
SMA Group executives			
female	%	20.7	18.0
male	%	79.3	82.0
General Managers/ Vice Presidents			
female	%	15.3	14.8
male	%	84.7	85.2
Directors			
female	%	17.2	14.3
male	%	82.8	85.7
Managing Board and Supervisory Board			
Managing Board			
female	%	50	50
male	%	50	50
Supervisory Board			
female	%	33.3	33.3
male	%	66.7	66.7

		2023	2022
Occupational safety		2023	2022
Work-related accidents resulting in at least one day of absence		54	26
Work-related accidents with high potential for a serious outcome		19	11
Serious work-related accidents		0	0
Fatal work-related accidents		0	0

¹ Including trainees, learners and auxiliary staff; the previous year's figures have been adjusted as 2022 was presented without trainees, learners and auxiliary staff.

² Learners = interns and employees working on a thesis; the previous year's figures have been adjusted as auxiliary staff were also included last year.

Key Performance Indicators EU Taxonomy

Sales

SMA activity	Code ¹	Absolute sales in €'000	Proportion of sales in %	Substantial contribution criteria		“Do no significant harm” (DNSH) criteria for further EU environmental objectives								Taxonomy aligned proportion of sales 2022 in %	Category enabling activity E/-	Category transitional activity T/-
				Climate change mitigation yes/no	Transition to a circular economy yes/no	Climate change mitigation yes/no	Climate change adaptation yes/no	Sustainable use and protection of water and marine resources yes/no	Transition to a circular economy yes/no	Pollution prevention and control yes/no	Protection and restoration of biodiversity and ecosystems yes/no	Minimum safeguards yes/no				
A. Taxonomy-eligible activities																
A.1 Environmentally sustainable activities (taxonomy-aligned)																
3.1 Manufacture of renewable energy technologies	CCM 3.1	661,938	34.8%	yes	no		yes	yes	yes	yes	yes	yes	29.8%	E	-	
7.6 Installation, maintenance and repair of renewable energy technologies	CCM 7.6	79,116	4.2%	yes	no		yes	yes	yes	yes	yes	yes	12.5%	E	-	
Turnover of environmentally sustainable activities (taxonomy-compliant) (A.1)		741,053	38.9%	38.9%	0.0%		yes	yes	yes	yes	yes	yes	42.3%			
of which enabling		741,053	100.0%	100.0%	0.0%		yes	yes	yes	yes	yes	yes	100.0%	E	-	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																

¹ The abbreviations used in this section mean: CCM = climate change mitigation; CE = transition to a circular economy

Sales

SMA activity	Code ¹	Absolute sales in €'000	Proportion of sales in %	Substantial contribution criteria		"Do no significant harm" (DNSH) criteria for further EU environmental objectives								Taxonomy aligned proportion of sales 2022 in %	Category enabling activity E/-	Category transitional activity T/-
				Climate change mitigation EL; N/EL	Transition to a circular economy EL; N/EL	Climate change mitigation	Climate change adaptation yes/no	Sustainable use and protection of water and marine resources yes/no	Transition to a circular economy yes/no	Pollution prevention and control yes/no	Protection and restoration of biodiversity and ecosystems yes/no	Minimum safeguards yes/no				
3.1 Manufacture of renewable energy technologies	CCM 3.1	596,932	31.4%	EL ²	N/EL ²								42.4%			
3.20 Manufacture of technical equipment ³	CCM 3.20	88,364	4.6%	EL	N/EL								n/a ³			
5.2 Sale of spare parts ³	CE 5.2	34,600	1.8%	N/EL	EL								n/a ³			
7.6 Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0	0.0%	EL	N/EL								0.0%			
Sales of taxonomy-compliant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2)																
		719,895	37.8%	36.0%	1.8%								42.4%			
Total (A.1 + A.2)		1,460,949	76.7%	74.9%	1.8%								84.7%			
B. Sales of taxonomy-non-eligible activities (B)																
Sales of non-environmentally sustainable activities		443,111	23.3%										15.3%			
Total (A+B)		1,904,060	100.0%										100.0%			

¹ The abbreviations used in this section mean: CCM = climate change mitigation; CE = transition to a circular economy

² EL = eligible; N/EL = non-eligible

³ This economic activity was not reported in the 2022 financial year as the EU Taxonomy Regulation on this economic activity was published in 2023.

CapEx

SMA activity	Code ¹	Absolute CapEx in €'000	Proportion of CapEx in %	Substantial contribution criteria		“Do no significant harm” (DNSH) criteria for further EU environmental objectives								Taxonomy aligned proportion of CapEx 2022 in %	Category enabling activity E/-	Category transitional activity T/-
				Climate change mitigation yes/no	Transition to a circular economy yes/no	Climate change mitigation yes/no	Climate change adaptation yes/no	Sustainable use and protec- tion of water and marine resources yes/no	Transition to a circular economy yes/no	Pollution prevention and control yes/no	Protection and restoration of biodiversity and ecosystems yes/no	Minimum safeguards yes/no				
A. Taxonomy-eligible activities																
A.1 Environmentally sustainable activities (taxonomy-aligned)																
3.1 Manufacture of renewable energy technologies	CCM 3.1	31,061	32.7%	yes	no	yes	yes	yes	yes	yes	yes	yes	27.1%	E	-	
7.6 Installation, maintenance and repair of renewable energy technologies	CCM 7.6	3,728	3.9%	yes	no	yes	yes	yes	yes	yes	yes	yes	4.4%	E	-	
CapEx of environmentally sustainable activities (taxonomy-compliant) (A.1)		34,789	36.6%	36.6%	0.0%	yes	yes	yes	yes	yes	yes	yes	31.5%			
of which enabling		34,789	100.0%	100.0%	0.0%	yes	yes	yes	yes	yes	yes	yes	100.0%	E	-	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																

¹ The abbreviations used in this section mean: CCM = climate change mitigation; CE = transition to a circular economy

CapEx

SMA activity	Code ¹	Absolute CapEx in €'000	Proportion of CapEx in %	Substantial contribution criteria		"Do no significant harm" (DNSH) criteria for further EU environmental objectives								Taxonomy aligned proportion of CapEx 2022 in %	Category enabling activity E/-	Category transitional activity T/-
				Climate change mitigation	Transition to a circular economy	Climate change mitigation	Climate change adaptation	Sustainable use and protec- tion of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards				
				EL; N/EL	EL; N/EL		yes/no	yes/no	yes/no	yes/no	yes/no	yes/no				
3.1 Manufacture of renewable energy technologies	CCM 3.1	52,052	54.7%	EL ²	N/EL ²								63.6%			
3.20 Manufacture of technical equipment ³	CCM 3.20	2,707	2.8%	EL	N/EL								n/a ³			
5.2 Sale of spare parts ³	CE 5.2	965	1.0%	N/EL	EL								n/a ³			
7.6 Installation, mainte- nance and repair of rene- wable energy technologies	CCM 7.6	325	0.3%	EL	N/EL								0.0%			
CapEx of taxonomy- compliant but not envi- ronmentally sustainable activities (non-taxo- nomy-compliant activi- ties) (A.2)		56,049	58.9%	57.9%	1.0%								63.6%			
Total (A.1 + A.2)		90,838	95.5%	94.5%	1.0%								95.1%			
B. Taxonomy-non- eligible activities																
CapEx from non-envi- ronmentally sustainable activities		4,291	4.5%										4.9%			
Total (A+B)		95,129	100.0%										100.0%			

¹ The abbreviations used in this section mean: CCM = climate change mitigation; CE = transition to a circular economy

² EL = eligible; N/EL = non-eligible

³ This economic activity was not reported in the 2022 financial year as the EU Taxonomy Regulation on this economic activity was published in 2023.

OpEx

SMA activity	Code ¹	Absolute OpEx in €'000	Proportion of OpEx in %	Substantial contribution criteria		“Do no significant harm” (DNSH) criteria for further EU environmental objectives								Minimum safeguards yes/no	Taxonomy aligned proportion of OpEx 2022 in %	Category enabling activity E/-	Category transitional activity T/-
				Climate change mitigation yes/no	Transition to a circular economy yes/no	Climate change mitigation yes/no	Climate change adaptation yes/no	Sustainable use and protection of water and marine resources yes/no	Transition to a circular economy yes/no	Pollution prevention and control yes/no	Protection and restoration of biodiversity and ecosystems yes/no						
A. Taxonomy-eligible activities																	
A.1 Environmentally sustainable activities (taxonomy-aligned)																	
3.1 Manufacture of renewable energy technologies	CCM 3.1	24,703	36.6%	yes	no	yes	yes	yes	yes	yes	yes	yes	yes	29.7%	E	-	
7.6 Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1,700	2.5%	yes	no	yes	yes	yes	yes	yes	yes	yes	yes	3.4%	E	-	
OpEx of environmentally sustainable activities (taxonomy-compliant) (A.1)		26,403	39.1%	39.1%	0.0%	yes	yes	yes	yes	yes	yes	yes	yes	3.4%			
of which enabling		26,403	100.0%	100.0%	0.0%	yes	yes	yes	yes	yes	yes	yes	yes	35.1%	E	-	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																	

¹ The abbreviations used in this section mean: CCM = climate change mitigation; CE = transition to a circular economy

OpEx

SMA activity	Code ¹	Absolute OpEx in €'000	Proportion of OpEx in %	Substantial contribution criteria		"Do no significant harm" (DNSH) criteria for further EU environmental objectives								Taxonomy aligned proportion of OpEx 2022 in %	Category enabling activity E/-	Category transitional activity T/-
				Climate change mitigation EL; N/EL	Transition to a circular economy EL; N/EL	Climate change mitigation	Climate change adaptation yes/no	Sustainable use and protection of water and marine resources yes/no	Transition to a circular economy yes/no	Pollution prevention and control yes/no	Protection and restoration of biodiversity and ecosystems yes/no	Minimum safeguards yes/no				
3.1 Manufacture of renewable energy technologies	CCM 3.1	38,374	56.8%	EL ²	N/EL ²								61.5%			
3.20 Manufacture of technical equipment ³	CCM 3.20	1,219	1.8%	EL	N/EL								n/a ³			
5.2 Sale of spare parts ³	CE 5.2	278	0.4%	N/EL	EL								n/a ³			
7.6 Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0	0.0%	EL	N/EL								0.0%			
OpEx of taxonomy-compliant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2)																
		39,871	59.1%	58.7%	0.4%								61.5%			
Total (A.1 + A.2)		66,273	98.2%										96.6%			
B. Taxonomy-non-eligible activities																
OpEx from non-environmentally sustainable activities		1,246	1.8%										3.4%			
Total (A+B)		67,520	100.0%										100.0%			

¹ The abbreviations used in this section mean: CCM = climate change mitigation; CE = transition to a circular economy

² EL = eligible; N/EL = non-eligible

³ This economic activity was not reported in the 2022 financial year as the EU Taxonomy Regulation on this economic activity was published in 2023.

GRI Index

Statement of use: SMA Solar Technology AG has reported the information cited in this GRI content index for the period from January 1, 2023, to December 31, 2023, with reference to the GRI Standards.

GRI 1 used: GRI 1: Foundation 2021

GRI Standard		Page	GRI Standard		Page
GRI 2: General Disclosures 2021			GRI 201: Economic Performance 2016		
2-1	Organizational details	14 et seq., 127	201-2	Financial implications and other risks and opportunities due to climate change	106 et seq.
2-2	Entities included in the organization's sustainability reporting	26, 127	GRI 202: Market Presence 2016		
2-3	Reporting period, frequency and contact point	26, 191	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	60 et seq.
2-4	Restatements of information	29, 37 et seq., 41, 43, 48, 57, 65, 66, 68 et seq.	GRI 203: Indirect economic impacts 2016		
2-5	External assurance	9, 27, 163, 172 et seq.	203-2	Significant indirect economic impacts	49
2-6	Activities, value chain and other business relationships	14 et seq., 42 et seq.	GRI 205: Anti-corruption 2016		
2-7	Employees	57, 66	205-1	Operations assessed for risks related to corruption	41, 65
2-8	Workers who are not employees	57, 66	205-2	Communication and training about anti-corruption policies and procedures	41, 65
2-9	Governance structure and composition	116 et seq.	GRI 301: Materials 2016		
2-12	Role of the highest governance body in overseeing the management of impacts	8, 33, 116 et seq.	301-1	Materials used by weight or volume	50, 64, 65
2-13	Delegation of responsibility for managing impacts	33 et seq.	GRI 302: Energy 2016		
2-14	Role of the highest governance body in sustainability reporting	8 et seq., 26	302-1	Energy consumption within the organization	45, 65
2-18	Evaluation of the performance of the highest governance body	117 et seq., 175 et seq.	302-3	Energy intensity	45, 65
2-19	Remuneration policies	175 et seq.	302-4	Reduction of energy consumption	46 et seq., 65
2-20	Process to determine remuneration	175 et seq.	GRI 305: Emissions 2016		
2-21	Annual total compensation ratio	61, 182	305-1	Direct (Scope 1) GHG emissions	47, 65
2-22	Statement on sustainable development strategy	33 et seq., 47	305-2	Energy indirect (Scope 2) GHG emissions	47, 65
2-23	Policy commitments	27, 33 et seq., 42	305-3	Other indirect (Scope 3) GHG emissions	48, 65
2-24	Embedding policy commitments	33 et seq., 40 et seq.	305-4	GHG emissions intensity	47 et seq., 65
2-25	Processes to remediate negative impacts	29 et seq., 40 et seq., 58	305-5	Reduction of GHG emissions	47 et seq., 65
2-26	Mechanisms for seeking advice and raising concerns	40, 43, 58	GRI 306: Waste 2020		
2-27	Compliance with laws and regulations	40 et seq., 44 et seq., 50 et seq., 56, 58, 65	306-1	Waste generation and significant waste-related impacts	51 et seq., 65
2-28	Membership associations	31 et seq.	306-2	Management of significant waste-related impacts	51 et seq., 64, 65
2-29	Approach to stakeholder engagement	29 et seq.	306-3	Waste generated	51 et seq., 65
2-30	Collective bargaining agreements	60	306-4	Waste diverted from disposal	51 et seq., 65
GRI 3: Material Topics 2021			306-5	Waste directed to disposal	51 et seq., 65
3-1	Process to determine material topics	27 et seq.	GRI 308: Supplier environmental assessment 2016		
3-2	List of material topics	28 et seq.	308-1	New suppliers that were screened using environmental criteria	43, 64
3-3	Management of material topics	27 et seq., 34, 44, 52 et seq., 56, 58 et seq.	GRI 401: Employment 2016		
			401-1	New employee hires and employee turnover	57
			401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	61 et seq.

GRI Standard	Page
GRI 403: Occupational health and safety 2018	
403-1 Occupational health and safety management system	58
403-2 Hazard identification, risk assessment, and incident investigation	58 et seq.
403-3 Occupational health services	60
403-4 Worker participation, consultation, and communication on occupational health and safety	59
403-5 Worker training on occupational health and safety	59
403-6 Promotion of worker health	60
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42 et seq.
403-8 Workers covered by occupational health and safety management system	58
403-9 Work-related injuries	59, 66
GRI 404: Training and education 2016	
404-2 Programs for upgrading employee skills and transition assistance programs	30
404-3 Percentage of employees receiving regular performance and career development reviews	30
GRI 405: Diversity and equal opportunity 2016	
405-1 Diversity of governance bodies and employees	62 et seq., 64, 66, 116 et seq., 118 et seq.
GRI 407: Freedom of association and collective bargaining 2016	
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	33, 37, 42 et seq., 56, 58, 60 et seq.
GRI 409: Forced or compulsory labor 2016	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	26, 33, 42 et seq., 58
GRI 414: Supplier social assessment 2016	
414-1 New suppliers that were screened using social criteria	43, 64
414-2 Negative social impacts in the supply chain and actions taken	26, 42 et seq.
GRI 416: Customer health and safety 2016	
416-1 Assessment of the health and safety impacts of product and service categories	53
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	53

SDG Index

Overview of topics relevant to SDGs

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16.5	Integrity & compliance	40 et seq., 65
7.1, 7.2	Sustainable energy use	45 et seq., 64, 65
7.3, 12.2, 13.2	Climate protection	47 et seq., 64, 65
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4.3, 5.1, 5.5, 8.5, 10.2, 10.3	Diversity & equal opportunities	62 et seq., 64, 66

FISCAL YEAR 2023

General economic conditions and economic conditions in the sector

General economic conditions

Despite renewed geopolitical uncertainties, along with high inflation and interest rates, global economic activity proved robust in the second half of 2023 due to positive demand and supply factors. In the major national economies, economic activity was supported on the demand side by rising consumer and government spending. On the supply side, higher employment, intact supply chains, and lower energy and raw material prices contributed to the recovery.

According to the International Monetary Fund (IMF), global economic growth, however, fell from 3.4% in 2022 to 3.1% in 2023.

Economic output in industrialized countries increased by only 1.6% in 2023, after growing by 2.7% in the previous year. The eurozone recorded a decline to 0.5% (2022: 3.5%). In 2023, the German economy decreased by 0.3% year on year (2022: 1.9%). In the U.S., by contrast, gross domestic product rose by 2.5% (2022: 2.0%). As stated by the IMF, the economic output of developing and newly industrialized countries rose by 4.1% in the reporting period (2022: 3.9%).

Economic conditions in the sector¹

Photovoltaics is now one of the most cost-effective energy sources in most regions. 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 from a purely commercial point of view. 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 CONTINUES TO GROW

Based on newly installed PV power of around 368 GW to 374 GW (2022: 212 GW), according to SMA's estimates, the global photovoltaic market was again clearly above the previous year's level in 2023. (The installation figures do not include retrofitting of existing PV systems with new inverters or battery inverter technology.) SMA estimates that global PV inverter technology sales, including inverter retrofitting and battery inverter technology, increased to approximately €15.7 billion to €16.9 billion in 2023 (2022: €10.9 billion).

In the photovoltaic markets in Europe, the Middle East and Africa (EMEA), SMA estimates that inverter technology sales were significantly higher than in the previous year at around €4.8 billion to €5.2 billion (2022: €3.9 billion). The share of the EMEA region in global sales fell to 31% (2022: 35%). SMA estimates that system technology for storage applications and the retrofitting of existing PV systems accounted for a significant portion of sales in the EMEA region at approximately 13%. According to SMA estimates, investments in North and South America (Americas) also grew to about €3.8 billion to €4.2 billion (2022: €3.1 billion).

¹ The estimated values (as of February 5, 2024) in the following section are not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and therefore not a subject of the financial audit.

The region thus accounted for around 24% of global inverter technology sales (2022: 29%). The Chinese PV market recorded an extremely strong increase. SMA estimates that, with an investment volume of approximately €5.5 billion, China accounted for around 34% of global sales in the reporting period (2022: €2.4 billion; 22%). According to SMA estimates, the Asia-Pacific photovoltaic markets (excluding China) were slightly up year on year with sales of around €1.6 billion to €2.0 billion, accounting for around 11% of the global market (2022: €1.5 billion; 14%).

EMEA: GERMANY IS MOST IMPORTANT MARKET AGAIN

In the EMEA (Europe, Middle East and Africa) region, SMA estimates that newly installed PV power was clearly above previous year's level with approximately 66 GW to 68 GW in 2023 (2022: 51 GW). Germany grew above average in 2023 and, as in the previous year, was one of the most significant markets in Europe with more than 14 GW of newly registered PV power (2022: 7.2 GW). Almost all other European countries also recorded an increase in newly installed PV power in 2023.

AMERICAS: U.S. MARKET WEAKER THAN IN PREVIOUS YEAR

According to SMA estimates, newly installed PV power in the North and South American (Americas) region came to a total of approximately 51 GW to 53 GW in the reporting period (2022: 37 GW). While the market for residential, commercial and industrial systems grew by 12% in this region, installations of ground-based PV systems saw particularly strong growth of around 70%. The U.S. market, which accounts for roughly 60% of the Americas region, installed 31 GW to 33 GW in the reporting period (2022: 21.2 GW).

APAC: STRONG GROWTH IN INDIA

According to SMA estimates, new PV installations in the Asia-Pacific region (APAC), excluding China, remained at the previous year's level at around 34 GW to 36 GW (2022: 36 GW). The China region displayed extraordinary growth again, installing 217 GW (2022: 88 GW). Among the PV markets in the APAC region (excluding China), Australia posted growth in new PV installations to 5 GW (2022: 3.7 GW). By contrast, with 10.0 GW, India installed less in 2023 than in the previous year (2022: 13.7 GW). This was attributable to a lower rate of installations of ground-based PV systems.

Results of operations

Sales and earnings

SIGNIFICANT INCREASE IN SALES AND PROFITABILITY IN ALL SEGMENTS

The SMA Group's sales increased by 78.6% to €1,904.1 million in the reporting period (2022: €1,065.9 million). The significant year-on-year increase in sales reflects the strong demand for SMA products and the improved delivery situation since the beginning of the year. Accordingly, all three segments increased sales, which also resulted in positive EBIT in each of the three segments. In the reporting period, the SMA Group sold solar inverters with a cumulative capacity of 20,454 MW. The output sold was thus more than 65 percent higher than in the previous year (2022: 12,225 MW).

The SMA Group is well positioned internationally and generates sales in all relevant regions. In the reporting period, 68.6% of external sales calculated before sales deductions were generated in Europe, the Middle East and Africa (EMEA), 24.6% in the North and South America (Americas) region and 6.8% in the Asia-Pacific (APAC) region (2022: 63.4% EMEA, 23.9% Americas, 12.7% APAC). The main markets for the SMA Group in the reporting period were Germany, the U.S., Italy and Great Britain.

The Large Scale & Project Solutions segment again made the largest contribution to sales in 2022, accounting for 44.4% (2022: 41.4%). The Home Solutions segment generated 30.5% of the SMA Group's sales, while the Commercial & Industrial Solutions segment generated 25.1% (2022: 31.4% Home Solutions, 27.2% C&I Solutions).

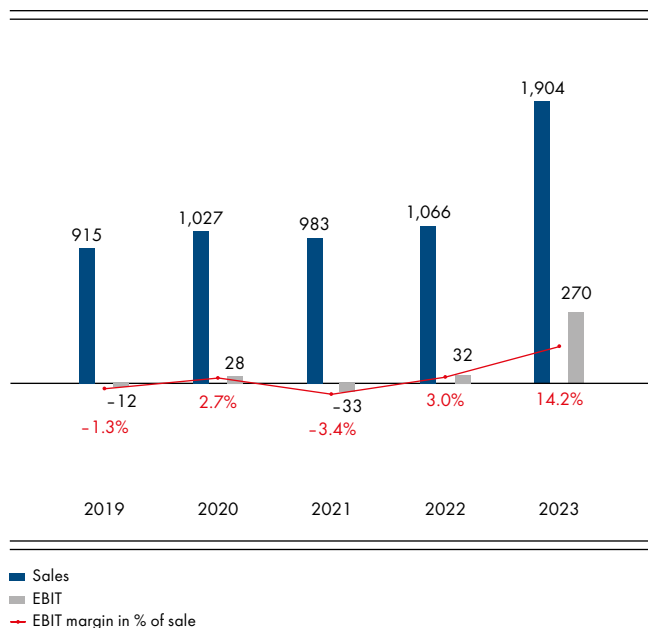
At €1,705.0 million, the order backlog as of December 31, 2023, remains at a high level, well above the level before the coronavirus crisis, but, as expected, below the order backlog at the end of the previous year (December 31, 2022: €2,077.4 million). Incoming orders declined as anticipated in the second half of the year compared to the first two quarters of 2023, as the majority of orders in the Home Solutions and Commercial & Industrial Solutions segments had already been placed by the end of the first quarter. Thanks to improved delivery capacity and good production capacity utilization, the order backlog was also continuously reduced. Of this amount, €1,329.8 million was attributable to the

product business (December 31, 2022: €1,700.7 million), while the order backlog attributable to the service business remained almost unchanged at €375.2 million (December 31, 2022: €376.7 million). The order backlog in the service business is realized in particular from extended warranties against payment over a period of five to ten years.

In the 2023 fiscal year, earnings before interest, income taxes, depreciation and amortization of property, plant and equipment and amortization of intangible assets (EBITDA) increased to €311.0 million (EBITDA margin: 16.3%; 2022: €70.0 million; 6.6%). Earnings before interest and income taxes (EBIT) came to €269.5 million (2022: €31.9 million). The increase in profitability is due chiefly to sales growth as a result of improved material supply and strong demand for SMA products along with the associated fixed cost degression effects in production and a favorable product mix. The EBIT margin accordingly rose to 14.2% (2022: 3.0%). Net income was €225.7 million (2022: €55.8 million), earnings per share could thus be increased to €6.50 (2022: €1.61).

Sales and EBIT

in € million



Sales and earnings per segment

HOME SOLUTIONS SEGMENT MAKES THE LARGEST CONTRIBUTION TO EARNINGS

In the **Home Solutions** segment, the SMA Group offers integrated solar energy solutions for private PV systems worldwide. The new SMA Home Energy Solution comprises systems for the generation, storage and management of solar energy as well as for heating or charging purposes. The system is supplemented by various components such as hybrid inverters, battery storage systems, heat pump connections, wall boxes and an AI-based intelligent energy management system. The ennexOS energy management platform interconnects the various energy sectors and provides the basis for linking the sectors, thus enabling maximum efficiency and functionality. Taking comprehensive data protection standards into account, the system can be adapted to individual customer needs thanks to its modular design. Further innovations and solutions were unveiled in the 2023 fiscal year under the new “I love the sun” slogan. In addition to the single-phase Sunny Boy Smart Energy inverter and the modular SMA Home Storage battery, the Home Solutions segment is delivering the next generation of the Wallbox Home EV Charger with the eCharger. The Sunny Boy Smart Energy is a hybrid two-in-one PV and battery inverter that is compatible with the new SMA Home Storage battery and other HV batteries from leading brands. The SMA Home Storage battery is designed for use in and adaptation to various applications. If required, its capacity can be expanded anytime. The Sunny Home Manager 2.0, the SMA energy manager for homeowners, has recorded considerable growth since its launch with over 300,000 units (more than half of those in 2023) sold. This success underlines the growing importance of intelligent energy management, which also enables the integration of heat pump connections. SMA serves key photovoltaic markets worldwide (excluding China) and, in addition to hardware, offers communication products, accessories, warranties, spare parts and modernization services (repowering) to increase system performance and service life. Digital energy services round off the extensive offering.

External sales in the Home Solutions segment were up significantly by 73.2% year on year at €580.2 million in 2023 (2022: €335.0 million). Its share of the SMA Group's total sales was 30.5% (2022: 31.4%). At 96.9% (2022: 86.7%), the EMEA region accounted for the noticeably largest share of gross sales in the Home Solutions segment. 2.0% were attributable to the Americas region (2022: 8.3%) and 1.1% to the APAC region (2022: 5.0%).

Operating earnings before interest and taxes (EBIT) in the Home Solutions segment improved to €148.0 million (2022: €53.8 million) due to the increase in sales driven by the improved delivery situation and a higher-margin product mix. In relation to external sales, the EBIT margin was at a high level of 25.5% (2022: 16.1%). In the previous year, segment earnings included 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 the reporting period, the effects of the improved quality parameters and the significant increase in volumes sold almost balanced each other out.

COMMERCIAL & INDUSTRIAL SOLUTIONS SEGMENT CONTINUES POSITIVE SALES AND EARNINGS TREND

In the **Commercial & Industrial Solutions segment**, the focus is on global markets for commercial PV systems with and without energy management, battery storage and electric vehicle charging solutions. The SMA Commercial Energy Solution, featuring ideally matched hardware, software, tools and services, gives commercial enterprises and the real estate industry the option of producing, storing and selling solar power themselves, organizing their companies' energy flows in a transparent and cost-efficient way as well as charging and managing electric vehicle fleets efficiently and sustainably. The solutions comprise the three-phase string inverters of the Sunny Tripower product family with outputs of 12 kW and up to 110 kW, storage solutions for the commercial sector and island applications in the Sunny Tripower Storage and Sunny Island product families as well as holistic energy management solutions for commercial integrated energy. Solutions for charging management and billing of electric vehicle fleets on the basis of the ennexOS platform were implemented by the Commercial & Industrial Solution segment together with the subsidiary company coneve. As an SaaS provider for intelligent energy management, coneve connects all energy-related sectors, optimizing energy flows and making them transparent. The product offering in this segment is rounded off by integrated services and digital services along the product life cycle, starting with the planning of a custom energy solution and including the commissioning of the systems and operational system management right through to system repowering and expansion.

External sales in the Commercial & Industrial Solutions segment rose by 65.0% year on year to €478.9 million in 2023 (2022: €290.3 million). The positive development in the supply of electronic components, particularly in the increase in sales in the fourth quarter, also made an impact in this respect. Its share of the SMA Group's total sales was 25.1% in the reporting period (2022: 27.2%). 80.8% of gross sales were attributable to the EMEA region, 11.7% to the Americas region and 7.5% to the APAC region (2022: 79.4% EMEA, 11.5% Americas, 9.1% APAC).

Earnings before interest and taxes (EBIT) improved to €22.7 million in the reporting period (2022: –€26.0 million) as a result of higher sales and the resulting improvement in production capacity utilization. In relation to external sales, the EBIT margin was 4.7% (2022: –9.0%). In the previous year, segment earnings included 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 the reporting period, the effects of the improved quality parameters and the significant increase in volumes sold almost balanced each other out.

LARGE SCALE & PROJECT SOLUTIONS SEGMENT POSTS STRONGEST SALES GROWTH

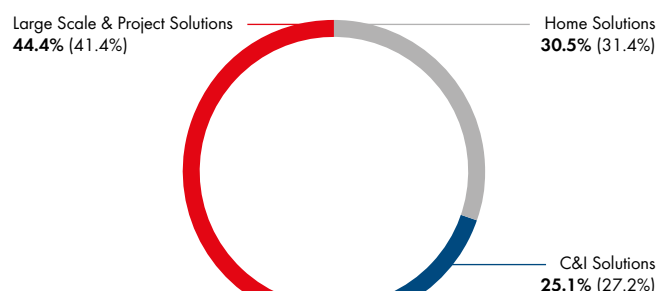
The **Large Scale & Project Solutions** segment offers products, systems and solutions for industrial solar, storage and hydrogen projects as well as for the conversion of utility grids to a higher proportion of renewable energy. These are complete solutions including turnkey medium-voltage stations for international markets that perform optimal grid service and monitoring functions on the basis of central and string inverters and system controllers. The offering is complemented by services such as repowering, engineering services, operation and maintenance as well as customized solutions for individual customer requirements. Grid stability and grid reliability are becoming increasingly important as the energy mix is transitioned from conventional to renewable energies. The Large Scale & Project Solutions segment is addressing these challenges with grid-forming solutions in combination with large-scale storage systems. These systems enable numerous additional services, such as energy arbitrage, black starts, frequency control, inertia, stability services and system restoration.

External sales in the Large Scale & Project Solutions segment were up by 91.8% year on year at €845.0 million in the reporting period (2022: €440.6 million). Its share of the SMA Group's total sales was 44.4% (2022: 41.4%). The Large Scale & Project Solutions segment thus again accounted for the largest share of the SMA Group's total sales. The Americas region accounted for 48.6% (2022: 45.3%) of the segment's gross sales, the APAC region for 10.5% (2022: 21.5%) and the EMEA region for 40.9% (2022: 33.2%).

Earnings before interest and taxes (EBIT) in the Large Scale & Project Solutions segment amounted to €103.8 million (2022: –€13.5 million). The significant increase in sales led to improved production capacity utilization with associated fixed cost degression. In addition, the receipt of compensation payments in the mid single-digit million range as a result of customer contract cancellations contributed to the increased profitability. This segment included an increase in provisions in the low, double-digit million amount as a result of the increased sales volume as well as the recognition of updated quality parameters and the adjustment of the forecast repair flat rates as part of the regular remeasurement of warranty provisions for products already sold as of the balance sheet date. In relation to external sales, the EBIT margin was 12.3% (2022: –3.1%).

Sales by segments ¹

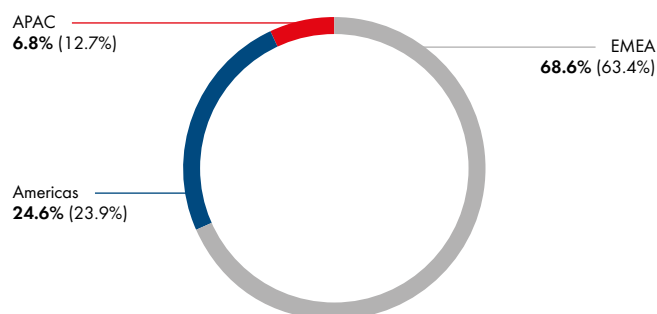
in %



¹ Gross sales before sales deductions (previous year's figures in parentheses)

Sales by regions ¹

in %



¹ Gross sales before sales deductions (previous year's figures in parentheses)

Development of significant income statement items

GROWTH TRAJECTORY REFLECTED IN ALL AREAS

The cost of sales rose well above the previous year's level to €1,344.7 million (2022: €841.7 million) due to the significant increase in sales. The gross margin was well above the previous year's level at 29.4% (2022: 21.0%), improving in particular as a result of the strong growth in sales and the resulting positive capacity utilization effects with regard to fixed cost coverage in production.

Personnel expenses included in cost of sales increased by 26.8% year on year to €171.0 million (2022: €134.9 million). In addition to the expansion of the workforce as part of the strategic alignment, general pay increases and higher variable, performance-related remuneration had an impact here. Due to the increased sales volume and higher procurement prices, material expenses rose to €1,061.2 million (2022: €642.9 million). The SMA Group is continuously working on the product portfolio in all segments to tackle price pressure by optimizing the cost of existing products and introducing new and less expensive products.

Depreciation and amortization included in the cost of sales amounted to €34.7 million in 2023 (2022: €32.3 million). This includes scheduled depreciation on capitalized development costs of €9.7 million (2022: €6.9 million). Other costs increased by 146.6% year on year to €77.9 million (2022: €31.6 million). Along with the increase in additions to warranty provisions which were offset by a reversal of these provisions in all segments last year, the rise in costs for external operating services and external personnel as a result of the increase in sales was particularly noticeable. Freight and energy costs have also risen as a result of the general price trend.

Selling expenses rose to €127.3 million in 2023 (2022: €102.2 million). In addition to the expansion of the workforce as part of the strategic alignment, general pay increases and higher variable, performance-related remuneration had an impact here. The rise in sales is also accompanied by an increase in travel, marketing and advertising costs. The cost of sales ratio was 6.7% in the reporting period (2022: 9.6%).

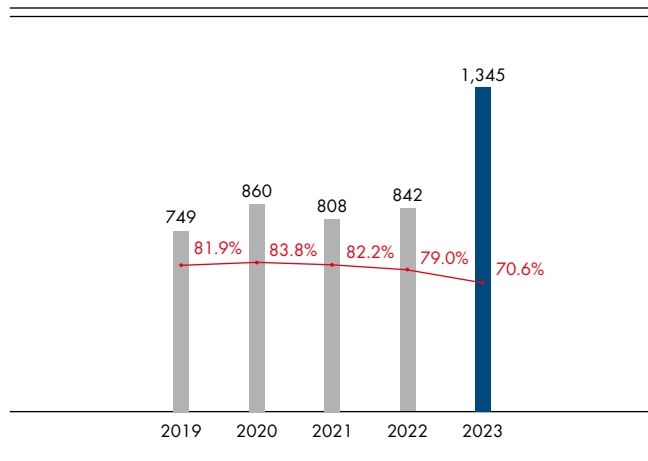
Research and development expenses after deducting capitalized development costs amounted to €78.6 million in the fiscal year (2022: €51.6 million). In addition to the expansion of the workforce as part of the strategic alignment, general pay increases and higher variable, performance-related remuneration had an impact here. The costs for external service providers and external personnel as well as the costs from intra-group allocations also rose. Total research and development expenses, including capitalized development projects, amounted to €119.8 million (2022: €86.8 million). The increase in capitalized development projects is mainly due to the fact that, instead of individual products, segment-specific platforms have been developed since 2018, which were at an advanced stage of development in the reporting period. The research and development cost ratio came to 6.3% in the 2023 fiscal year (2022: 8.1%).

General administrative expenses increased to €81.7 million in 2023 (2022: €64.0 million). In addition to the expansion of the workforce as part of the strategic alignment, general pay increases and higher variable, performance-related remuneration had an impact here. The costs for external service providers and external personnel as well as the costs from internal service allocations also rose. The ratio of administrative expenses amounted to 4.3% in the reporting period (2022: 6.0%).

The balance of other operating income and expenses resulted in a slightly negative effect on earnings of –€2.3 million in the reporting period (2022: €25.4 million). Income of €25.9 million (2022: €28.6 million) and expenses of €24.0 million (2022: €37.9 million) from foreign currency valuation and hedging are included. This also comprises expenses and revenue from the rental of own buildings, for financial 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. The previous year's figure was positively impacted by the sale of two administrative buildings, including land and associated PV systems, to an investor. In the previous year, this resulted in proceeds from the sale of €23.2 million after deduction of all costs.

Cost of sales

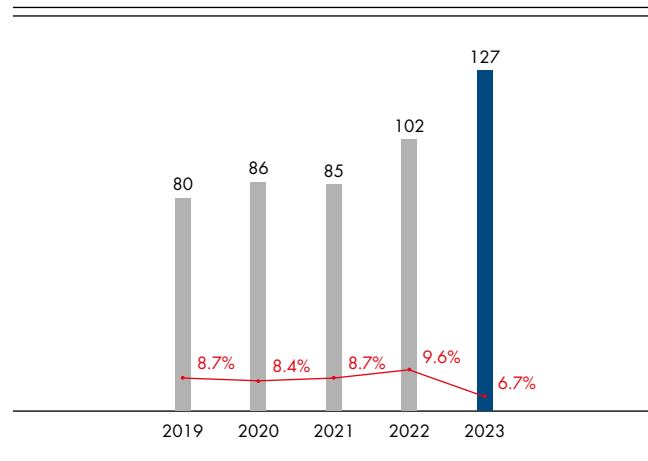
in € million



→ Ratio in % of sales

Selling expenses

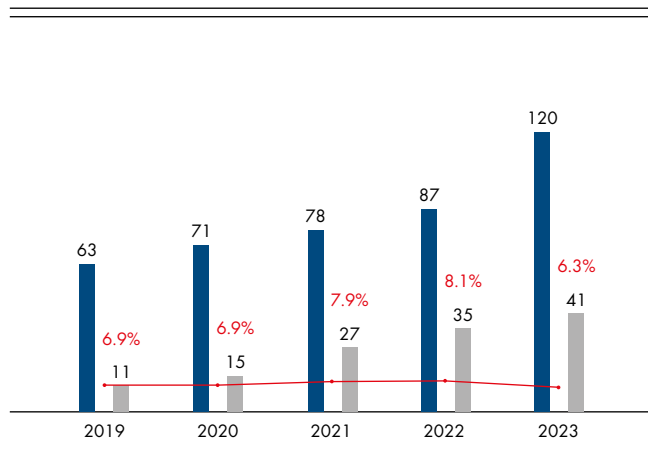
in € million



→ Ratio in % of sales

Research and development expenses

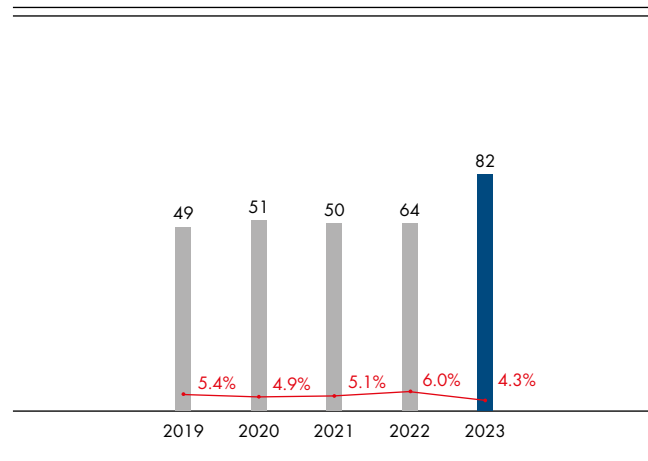
in € million



■ Research and development expenses
 ■ of which capitalized development projects
 → Ratio in % of sales

Administrative expenses

in € million



→ Ratio in % of sales

FINANCIAL RESULT AND TAXES

The financial result amounted to €1.0 million in 2023 (2022: €3.0 million), mainly due to the changed interest rate environment. In the previous year, a mid-positive single-digit million amount was realized from discounting effects on provisions, which was offset by an insignificant negative effect in the reporting period. In the current reporting period, increased interest income from bank balances was realized and the devaluation of financial instruments measured at fair value decreased compared to the same period of the previous year.

The change in income taxes is mainly due to the reduction in temporary differences, with deferred tax assets falling by €6.9 million year on year.

Multi-period overview of results of operations

in %	2023	2022	2021	2020	2019
EBIT margin	14.2	3.0	-3.4	2.7	-1.3
EBITDA margin	16.3	6.6	0.9	7.0	3.7
EBT margin (return on sales)	14.2	3.3	-3.4	2.6	-1.2
Return on equity after taxes	39.3	12.8	-5.5	6.6	-2.1
Return on assets (after taxes)	16.5	5.2	-2.2	2.6	-0.8

Financial position

Principles and objectives of financial management

The group's holdings of cash and cash equivalents are managed and invested centrally by Global Treasury. The decision is based not only on returns but also on the credit rating of the bank partner. In the case of supplier credits granted, counterparty risk is monitored continuously. The decision is primarily based on the customer's payment practices and financial circumstances. To cover potential payment defaults, the SMA Group has also taken out commercial credit insurance.

We systematically recognize market risks – above all currency risks – that might jeopardize the operating results and preclude such risks through hedging operations, provided this is economically expedient.

Financing analysis

In 2023, the SMA Group agreed upon a new long-term credit line of €380 million with six domestic banks. At the end of 2023, 7.8% of the credit line had been utilized in the form of guarantee credits. There were also further credit lines of around €74.8 million, 93.0% of which were utilized in the form of guarantee credits. In total, the SMA Group has credit lines of around €454.8 million, with a utilization rate of 21.7%.

Financial liabilities increased by €8.2 million from €23.7 million as of the end of 2022 to €31.9 million as of the end of 2023. This change is due to obligations from a sale and leaseback contract in connection with the sale of a property. There is a buy-back option for the property after the end of the lease, which is expected to begin in the second half of 2024. IFRS 16 lease liabilities rose by €1.8 million.

Liquidity analysis

GROSS CASH FLOW FOLLOWS THE EARNINGS TREND

Gross cash flow reflects operating income prior to commitment of funds. It rose to €332.6 million in the 2023 fiscal year (December 31, 2022: €32.6 million) in line with the increase in sales and earnings.

In the reporting year, net cash flow from operating activities was €140.8 million (2022: €28.7 million). The SMA Group also increased its investments in inventories during the 2023 fiscal year in order to guarantee delivery capacity for expected and already agreed customer projects. The development of liabilities from advance payments received is also related to this. Compared with the previous year, these increased by €50.3 million.

Inventories rose by 81.1% compared to the previous year, amounting to €559.1 million at the end of the 2023 fiscal year (December 31, 2022: €308.7 million). Strategic stockpiling ensures delivery capability for the forecasted sales development. The balance of trade payables increased by €170.3 million as a result. Together with the increase in trade receivables of €123.9 million due to the high level of sales, this led to a rise in net working capital by €153.6 million to €392.1 million (December 31, 2022: €238.5 million). The working capital ratio in relation to sales over the past 12 months dropped to 20.6% (December 31, 2022: 22.4%) and was therefore within the range of 19% to 23% forecasted by the Managing Board.

Net cash flow from investing activities amounted to –€86.0 million in the reporting period after €42.5 million in the previous year. In the previous year, it included cash inflows from the sale of buildings previously leased. The outflow of funds for investments in fixed assets and intangible assets amounted to €44.4 million in the reporting period (December 31, 2022: €61.8 million). With €41.2 million (December 31, 2022: €35.2 million), a large part of the investments was attributable to capitalized development projects. The balance of cash inflows and outflows from financial investments was –€1.8 million (December 31, 2022: €66.6 million).

Net cash flow from financing activities amounted to –€2.6 million (2022: –€19.3 million). This included payments for lease liabilities in the amount of €9.0 million (2022: €11.0 million), as well as the initial recognition and measurement of a long-term financing component in connection with a sale and leaseback agreement.

As of December 31, 2023, cash and cash equivalents totaling €219.4 million (December 31, 2022: €165.4 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 €283.3 million (December 31, 2022: €220.1 million). Total cash also came to €283.3 million (December 31, 2022: €220.1 million).

Multi-period overview of SMA Group financial position

in € million	2023	2022	2021	2020	2019
Equity	686.2	463.5	408.0	439.1	416.9
Equity ratio in %	42.3	41.8	38.7	41.8	37.6
Non-current liabilities	283.4	264.3	293.5	270.5	259.3
Current liabilities	652.4	382.2	352.2	341.6	431.1
Share of non-current provisions in total assets in %	6.5	8.4	9.9	8.0	6.8
Financial liabilities	31.9	23.7	46.7	41.1	34.5
Net cash	283.3	220.1	221.7	226.0	303.0
Net working capital	392.1	238.5	257.5	210.6	159.5
Net cash flow from operating activities	140.8	28.7	94.3	–31.4	–1.2
Net cash flow from investing activities	–86.0	42.5	–81.6	–36.5	83.1
Net cash flow from financing activities	–2.6	–19.3	–20.8	–12.4	–10.7

Investment analysis

In the 2023 fiscal year, investments in fixed assets and intangible assets amounted to €84.4 million and were thus clearly above the previous year's figure of €61.8 million. This equates to an investment ratio in relation to sales of 4.4% compared with 5.8% in the previous year. Including additions of rights of use under leases, investments amounted to €95.1 million (2022: €65.8 million).

In total, €44.4 million was invested in fixed assets (2022: €25.9 million), primarily for technical equipment and machinery. The investment ratio for fixed assets was 2.3% in relation to sales in the fiscal year (2022: 2.4%). Depreciation of fixed assets, including depreciation of rights of use under leases, increased to €29.0 million year on year (2022: €28.7 million). Investment obligations of €8.9 million exist for fixed assets and €0.8 million for intangible assets.

Investments in intangible assets amounted to €40.0 million (2022: €35.9 million). These largely related to development projects. Amortization of intangible assets totaled €12.4 million and was thus above the previous year's figure of €9.3 million. The recoverability of the capitalized and in-process development projects was confirmed in the course of the scheduled impairment test. In the current fiscal year, impairments of €1.3 million (2022: €0.0 million) were recognized due to a reassessment of the remaining useful lives of other rights under operation and maintenance contracts in the EMEA region. These contracts are included in the balance sheet under intangible assets.

Investments compared to depreciation and net cash flow from operating activities

in € million	2023	2022	2021	2020	2019
Net cash flow from operating activities	140.8	28.7	94.3	–31.4	–1.2
Capital expenditure ¹	84.4	61.8	47.5	38.8	27.6
Depreciation and amortization	41.5	38.1	41.7	43.6	46.0

¹ See Notes, sections 9 and 10

Net assets

SMA Group increases equity ratio

Total assets amounted to €1,621.9 million as of December 31, 2023, and increased year on year (December 31, 2022: €1,110.0 million). At €428.2 million, non-current assets were also above the previous year's level (December 31, 2022: €386.6 million). A total of €29.3 million of the increase is attributable to capitalized and in-process development projects and €19.5 million to advance payments made and assets under construction.

Net working capital¹ increased to €392.1 million (December 31, 2022: €238.5 million) in connection with the positive sales performance, thus corresponding to 20.6% of sales over the past 12 months (December 31, 2022: 22.4%). As of the end of the fiscal year, trade receivables rose by 80.7% compared to December 31, 2022, to €277.4 million (December 31, 2022: €153.5 million). Days sales outstanding came to 41.3 days and were lower than in the previous year (December 31, 2022: 50.7 days). Inventories increased by 81.1% year on year to €559.1 million (December 31, 2022: €308.7 million) in order to ensure the forecasted sales development. Trade payables increased by 127.6% to €303.8 million (December 31, 2022: €133.4 million). The share of supplier credits in total assets climbed to 18.7% (December 31, 2022: 12.0%). Days payable outstanding was higher than in the previous year at €58.2 days (December 31, 2022: 45.7 days).

Most of the provisions set aside by the SMA Group are for warranty obligations from various product families. The provision for other personnel costs increased by €28.9 million in the 2023 fiscal year. The increase in variable, performance-related remuneration had a noticeable impact here. The provisions for anticipated losses for the expected expenses from the termination of a long-term contract for operation and maintenance services in North America amounted to a total of €23.7 million at the end of the 2023 fiscal year (December 31, 2022: €24.0 million).

Mainly as a result of the good net income, the SMA Group's equity capital base increased to €686.2 million (December 31, 2022: €463.5 million). With an equity ratio of 42.3% (December 31, 2022: 41.8%), the SMA Group continues to have a solid equity capital base.

Importance of off-balance sheet financing instruments

The SMA Group is not involved in off-balance sheet transactions that might have a significant impact on the group's financial position, net assets or results of operations.

Multi-period overview of net assets

in € million	2023	2022	2021	2020	2019
Goodwill, intangible assets and property, plant & equipment	343.4	280.8	256.9	251.4	245.4
Financial assets and long-term securities (incl. deposits with a total term to maturity of more than three months)	41.4	38.3	105.9	72.1	72.1
Cash and cash equivalents (incl. deposits with a total term to maturity of less than three months)	219.4	165.4	114.0	123.7	214.8

SMA Solar Technology AG (notes based on the German Commercial Code HGB)

In addition to reporting on the SMA Group, business development of SMA Solar Technology AG (SMA AG) is outlined below.

SMA AG is the parent company of the SMA Group and has its headquarters in Niestetal near Kassel, Germany. Its primary business operations include the development, production and sale of 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. In addition to its own operative business, SMA AG functions as a holding company for the SMA Group. All key management mechanisms of SMA AG are oriented toward the SMA Group.

¹ For the definition of the above mentioned key figure, we refer to the financial glossary included in this report.

The SMA AG Annual Financial Statement is prepared according to the German Commercial Code (HGB). The Consolidated Financial Statements follow International Financial Reporting Standards (IFRS). This leads to differences between accounting and valuation methods. These mainly relate to intangible assets, inventory measurement, provisions, financial instruments, accrual items, leases, deferred taxes and equity.

Results of operations

SMA Solar Technology AG income statements in accordance with HGB for the period from January 1 to December 31, 2023

in €'000	2023	2022
Sales	1,802,392	979,364
Increase or decrease in finished goods	31,174	8,181
	1,833,566	987,545
Other own work capitalized	1,302	872
Other operating income	84,490	126,948
Material expenses	1,151,647	662,308
Personnel expenses	222,852	189,251
Depreciation and amortization of intangible and fixed assets	19,401	19,575
Other operating expenses	291,807	240,171
Financial result	990	4,088
Taxes on income (income –/expenses +)	29,861	331
Income after taxes	204,780	7,817
Other taxes	238	262
Annual net income	204,542	7,555
Accumulated income/ losses brought forward	171,025	163,470
Profit available for distribution	375,567	171,025

SMA AG generated **sales** of €1,802.4 million in the 2023 fiscal year (2022: €979.4 million). This equates to an increase in sales of 84.0% compared with the previous year. In the same period, the sold PV inverter output increased by 68.0% to 20.5 GW (2022: 12.2 GW). Of this amount, 10.8 GW (2022: 6.5 GW) was attributable to affiliated companies.

Other operating income amounted to €84.5 million (2022: €126.9 million). This included income from the utilization and reversal of provisions amounting to €38.9 million (2022: €60.7 million), income from foreign currency valuation of €18.0 million (2022: €24.5 million), income from the valuation of an investment of €8.7 million (2022: €2.5 million), income from valuation of a money mark fund in the amount of €1.2 million (2022: €0.0 million) and prior-period income of €0.7 million (2022: €1.5 million).

Material expenses rose by €489.3 million year on year to €1,151.6 million (2022: €662.3 million) and correlate with increased sales.

Personnel expenses increased by 17.8% to €222.9 million (2022: €189.3 million). The increase is due mainly to the rise in the number of employees at SMA AG as part of the strategic alignment by 304 to 2,628 (excluding temporary employees, trainees and apprentices) as well as to salary increases and a provision for performance-based variable remuneration.

Depreciation and amortization of intangible and fixed assets declined by €0.2 million to €19.4 million (2022: €19.6 million).

Other operating expenses increased by 21.5% to €291.8 million (2022: €240.2 million). This was attributable particularly to higher operating and administrative expenses of €127.8 million compared with the previous year (2022: €87.9 million). It also takes into account €65.5 million in sales expenses (2022: €51.2 million), the recognition of provisions of €50.2 million (2022: €50.7 million) and expenses relating to foreign currency valuation of €23.0 million (2022: €22.9 million). This item also includes the remeasurement of trade receivables amounting to €2.3 million (2022: €1.1 million) and prior-period expenses of €0.3 million (2022: €0.5 million).

The **financial result** decreased by €3.1 million to €1.0 million (2022: €4.1 million). The change is mainly due to reduced income from investments amounting to €2.0 million (2022: €7.1 million).

Taxes on income rose by €29.6 million to €29.9 million (2022: €0.3 million). This change was due to the higher earnings in the fiscal year as compared to the previous year.

After tax, the company reported an **annual net income** of €204.5 million in 2023 (2022: €7.6 million).

Net assets and financial position

SMA Solar Technology AG balance sheet in accordance with HGB as of December 31, 2023

in €'000	2023	2022
Assets		
A. Non-current assets		
I. Intangible assets	3,349	4,614
II. Property, plant and equipment	156,436	144,741
III. Financial assets	113,114	98,347
	272,899	247,702
B. Current assets		
I. Inventories	428,353	211,427
II. Receivables and other assets	335,684	194,120
III. Securities	39,429	38,290
IV. Cash and cash equivalents	142,856	93,392
	946,322	537,229
C. Prepaid expenses and deferred charges	10,010	4,973
	1,229,231	789,904
Liabilities		
A. Equity		
I. Share capital	34,700	34,700
II. Capital reserves	124,200	124,200
III. Retained earnings		
1. Statutory reserve	400	400
2. Retained earnings	3,136	3,136
IV. Profit available for distribution	375,567	171,025
	538,003	333,461
B. Special account with reserve characteristics	0	0
C. Provisions	239,745	194,369
D. Trade payables	328,226	133,586
E. Accrued liabilities	123,257	128,488
	1,229,231	789,904

As of December 31, 2023, **total assets** of SMA AG rose by €439.3 million to €1,229.2 million (December 31, 2022: €789.9 million).

Non-current assets increased by €25.2 million to €272.9 million (December 31, 2022: €247.7 million).

As of December 31, 2023, **total inventories** of €428.4 million were above the previous year's level (December 31, 2022: €211.4 million). The 102.7% increase year on year was particularly due to the increase in finished goods of €134.1 million. Advance payments for inventories decreased by €1.1 million. In view of fundamental risks in supply chains, an increased stockpiling strategy has become a focus topic.

Trade receivables rose by €59.7 million and totaled €118.7 million on the reporting date (December 31, 2022: €59.0 million).

Other assets increased by €25.8 million to €60.9 million (December 31, 2022: €35.1 million), chiefly due to increased value added tax receivables and pledged collateral.

Cash and cash equivalents and securities increased by €50.6 million to €182.3 million (December 31, 2022: €131.7 million).

As a result of earnings, **equity** increased by €204.5 million to €538.0 million compared with December 31, 2022. The equity ratio increased to 43.8% (December 31, 2022: 42.2%).

The **provisions** of SMA AG largely comprise provisions for warranty obligations for various product families and personnel provisions. The rise in provisions by €45.3 million to €239.7 million (December 31, 2022: €194.4 million) mainly results from a personnel provision for variable, performance-related remuneration and an increase in the provision for benefit obligations.

Trade payables increased by €149.5 million year on year to €239.5 million (December 31, 2022: €90.0 million).

Accrued liabilities of €123.3 million (December 31, 2022: €128.5 million) were recognized for deferred sales for extended warranties sold and for long-term service and maintenance contracts.

SMA AG's financial position essentially corresponds to that of the SMA Group.

RISKS AND OPPORTUNITIES

The business performance of SMA AG is largely exposed to the same risks and opportunities as the SMA Group. SMA AG also partakes in the risks affecting its investments and subsidiaries proportionate to its respective holding. The risks are presented in the Risks and Opportunities Report. The relationships with our investments can also result in negative effects from statutory or contractual provisions for liabilities (particularly financing).

OUTLOOK

As a result of SMA AG's interdependence with its group companies and its importance within the group, please refer to our statements in the Forecast Report for the SMA Group, which also outline specifically the expectations for the parent company.

Managing Board statement on the business trends in 2023

In the 2023 fiscal year, the SMA Group's sales increased by 78.7% to €1,904.1 million (2022: €1,065.9 million). The SMA Group thus significantly exceeded the original sales guidance from March 9, 2023, (€1,350 million to €1,500 million) and the updated sales guidances published in the course of the fiscal year on March 29, 2023, (€1,450 million to €1,600 million) and on June 23, 2023, (€1,700 million to €1,850 million) and was slightly above the raised guidance from October 4, 2023, (€1,800 million to €1,900 million). With 20,454 MW (2022: 12,225 MW) of inverter output sold, the SMA Group's sales volume in 2023 was 67.3% higher than in the previous year. Operating earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €311.0 million (EBITDA margin: 16.3%) and were thus significantly higher than the original guidance from March 9, 2023, (€100 million to €140 million), the updated guidance from March 29, 2023, (€135 million to €175 million) and the raised guidance from June 23, 2023, (EBITDA: €230 million to €270 million) and at the upper end of the final updated earnings guidance from October 4, 2023, (€285 million to €325 million). The significant year-on-year increase in sales reflects the strong demand for SMA products and the improved delivery situation since the beginning of the year. In the reporting year, all three segments increased sales and generated positive EBIT.

Sales in the Home Solutions segment significantly increased by 73.2% to €580.2 million in 2023. The Commercial & Industrial Solutions segment also developed positively, with sales growth of 65.0% to €478.9 million. The Large Scale & Project Solutions segment almost doubled its sales to €845.0 million (+91.8%). At €1,705.0 million, the order backlog as of December 31, 2023, remained at a high level and well above the level before the coronavirus crisis, but, as expected, below the order backlog at the end of the previous year (December 31, 2022: €2,077.4 million). Incoming orders declined as anticipated in the second half of the year compared to the first two quarters of 2023, as the majority of orders in the Home Solutions and Commercial & Industrial Solutions segments had already been placed by the end of the first quarter. Thanks to improved delivery capacity and good production capacity utilization, the order backlog was also continuously reduced.

At €283.3 million, net cash of the SMA Group was clearly above the level as at the end of the previous year (December 31, 2022: €220.1 million). The equity ratio rose to 42.3% (December 31, 2022: 41.8%). In addition, SMA has a long-term credit line from domestic banks of €380 million and further guarantee credit lines of €74.8 million. At the end of 2023, 21.7% of the entire available credit lines of about €454.8 million were utilized.

The SMA Group's net working capital came to 20.6% of sales as of December 31, 2023, putting it at the lower end of the range of 19% to 23% of sales that was forecast in the reporting year. In 2023, SMA also increased its investments in inventories in order to guarantee delivery capacity for expected and already agreed customer projects. In this context, liabilities from advance payments received also rose, which essentially led to an improvement in working capital.

STRATEGIC POSITIONING AS "ENERGY TRANSITION COMPANY" ADVANCED¹

In the reporting year, the SMA Group further pressed ahead with its strategic development into an energy transition company with suitable solutions for all key areas. It is becoming increasingly apparent that the key trends for energy supply were identified in good time years ago and suitable solutions were developed. In the areas of storage technology, charging solutions for electric vehicles, energy management and green hydrogen production, demand by far exceeded the limited delivery volumes due to the supply bottlenecks for electronic components. We will continuously develop and expand our product range in these areas and in our core business of photovoltaics with a focus on holistic, connected solutions.

We had already developed strategic areas of action in 2021 as part of the SMA Strategy 2025. These will strengthen the competitiveness of the SMA Group in the long term and will be pressed ahead by corresponding business initiatives. They 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. We continued development on digital offerings in the Home Solutions and Commercial & Industrial Solutions segments and systematically expanded the range of services for PV power plants in the Large Scale & Project Solutions segment.

The capacity for seamless grid integration and provision of grid services is taking on crucial importance as a result of the fast-growing share of fluctuating renewable energy sources in utility grids worldwide. The SMA Group's technologies meet the highest international standards here. In addition, we successfully expanded our positioning in the new business field of green hydrogen production in the reporting year. Projects with SMA system technology for the processing of direct current for electrolysis had already gone into operation in the U.S., Europe, Asia and Australia.

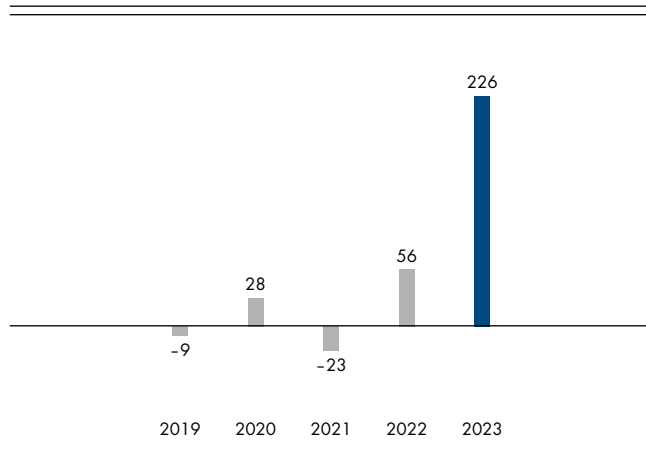
¹ The following section is not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and therefore not a subject of the financial audit.

Guidance/actual comparison for 2023

Date of guidance	2023/03/09	2023/03/29	2023/06/23	2023/10/04	2023 results
Sales in € million	1,350 to 1,500	1,450 to 1,600	1,700 to 1,850	1,800 to 1,900	1,904.1
Inverter output sold in GW	15 to 17	16 to 18	17 to 19	18 to 19	20.5
EBITDA in € million	100 to 140	135 to 175	230 to 270	285 to 325	311.0
EBITDA margin in % of sales	7.4 to 9.3	9.3 to 10.9	13.5 to 14.6	15.8 to 17.1	16.3
Capital expenditure in € million	approx. 85	approx. 85	approx. 85	approx. 85	95.1
Net working capital in % of sales	20 to 23	20 to 23	19 to 23	19 to 23	20.6
Net cash in € million	approx. 200	approx. 200	approx. 275	approx. 275	283.3
EBIT in € million	55 to 95	90 to 130	190 to 230	245 to 285	269.5
EBIT margin in % of sales	4.1 to 6.3	6.2 to 8.1	11.2 to 12.4	13.6 to 15.0	14.2

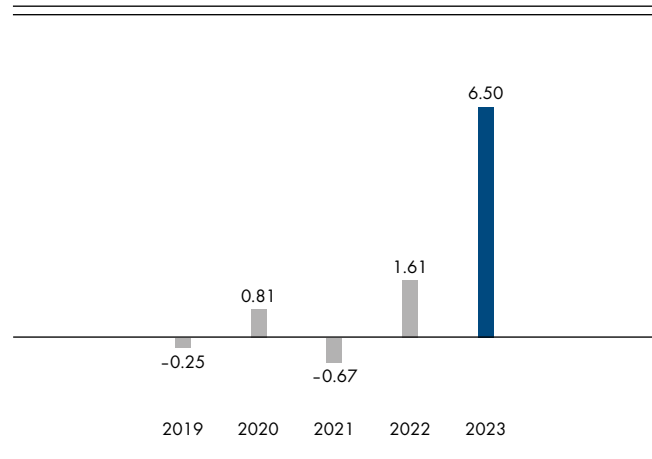
Net income

in € million



Earnings per share

in €



RISKS AND OPPORTUNITIES

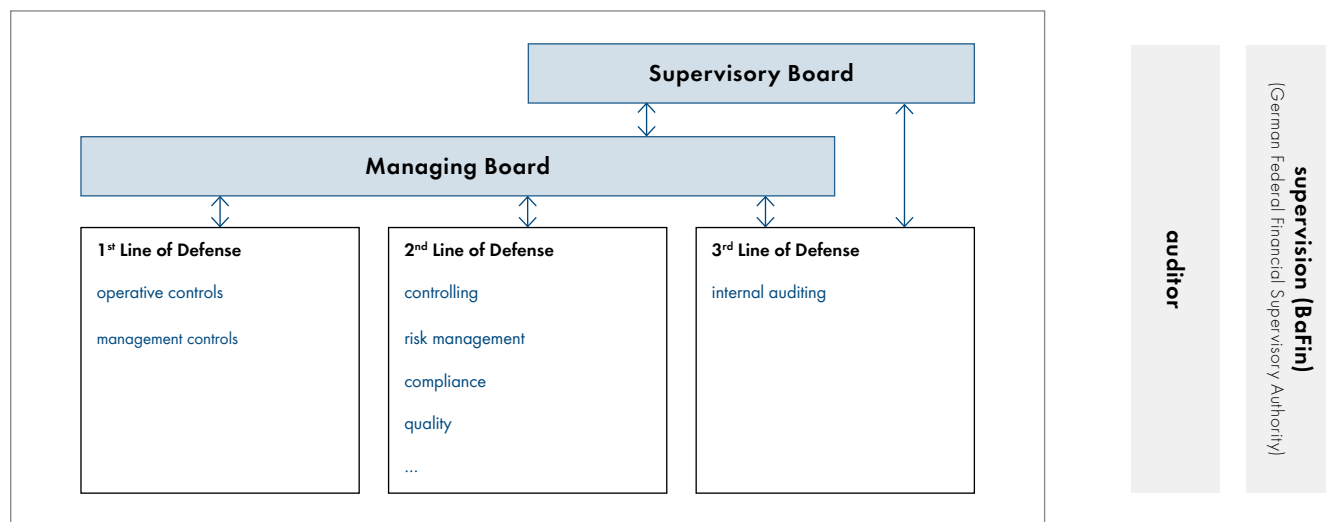
Principles of the internal control system¹

According to Section 91 (3) of the German Stock Corporation Act (AktG), the Managing Board must establish an internal control and risk management system that is appropriate and effective in view of the scope of the business activities and the risk situation of the company. Clause 4 of the German Corporate Governance Code, as amended on April 28, 2022, stipulates that an appropriate and effective internal control system and risk management system is essential for the responsible handling of business risks. Internal monitoring is regarded as a crucial prerequisite for the appropriateness and effectiveness of the internal control and risk management system.

The Managing Board is responsible for the introduction, adequacy and effectiveness of the internal control system. The Audit Committee of the Supervisory Board monitors the accounting process, the effectiveness of the internal control system, the risk management system and the internal auditing system on the basis of Section 107 (3) of the German Stock Corporation Act.

The SMA Group applies the Three Lines of Defense (3LoD) model as a regulatory framework for an effective and comprehensive management tool for operational risks and the internal control system. The 3LoD model comprises three lines of defense to which different organizational units and functions are assigned and which are entrusted with different risk management tasks.

Three Lines of Defense model



¹ The following section is not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and therefore not a subject of the financial audit.

The first line of defense, which includes functions such as accounting, sales or logistics, is largely responsible for carrying out the operational processes in day-to-day business. This line's task is to identify and assess risks as early as possible. It is also responsible for implementing and carrying out effective and efficient internal controls. Operational management controls and monitors the processes and carries out higher-level controls.

The second line of defense comprises the governance functions, such as controlling, compliance and risk management. This line supports and monitors the first line of defense. It also defines framework conditions through guidelines and directives, methods and procedures and is responsible for reporting to the company management.

The third line of defense is performed by the Internal Audit department as an independent, risk-oriented auditing and advisory function. The Internal Audit department acts with the highest degree of independence and objectivity in the company. It supports the company management, operational management and monitoring bodies in effective and efficient process and risk management. On the basis of a risk-oriented audit plan, the Internal Audit department regularly examines the effectiveness of the internal control system by means of sampling and thus also checks material parts of the internal control system as it pertains to the (group's) accounting process.

Description of the internal control system¹

The SMA Group's internal control system (ICS) includes all the principles, procedures and measures introduced by the Group management designed to ensure business activities maintain the proper course. The SMA Group bases the structure of its internal control system on the globally recognized standard of the model that the Committee of Sponsoring Organizations of the Treadway Commission (COSO) uses for its own internal control system. The framework defines the necessary components of a control system and provides a standard for assessing the appropriateness and effectiveness of the ICS.

The internal control system of the SMA Group pursues operational, reporting-related and compliance objectives. To achieve these objectives, the five basic elements of control environment, risk evaluation, control activities, information and communication, and monitoring were established in the key business-critical, operational, non-financial and accounting-related processes. This also applies to all relevant or business-critical Group companies and functions.

The control environment is particularly characterized by the Code of Conduct with binding ethical principles and the Compliance Manual. Clear responsibilities for the management processes and various reporting options for potential misconduct have been defined. The risk evaluation includes short-term operating budget targets, medium- and long-term strategic targets and the regular identification of risks at process and financial level. The control activities include suitable risk mitigation measures, regular internal reporting on the target achievement status of the operating budget and non-financial key performance indicators. Information and communication regarding data for financial reporting and operational processes are primarily based on appropriate software from SAP SE in order to provide timely and relevant information to internal and external stakeholders. Monitoring includes a periodic self-assessment of the internal control system by the Managing Board of SMA Solar Technology AG, regular internal reporting and the auditing activities of the Internal Audit department.

The SMA Group's internal control system consists of systematically designed organizational and technical measures and controls within the company aimed at guaranteeing compliance with applicable laws and regulations. It also includes binding guidelines and work instructions to prevent damage caused by our own employees or third parties.

Key control elements include regulations and measures such as automated controls in the IT systems, regulations on powers of attorney, staged value and release limits, process documentation and work instructions, specifications on the principle of dual control, electronic workflows, separation of functions and authorization plans. These regulations and measures relate to operational processes, non-financial processes and accounting-related processes. The control activities are designed to prevent errors or adverse events preventively and reactively. They therefore focus on both past events and future developments.

¹ The following section is not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and therefore not a subject of the financial audit.

The internal control system is continuously developed and adapted to changes in the process landscape. It should be noted that, regardless of the specific nature and scope of the control measures, the internal control system does not provide absolute certainty that all errors, inefficiencies and weaknesses in business processes and reporting will be detected in full or in a timely manner.

Compliance management system

For a description of the compliance management system, refer to the explanations in the “Integrity & Compliance” section of the combined non-financial statement.

Key features of the internal control system in relation to the (group) accounting process

The internal control system pertaining to the accounting process is an integral part of the SMA Group’s overall internal control system, which is supported by the risk and opportunity management system. Process-integrated and process-independent monitoring steps are elements of the internal monitoring system. The key components of the process-integrated measures include automated process controls and organizational monitoring methods, such as the two-person rule, the separation of administrative, execution, settlement and approval functions, and written work instructions. Furthermore, wherever possible, the IT systems are deployed against unauthorized access by using appropriate authorization systems and access restrictions are protected.

Important risks in the (group) accounting process include the possibility that the local financial statements of the consolidated group companies fail to properly reflect the true net assets, financial position and results of operations due to unintentional or deliberate wrongdoing, or that publication of the Quarterly Statements or of the Annual Financial Statements or Consolidated Financial Statements is late. These risks could harm the SMA Group and cause damage to its reputation. The SMA Group’s internal control system as it pertains to (group) accounting is concerned with minimizing the risk of misstatements in the Group’s bookkeeping as well as in external financial reporting.

The measures for monitoring and controlling accounting-related matters are aimed at securing proper and reliable (group) accounting and ensure that business transactions are fully, correctly and promptly recorded in accordance with legal provisions and the articles of association. They also guarantee that the process of stock taking is properly implemented and that assets and liabilities are appropriately recognized, measured and shown in the Annual Financial Statements and Consolidated Financial Statements. Furthermore, the regulations ensure that accounting records provide reliable and comprehensible information. The main tasks of the departments involved in the (group) accounting process are clearly separated and their areas of responsibility are clearly assigned.

The SMA Group constantly evaluates laws, financial reporting standards and other agreements and considers their relevance and impact on the (group) accounting process. Applicable requirements are promptly communicated to all group companies. The uniform IT platform, group account plan and standardized processes ensure proper and timely recording of all important business transactions. There are binding rules for the recording of manual business transactions. An accounting manual specifies the group-wide implementation of accounting provisions in accordance with the International Financial Reporting Standards (IFRS). In addition to general accounting principles and methods, the regulations, above all, include requirements concerning the balance sheet, income statement, statement of comprehensive income, management report, statement of cash flows, statement of changes in equity, and notes, including segment reporting as well as a Combined Management Report in compliance with EU legislation. By defining clear requirements, the risk of inconsistent practices when recognizing, measuring and reporting assets and liabilities should be reduced. In addition, a check is carried out centrally on the financial statements submitted by the companies included in the scope of consolidation while referring to the audit reports drafted by the local auditors. Each month upon submission of the reporting packages, those responsible at the subsidiaries also confirm the propriety and completeness of each financial statement by way of an internal declaration of completeness.

Business transactions of SMA Solar Technology AG and all the larger subsidiaries are primarily recorded using Enterprise Resource Planning (ERP) systems from SAP SE. The authorizations granted are reviewed and amended regularly if necessary. The centralized control and monitoring of nearly all IT systems, centralized change management and regular system and data backups minimize not only the risk of data loss, but also the risk of IT system failures related to (group) accounting. Smaller companies either operate local ERP systems or commission external service providers with their own IT systems.

Use of a uniform, group-wide consolidation program ensures that all data is recorded properly, promptly and completely and that internal business transactions within the group are eliminated. This is from where the various components of the Consolidated Financial Statements and important data for the Notes to the Consolidated Financial Statements are derived.

The internal control and risk management system serves the control of risks that might otherwise prevent the Annual Financial Statements and Consolidated Financial Statements from being properly drawn up and is therefore continuously being improved. However, company-wide application of the established regulatory and control measures cannot guarantee absolute reliability with regard to the accurate, complete and timely recording of all facts in (group) accounting and in the detection of irregularities.

Principles of the risk and opportunity management

As part of our ongoing efforts to make our company resilient and to generate value, risks and opportunities form an integral and indispensable part of our business activities. SMA operates in an international, complex and closely interlinked business environment, which means that the active management of risks and opportunities is of key importance. These risks can impair the successful implementation of the corporate strategy and the achievements of targets in the business units. The SMA Group maintains a group-wide monitoring system to ensure the systematic early identification of risks that could jeopardize its existence in accordance with Section 91(2) of the German Stock Corporation Act. The risk and opportunity management system identifies existence-threatening risks and other risks early on and actively manages, influences and monitors them by means of suitable measures beyond the legally defined scope. A risk is defined by the SMA Group as an event that ensues from a decision made by management (strategic), an action (operative) or external circumstances and – if the risk occurs – results in a negative deviation from the planned EBIT. To make use of potential opportunities, opportunities are systematically identified and evaluated at an early stage through opportunity management. For the SMA Group, an opportunity is the possibility of an event occurring that leads to a positive deviation from the planned EBIT. The risk and opportunity management system is based on the conceptual framework of the Enterprise Risk Management – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is an internationally accepted standard for establishing and systematically developing a company-wide risk management system. The SMA Group uses a uniform software application to systematically record, evaluate and report risks and opportunities and meet documentation requirements.

Description of the main features of the early risk detection system

Objectives and strategy

A key goal of the SMA Group's risk and opportunity management is to identify risks above a defined threshold as early as possible, present them transparently and comparably and assess and manage them. The SMA Group must responsibly accept risks to a controllable and viable extent in the course of business operations in order to be able to exploit business opportunities. The Managing Board of SMA Solar Technology AG bindingly laid out the objectives, strategies and organization of risk and opportunity management as well as the principles of risk and opportunity analysis and risk and opportunity communication in the SMA Group's risk manual. It contains all methodical and organizational regulations for dealing with risks and opportunities, requirements and value limits as well as uniform regular and internal immediate reporting processes.

Organization of risk and opportunity management

The Managing Board of SMA Solar Technology AG bears overall responsibility for effective risk and opportunity management, including climate-related risk and opportunity management, and thus ensures that all identified risks and opportunities are considered comprehensively and uniformly. The Supervisory Board is responsible for monitoring the effectiveness of the group-wide risk and opportunity management system. To perform this task, the Audit Committee provides the Supervisory Board with all relevant information on risk and opportunity management. Process and system responsibility for the uniform group-wide risk and opportunity management system lies with the Corporate Audit, Risk & Information Security department. This department reports directly to SMA Solar Technology AG's Chief Financial Officer and is responsible for implementation of group-wide risk and opportunity management standards and methods and for coordination and ongoing development of the risk and opportunity management process. As the highest internal body, the Risk and Opportunity Committee ensures that all significant risks and opportunities across all functions and processes are identified, assessed and managed at an early stage. It is also responsible for monitoring the risk and opportunity management system and improving its effectiveness and efficiency. The Risk Control Circle has the task of identifying and assessing possible dependencies (correlations) between individual risks and evaluating the suitability and effectiveness of risk control measures. The risk and

opportunity management system is adapted to the group structure of the SMA Group. As a result, selected skilled employees and executives from the first two levels below the Managing Board of SMA Solar Technology AG and selected central group functions ("risk owners") are integrated into the risk and opportunity management system. All fully consolidated subsidiaries and business areas of the SMA Group are included in the scope of the risk and opportunity management system.

Process of the risk and opportunity management system

Once a quarter, the risk owners assess the risk and opportunity situation of the SMA Group in a standardized IT-supported "bottom-up process".

The main steps of the risk and opportunity management process are explained hereafter:

RISK AND OPPORTUNITY ANALYSIS

Risk and opportunity analysis entails both the comprehensive identification and assessment of risks and opportunities. Risk owners are obliged to check on a regular basis whether the risks and opportunities within their areas of responsibility are complete and up to date and to identify and assess new risks and opportunities. SMA assesses all risks and opportunities within the SMA Group based on a uniform set of assessment principles. For each risk and opportunity, the relevant risk owner assesses its probability of occurrence and its impact (potential amount of damage caused or potential benefit generated in euro). The classification of risks is based on the following diagram:

Assessment system for risks

Impact in € million	Very high (> 15)	C	B	A	A
	High (> 7.5 to ≤ 15)	C	B	B	A
	Medium (> 2.5 to ≤ 7.5)	C	C	B	B
	Low (> 0.3 to ≤ 2.5)	C	C	C	C
		Unlikely (≤ 5)	Possible (> 5 to ≤ 25)	Likely (> 25 to ≤ 50)	Very likely (> 50)
Probability of occurrence in %					

The amount of damage is measured based on the potential impact on the planned EBIT. Risks need to be mentioned in the quarterly risk assessment reports only if the potential amount of damage resulting from the risk exceeds the threshold of €300,000.

Opportunities were classified as follows:

Assessment system for opportunities

Impact in € million	High (> 2)	C	B	A	A
	Low (> 0.3 to ≤ 2)	C	C	B	A
Probability of occurrence in %					
Unlikely (≤ 5) Possible (> 5 to ≤ 25) Likely (> 25 to ≤ 50) Very likely (> 50)					

Opportunities have to be mentioned in the quarterly opportunity assessment reports as soon as the potential benefit resulting from the opportunity exceeds the threshold of €300,000.

Both a gross and net assessment must be made for every risk within a projection period of one year (short-term prospect). The gross assessment represents the maximum negative impact on the EBIT anticipated before the implemented management measures take effect. The net assessment then considers the measures already implemented. Opportunity assessment is based exclusively on a net principle.

In 2023, the observation horizon for risks and opportunities was extended to include a medium- and long-term perspective. This covers a medium-term period of two to three years and a long-term period of four to five years. This extension is intended to help identify developments that could jeopardize the company's continued existence at an early stage. There are currently plans to integrate the medium- and long-term assessment of risks and opportunities into the reporting system.

To assess materiality, the risks and opportunities are classified as category A, B or C risks and opportunities based on a combination of the assessment of probability of occurrence and the impact on which also further internal reporting depends. The individual risks and opportunities for the SMA Group are described in the "Individual and overall analysis of risks and opportunities" section (short-term prospect).

OVERALL RISK ASSESSMENT

The overall risk is assessed using an IT-assisted simulation process in which all risks and opportunities are evaluated on an aggregated basis. To determine the overall risk, the key figure "net value at risk" is calculated with a 95% confidence interval¹. Provisions and impairment losses recognized in the balance sheet for individual risks are offset as risk-reducing measures and taken into account in the determination of the overall risk. The SMA Group's risk and opportunity management also includes a concept for determining risk-bearing capacity. The Managing Board of SMA Solar Technology AG has defined threshold values for risk tolerance and risk-bearing capacity in order to periodically assess the risk situation of the SMA Group in the short term and to recognize developments that could jeopardize the continued existence of the company at an early stage. The net value at risk is considered in relation to the SMA Group's equity and net cash. If the defined thresholds are exceeded, additional measures are initiated to manage and reduce the risk. This presentation is part of the quarterly reporting to the Managing Board.

RISK CONTROL

While taking into account the corporate strategy, the objective of risk management is to actively influence identified and assessed risks. The SMA Group's risk situation must be positively affected in a targeted way using suitable measures. In order to reduce the overall risk, the risk owners have the task of developing and implementing effective measures, among others. Suitable measures include, for example, forming security reserves or transferring risks to third parties (e.g., through insurance companies). With regard to risk management, these measures and their implementation are subject to regular review and adjustment by the risk owners. In addition, the Risk Control Circle reviews the plausibility of measures relating to the major risks on a quarterly basis.

RISK AND OPPORTUNITY REPORTING

The development of all risks and opportunities is regularly monitored and reported. Our risk and opportunity management system is designed to ensure that the risk owners can identify risks and changes to them early on as well as report them to the decision-makers in the company. These reports are made directly to Corporate Audit, Risk & Information Security using the standard software application. To maintain high reporting quality, the segments are closely integrated into the regular process and ensure that all significant risks and opportunities for their respective business fields are fully documented and correctly evaluated in the risk and opportunity management system. Once a quarter, significant risks, opportunities and measures along with adjustments to the risk and opportunity management system are presented to the Risk & Opportunity Committee. In addition, every six months the Supervisory Board's Audit Committee is informed of significant risks and opportunities and any newly identified risks that are classified as at least category B. In addition, risk owners are required to report risks to the Managing Board of SMA Solar Technology AG without delay if new risks are classified as A risks or existing risks develop into A risks. The Managing Board decides whether such changes are reported to the Supervisory Board's Audit Committee immediately or during the regular reporting cycle. To ensure integration with the (group) accounting process, the risk and opportunity management process follows the coordinated schedule and thus provides the SMA functions involved in (group) accounting and financial reporting with the relevant information in full.

¹ The confidence interval (also called the confidence range) is the range the determined value is expected to fall between with a certain probability.

Description of the climate-related risk and opportunity management

To achieve our strategic goals, we also analyze the risks and opportunities associated with the climate. The process stipulates that all climate-related risks and opportunities are to be identified and assessed once a year. These are assessed qualitatively with regard to their probability of occurrence and impact (potential damage or potential benefit) for the short term (up to 1 year), medium term (over 1 to 3 years) and long term (over 3 to 5 years). If climate-related risks and opportunities also have a financial impact and exceed the defined thresholds for being record in the risk and opportunity management, these risks and opportunities are also recorded in the risk and opportunity management.

Climate-related risks and opportunities are classified on a uniform basis for all assessment periods as shown in the following diagram:

Assessment system for climate-related risks and opportunities

Impact	High	C	C	A	A
	Medium	C	C	B	B
	Low	C	C	C	C
		Very unlikely	Unlikely	Likely	Very likely
Probability of occurrence					

The results of the annual assessment of all climate-related risks and opportunities classified as A or B are reported to the Risk & Opportunity Committee.

Description of the other risk and opportunity management

In a target-oriented management system, risks and opportunities represent potential negative or positive deviations of the results from the target figures. For this reason, in addition to the early risk detection system (risk and opportunity management) and climate-related risk and opportunity management, further function-specific or task-specific methods are used to identify, assess and manage operational risks and opportunities, depending on the criticality and importance of the business or sub-process. The implementation of these tasks has been delegated to the departments and is subject to decentralized management. For example, in the processing of customer-specific orders in the project business, risks are systematically identified, assessed and minimized using suitable measures. In product development, for example, the risks to the achievement of project objectives are regularly assessed and documented in line with the progress of individual projects and risk management measures are identified.

Overall statement on the internal control and risk management system¹

With the Three Lines of Defense model, including governance, risk management and compliance processes, the SMA Solar Technology AG Managing Board has set a regulatory framework with the objective of an appropriate and effective internal control and risk management system. The monitoring methods of the internal control system and the control processes particularly include independent audits by the Internal Audit department and their reporting to the Managing Board and the Audit Committee of the Supervisory Board. The Managing Board also periodically carries out a structured evaluation of the internal control system. The individual risk management elements are monitored in part by the Internal Audit department and in part by the Managing Board.

¹ The following section is not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and therefore not a subject of the financial audit.

Based on the internal control system and the risk management system as well as the oral and written reports of the Internal Audit department, the SMA Solar Technology AG Managing Board is not aware of any facts or indications that point to a lack of or insufficient appropriateness and effectiveness of the systems and processes concerned. An external audit of the risk management system in accordance with IDW PS 981 in 2023 confirmed that the SMA Group's risk management system is appropriate and effective.

Risks and opportunities report

Individual and overall analysis of risks and opportunities

In this section, the risks classified as significant with disadvantageous impact on business and the associated net assets, financial position and results of operations of the group and the company's reputation, as well as opportunities with a beneficial impact that are assessed as significant are described. The summarized overview of significant risk and opportunity areas shows the risks described below according to the SMA Group's assessment after implementing appropriate measures (short-term net risks). This assessment relates to all segments. For each risk and opportunity area, the net value at risk is calculated and presented with a 95% confidence interval using an IT-assisted simulation method. The order in which the risk and opportunity areas are presented within the seven risk and opportunity categories should not be taken as an order of priority:

Overview of potential financial impact of significant risk and opportunity areas

	Potential financial impact in 2024 ¹		Change compared to previous year ²
	Negative	Positive	
Strategic risks			
Political and regulatory risks	---		↑
Competition risks	--		↔
Market risks	-		↔
Portfolio risks ³	n/a		↓
Operating risks			
Procurement and inventory risks	---		↓
Product risks	--		↔
Operational risks	----		↔
Sales risks	--		↑
Service risks	-		↓
Environmental risks	-		↔
Financial risks			
Liquidity risks	-		↔
Interest rate and currency risks	-		↔
Default risks	--		↔
Compliance risks			
Risks from violations of the law and regulations	----		↔
Risks from breaching contracts and obligations	--		↓
IT risks			
IT security risks	----		↑
Product cybersecurity risks	-		↔
Personnel-related risks			
Personnel recruitment risks	--		↔
Personnel retention risks	-		↔
Opportunities			
Opportunities from business activity		+	↔
Opportunities from cost savings		+	↔
Opportunities from improved processes		+	↔
Overall risk position			
Overall portfolio (risks and opportunities)	----		↔

¹ In relation to a 95% confidence interval for each risk and opportunity area (short-term). Addition of individual values is not permitted.

² ↑ higher than previous year; ↔ no changes; ↓ lower than previous year

³ In this risk area, there are no active risks as of December 31, 2023.

Impact categories of the risk and opportunity areas

Risks:	Net value at risk _{95%}
-	> -€3 million
--	> -€10 million to ≤ -€3 million
---	> -€25 million to ≤ -€10 million
----	> -€199 million to ≤ -€25 million
Opportunities:	Net value at risk _{95%}
+	< €5 million
++	≥ €5 million to ≤ €49 million

The simulation of the overall risk as of December 31, 2023, and the associated calculation of the net value at risk with a 95% confidence interval showed that the thresholds for risk-bearing capacity in relation to equity and net cash of the SMA Group were not exceeded. There were also no indications of a significant change in the risk situation in the medium and long term.

Strategic risks

POLITICAL AND REGULATORY RISKS

The Inflation Reduction Act (IRA) was passed in the U.S. in 2022. This law includes a comprehensive subsidy program to promote decarbonization and low-emission technologies, including renewable energies. At the same time, it aims to make the U.S. more attractive as a business location and promote local production. If the SMA Group is unable to implement the requirements of the IRA in a timely manner or in full, this could lead to a competitive disadvantage that would have a significant negative impact on the SMA Group's sales and profitability. To minimize this risk, the SMA Group plans to expand local production capacities.

The legislation for the implementation of national energy industries and the associated technical consequences at national and international level are subject to regular change. This change is influenced by the climate protection policy of the international community, such as the European Green Deal for climate neutrality by 2050, agreed by 27 EU member states. At the same time, the need for digitalization and the establishment of a resilient value chain play a decisive role. As a result of these developments, various legislative processes are currently being initiated or are in the process of being implemented. Due to the current geopolitical situation and the resulting impact on energy prices, solar energy will become even more important in the future. The regional forms of legislation and their effects on the SMA Group's profitability are still not specifically foreseeable yet. If new normative regulations are introduced and they are not implemented in the product and service portfolio properly or in a timely manner, this will have a detrimental impact on the SMA Group's profitability.

To be able to respond promptly to emerging changes in subsidies and standards in target and existing markets, the SMA Group uses a network of industry associations to anticipate these changes at an early stage. The information gained is included in the regular market analyses. Short-term fluctuations in demand are considered in the rolling forecast process. Thanks to its high level of flexibility in production, the SMA Group can usually respond quickly to market changes. In addition, we work to directly contact the certification authorities and electric utility companies to be able to make any necessary modifications to its product and service portfolio in due time. The SMA Group is also actively involved in indirect representation of its interests and promotes dialogue between industry associations, politicians and scientists on the state of knowledge about renewable energies. Our employees actively contribute to new technical guidelines through standards associations and other organizations. The SMA Group regularly reviews the assumptions and associated risks with regard to strategic projects. This procedure allows us to react quickly to regulatory and market-driven changes in what is required of our products.

Overall, the political and regulatory risks for the SMA Group have increased significantly compared to the previous year.

For more information on development in individual markets, please see the remarks in the "Future general economic conditions in the photovoltaics sector" section.

COMPETITION RISKS

The currently extremely attractive market environment for PV systems is intensifying the fierce competition. In certain regions and markets, competitors could gain more market share than the SMA Group, which could have a negative impact on business development and the earnings situation of the SMA Group.

In addition, there is the risk that competitors will further improve the quality, functionality or performance of their products and adapt better than the SMA Group to the prevailing market requirements in certain markets. With expenditure for research and development (including capitalization) of €119.8 million in the 2023 fiscal year corresponding to a ratio of 6.3 percent of sales, the SMA Group is well positioned to set important trends with new products, systems and solutions. In this way, we intend to maintain or further expand our market share.

The commoditization of inverters has led to the service portfolio becoming a significantly important distinguishing feature for customers. However, there is a risk that the service quality of the SMA Group could deteriorate and thus no longer be perceived as a differentiating feature in comparison to its competitors on the market. To maintain and further increase our customers' satisfaction, the SMA Group counters this risk with user-friendly IT systems, optimized warranty conditions and improved service offers geared continuously to our customers' needs.

MARKET RISKS

There is a certain dependence on individual regions and markets, particularly with regard to business in the U.S. and the EU. A downward trend continued to be observed in the APAC region across all segments. Despite these challenges, the Managing Board of SMA Solar Technology AG sees the future outlook as very positive, as the Forecast Report shows. In addition, the SMA Group is striving to reduce its dependence by positioning in all major global markets.

Formation of buying syndicates can increase the dependency of the SMA Group on a few wholesalers or specialist wholesalers and other customers generating large sales. This dependency harbors a risk because of these large customers gaining more negotiating power coupled with increased price pressure. To counteract this risk, the SMA Group is pursuing the goal of a global sales strategy. However, the share of total sales of the ten largest customers worldwide significantly increased to approximately 38% in the 2023 fiscal year (2022: 31%).

For more information on development in individual markets, please see the remarks in the "Future general economic conditions in the photovoltaics sector" section.

Operating risks

PROCUREMENT AND INVENTORY RISKS

On the procurement side, the company is still exposed to a high dependence on certain suppliers. We work to minimize these risks through market analyses, evaluation of suppliers, flexible supplier agreements, clearly defined quality standards and reducing dependence on individual key suppliers. In its new innovations, the SMA Group therefore significantly reduces the number of product platforms, makes greater use of standard components and qualifies alternative suppliers to increase flexibility.

The progressive normalization of global supply chains has significantly improved the availability of most electronic components and raw materials. However, the possible effects of the current increase in armed conflicts worldwide cannot be estimated at present. For the SMA Group, there is thus still an increased risk that certain raw and production materials may not be available on time or in sufficient quantities due to a shortage of certain primary materials, dependence on certain suppliers or loss of individual strategic suppliers and that this will lead to delays, particularly in the production and delivery of the products. If an unexpected drastic reduction in sales volumes were to occur in the short term, long lead times may result in purchase commitments for raw materials that are surplus to actual requirements.

Regular inventory analyses are carried out in connection with increasingly shorter innovation cycles and resulting potential inventory write-down requirements. Inventories are continuously monitored and adjusted to the corresponding requirement with active controlling tools and early warning systems. By monitoring changes in important raw material prices, trends should be identified in a timely manner and compensatory mechanisms developed with suppliers before they affect purchase prices and negatively influence the earnings of the SMA Group. The ongoing optimization of the purchasing structures is having a positive impact on purchase prices and logistics costs and reducing dependence on individual suppliers. As part of our global purchasing and commodity strategy, these activities are being consistently pursued and further expanded.

If any inventory risks due to surplus inventories, price erosion or obsolescence are identified, these are taken into account in corresponding impairment losses and the risk is reduced through active inventory management.

Procurement and inventory risks have been significantly reduced, in particular due to the elimination of the dramatic effects of the coronavirus pandemic and the improvement in global supply chains.

For more information on development in individual markets, please see the remarks in the "Overall statement from the Managing Board of SMA Solar Technology AG on expected development of the SMA Group" section of the Forecast Report.

PRODUCT RISKS

The SMA Group continuously strives to meet customer requirements with innovations such as newly developed or optimized products, systems and solutions. One component of this endeavor is the use of new materials and technologies in development. This can result in SMA Group products being defective. Large delivery lots bear the risk of errors or defects affecting a product series or several product batches. Production shortcomings may derive from SMA development errors or production faults or from defects in primary products provided by suppliers. Unidentified incompatibilities can also emerge after products are launched, which require improvement to the customer system on-site after installation to prevent the product from posing a danger to the customer, in the worst-case scenario. A lapse of reliability of our products could bring about a loss of trust and reputation. In addition, any necessary repairs or replacements would have a negative impact on earnings of the SMA Group.

If responsibility for the error lies with the supplier, then the supplier must bear the direct costs. If responsibility for the error lies with the SMA Group, then product liability insurance covers third-party losses incurred. Newly developed products may be subject to more failures than established products. We are able to minimize this risk through comprehensive testing within the development phases, accompanying quality inspections during production and field testing prior to scheduled serial production. As soon as device failures occur that stand to cause considerable losses, an analysis is performed without delay, and measures are immediately taken to rectify them.

The successful implementation of the Quality Core program improves product quality in the long term, and the platform design effectively reduces complexity. To maintain the quality of our products in addition to general process improvements covering the entire value chain, new developments are backed by specific stress and qualification tests, and tests are carried out on the entire series. In the event of technical faults with the products in the field, all required SMA departments jointly assess the nature and scope of the fault and the need for repair or replacement of the devices. If the sources of the fault are identified, the necessary corrective actions are introduced immediately and are taken into account via corresponding provisions in the balance sheet. We make provisions for legal disputes related to product risks if we consider it likely that such claims can be asserted against us.

OPERATIONAL RISKS

Numerous facilities, equipment and systems are required to operate the production and administrative infrastructure, and their smooth operation is exposed to risks due to a number of factors, including natural disasters, accidents, incorrect use, wear and force majeure. The SMA Group is well aware of this and employs a preventive maintenance and servicing management strategy to mitigate the risk of infrastructure downtime or other system impairment. In addition, appropriate property and business interruption insurance has been taken out against any potential damage. Appropriate insurance policies are also in place to cover the risk of loss or damage to movable goods and products.

Fulfillment of the various operating performance tasks in the individual function areas is still exposed to a cost and performance risk. Function operations can be impaired by staff shortages or capacity restraints, unexpected cost increases or technical malfunctions in a way that function targets may not be met on time, to the fullest extent or only at an increased cost. Extensive cost and performance indicators are regularly assessed and monitored to minimize these risks.

When introducing new operational processes and IT systems or changing existing ones, delays, outdated systems, inadequate master data quality or design flaws may impair efficient business organization and processing. The SMA Group counters this by means of systematic project management and a suitable structure and process organization. As part of our digitalization strategy, we are continuously developing our digital processes and IT applications and making them fit for the future. This includes standardizing the system landscape, redesigning core processes and automating process steps.

SALES RISKS

The SMA Group uses a worldwide distribution network to sell its products and is largely dependent on the high reputation of its products. Quality problems or performance or design weaknesses perceived in the market can have a detrimental effect on the image and thus on sales success. Likewise, misinformation in the media and social networks may damage the reputation of the SMA Group's products and lead to a loss of sales. If the SMA Group experiences delivery difficulties or the market readiness of new products or product generations is delayed, there is also the possibility that sales volumes or profit margins may be impaired on the part of customers whose applications use products of the SMA Group.

The SMA Group takes particular measures to counteract these challenges, including consistent quality management, projects to develop digital services and online sales channels for select markets. The aim here is to gradually establish and expand new business areas.

The risk situation for sales risks has increased slightly overall compared to the previous year.

SERVICE RISKS

Although our products are distinguished by their considerable longevity and reliability, it may be necessary to repair, recondition or replace SMA devices. The Service organization of the SMA Group and its certified partners are responsible for the global alignment and execution of operational service business across all markets.

In the context of operation and maintenance services for PV power plants (O&M business), there are risks to the SMA Group's profitability. Due to long-term service and maintenance contracts, the SMA Group is obligated to carry out various services, ranging from PV system monitoring to end-to-end operational management. These O&M contracts aim to maximize the service life of systems and ensure smooth and efficient operation of PV power plants. In some cases, because of highly extensive and complex contract clauses, there is a risk of legal disputes with customers or service partners with respect to the performance and invoicing of services and a risk of compensation payments due to PV system unavailability.

Service risks were significantly reduced compared to the previous year, in particular by reducing low-margin contracts in the area of operations management and maintenance business.

In the area of repair services for inverters within and outside of warranty obligations, there are risks relating to the availability of spare parts. If sufficient quantities of spare parts are not available in the relevant regions at the required time, delayed or incomplete services can harm the reputation of the SMA Group or result in claims for compensation from customers.

ENVIRONMENTAL RISKS

In manufacturing its products, the SMA Group employs a small number of hazardous substances that might pose a risk to the environment. The comprehensive measures we take in production and in quality management principally ensure that SMA products are manufactured in a way that is environmentally friendly and guarantees compliance with all environmental regulations. Furthermore, the SMA Group has safeguarded itself against certain environmental risks in the event of damage, including by means of insurance solutions.

In addition, there are requirements regarding proof of origin or the treatment of certain substances and materials, including the requirements from the extended manufacturer responsibility (German Electrical and Electronic Equipment Act)¹. If the SMA Group is unable to meet these requirements in full or at all, there are risks in the form of fines or reputational damage. To minimize these risks, regular internal audits are carried out and a professional waste and recycling management system is established.

Financial risks

LIQUIDITY RISKS

If there is an unexpected decline in the SMA Group's cash holdings in the short term, there is a risk that external market participants, such as commercial credit insurance companies or banks, might downgrade the SMA Group's credit rating, which might impair its financing options. Furthermore, there is a risk that suppliers could adjust payment terms to the detriment of the SMA Group, which would burden cash and cash equivalents. The liquidity situation is constantly monitored and actively managed by means of effective financial planning systems. In addition, the SMA Group successfully concluded a new revolving credit line of €380 million with an extended group of banks in 2023.

For further information, please refer to the "Financial position" section.

INTEREST RATE AND CURRENCY RISKS

For the SMA Group, currency risks arise in particular from the purchase and sale of products in foreign currencies (transaction risk) and from the measurement and settlement of items denominated in foreign currencies that are recognized in the balance sheet on the balance sheet date (translation risk). The main sources of transaction risks are business transactions in USD in the U.S. and the sales activities of other subsidiaries based outside the eurozone.

The SMA Group's Global Treasury function manages currency risks and group financing on a centralized basis. The permissible hedging instruments were laid out by the Managing Board of SMA Solar Technology AG in group-wide guidelines that also regulate the entire process-oriented organization, including hedging strategies, responsibilities and control mechanisms. As an example, currency hedges were concluded to the required extent.

For additional details, please refer to the information under Financial Position in the "Principles and objectives of financial management" section.

DEFAULT RISKS

The volatile and sometimes difficult conditions of the financial markets are conducive to potential payment difficulties for some customers, particularly in newly industrialized countries. If customers can no longer keep up with their payment obligations, there is a higher default risk for receivables with negative effects on the SMA Group's results of operations, financial position and net assets.

As part of its accounts receivable management, the SMA Group minimizes the risk of non-payment in accordance with the company's credit guidelines by obtaining references and credit reports beforehand for the purposes of a credit check of customers, allocating appropriate credit limits and continuously monitoring general payment practices. If it is expected that a credit limit is not sufficient for our future business relationship, then we examine whether we should ask the customer to furnish collateral or whether we can accept the residual risk. To cover potential payment defaults, the SMA Group has also taken out commercial credit insurance. If non-payment risks materialize, these will be taken into account by means of corresponding impairment losses.

Commercial project management is an effective measure for avoiding or minimizing risks in the important project business. All project and service contracts are systematically subjected to a legal and commercial risk assessment. If necessary, additional financial collateral is introduced or contractual adjustments are made to ensure appropriate hedging. Remaining project risks are assessed and approved separately by the heads of the segments and, as the case may be, the Managing Board of SMA Solar Technology AG, provided these risks are proportionate to earnings.

Due to the bank guarantee for a loan to an associated company issued by SMA Solar Technology AG as part of its business activities, there is a risk that the payment obligation may be transferred to SMA Solar Technology AG if the associated company defaults. This risk is countered by closely monitoring the financial performance of the unit concerned. This risk will be eliminated with the planned sale of the shares in this associated company in the first quarter of 2024. For additional details, please refer to the information in the "Other disclosures – Events after the balance sheet date" section.

¹ The German Elektrozgesetz (Electrical and Electronic Equipment Act from 2021) governs the sale, return and environmentally sound disposal of electrical and electronic equipment.

Compliance risks

RISKS FROM VIOLATIONS OF THE LAW AND REGULATIONS

There is a risk that the SMA Group could be involved in unlawful business conduct or that individual employees could violate laws, SMA's business principles or directives. These particularly include antitrust risks and the risk of corruption and fraud.

The Corporate Governance & Compliance department thus issued business principles and directives globally. Basic work sequences and processes were derived from these and implemented worldwide. In the context of their work for the SMA Group, all employees are obligated to act ethically and in accordance with the laws and regulations of the legal system of their country. These regulations and obligations are consolidated worldwide by regular, mandatory, extensive training sessions.

With our patents and through continuous monitoring of relevant technologies and competitors, we work to protect our technologies and innovations. However, as other market participants also file a large number of patent applications, we cannot rule out that, in spite of regular, extensive and international research, there is the possibility that we may infringe on third-party patent rights or other industrial property rights or, conversely, that our rights may be violated by third parties. If the former occurs, the SMA Group may incur considerable costs related to claims for compensation, in its defense against such claims or in relation to royalty payments to third parties. We therefore attach great importance to ensuring that each product is carefully checked for possible legal infringements in a timely manner before product release and market launch. Corresponding milestones are included in the guidelines and process descriptions on product development and market launch. The Corporate IP Management department actively protects proprietary technologies and monitors patent applications. We make provisions for disputes related to intellectual property when necessary, if we consider it likely that such claims might be asserted against us.

Due to its global business operations, the SMA Group is subject to various tax laws and regulations. Tax changes in Germany and abroad could negatively affect the tax positions of the SMA Group. In addition to legal changes, incorrect assessment and interpretation of complex tax regulations, such as those regarding transfer prices, may also affect our net assets, financial position and results of operations. The SMA Group therefore collaborates closely with tax consultants in individual countries.

As a result of internationalization and the high international share of sales, there are increased risks for the SMA Group from handling the import and export of materials and services as well as finished products. The SMA Group must meet the legal requirements for imports from and exports to many countries to stay competitive and meet the needs of its international customers.

Violations of trade restrictions and customs laws are subject to significant penalties and could also damage the reputation of the SMA Group. Therefore, the SMA Group purposefully monitors its obligations under commercial and customs law using an IT system, which significantly reduces the risk of potential noncompliance.

The EU's General Data Protection Regulation gives rise to considerable organizational and technical requirements for data protection. The substantial fines for breaches of the data protection law represent a latent risk for the SMA Group.

The SMA Group counters data protection risks through systematic data protection management. In addition to standardized processes, this includes regular training for those employees who process personal data and monitoring of all processes where PV system operator's personal data is processed by the company's data protection officer.

Despite meticulously implementing requirements for processes and systems, violations of data protection law cannot be ruled out completely. The SMA Group's digitalization strategy, in particular, extends the use of personal data, including for the company's business models. There are also additional risks in the increasingly widespread storage and processing of personal data through cloud services and the use of new digital sales channels.

In individual countries where the SMA Group operates, there are different, sometimes complex regulations on the minimum wage. If the regulations are not fully adhered to by the SMA Group, there is a risk of back payments of wages and fines due to violations of these regulations. The SMA Group minimizes this risk by regularly checking and monitoring the relevant legislation and commissioning external consultants for preventive support.

RISKS FROM BREACHING CONTRACTS AND OBLIGATIONS

The SMA Group is exposed to risks from legal disputes that may arise from its business activities. Legal disputes with suppliers, customers, employees and distributors can materialize, which can lead to contractual and legal claims for compensation or other such obligations. A sufficient level of provisions is set aside for potential financial damages resulting from legal disputes. The SMA Group has also implemented preventive measures, such as taking out a professional indemnity insurance policy to cover liability claims from third parties. However, this does not rule out a situation in which the level of insurance cover is not sufficient for compensation claims that may arise in the future.

Risks can also arise from contractual performance commitments. In the event of an agreement on compensation payments, the SMA Group may be obliged to pay corresponding amounts in the event of non-performance or poor performance or, for example, a delay in delivery.

Due to the exit from long-term contracts for operation and maintenance services for PV power plants (O&M business) in the Americas region, certain fulfillment and contractual penalty risks remain for the SMA Group.

Overall, we see a slight decline in the risk situation in this risk area compared to the previous year.

IT risks

IT SECURITY RISKS

As a technology company and publicly traded stock corporation, SMA Solar Technology AG and the SMA Group are in the public eye and therefore heavily under threat of cybercrime, e-mail fraud and industrial espionage. Threat scenarios have become significantly more intense, especially as a result of the more focused and evolved methods of attack and the current geopolitical crises. In addition, growing connectivity is placing ever-greater demands on our IT systems, which need to be high-performance, highly available and stable to support global business processes. We reduce the risks of IT breakdowns by continually reviewing and improving IT security and employing advanced hardware and software solutions. We use protective measures at all levels of the company to avert this. To minimize the risk of data losses, the SMA Group implements appropriate measures, including building intensive employee awareness, mirrored databases, the use of cloud solutions and the ongoing optimization of emergency management.

All major IT systems are also continuously monitored by a security operations center and regularly patched. Networks are protected, in particular, through the use of up-to-date, highly effective firewalls and e-mail systems through cutting-edge filters to avoid potential loss or manipulation of data by employees or service providers and external attacks besides securing network and server availability.

Overall, the attack vectors (number, intensity and quality) in IT security have increased significantly, meaning that these risks are now assessed as much higher than in the previous year.

PRODUCT CYBERSECURITY RISKS

In an extremely networked world in which the SMA Group's products, solutions and services are also being connected, the cybersecurity of our products and the digital services we supply is a top priority. To ensure a high level of cybersecurity for SMA products and services, there are specific guidelines for the product development process, and extensive tests are carried out before and after market launch. Despite these state-of-the-art security measures, a situation cannot be ruled out in which products and services of the SMA Group are compromised by a massive targeted hacker attack. The impact of an incident like this on the SMA Group's reputation and sales situation could be significant.

Personnel-related risks

PERSONNEL RECRUITMENT RISKS

Qualified and motivated employees are key to the global evolution of our enterprise and the business success of the SMA Group. Due to natural staff turnover and reorganization measures, there is a frequent need to recruit new skilled employees and managers and to fill positions with suitable candidates. Flexible personnel deployment models and temporary employees are used to cover peaks in demand. Despite there being a structured personnel recruitment strategy in place, there is a risk that positions cannot be filled quickly enough or at all by suitable permanent or temporary employees. This can lead to delays in the processing of key projects or a reduced capacity to manufacture and deliver products and provide services. Current legislation on temporary work in Germany and Europe is also limiting flexibility during peak times.

The SMA Group is continuously working on its image as an attractive employer, which enables it to bring on board highly qualified employees. It particularly achieves this by setting relevant strategic objectives, implementing contemporary leadership approaches and enhancing its employer branding.

PERSONNEL RETENTION RISKS

To ensure the viability of the SMA Group, it is important to retain highly qualified employees, such as skilled employees and managers, at the company for the long term.

However, there is a risk that talented employees could leave the company and that strategic positions (key positions) may not be able to be filled on short notice, either at all or by someone with the necessary qualifications. To minimize this risk, we are continuously optimizing our offerings, including performance-based remuneration systems and participation in the company's success, flexible working hours as well as options for continuing education and training and for balancing family and career. In addition, the Managing Board of SMA Solar Technology AG continuously monitors personnel structures and, if necessary, adapts them to the sales level expected in the future.

Opportunities

OPPORTUNITIES FROM BUSINESS ACTIVITY

As a result of the current geopolitical situation in connection with the trend toward climate-friendly legislative and association initiatives in a national and international context, we continue to anticipate positive momentum for our business activities and thus for the SMA Group's products, systems and solutions due to the sharp focus on climate protection and the expansion of renewable energies.

The SMA Group sees digitalization, system and solution business, storage applications and integration of storage solutions as providing distinct opportunities to strengthen core business. The SMA Group is continuously developing digital business models and system solutions and will successively launch them and will cooperate with selected strategic partners.

In the future fields of power-to-gas (using electrolysis to generate hydrogen as an energy carrier), integrated energy and energy market integration, the SMA Group sees further pioneering opportunities for sustainable sales and earnings growth. This potential can be used by the SMA Group alone or in collaboration with strategic partners.

Furthermore, there are opportunities for development of additional international markets in both product and service business. The SMA Group will continue to use and expand its international presence in order to benefit from foreign markets in particular.

For more information on the SMA Group's opportunities, please see the remarks in the Forecast Report.

OPPORTUNITIES FROM COST SAVINGS

The SMA Group sees the opportunity to realize potential savings by optimizing the internal production process for certain product groups, for example, by streamlining and shortening process lead times.

OPPORTUNITIES FROM IMPROVED PROCESSES

The progressive digitalization of internal business processes and workflows creates the opportunity to achieve productivity increases in the administrative and sales areas with a positive contribution to earnings.

Individual analysis of climate-related risks and opportunities

In this section, the climate-related risks and opportunities classified as significant are described. All risks and opportunities that are classified as A or B in at least one of the three observation horizons (short, medium or long term) in accordance with the “Assessment system for climate-related risks and opportunities” table are designated as significant.

In the medium to long term, there is still a risk of production and delivery delays in particular if natural disasters occur more frequently as a result of climate change and cause suppliers’ production facilities to be temporarily or completely shut down. This risk is reduced to a limited extent by implementing a multi-supplier strategy in procurement and an adjusted stockpiling strategy.

If customers or individual markets place more demanding requirements in their tenders for sustainable products or production methods for reasons of climate protection, there is a risk in the short to medium term that the SMA Group will not immediately be able to meet these requirements or will not be able to meet them in time and will therefore not be able to participate in such tenders. In the medium to long term, there is also a risk that customer demand could increasingly shift toward products with low CO₂ footprint. If the SMA Group is unable to meet future customer requirements for these issues, this could have a negative impact on business development. The SMA Group counters these risks with measures to continuously reduce the carbon footprint in the procurement of components and raw materials as well as in the operation of infrastructure.

Due to potentially stricter or newly introduced climate-related regulatory requirements and restrictions, such as those relating to greenhouse gas emissions and the relevant reporting, there is a risk of increased costs for the SMA Group in the medium term.

Based on its business model and corporate strategy, the SMA Group is subject not only to climate-related risks but also to a number of climate-related opportunities.

Due to climate change, there is an opportunity in the short to long term to tap new markets with innovative products, such as power-to-gas technology (using renewable energies such as solar energy to produce “green hydrogen”), which is essential for achieving climate protection targets, as well as the electrification of additional sectors such as heating and mobility, or to develop new, attractive products and solutions for existing markets, such as storage solutions. The high reputation of the SMA brand is crucial to ensure that the SMA Group’s products and solutions are as well received as possible by the markets.

The SMA Group remains committed to promote the development of sustainable solutions in all areas of the company and to take a leading role in climate protection. In the short to long term, this opens up the opportunity to develop and exploit additional business potential by increasing the SMA Group’s sustainability performance and its positioning as a sustainable company.

In the short to long term, the SMA Solar Technology AG Managing Board sees an opportunity for demand for solar energy to increase in many regions as a result of climate change. This is primarily due to increasing political, regulatory and social incentives to reduce greenhouse gas emissions. There is still a global trend and need to gradually replace fossil fuels with renewable energy sources, such as solar energy, while at the same time keeping the costs of photovoltaics competitive. Furthermore, the growing electrification in the areas of mobility, heating and air-conditioning offers potential for a further increase in demand. This also applies to regions in which there were previously no incentives for the expansion of PV systems for cost reasons. To some extent, the implementation of the expected higher demand also depends on the speed and scope of the implementation of national energy and climate protection plans.

The Managing Board of SMA Solar Technology AG also sees a long-term opportunity to expand its repowering business gradually. This particularly relates to the replacement of inefficient or defective old devices, which will be subjected to greater stress due to the expected rise in temperatures and the increase in extreme weather events. They are then replaced by new devices or existing devices are replaced by higher-performance product generations.

In the medium to long term, there is a chance that the political willingness of Germany and the other European Union member states will force or accelerate the transformation to a carbon-neutral region and that the SMA Group will advance to become a systemically important company as a result. As the importance of sustainability and climate protection in investment decisions will increase due to climate change, the sustainability initiatives of the SMA Group can facilitate access to the capital market and improve financing opportunities in the short to long term.

For more information on the opportunities arising for the SMA Group in connection with climate change, please see the remarks in the "Future general economic conditions in the photovoltaics sector" section of the Forecast Report.

Overall statement on the Group's risk and opportunity situation

Using our risk and opportunity management system, we continue to rate the overall situation regarding risks to the SMA Group's future development as manageable and controllable. Based on the current assessment, however, individual risks can be identified that could significantly impair business development, particularly if they all occurred at once.

On the whole, the overall risk for the SMA Group has again slightly decreased in comparison to the previous year (short-term prospect). The future effects of the Inflation Reduction Act, high energy prices and global war and crisis situations and the associated consequences for the SMA Group, which are difficult to predict, remain uncertain, particularly with regard to possible renewed massive disruptions in the supply chain. It is currently not possible to make a reliable assessment.

According to the current assessment of the SMA Solar Technology AG Managing Board, though, there is no indication that the reported risks, individually or in their entirety, could endanger the continued existence of the group.

The systems and solutions business, the digitalization strategy of our business areas, the ongoing internationalization of sales activities and the expansion of our production capacities are expected to make a significant contribution to raising the sales level and to strengthening profitability.

Thanks to the ongoing optimization of our risk and opportunity management system, we remain in a position to identify potential risks at an early stage and counter them effectively, as well as to make optimum use of the potential opportunities that arise.

FORECAST REPORT

Preamble

The forecasts of the Managing Board of SMA Solar Technology AG 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 from the balance sheet date.

The general economic situation

Global economy remains robust despite global challenges

Global economic activity proved resilient in the second half of 2023 despite renewed geopolitical uncertainties. Higher private and government spending as well as lower energy and commodity prices and intact supply chains contributed to this.

According to the International Monetary Fund (IMF), this resilience will continue and global growth will level off at 3.1% in 2024 before rising to 3.2% in 2025 (World Economic Outlook, January 2024). Nevertheless, the forecast for 2024 – 2025 is below the historical (2000 – 2019) average of 3.8%. The reasons for this include the central banks' continued high key interest rates and the withdrawal of fiscal measures in view of the high levels of debt in many countries, which are weighing on economic activity and hampering productivity growth.

There are also still considerable differences between countries. The IMF expects slower growth in the U.S., as the tight monetary policy is still weighing on the economy, and is forecasting growth of 2.1% for 2024 (2023: 2.5%). By contrast, economic activity in the eurozone is likely to recover slightly after a difficult year in 2023, in which high energy prices and restrictive monetary policy curbed demand. Here, the IMF expects growth of 0.9% in 2024 after 0.5% in the previous year. Germany continues to bring up the rear with growth of 0.5% this year (2023: -0.3%). For 2024, the experts forecast stable growth of 4.1% for developing and newly industrialized countries (2023: 4.1%).

Inflation, which is falling faster than expected in most regions, is developing positively. The IMF therefore estimates overall global inflation at 5.8% for 2024 and sees a further decline to 4.4% in 2025. Inflation thus remains considerably higher than the European Central Bank's symmetric medium-term inflation target of 2.0%.

According to the IMF, the global economic outlook is overall better than expected and a "soft landing", i. e., a cooling of the economy without slipping into recession, is possible. Nevertheless, raw material and supply bottlenecks due to geopolitical tensions, particularly in the Middle East, cannot be ruled out. In addition, if inflation remains high, the central banks' tight monetary policy could be extended. In the view of the IMF, this makes it all the more important to reduce national debt and implement targeted, carefully coordinated structural reforms. More efficient multilateral coordination is required in particular for debt regulation in order to avoid a debt emergency and create space for necessary investments as well as to mitigate the effects of climate change.

Future general economic conditions in the photovoltaics sector

Solar energy to become largest source of energy supply¹

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 analysis company Wood Mackenzie describes the solar industry as "highly investable" because it is increasingly able to meet both economic and political targets.²

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

² Source: Wood Mackenzie "Total eclipse: How falling costs will secure solar's dominance in power 2021"

The International Energy Agency (IEA) emphasizes 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, it is described that by 2050 the global energy supply will need to be based largely on renewables, with solar energy as the single largest source of supply. The Potsdam Institute for Climate Impact Research (PIK) forecasts 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 their Energy Transition Outlook 2023, the experts of the consulting company DNV predict that electricity's share in global total energy demand will increase from 19% in 2022 to 35% in 2050. The share of renewable energies in global power generation will also rise from about 31% currently to more than 80%. Solar energy will account for half of this. Connectivity and fast demand response through flexible storage will become crucial success factors for a decarbonized power system with a high share of fluctuating renewable energies.

According to Bloomberg New Energy Finance's New Energy Outlook 2022, global CO₂ emissions will need to drop by an average of 6% per year to realize the goal of global climate neutrality by 2050. Decarbonizing the power sector will require such actions as trebling the current level of new PV capacity installations. Global investment in climate-friendly technologies for power generation and storage would need to increase to a total of about \$35 trillion to achieve the goal of climate neutrality by 2050.

Along with climate change targets, further decreases in levelized costs of electricity are contributing to the anticipated 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 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 gradually decreasing consumer cost electricity from PV systems, their decentralized and local generation can be combined very well with battery storage systems. The combination of photovoltaics and storage systems is therefore particularly attractive for private, commercial and industrial consumers. 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 have a storage capacity of more than 20 TWh by 2050, accounting for around two-thirds of the world's electricity storage capacity.

In the energy system of the future, cutting-edge communication technologies and services for cross-sector energy management will represent key building blocks for the modernization and expansion of the power grid infrastructure. In its World Energy Outlook 2022, the IEA states that, in conjunction with the increasing electrification of the transportation and heating sectors through renewable energies, modern utility grids and smart energy management, there is great potential to sustainably reduce both the high electricity costs and CO₂ emissions.

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 predict will experience exponential growth in the future.

Global new PV installations increase to more than 375 GW

The Managing Board of SMA Solar Technology AG anticipates growth in newly installed PV power worldwide to approximately 375 GW to 383 GW in 2024. 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 1%. Investments in system technology for storage applications (excluding investments in batteries) will rise by approximately €400 million to €500 million compared to the previous year. Overall, the Managing Board therefore expects investments in PV system technology (including system technology for battery storage systems) of around €16.0 billion to €17.6 billion in 2024 (2023: €15.7 billion to €16.9 billion). The expected market development is subject to an undisturbed delivery situation.

Considerable increase in demand in the EMEA region

The Managing Board of SMA Solar Technology AG anticipates a significant increase in newly installed PV power to around 73 GW to 75 GW in the Europe, Middle East and Africa (EMEA) region in 2024 (2023: 66 GW to 68 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, Benelux and Italy as well as in North and East European markets. According to SMA estimates, investments in PV and storage system technology will slightly grow to approximately €5.1 billion to €5.5 billion (2023: €4.8 billion to €5.2 billion). In Europe, new programs for targeted support for climate change mitigation technologies (e. g., REPowerEU) are creating new investment incentives. The photovoltaic market is expected to benefit significantly from this in the medium term.

In many European countries, particularly Germany, Italy and the UK, battery storage systems are becoming increasingly important because, together with renewable energies, they further improve independence from traditional energy sources. 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 Managing Board of SMA Solar Technology AG anticipates growth in newly installed PV power to approximately 57 GW to 59 GW (2023: 51 GW to 53 GW). Roughly between 34 GW and 36 GW of this amount is attributable to the North American markets. The Inflation Reduction Act (IRA) passed by the U.S. Congress in August 2022 includes a long-term extension of the Investment Tax Credit (ITC) for PV systems and, with the Production Tax Credit (PTC), will additionally create significant overall investment incentives for climate change mitigation technologies. The photovoltaic market is also expected to benefit significantly from these positive factors in the medium term. Inverter technology investments are expected to increase to around €4.3 billion to €4.7 billion in the Americas region (2023: €3.8 billion to €4.2 billion).

Investments in Asia-Pacific region at previous year's level

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. In China, the Managing Board expects PV installations to consolidate at a high level of 203 GW to 205 GW in 2024 (2023: 217 GW). Investments in inverter technology are expected to decrease to approximately €4.9 billion to €5.3 billion (2023: €5.5 billion). For the APAC region, excluding China, the Managing Board anticipates newly installed PV power to grow to around 42 GW to 44 GW in 2024 (2023: 34 GW to 36 GW). This growth is in particular attributable to the positive development in India. The Managing Board expects stable investments of approximately €1.7 billion to €2.1 billion in inverter technology for the region as a whole (2023: €1.6 billion to €2.0 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. Plus, 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 Managing Board of SMA Solar Technology AG 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 the European markets, the U.S., Australia and Japan. In these markets, renewable energies are already taking on a greater share in the electricity supply. Additionally, 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 Managing Board expects the still fairly new storage market to grow to approximately €2.4 billion to €2.6 billion in 2024 (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 Managing Board expects this area to represent an addressable market of approximately €2.6 billion in 2024. 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 1,300 GW at the end of 2023 and will have an expected capacity of more than 1,600 GW by the end of 2024. The Managing Board estimates the addressable market share, which is not yet or no longer under contract, at more than 330 GW in 2024, which corresponds to a potential of approximately €1.6 billion. Prices are calculated yearly per MW and vary significantly depending on the regions and services included.

Overall statement from the Managing Board of SMA Solar Technology AG on expected development of the SMA Group

Further sales growth and double-digit EBITDA margin despite macroeconomic uncertainties

On February 29, 2024, the Managing Board of SMA Solar Technology AG published its sales and earnings guidance for the 2024 fiscal year. It predicts sales of between €1,950 million and €2,220 million for the SMA Group (ACTUAL 2023: €1,904.1 million). The planning is based on the Managing Board's assessment that sales in the Large Scale & Project Solutions segment will continue to grow strongly as a result of the existing high order backlog and sustained demand. Due to the continued high inventory levels on the customer side and the currently more volatile market situation, the Managing Board is anticipating a slight increase in sales in the Commercial & Industrial Solutions segment and a sharp decline in sales in the Home Solutions segment.

In the 2023 fiscal year, the SMA Group significantly increased sales, earnings before interest, income taxes, depreciation and amortization (EBITDA) and earnings before interest and income taxes (EBIT) compared to the previous year due to the high demand for SMA products, the improved delivery situation and good production capacity utilization. Against the backdrop of normalized terms of delivery and increased investments in new products and strategic business fields, the Managing Board expects the SMA Group's EBITDA to be between €220 million and €290 million in the 2024 fiscal year (ACTUAL 2023: €311.0 million). Compared to the previous year, the Managing Board expects further earnings growth in the Large Scale & Project Solutions segment and a slight (Commercial & Industrial Solutions) and sharp decline in the Home Solutions segment. In terms of sales, the Managing Board continues to expect a double-digit EBITDA margin for the group.

In addition, the SMA Group is working at pace on the implementation of its company-wide SPIRIT program, which was launched in 2022. For further information on the strategy and the SPIRIT program, please refer to the "Basic information about the Group" section.

Depreciation and amortization are expected to come to approximately €45 million in 2024. The Managing Board anticipates an EBIT of between €175 million to €245 million. In 2024, capital expenditure (including capitalized development costs and lease investments) will be approximately €200 million and thus significantly above the level of 2023 (ACTUAL 2023: €95.1 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 for the new GIGA-WATT FACTORY, as well as the capitalization of research and development expenses are planned for 2024.

For details regarding risks, please refer to the “Risks and Opportunities Report”.

SMA Group guidance for 2024 at a glance

Key figure	Guidance 2024	Actual 2023
Sales in € million	1,950 bis 2,220	1,904.1
Inverter output sold in GW	20 to 22	20.5
EBITDA in € million ¹	220 to 290	311.0
EBITDA margin in % of sales ¹	11.3 to 13.1	16.3
Capital expenditure in € million	approx. 200	95.1
Net working capital in % of sales	19 to 23	20.6
Net cash in € million	approx. 300	283.3
EBIT in € million ¹	175 to 245	269.5
EBIT margin in % of sales ¹	9.0 to 11.0	14.2

¹ Including €19 million positive one-time effect from the sale of shares in elaxon GmbH

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, including the market for green hydrogen.

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 performance for individual SMA segments in the current 2024 fiscal year as follows:

Segment guidance for 2024 at a glance

Segment	Sales	EBIT
Home Solutions	Down significantly	Down significantly
C&I Solutions	Slightly up	Slightly down
Large Scale & Project Solutions	Up significantly	Up significantly

Forecast for most significant non-financial performance indicators

The high importance of sustainability for the SMA Group and corporate management is also reflected in the remuneration system for the Managing Board. The Supervisory Board has incorporated the non-financial performance indicators of “proportion of women in the total workforce with a target value of 26% in 2025” and “recording the sustainability performance of A and B suppliers with a target value of 100% in 2025” into the target setting for the 2022 to 2025 long-term bonus. As of December 31, 2023, women accounted for 28.3% of the total workforce, once again exceeding the target for 2025. As the filling of new positions as part of the SPIRIT project was largely completed in the reporting year and the number of new positions to be filled in 2024 will be significantly lower than in the reporting year, the forecast for the end of 2024 is almost unchanged at 28.5%. With regard to assessing¹ the sustainability performance of A and B suppliers, coverage significantly increased to 81.8% at the end of the reporting year. Coverage of 90% is expected by the end of 2024 due to suppliers' increasing awareness of the importance of sustainability for the SMA Group.

The Managing Board's long-term bonus for 2023 to 2026 includes the non-financial performance indicators of “introduction and application of the net promoter score (customer referral rate) by 2026” and “proportion of women in the top two management levels below the Managing Board (within SMA Solar Technology AG) with an overall target of 20% in 2026”. As part of the net promoter score (NPS) target, a rudimentary measurement was set up in the reporting year based on the limited customer feedback currently available. The position of Customer Experience Manager responsible for the process has been filled. The creation of coordinated definitions for the NPS and an initial pilot measurement across the entire SMA Group are planned for 2024. The proportion of women in the top two management levels below the Managing Board at SMA Solar Technology AG was 13.7% as of December 31, 2023. The initiatives to achieve the target in 2026 will be strengthened by a new package of measures.

¹ The threshold value for the “assessed” classification is the criterion that a supplier is rated better than red in at least one of ten categories used for evaluation in the IntegrityNext evaluation system.

Accordingly, the proportion of women in the two management levels below the Managing Board is expected to increase to 15.0% by the end of 2024.

The Sustainability Committee, chaired by the Chairman of the Managing Board, monitors the degree to which the sustainability objectives have been achieved on a quarterly basis.

System and solution expertise strengthen long-term competitiveness

In recent years, the SMA Group has laid important groundwork for its future viability. The Managing Board of SMA Solar Technology AG therefore also sees excellent growth prospects for the future. In addition to the continued positive development of the global PV market, key drivers include growth in important future fields such as storage, e-mobility, digital energy services and green hydrogen. With its Strategy 2025, its global presence in 20 countries on six continents and its innovative products and solutions, the SMA Group is well positioned to benefit from this market growth and consolidate and/or expand its market position. The company is continuously driving forward the further development of its portfolio toward a comprehensive system landscape for decentralized energy supply.

The SMA Group is already an innovative and sustainable “energy transition company”. As part of our Strategy 2025, we are developing comprehensive and future-proof systems and solutions with high customer benefits for all key areas of the future energy supply and opening up new business fields. Our high level of system expertise and close cooperation with strong partners will also enable us to consistently develop this strategy in the future.

For further information on the strategy, please refer to the “Basic information about the Group” section.

SMA Group will continue to reap the benefits of megatrends

The expansion of renewable energies and battery 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. Photovoltaics in particular will benefit from this expansion, also due to the already low levelized cost of electricity compared to other types of generation. The three megatrends of decarbonization, decentralization and digitalization are having an accelerating effect on the expansion of PV but also on the innovation of new business models, for example in the area of smart energy management and grid stabilization solutions.

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 more than 145 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. The SMA Group also has extensive expertise in the area of grid stability and has been bundling its services in this area centrally at its competence center in Bangalore (India) since October 2023. 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. With the Electrolyzer Converter for the grid-friendly processing of electricity for electrolysis, we successfully launched our own range of solutions for optimized hydrogen production on the growing market, which we will continue to expand.

For further information on products and services, please refer to the “Basic information about the group” section.

SMA Group will take advantage of the potential of digitalization¹

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.

¹ The following section is not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and therefore not a subject of the financial audit.

CORPORATE GOVERNANCE

Corporate Governance Report¹

In this declaration, SMA Solar Technology AG reports on its corporate governance principles in accordance with Section 289f (1), (2) and 315d of the German Commercial Code (HGB) and on corporate governance in the company in accordance with Section 161 of the German Stock Corporation Act (AktG) and Clause 23 of the German Corporate Governance Code (DCGK). The declaration includes the Declaration of Compliance, information on corporate governance practices, which comprises information on where they can be accessed by the public, as well as information on the composition and description of the function of the Managing Board, Supervisory Board and respective committees and material corporate governance structures.

Complying with the principles of good corporate governance is extremely important to SMA Solar Technology AG. The company is guided by the recommendations and suggestions in the German Corporate Governance Code. The Managing Board and Supervisory Board dealt with meeting these requirements. The company declared emergent deviations from the German Corporate Governance Code in the Declaration of Compliance of December 6, 2023. This declaration is reproduced below and published on our [corporate website](#).

Declaration of compliance with German Corporate Governance Code

In accordance with Section 161 of the German Stock Corporation Act, the Managing Board and Supervisory Board of SMA Solar Technology AG declare:

SMA Solar Technology AG has complied with all recommendations of the German Corporate Governance Code dated April 28, 2022 ("Code 2022"), published by the Federal Ministry of Justice in the official section of the Federal Gazette on June 27, 2022, and will also comply with it in future with the following exceptions:

The remuneration system for the Managing Board passed by the Supervisory Board and approved by the Annual General Meeting on May 24, 2023, that is to be the basis for all remuneration agreements with members of the Managing Board of SMA Solar Technology AG who are newly appointed or whose contract is extended after May 24, 2023 ("Remuneration System 2023"), provides, deviating from recommendation G.8 of Code 2022, for the option to deviate from target values or comparative parameters that have already been adopted in exceptional situations if this is temporarily in the interest of the company. The Supervisory Board considers that such flexibility is necessary to be able to respond appropriately to unforeseen situations, including in accordance with recommendation G.11, sentence 1 of the 2022 Code.

The 2023 remuneration system also envisages an obligation on the part of the Managing Board to invest some of the remuneration component obtained as a result of long-term and short-term variable targets being surpassed in shares in the company, which diverges from recommendation G.10, sentence 1 of the 2022 Code. The Supervisory Board holds that the remuneration arrangements and obligation to invest adequately commit the Managing Board to the long-term and sustainable development of the company and that there is no need for any further obligation in accordance with recommendation G.10, sentence 1 of the 2022 Code.

Contrary to recommendation G.11, sentence 2 of the 2022 Code, the 2023 remuneration system does not stipulate any regulations beyond what is required by law that would give the company the option to retain or reclaim any variable remuneration owed to the Managing Board. The Supervisory Board takes the view that the Managing Board would already have a sufficient stake in any negative developments due to the arrangements for objectives, particularly with regard to variable remuneration, and that any legally reproachable conduct can be adequately sanctioned by means of the possible responses allowed for by law.

The Managing Board

The Supervisory Board

¹ The following section is not a mandatory component of the Combined Management Report as defined in Sections 289, 315 HGB in conjunction with GAS 20, and therefore not a subject of the financial audit.

Corporate governance practices

With the principle “Our energy inspires the world’s most important customer. Our future”, the SMA Strategy 2025 comprises a forward-looking vision and mission, the values that all SMA employees align themselves with and clear strategic objectives for the next years. It has been presented to all employees worldwide and forms the strategic framework for action of the SMA Group. Further details can be found in the “Strategy” section under “Basic information about the Group”.

Furthermore, in 2011, SMA had already made a declaration to the General Secretary of the United Nations to establish the ten principles of the UN Global Compact as compulsory guidelines for its corporate governance. The principles of the UN Global Compact provide standards for upholding human rights, the protection of workers’ rights, environmental protection and avoidance of corruption. They can be viewed on the website at www.unglobalcompact.org. In addition, the SMA Group is committed to the “Business Principles for Countering Bribery” of Transparency International.

In 2022, the Managing Board of SMA Solar Technology AG further revised the SMA business principles, which came into effect in 2012, aligning them with the sustainability objectives set out in the Strategy 2025. The SMA business principles are the core of the compliance management system and shape SMA’s values into clear behavioral standards. The SMA business principles are obligatory for all SMA employees worldwide. They underscore the company’s desire to fully implement and comply with all legal and regulatory requirements. The SMA Group also undertakes to act ethically, sustainably and with integrity at all times to assume its corporate responsibility and treat others with respect. The SMA business principles set out in the Employee Code of Conduct are publicly available on SMA’s [corporate website](#).

Since 2009, the SMA Group has also already recognized the code of conduct of the German Association for Supply Chain Management, Procurement and Logistics (BME e. V.) and used this as the basis for its own guidelines for suppliers (SMA Supplier Code of Conduct). In 2023, the SMA Business Partner Code of Conduct was revised with involvement of stakeholders and newly implemented. This continues to commit the SMA Group to fair dealings with suppliers. The guidelines are based on, among other things, the UN Global Compact, the conventions of the International Labour Organization (ILO) and the United Nations’ Universal Declaration of Human Rights. The SMA Group’s objective is to enshrine general principles with regard to fairness, integrity and corporate responsibility in business relationships and the

supply chain. For the SMA Group, these behavioral guidelines also complement its mission statement and corporate culture, in which fairness, integrity, sustainability and corporate responsibility are deeply rooted. In addition to these guidelines, the SMA Business Partner Code of Conduct prescribes standards for sustainable activity and gives expression to what the SMA Group expects of suppliers and business partners with regard to social, ecological and ethical issues. The key points of the guidelines are a ban on child labor, forced labor, abuse and discrimination of employees, fighting against corruption, fair working conditions, occupational health and safety, environmental protection, and quality and product safety. The BME’s code of conduct is accessible on its website at www.bme.de. The latest version of the SMA Business Partner Code of Conduct is reproduced on the SMA [corporate website](#).

In compliance with the provisions of Section 76 (4) sentence 2 of the German Stock Corporation Act, the Managing Board set the target for female employees for each of the two upper management levels for the period from July 1, 2022 to June 30, 2027 at 20%. At the end of the reporting period, the proportion of female employees working in the first management level was 6.7% and in the second management level 14.3%.

Transparency

Transparency is a key element of good corporate governance. Our aim is to provide all shareholders, financial analysts, media and interested members of the public at large with timely information about our business situation and significant corporate changes. All important information is also made available on our [corporate website](#). Reporting on the business situation and the operating results takes place in the Annual Report, in the annual press conference on financial statements and in the Quarterly Statements and Half-Yearly Financial Reports. Furthermore, the public is informed through press releases, via social networks and, if stipulated by law, by means of ad hoc statements. In addition, SMA is in regular contact with investors, analysts and the press to inform about the market and competition, strategic direction, SMA’s unique selling propositions and financial developments.

Transparency is particularly important whenever deliberations and company decisions might lead to conflicts of interest for members of the Supervisory Board or Managing Board. Any conflicts of interest that may have arisen are therefore disclosed by those members of the corporate bodies affected when discussion of the subject commences. The member concerned does not participate in the adoption of any necessary resolutions by the Managing Board or the Supervisory Board.

Remuneration Report

The Remuneration Report is printed in the chapter of the same name in the Annual Report and can also be viewed on our [corporate website](#) with the auditor's report in accordance with Section 162 of the German Stock Corporation Act, as well as the applicable remuneration systems for the Managing Board and Supervisory Board in accordance with Section 87a (1) and (2) sentence 1 of the German Stock Corporation Act and the most recent remuneration resolution in accordance with Section 113 (3) of the German Stock Corporation Act.

The company's corporate bodies and their functions

SMA Solar Technology AG is a stock corporation governed by German law. Accordingly, it possesses a dualistic management structure in which one corporate body is devoted to managing the company (the Managing Board) and is supervised by another corporate body (the Supervisory Board). Both bodies are endowed with different powers and work closely with one another in an atmosphere of trust when managing and supervising the company. At the Annual General Meeting, electing the auditor and the shareholder representatives to the Supervisory Board takes place as does determining the appropriation of profits, along with making decisions that impact member rights of shareholders.

MANAGING BOARD

The Managing Board is responsible for independently and jointly managing the company. It is obliged to sustainably ensure and increase the company value and is responsible for managing the business. In agreement with the Supervisory Board, it decides on fundamental issues of business policy and corporate strategy as well as on short- and medium-term financial planning. The Managing Board is in charge of preparing the Quarterly Statements, Half-Yearly Financial Reports and Annual Financial Statements and Consolidated Financial Statements for SMA Solar Technology AG and the SMA Group, as well as for adherence to all legal and official provisions and internal policies.

As a collective body, the Managing Board, in principle, strives to adopt resolutions jointly. However, the Rules of Procedure for the Managing Board adopted by the Supervisory Board stipulate that individual members of the Managing Board are in charge

of specific areas of responsibility. The Managing Board, with the consent of the Supervisory Board, lays out how responsibilities are assigned. The members of the Managing Board notify each other on an ongoing basis about all material events in their area of responsibility and about any matters covering multiple areas of responsibility. Under legal provisions or the Rules of Procedure, in certain transactions, a unanimous resolution of the Managing Board is mandatory. For a predetermined number of transactions, the Supervisory Board has a reservation of consent. The Managing Board has not instituted any committees.

The company's diversity concept for the Managing Board to be described in accordance with Section 289f HGB comprises, in part, consideration of the various personal and professional competencies required to fulfill the respective tasks on the Managing Board. Other elements include decisions on the minority gender quota of 25% on the Managing Board and the age limit for the Managing Board described in Section 1 (4c) of the Supervisory Board's Rules of Procedure. The aim of the concept is to best meet the requirements for the work carried out by a managing board through a broad and varied range of knowledge and experience. The current makeup of the Managing Board upholds the prescribed age limit of 65 years and reflects different professions and professional backgrounds as well as personal and professional competencies. The current gender parity in the composition of the Managing Board also means that it meets the representation requirement for the minority gender under Section 76 (3a) of the German Stock Corporation Act (AktG). Long-term succession planning for the Managing Board takes place partly through regular monitoring by the Supervisory Board to adjust the quantitative and qualitative makeup of the Managing Board as well as the prevailing conditions brought about by the members of the Managing Board, such as a member reaching the age limit. The Managing Board is working to identify potential candidates within the company who would be suitable for taking on a role on the Managing Board given various time frames and, if necessary, after developing appropriate management skills. More detailed information on the members of the Managing Board can be found under the same-titled section.

On the Managing Board, Dr.-Ing. Jürgen Reinert, as Chairman of the Managing Board of SMA Solar Technology AG, is responsible for Strategy, Research and Development, the segments Home Solutions, Commercial & Industrial Solutions and Large Scale & Project Solutions as well as Operations, Sales and Service and Human Resources. Barbara Gregor, as member of the Managing Board, is in charge of Finance, Investor Relations, Real Estate Management (CREM), Digitalization/IT, Legal, Governance, Compliance, Risk Management and Internal Audit.

SUPERVISORY BOARD

The Supervisory Board advises the Managing Board in all matters and supervises its activity. The Managing Board involves and consults with the Supervisory Board on all matters of fundamental significance and whenever particularly important business decisions need to be made. Under the Rules of Procedure applicable to the Managing Board, which were adopted by the Supervisory Board, the Managing Board must obtain prior approval from the Supervisory Board for certain decisions. Such decisions include approval of the annual budget, comprising the investment plan, incorporation, acquisition or sale of companies and stakes in companies, whenever stipulated threshold values are exceeded. The Supervisory Board must also consent to the allocations of responsibility on the Managing Board.

The Supervisory Board is made up of 12 members and its composition complies with the provisions of the German Stock Corporation Act and the Codetermination Act. Under these provisions, the employees of German group companies and their shareholders (Annual General Meeting) each elect six representatives to the Supervisory Board. The current members of the Supervisory Board are: Martin Breul, Oliver Dietzel, Johannes Häde, Yvonne Siebert, Romy Siegert and Dr. Matthias Victor as employee representatives, and Roland Bent, Kim Fausing (Deputy Chairman), Uwe Kleinkauf (Chairman), Alexa Hergenröther, Ilonka Nußbaumer and Jan-Henrik Supady as shareholder representatives.

Alexa Hergenröther, Chair of the Audit Committee, has the expertise in the fields of accounting or financial auditing required by Section 100 (5) of the German Stock Corporation Act and the German Corporate Governance Code thanks to her expertise as a tax consultant and management consultant entrusted with providing financial support for companies for many years, as does Jan-Henrik Supady, Deputy Chair of the Audit Committee, thanks to his expertise as managing partner of a company active in the strategic investments segment. The length of time spent as a member of the Supervisory Board can be found in the members' résumés, accessible on the company's [corporate website](#).

The Committees of the Supervisory Board are made up as follows:

Presidial Committee	Uwe Kleinkauf (Chairman), Yvonne Siebert (Deputy Chairwoman), Kim Fausing, Dr. Matthias Victor
Audit Committee	Alexa Hergenröther (Chairwoman), Jan-Henrik Supady (Deputy Chairman), Oliver Dietzel, Johannes Häde
Nomination Committee	Uwe Kleinkauf (Chairman), Ilonka Nußbaumer (Deputy Chairwoman), Kim Fausing, Jan-Henrik Supady
Mediation Committee	Romy Siegert (Chairwoman), Kim Fausing (Deputy Chairman), Uwe Kleinkauf, Martin Breul

The committees prepare the topics and resolutions that have to be dealt with by the entire Supervisory Board and are also authorized to decide on matters instead of the Supervisory Board if the Supervisory Board has transferred the relevant authority to them within the scope of the legal possibilities and the Rules of Procedure of the Supervisory Board. They regularly meet with stakeholders such as the Managing Board, the auditor or the heads of Internal Audit or Compliance for this purpose. The committee chairperson reports on the content of the committee meetings at the next plenary session of the Supervisory Board. Any member of the Supervisory Board may attend committee meetings, provided the relevant committee chairperson does not decide otherwise. The meeting minutes and resolutions adopted by committees are made available to all the members of the Supervisory Board.

The Supervisory Board and the committees regularly conduct self-assessments to review the extent to which the committees are effectively handling the tasks allocated to them. The Supervisory Board and the committees assign themselves this efficiency check regularly as separate agenda items, according to which the members examine how tasks have been completed in the past and whether they can identify any improvements for future processes. The analysis focuses partly on the effectiveness of work carried out in the various committees in terms of how preparations are made for decision-making and how information is conveyed within each committee. The Supervisory Board also communicates with the Managing Board for the purpose of improving the efficiency of collaboration between the two bodies. In the reporting year, the Audit Committee conducted one of these self-assessments for its work.

The Supervisory Board reports annually on the focus of its activities and deliberations in the Supervisory Board Report. You may refer to the Supervisory Board Rules of Procedure on our [corporate website](#). The Supervisory Board members take general and specialized training necessary for their tasks of their own accord, and in doing so, they receive appropriate support from the company.

In the past, the Supervisory Board already has regularly considered the personal and professional requirements of its members and, with regard to the provisions of recommendation C.1 of the

German Corporate Governance Code, has decided on appropriate objectives for its composition and established a competence profile, which it adapted in 2023 in view of the increasing importance of sustainability. The competence profile addresses the requirements for members of the Supervisory Board, which are provided in particular by law, the German Corporate Governance Code and the objectives of the Supervisory Board for its composition. The implementation status of the skills profile from the perspective of the Supervisory Board is shown in the following skills matrix:

Skills matrix of the Supervisory Board

	Roland Ben ¹	Martin Breul	Oliver Dietzel	Kim Fausing ¹	Johannes Häde	Alexa Hergenröther ¹	Uwe Kleinkauf ¹	Ilonka Nußbaumer ¹	Yvonne Siebert	Romy Siebert	Jan-Henrik Supady ¹	Dr. Matthias Victor
Independence of the shareholder representatives	●					●		●			●	
Professional expertise²												
International corporate experience	●			●		●	●	●		●	●	
Technical expertise, particularly in the field of renewable energies, preferably in the field of photovoltaics	●	●	●	●	●		●		●			●
Knowledge of the internal structures and functions of the company		●	●		●	●	●	●	●			●
Knowledge in the field of digitalization	●		●	●		●		●	●		●	●
Expertise in the field of accounting			●			●	●				●	
Expertise in the field of financial audits						●					●	
Expertise in the sustainability issues that are significant for the company	●			●		●	●	●		●	●	
Management experience in internationally active companies	●			●		●	●	●			●	●
Experience on the supervisory boards of listed companies (without SMA)			●	●		●						
Knowledge of the topics of corporate governance and compliance and corporate law				●		●	●	●			●	
Knowledge of the topics of the internal control and risk management system				●		●	●				●	

¹ Shareholder representatives

² ● = applicable

These requirements and the competence profile continue to form the diversity concept of the Supervisory Board within the meaning of Section 289f (2), No. 6 of the HGB, the objective of which is to ensure that the Supervisory Board has the broadest possible range and variation of knowledge and experience. The Supervisory Board considers that increasing the diversity of the Supervisory Board is already an objective of various provisions of the law and of the German Corporate Governance Code. It incorporated this objective when selecting new members and took it into consideration when creating its competence profile and the objectives for its composition, and will continue to do so in the future while implementing the diversity concept.

The objectives of the Supervisory Board for its composition are as follows:

1. The minimum proportion of women on the Supervisory Board is determined by legal provisions (Section 96 (2) AktG).
2. Composition of the Supervisory Board including members of international experience.
3. Consideration of particular knowledge and experience in the application of accounting standards und internal control processes as well as in the field of auditing.

4. Consideration of technical expertise, especially also in the field of renewable energies, preferably in the field of photovoltaics.
5. Special consideration given to candidates with knowledge in the field of digitalization and about the internal structures and functions of the company.
6. At least half of the shareholder representatives are to be independent. At the same time, at least one member is to possess expertise in the field of accounting or auditing.
7. Consideration of the age limit of 75 years at the end of the term of office.
8. Expertise in the sustainability issues that are significant for the company.

Currently, these objectives are implemented as follows:

On 1: The Supervisory Board now has four female members, Alexa Hergenröther, Ilonka Nußbaumer, Romy Siegert and Yvonne Siebert. Thus the requirements of Section 96 (2) AktG are met.

On 2 to 5 and 7 to 8: In the opinion of the Supervisory Board, these objectives have also been achieved.

On 6: The company currently considers four shareholder representatives – Roland Bent, Alexa Hergenröther, Ilonka Nußbaumer and Jan-Henrik Supady – independent in accordance with the rules of the current German Corporate Governance Code. Of these, Alexa Hergenröther and Jan-Henrik Supady, as two independent members, possess expertise in accounting and financial auditing. In addition, Alexa Hergenröther has particular experience in financial reporting standards and internal control processes and is also conversant with matters relating to financial auditing.

From the perspective of the Supervisory Board, the requirements arising from the competence profile and the diversity concept have been fulfilled, also with regard to the minimum proportion of women on the Supervisory Board.

COOPERATION BETWEEN THE MANAGING BOARD AND THE SUPERVISORY BOARD

The Managing Board and the Supervisory Board work closely with one another in an atmosphere of trust for the good of the company, thus meeting both the requirements of effective enterprise control and the need to be able to make decisions quickly. Their common goal is to secure the continued existence of the company and steadily increase its value. The Managing Board keeps the Supervisory Board promptly and comprehensively informed, both in writing and speech, and during regular meetings about the company's position, current business developments and all relevant questions pertaining to strategic planning, risk management, risk status and important compliance matters. The Quarterly Financial Statements and the Half-Yearly Financial Report are discussed with the Managing Board on a regular basis during Audit Committee meetings prior to their publication.

Outside meetings, the Chairman of the Supervisory Board and his deputy are also in contact with the Managing Board to discuss significant business transactions and upcoming decisions and are immediately informed about key developments.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

SMA Solar Technology AG shareholders discuss their codetermination and control rights at the Annual General Meeting, which takes place at least once a year. The Annual General Meeting adopts resolutions with binding effect, and each share grants one vote. Every shareholder who registers on time is entitled to participate in the Annual General Meeting. In addition, shareholders may have their voting rights exercised by a credit institution, a shareholder association, the proxies deployed by SMA Solar Technology AG and bound by the shareholder's instructions or by another authorized representative. The invitation to the Annual General Meeting and all reports and information necessary for adopting resolutions, including the Annual Report, are published in accordance with the provisions of the German Stock Corporation Act and are available in the run-up to the Annual General Meeting on our [corporate website](#).

Information concerning takeovers required by HGB sections 289a and 315a

Number 1: The share capital of SMA Solar Technology AG amounts to €34.7 million. The share capital is divided up into 34,700,000 no-par value bearer shares. The rights and obligations associated with the shareholdings fall under the regulations in the German Stock Corporation Act.

Number 2: Each share grants one vote at the company's Annual General Meeting. The Managing Board is not aware of any restrictions affecting voting rights or the transferability of shares.

Number 3: Danfoss A/S, Denmark, holds 20.00% of the company's share capital.

Numbers 4 and 5: The shareholders and employees participating in the capital do not have any special rights granting them any particular powers of control.

Number 6: Appointment and dismissal of the Managing Board takes place pursuant to Sections 84 and 85 of the German Stock Corporation Act (AktG) together with Section 31 of the Co-Determination Act (MitBestG). Under Article 5 of the Articles of Incorporation of SMA Solar Technology AG, the Managing Board consists of at least two members and the exact number is laid down by the Supervisory Board. Under Section 179 of the AktG, the Articles of Incorporation may be amended by a resolution adopted by the Annual General Meeting with a majority of three-quarters of the share capital represented at the vote.

Number 7: The Articles of Incorporation include the provisions on the powers of the Managing Board regarding Authorized Capital II. After obtaining the consent of the Supervisory Board, the Managing Board is entitled to increase the share capital on one or several occasions by up to a total of €3.4 million by issuing new bearer shares in return for cash contributions and/or contributions in kind in the period ending May 23, 2028. The Managing Board, with the consent of the Supervisory Board, is entitled to cancel the statutory subscription rights of shareholders in the following cases: (a) in the case of capital increases in return for contributions in kind for the acquisition of or investment in companies, parts of companies or investments in companies, (b) for the purpose of issuing shares to employees of the company and companies affiliated with the company, (c) to exclude fractions, and (d) in the case of capital increases in return for cash contributions if the issue amount of the new shares does not fall significantly below the stock exchange price of shares of the same class and terms that are already listed at the time the Managing Board sets the final issue amount, and the total pro rata amount of the issued capital attributable to the new shares in respect of which the subscription right is excluded does not exceed 10% of the issued capital available at the time the new shares are issued.

Furthermore, following a resolution adopted by the Annual General Meeting on June 1, 2021, the Managing Board, in the period up to May 30, 2026, is entitled on behalf of the company to acquire its own shares up to a value of 10% of the existing capital stock at the time the resolution was adopted by the Annual General Meeting and to dispose of shares acquired in this way with the consent of the Supervisory Board by means other than through the stock exchange or an offer made to all the shareholders, provided the shares are sold in return for cash at a price that does not fall significantly below the stock exchange price of shares in the company issued under the same terms or the shares are sold in return for in-kind contributions, or they are offered in return for shares held by persons that either had or have an employment relationship with the company, or with one of its affiliated companies, or members of bodies in companies that depend on the company. Furthermore, if the Managing Board sells the company's own shares by offering them to all the shareholders with the consent of the Supervisory Board, the Managing Board is entitled to exclude the shareholders' right of subscription for fractions. In addition, the Managing Board is entitled to cancel any own shares acquired after obtaining the consent of the Supervisory Board.

Number 8: Credit lines agreed with banks with a volume of €380 million contain a change of control clause that includes the special termination right of the relevant bank.

Number 9: There are no agreements granting compensation to members of the Managing Board or employees in the event of a takeover bid.

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Income statement SMA Group

in €'000	Note	2023	2022
Sales	3	1,904,059	1,065,946
Cost of sales		1,344,715	841,677
Gross profit		559,344	224,269
Selling expenses		127,286	102,155
Research and development expenses		78,588	51,598
General administrative expenses		81,694	64,016
Other operating income	4	47,924	81,266
Other operating expenses	4	50,199	55,879
thereof impairments according to IFRS 9		2,946	1,833
Operating profit (EBIT)		269,501	31,887
Income from at-equity-accounted investments	11	688	1,286
Financial income		5,372	7,854
Financial expenses		5,036	6,169
Financial result	6	1,024	2,971
Profit before income taxes		270,525	34,858
Income taxes/expense (+)/income (-)	7	44,855	-20,959
Net income		225,670	55,817
of which attributable to shareholders of SMA AG		225,670	55,817
Earnings per share, basic (in €)	8	6.50	1.61
Earnings per share, diluted (in €)		6.50	1.61
Number of ordinary shares (in thousands)		34,700	34,700

Statement of comprehensive income SMA Group

in €'000	Note	2023	2022
Net income		225,670	55,817
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries		-2,143	-314
Changes recognized outside profit or loss (currency translation difference)		-2,143	-314
Overall result		223,527	55,503
of which attributable to shareholders of SMA AG		223,527	55,503

Balance sheet SMA Group

in €'000	Note	2023/12/31	2022/12/31
ASSETS			
Intangible assets	9	117,277	88,932
Property, plant and equipment	10	226,107	191,845
Investment property	12	4,773	14,274
Other financial assets, non-current	11, 15, 24	1,562	6,170
Deferred tax assets	7	78,511	85,427
Non-current assets		428,230	386,648
Inventories	13	559,066	308,668
Trade receivables	14, 24	277,398	153,528
Other financial assets, current (total)	15, 24	70,152	57,688
Cash equivalents with a duration of more than 3 months and asset management		41,391	38,290
Rent deposits and cash on hand pledged as collaterals		22,541	16,436
Remaining other financial assets, current		6,220	2,962
Income tax assets	7	6,270	11,096
Value added tax receivables	15	41,587	18,548
Other non-financial assets, current	14	15,279	8,493
Cash and cash equivalents	16, 24	219,383	165,355
		1,189,135	723,376
Assets held for sale	17	4,550	0
Current assets		1,193,685	723,376
Total assets		1,621,915	1,110,024
LIABILITIES			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		532,282	309,623
SMA Solar Technology AG shareholders' equity	18	686,182	463,523
Provisions, non-current	19	105,057	92,692
Financial liabilities, non-current	20, 24	23,037	16,356
Contract liabilities, non-current	23	150,540	152,926
Other non-financial liabilities, non-current	23	2,895	1,845
Deferred tax liabilities	7	1,854	442
Non-current liabilities		283,383	264,261
Provisions, current	19	95,992	66,454
Financial liabilities, current	20, 24	8,816	7,307
Trade payables	21, 24	303,796	133,449
Income tax liabilities	7	15,694	4,162
Contract liabilities (advances)	23	140,526	90,219
Other contract liabilities, current	23	57,696	42,160
Other financial liabilities, current	22, 24	922	568
Other non-financial liabilities, current	23	28,908	37,921
Current liabilities		652,350	382,240
Total equity and liabilities		1,621,915	1,110,024

Statement of cash flows

SMA Group

in €'000	Note	2023	2022
Net income		225,670	55,817
Income taxes	7	44,855	-20,959
Financial result	6	-1,024	-2,971
Depreciation and amortization of property, plant and equipment and intangible assets		41,459	38,126
Change in provisions	19	41,903	-49,752
Result from the disposal of intangible and fixed assets and non-current assets		1,691	-20,639
Change in non-cash expenses/revenue		-1,267	39,060
Interest received		2,075	293
Interest paid		-1,542	-796
Income tax paid		-21,206	-5,547
Gross cash flow		332,614	32,632
Change in inventories		-263,146	-45,439
Change in trade receivables		-126,681	-12,933
Change in trade payables		170,348	-577
Change in other net assets/other non-cash transaction		27,642	54,981
Cash flow from operating activities		140,777	28,664
Payments for investments in property, plant and equipment		-44,413	-25,895
Proceeds from the disposal of property, plant and equipment		207	119
Payments for investments in intangible assets		-39,950	-35,926
Cash inflow from the disposal of held for sale assets net of cash		0	37,610
Proceeds from the disposal of securities and other financial assets		2,009	66,613
Payments for the acquisition of securities and other financial assets		-3,845	0
Cash flow from investing activities		-85,992	42,521
Proceeds from borrowing of financial liabilities		6,442	0
Redemption of financial liabilities		-8	-8,346
Payments for lease liabilities		-9,009	-10,990
Cash flow from financing activities	20	-2,575	-19,336
Net increase/decrease in cash and cash equivalents		52,210	51,849
Changes due to exchange rate effects		1,818	-472
Cash and cash equivalents as of January 1		165,355	113,978
Cash and cash equivalents as of December 31	27	219,383	165,355

Statement of changes in equity SMA Group

in €'000	Note	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2022		34,700	119,200	4,150	249,970	408,020
Net income		0	0	0	55,817	55,817
Other comprehensive income after tax		0	0	-314	0	-314
Overall result		0	0	-314	55,817	55,503
Shareholders' equity as of December 31, 2022		34,700	119,200	3,836	305,787	463,523

in €'000	Note	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2023		34,700	119,200	3,836	305,787	463,523
Net income		0	0	0	225,670	225,670
Other comprehensive income after tax		0	0	-2,142	0	-2,142
Other changes in equity	18	0	0	0	-869	-869
Overall result		0	0	-2,142	224,801	222,659
Shareholders' equity as of December 31, 2023		34,700	119,200	1,694	530,588	686,182

NOTES SMA GROUP

General information

1. Basics

The Consolidated Financial Statements of SMA Solar Technology AG as of December 31, 2023, were prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as in compliance with the regulations of Section 315e (1) of the German Commercial Code (HGB). The requirements of the standards and interpretations applied were met completely and provide a fair view of the net assets, financial position and results of operations of SMA Solar Technology AG and its subsidiary companies included in the scope of consolidation (hereinafter: SMA Group).

The registered office of the company is Sonnenallee 1, 34266 Niestetal, Germany. The company is registered at the commercial court of Kassel under the trade register number HRB 3972. Shares of SMA Solar Technology AG have been traded publicly since June 27, 2008. They are listed in the Prime Standard of the Frankfurt Stock Exchange. The company has been listed on the TecDAX since June 20, 2022, and was also included in the MDAX on May 9, 2023.

The Consolidated Financial Statements are prepared using the amortized acquisition cost principle and under the going concern assumption. Exceptions to this are provisions, deferred taxes, derivative financial instruments and securities as well as institutional mutual funds.

The income statement is classified according to the cost of sales method. The Consolidated Financial Statements were prepared in euro. Unless indicated otherwise, all amounts stated are in euro rounded to whole thousands (,000) or millions (€ million), rounding differences may arise as a result.

The Managing Board of SMA Solar Technology AG authorized the Consolidated Financial Statements on March 6, 2024, for submission to the Supervisory Board. The Supervisory Board has the duty of reviewing the Consolidated Financial Statements and declaring whether it approves the Consolidated Financial Statements.

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 solar 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 making a sustainable, secure and cost-effective energy supply a reality worldwide.

More detailed information on the segments is provided in section 3.

1.1. CONSOLIDATION PRINCIPLES

All domestic and foreign subsidiaries in which SMA Solar Technology AG, directly or indirectly, has the option of controlling as defined in the regulations of IFRS 10 are included in the Consolidated Financial Statements of the SMA Group. The included statements are prepared based on uniform principles.

An associate is a company over which the group exercises significant influence. Significant influence means the option to participate in the financial and operating policy decisions of the company, in which the investment is held, but not to exercise control or joint control over the decision-making processes.

A joint venture is a company in which an SMA Group company exercises joint control together with one or more external parties. Joint control exists if decisions on significant activities of the joint venture require the unanimous approval of the jointly controlling parties.

1.2. SCOPE OF CONSOLIDATION

With the exception of elaxon GmbH, all companies within the scope of consolidation are fully consolidated. elaxon GmbH is recognized as a joint venture in the consolidated financial statements according to the equity method. As of the balance sheet date, the shares are reported in the balance sheet under "Assets held for sale", as they were sold with effect from January 15,

2024, see also the “Other disclosures” in the “Events after the balance sheet date” subsection. UNIKIMS GmbH, which is reported in the list of shareholdings under investments, is accounted for as a financial investment. The scope of consolidation as of December 31, 2023, has changed compared to December 31, 2022, in that the Australian subsidiary Australia Zerversolar has been deconsolidated with immaterial effect. The scope of consolidation was expanded by the foundation of SMA Nederland B.V. in the Netherlands, the foundation of SMA Solar Technology Middle East DMCC in Dubai and the foundation of Altenso Projects

GmbH i.G. in Germany. The change to the scope of consolidation does not impact comparability with the previous year, as the business activities of the newly founded companies are still being established and therefore do not yet have a significant impact on the net assets, financial position and results of operations of the SMA Group.

The scope of consolidation of the SMA Group is presented in the complete list of shareholdings shown below pursuant to Section 313 (2) of the German Commercial Code:

Name of parent company	Registered office	Share in capital	Consolidation
SMA Solar Technology AG	Niestetal, Germany		F
Shares in affiliated companies			
coneve GmbH	Munich, Germany	100%	F
emerce Africa (Pty.) Ltd.	Cape Town, South Africa	100%	F
SMA Altenso GmbH	Fritzlar, Germany	100%	F
Altenso Projects GmbH i.G.	Kassel, Germany	100%	F
SMA America Holdings LLC	Denver, U.S.	100%	F
SMA Solar Technology America LLC	Rocklin, U.S.	100%	F
SMA Australia Pty. Ltd.	North Sydney, Australia	100%	F
SMA Benelux BV	Mechelen, Belgium	100%	F
SMA Nederland B.V.	Amersfoort, Netherlands	100%	F
SMA France S.A.S.	Saint Priest, France	100%	F
SMA Ibérica Tecnología Solar, S.L.	Sant Cugat del Vallès (Barcelona), Spain	100%	F
SMA Immo Beteiligungs GmbH	Niestetal, Germany	100%	F
SMA Immo GmbH & Co. KG	Niestetal, Germany	100%	F
SMA Italia S.r.l.	Milan, Italy	100%	F
SMA Japan Kabushiki Kaisha	Tokyo, Japan	100%	F
SMA Magnetics Sp. z o. o.	Modlniczka, Poland	100%	F
SMA Middle East Limited	Abu Dhabi, United Arab Emirates	100%	F
SMA Solar Technology Middle East DMCC	Dubai, United Arab Emirates	100%	F
SMA Solar Beteiligungs GmbH	Niestetal, Germany	100%	F
SMA Solar India Private Limited	Thane, India	100%	F
SMA Solar Technology Beteiligungs GmbH	Niestetal, Germany	100%	F
SMA Solar Technology Canada Inc.	Vancouver, Canada	100%	F
SMA Solar Technology de México S. de R.L. de C.V.	Santiago de Querétaro, Mexico	100%	F
SMA Solar Technology (Shanghai) Co., Ltd.	Shanghai, China	100%	F
SMA Solar Technology South Africa (Pty.) Ltd.	Cape Town, South Africa	100%	F
SMA Solar Turkey Teknoloji Limited Şirketi	Istanbul, Turkey	100%	F
SMA Solar (Thailand) Co., Ltd.	Bangkok, Thailand	100%	F
SMA Solar UK Ltd.	Banbury, Great Britain	100%	F
SMA South America SpA	Santiago, Chile	100%	F
SMA Brasil Tecnologia Solar Ltda.	São Paulo, Brazil	100%	F
Investments			
elaxon GmbH	Aachen, Germany	42.0%	R
UNIKIMS GmbH	Kassel, Germany	9.6%	N

F = fully consolidated; N = not consolidated; R = recognized at equity

¹ 0.1% are held by SMA Solar Technology Beteiligungs GmbH.

² 0.001% are held by SMA Solar Technology Beteiligungs GmbH and 0.001% are held by SMA Solar UK Ltd.

³ indirect investment

SMA Solar Technology AG and SMA Magnetics Sp. z o. o. are manufacturing companies. The others are sales and service companies.

All SMA Group companies prepare their Annual Financial Statements as of December 31, with the exception of our Indian subsidiary SMA Solar India Private Limited, which prepares its Financial Statements as of March 31 due to statutory regulations. For the purpose of inclusion in the Consolidated Financial Statements, SMA Solar India Private Limited prepares IFRS interim financial statements.

The company SMA Immo GmbH & Co. KG (Section 264b German Commercial Code – HGB) exercised exemption clauses regarding the preparation and publication of Financial Statements.

1.3. TRANSLATION OF FINANCIAL STATEMENTS INTO FOREIGN CURRENCIES

The Consolidated Financial Statements are prepared in euro, which is the reporting currency of the group. Each company within the group defines its own functional currency, which is normally the local currency. The items contained in the Financial Statements of each company are translated using this functional currency.

Transactions denominated in foreign currencies are translated initially into the functional currency by applying the spot rate valid at the time of the transaction. On each subsequent due date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency by applying the spot rate valid on that day. All translation differences are recognized through profit or loss.

Assets and liabilities of subsidiaries preparing their balance sheets in a currency other than the euro are translated using the current exchange rate on the balance sheet date. Items on the income statement are translated periodically using the average rate of the relevant month. The equity components of subsidiaries are translated at the corresponding historical exchange rate applicable upon accrual. Any exchange differences are recognized at fair value in other comprehensive income and on a cumulative basis in equity as a separate item under retained earnings. The accumulated amount recorded in equity is recognized through profit or loss upon the disposal of the foreign subsidiary concerned.

2. Accounting principles and amendments to accounting standards

2.1. NEW IASB ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME IN THE FISCAL YEAR

New standards and interpretations that are not explained in detail here do not result in any significant changes in the group at present. Only if changes have a material effect on the group's accounting, this is explained separately. If no explanation of the effects is given, the changes have no material effect on the group's accounting.

IFRS 17 Insurance contracts

The new IFRS 17 standard was published in May 2017.

Amendments to IFRS 17 Initial application of IFRS 17 and to IFRS 9 – comparative information

The amendments relate to the transitional provisions of IFRS 17 if IFRS 17 and IFRS 9 are applied for the first time simultaneously. Under the amendments, a company is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.

Amendments to IAS 1 Presentation of financial statements including amendments to the practice statements

The amendments to IAS 1 will only require “material” rather than “significant” accounting policies to be explained in the notes in future. An accounting policy is material if, together with other information in the financial statements, it could influence the decisions taken by users of financial statements on this basis. This is specified further in the accordingly adjusted IFRS Practice Statement 2.

Amendments to IAS 8 Changes in accounting estimates and errors

The amendments to IAS 8 relate to how companies can better distinguish between changes in accounting policies and changes in estimates. To this end, it specifies that an accounting estimate always represents a monetary amount in the financial statements that is subject to measurement uncertainty. The difference from changes in accounting policies is thus clarified; it is important because changes in estimates have to be accounted for prospectively, whereas changes in accounting policies have to be accounted for retrospectively. The changes will have effects on group accounting with regard to changes in estimates and changes in the accounting method.

Amendments to IAS 12 Income taxes

The amendments to IAS 12 clarify the application of the initial recognition exemption and limit its scope. If a transaction gives rise to both deductible and taxable temporary differences in the same amount, these no longer come under the initial recognition exemption and therefore deferred tax assets and liabilities must now be recognized. Please refer to the notes in section 7 Income taxes for a further amendment to IAS 12 in relation to global minimum taxation.

Agenda decisions of the IFRS Interpretations Committee

In addition, the following agenda decisions have been adopted by the IFRS Interpretations Committee since December 31, 2022, which are to be taken into account in the application of IFRS but have no impact on the Consolidated Financial Statements: Decisions on IFRS 16 (Substitution Rights), on IFRS 17 and IFRS 9 (Premiums Receivable from Intermediary), on IFRS 9 (Guarantee over a Derivative Contract) and on IAS 27 (Merger between a Parent and Its Subsidiary in Separate Financial Statements).

STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT YET MANDATORY

In its 2023 Consolidated Financial Statements, the SMA Group did not apply the following accounting standards, which had already been adopted by the IASB but were not yet mandatory for this fiscal year.

They will be implemented in the year of compulsory first-time application if they are implemented and applied in the EU. Earlier application is not permitted. If a significant impact on the group's accounting is expected, a separate description is provided for the relevant issue.

Amendments to IAS 1 Classification of liabilities as current or non-current

The amendments to IAS 1 only affect the classification as current or non-current and have no impact on the amount or timing of the recognition of assets, liabilities, income or expenses, or the disclosure requirements. The amendments shall apply from January 1, 2024.

Amendments to IFRS 16 Leasing

The amendments to IFRS 16 relate to the accounting for lease liabilities in the case of sale and leaseback transactions when the sale is accounted for in accordance with IFRS 15. It is clarified that the lessee/seller must take variable lease payments into account in its calculation when initially recognizing the lease liability. No profit or loss shall be recognized in the subsequent measurement of the lease liability to the extent that it relates to the right-of-use asset that has been recovered. The right-of-use asset recovered is calculated as the ratio of the present value of the lease payments to the fair value of the leased asset multiplied by the original book value of the leased asset. The amendments shall apply from January 1, 2024.

Amendments to IAS 7 and IFRS 7 Supplier finance arrangements

The amendments to IAS 7 and IFRS 7 introduce new disclosure requirements for supplier finance arrangements that are intended to make it easier for users of financial statements to understand how such arrangements affect the company's liabilities, cash flows and liquidity risk. In the event that they are endorsed, the amendments shall apply from January 1, 2024.

Amendments to IAS 21 Non-exchangeability

The amendments to IAS 21 relate to the specification of when a currency is deemed to be exchangeable into another currency and when it is not. They also regulate how companies determine the closing rate to be used in the event of non-exchangeability and what additional information the company must provide in the event of non-exchangeability. In the event that they are endorsed, the amendments shall apply from January 1, 2025.

2.2. DISCLOSURES TO THE ACCOUNTING AND VALUATION POLICIES

Intangible assets acquired with a finite useful life are valued at acquisition costs. They decline via scheduled straight-line amortization and any accumulated impairment losses recognized in accordance with IAS 36.

The costs for **self created intangible assets** are recognized in the period in which they accrue, with the exception of development expenses that can be capitalized.

Research and development expenses include all expenses that can be attributed directly to research or development activities. Research expenses are recognized as expenditure in the period in which it is incurred. Development expenses of a project are capitalized as an intangible asset, only after the SMA Group can demonstrate both the technical and economic feasibility of the intangible asset so that it will be available for internal use or sale and has the intention to complete the intangible asset and either use or sell it. Development expenses are recognized at cost pursuant to IAS 38.66, less scheduled accumulated amortization and impairment. Scheduled depreciation and amortization commence at the end of the development phase and from the moment the asset can be used. Amortization is effected over the period during which future benefit will be expected. No borrowing costs are capitalized in connection with the activation of development expenses, as debt capital is not used to finance them.

Company acquisitions in previous years resulted in low **goodwill**, see also section 9. Intangible assets. There were no other intangible assets with an indefinite useful life in the periods under review.

Self created and other Intangible assets with finite useful lives are usually amortized on a straight-line basis over a period of three to eight years, including self created development projects, software and licenses. Patents are written off over ten years. In the case of intangible assets with a finite useful life, the period of amortization and the amortization method are reviewed at least at the end of each fiscal year. Any adjustments to the amortization period that become necessary because of changes in the expected useful life are accounted for as changes to estimates. Amortization is recorded under the expense category that corresponds to the function of the intangible asset in the enterprise.

Any gains or losses from derecognition of intangible assets are determined as the difference between the net disposal proceeds and the book value of the asset. They are recognized in profit or loss in the period in which the asset is derecognized.

Property, plant and equipment is valued at cost of acquisition or sales less straight-line depreciation and accumulated impairment losses. The cost of replacement of a part of a fixed asset is included in the book value of this asset when incurred if the criteria for recognition are fulfilled. When major inspections are carried out, the costs are capitalized according to the book value of the relevant assets if the criteria for recognition are met. All other maintenance and repair costs are expensed immediately.

The depreciation period is based on the expected useful life. Depreciation is recognized under the expense category that corresponds to the function of assets in the enterprise. Scheduled straight-line depreciation is based on the following useful life of assets:

	Useful life
Leasehold improvements	10 years
Buildings	25 to 33 years
Technical equipment and machinery	6 to 8 years
Business and office equipment	3 to 10 years

A fixed asset is derecognized either upon its disposal or when no further economic benefit is expected from the further use or sale of the asset. Gains or losses from derecognition of the asset are determined as the difference between the net disposal proceeds and the book value of the asset. This difference is recognized through profit or loss in the income statement as other operating income or other operating expenses when the asset is sold.

The residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

Property, plant and equipment that is held to generate rental income are recognized as **"Investment Property"** in accordance with IAS 40. Investment properties must be capitalized at cost on acquisition. The SMA Group recognizes investment property at amortized cost using the original costs model. The buildings are

depreciated on a straight-line basis over their economic useful life. Attributable expenses must be assigned in full to the investment properties responsible for generating the rental income. An external opinion on the determination of the market value is regularly prepared for disclosures in the notes as well as for the impairment test. The market value of the property was determined on the basis of a tax valuation method. The main input parameters are the discount rate, estimated vacancy and the development of market rents, and the method reflects a level 3 rating in the sense of IFRS 13. The market value corresponds to the highest and best benefit of the property. The market value thus measured for the level 3 rating remains €8.4 million (2022: €8.4 million). These are cumulative figures. Please refer to the explanations in Section 12 Investment property.

Assets that constitute non-current assets held for sale and discontinued operations are classified as held for sale according to IFRS 5. The condition is that the associated book value is realized largely through disposal and not through continued use. On the date of classification, these assets are measured at the lower value of book value and fair value less costs to sell, and no longer depreciated or amortized.

Impairment of intangible assets and property, plant and equipment: At least at each balance sheet date, the group reviews whether there are any indicators that the value of an asset might be impaired. If such indicators exist or if an annual impairment test of an asset is required; this relates especially to not yet finalized and finalized development projects, the group determines the recoverable amount of the relevant asset. The recoverable amount of an asset is its fair value less costs to sell or its value in use, whichever is higher. As a rule, the recoverable amount will be determined for each individual asset. If it proves impossible to determine the recoverable amount for individual assets because the cash flows depend on those of other assets, the cash flows are determined for the next higher group of assets (For example, grouping of development projects at the level of segment-specific platforms or cash-generating units). In assessing the value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments regarding the interest effect and the risks specific to the asset. These expected future cash flows are subject to uncertainties in connection with potential raw material and supply bottlenecks due to geopolitical tensions, particularly in the Middle East. To determine the fair value less costs to sell, an adequate valuation model is used.

If the book value of an asset or a cash-generating unit exceeds the recoverable amount, impairment is recognized for the asset or the cash-generating unit in question. An impairment is recognized to the recoverable amount. Impairment costs are recognized under the expense category that corresponds to the function of the impaired asset in the enterprise. As in the previous year, the impairment tests performed in the fiscal year did not reveal any impairment.

For assets, a test is carried out on each balance sheet date to determine whether a previously recognized impairment loss has ceased to exist or has diminished. Additions are made if the recoverable amount has increased in subsequent periods. An impairment loss recognized in prior periods is reversed only if there have been significant changes to the measurement parameters used to originally determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the book value of the asset is increased to as much as its recoverable amount. However, an addition is limited to the amount that would have resulted based on scheduled depreciation without recognizing an impairment. The addition is recognized in the income statement. Impairment on goodwill is not reversed. This was not the case in the reporting year or in the previous year.

Inventories are stated at the lower of cost of acquisition or production and net realizable value. The costs of acquisition or production include all costs incurred during acquisition and production as well as other costs incurred in bringing the inventories to their present location and condition. Borrowing costs are not taken into account here. In general, when determining the acquisition costs of raw materials, consumables and supplies, moving average prices are used. The cost of sales of work in progress and finished goods is determined in the amount of direct material and labor costs as well as production-related indirect costs on the basis of detailed cost accounting. The net realizable value consists of the estimated sales proceeds that can be achieved through the ordinary course of business, less the estimated costs incurred up to completion and the estimated necessary selling expenses. Impairments are particularly made in the case of a lack of standardization, discontinued products and surplus stocks of non-product-specific materials. A time horizon of 36 months is used for the estimation of mobility. In the case of stock items that are used exclusively in a discontinued product and are also not required by Service, an impairment is carried out for their full value. If the reasons that have resulted in an impairment of inventories no longer exist, a corresponding addition is made.

As a rule, **financial instruments** are reported as soon as an entity of the SMA Group becomes a contracting party to a financial instrument. A financial instrument is a contract that gives rise to both a financial asset held by one entity and a financial liability or an equity instrument held by another entity. If the trading date and the settlement date of financial assets are different, then the settlement date is decisive for initial recognition. The date of contract conclusion is only decisive in the case of financial derivatives.

Financial assets and financial liabilities are measured at fair value upon their initial recognition. Financial instruments are also designated to measurement categories in accordance with IFRS 9. Further explanations are provided in section 24. Additional disclosures relating to financial instruments. If permitted and necessary, redesignations are made at the end of the fiscal year. In the case of financial instruments for which there is no measurement at fair value through profit or loss, the transaction costs that are directly attributable to the purchase of the financial asset or to the issue or assumption of the financial liability are also included. These are those directly attributable to the acquisition of the financial asset or directly attributable to the issue of financial liabilities.

Financial instruments are generally stated separately. They are netted only if there is a right of offsetting them on the relevant date and also if the intention is to perform the settlement on a net basis.

Their subsequent measurement is based on the previous categories pursuant to IFRS 9. For the SMA Group, the measurement categories "Amortized Cost" and "Fair Value Through Profit or Loss" are particularly relevant. Any loans and receivables granted and other financial liabilities are measured at amortized cost of acquisition using the effective interest method.

Assets measured "At Fair Value Through Profit or Loss" are measured at fair value. These primarily include derivative financial instruments that are not part of an effective hedging relationship. Derivative financial instruments are reported as assets or liabilities if their fair values are positive or negative. Gains and losses resulting from changes in the fair value of derivative financial instruments are recognized directly through profit or loss, as long as no hedging relationship was created for them. Gains or losses resulting from subsequent measurement are recognized through profit or loss in the income statement within the financial result.

At each reporting date, the accounting values of the financial assets, which are not measured at fair value through profit or loss, are then examined to see whether objective evidence indicates an impairment. Any impairment loss, which is based on a lower value than the carrying amount, is recognized in the income statement.

A financial asset is removed from the books if the enterprise has relinquished control of the contractual rights related to the financial asset. A financial liability is removed from the books if the obligation underlying the liability is discharged, cancelled or has expired.

For the majority of the financial instruments that come under the impairment regulations at the SMA Group, trade receivables without a significant financing component, the IFRS 9 mandatorily stipulates a simplified two-level model. Under this model, a risk provision in the amount of the expected losses over the remaining term ("Level 2") is recognized for all instruments, irrespective of their credit quality. The amount of the risk provision at level 2 is calculated based on a flat rate. This rate is applied to the entire SMA Group, as there are no different default rates for different regions or business units. The application of IFRS 9 resulted in a rate of 0.19% (2022: 0.31%). When determining the default rate, a looking-forward component is taken into account, in the sense that the SMA Group is in a very volatile environment and, despite all market fluctuations and changes, there were no significant influences on the default rates of the receivables. Due to the management assessment, no change is expected in the future.

As described, trade receivables are all allocated to level 2 on acquisition and are transferred to level 3 if there are objective indications of impairment. Despite the general focus on internal risk management, it is assumed that a default event occurs at the latest when a receivable is 90 days past due. However, this assumption can be disproved based on suitable information. Because high-risk receivables are collateralized and high-risk customers are supplied or receive services only if they pay in advance, the level of bad debt losses in the group is not significant (less than 1% of receivables). For this reason, a default event is not assumed until the receivable is 180 days past due. Receivables are impaired after being overdue.

For all other financial instruments (cash and cash equivalents, debt securities [non-market-traded], rent collateral and pledges, time deposits and other short-term deposits [> 3 months], contractual assets, receivables from joint ventures) that fall under the impairment requirements of IFRS 9, the general model is applied. Additional information on default risk and expected credit losses of the relevant balance sheet items is waived for materiality reasons.

Government grants are not recognized until there is reasonable assurance that the SMA Group will meet all the conditions for receiving the grants. Government grants that are paid to compensate for expenses or losses already incurred or to provide immediate financial support without directly associated expense are recognized in the income statement in the period in which the corresponding claim arises. If these grants are attributable to a specific asset, they are deducted when determining the carrying amount of the asset.

Provisions account for all recognizable present (legal and constructive) obligations of the group to third parties as a result of past events that are expected to lead to an outflow of resources with an economic benefit to settle the obligation and the amount of which can be estimated reliably. Provisions are recognized in line with IAS 37 at the estimated amount required to settle them. Insofar as the group expects to receive a repayment, at least in part, for a reported provision (e.g., for an insurance contract), the repayment is recorded as a separate asset if the inflow of the payment is highly probable. The expense arising from the formation of the provision is recognized in the income statement. Non-current provisions are carried in the balance sheet at their settlement amount discounted to the balance sheet date using corresponding term-dependent market interest rates. If the amount is discounted, the increase of provisions caused by expiration is recorded under finance costs. Additions to the provisions for guarantees outlined under section 19. Provisions are recognized in cost of sales. It is not carried out by a delimitation of revenue. In addition to specific individual items, provisions for warranty obligations also take into account provisions for expected equipment failures during the warranty period. In the case of warranty risks, an obligation of five to ten years is generally adopted as a base. If the requirements for recognizing a provision are not fully met, this is a **contingent liability** that does not have to be recognized. If a contingent liability exists, it must be disclosed.

At the beginning of the contract, the group as a lessee assesses whether the contract contains a **lease**. For all leases where the group is the lessee, the group recognizes a right-of-use asset and a corresponding lease liability. Exceptions to this include short-term leases (term up to 12 months) and leases for low-value assets (printers et al.). For these leases, the group recognizes lease payments on a straight-line basis over the lease term under "Other operating expenses", unless another systematic basis is more representative.

Upon initial recognition, the lease liability is measured at the present value of the lease payments not yet paid at the beginning of the lease, discounted at the interest rate underlying the lease. If this interest rate cannot be determined easily, the group uses the incremental borrowing rate. Upon initial recognition, it is also taken into account whether the contracts have an extension option. If such options exist, an assessment must be made at the outset, or when new evidence becomes available, as to whether the extension options will be exercised. The group has building contracts with extension options. In general, contracts have an annual option to extend by one year or an option to extend for another five years.

The discount rate is calculated using the following method in each case: First, the risk-free interest rate with matching maturities is calculated within a region. A rating result for SMA AG has to be calculated based on credit quality.

The following lease payments are included in the assessment of the lease liability:

- Fixed lease payments
- Variable lease payments
- Expected lease payments due to residual value guarantees
- Exercise prices of call options
- Penalties for the early termination of leases

Variable lease payments that do not depend on an index or exchange rate are not included in the assessment of the lease liability and the right-of-use asset.

The lease liability is subsequently measured by increasing the carrying amount by the interest on the lease liability and reducing the carrying amount by the lease payments made.

In the following cases, the group modifies the lease liability and adjusts the right-of-use asset accordingly if this involves a change that was not provided for in the original contractual arrangement:

- The term of the lease has been amended
- Amendments to lease payments

If one of these cases occurs, the existing lease is modified in accordance with these changes. A separate lease is not recognized.

The rights of use are initially measured at the amount of the corresponding lease liability less lease payments made at or before the beginning of the lease, lease incentives received and initial direct costs. Subsequent measurement is at original cost less accumulated amortization and impairment.

If the group is obliged to dismantle or reduce a leased asset, to restore the site on which the asset is located or to restore the asset underlying the lease to the condition required by the terms of the lease, a provision is recognized and measured in accordance with IAS 37. If the costs relate to a right-of-use asset, the costs are recognized in the corresponding right-of-use asset, unless these costs are incurred for the production of inventories.

The examination as to whether an impairment of a right-of-use asset is necessary is carried out in accordance with IAS 36.

Due to the relief provisions, a separation between non-leasing components and leasing components was waived and leasing agreements with associated non-leasing components were accounted for accordingly as a single agreement in accordance with IFRS 16.

The group makes use of the relief provision to not report separately the leasing component and the non-leasing components.

If the group – in its capacity as lessor – has concluded a sublease, the main lease and sublease are accounted for as two separate contracts. Classification as a finance or operating lease of the sublease is based on the right-of-use asset and not the asset underlying the lease from the main lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the respective lease within profit and loss. Initial direct costs incurred in negotiating and agreeing a lease are added to the carrying amount of the leased asset and allocated on a straight-line basis over the lease term.

Amounts payable from lessees under finance leases are reported as receivables in the amount of the group's net investment in the leases. Income from finance leases is distributed over the respective reporting periods to ensure a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Employee benefits are usually reported as a liability if the employee has provided work in exchange for benefits payable in the future and are recognized as an expense if the entity has received the economic benefit resulting from the work provided by an employee in exchange for future benefits.

Long-service rewards and death benefits are granted on the basis of a company agreement. Measurement of obligations to pay benefits is carried out by applying the projected unit credit method. This method takes into account both the claims for payment of long-service rewards and death benefits and the acquired pension rights known as of the balance sheet date, and payments of long-service rewards and death benefits expected in the future.

In 2009, SMA Solar Technology AG introduced value-based life-long working-time accounts. Under certain conditions, employees may have time credits or special benefits repotted to these value accounts. They may take paid leave of absence at a later date using the credit balances extrapolated. The employees' value claims are protected against insolvency and are reinsured. These increased by €0.8 million in the 2023 fiscal year (2022: €0.1 million additions).

In the 2023 fiscal year, SMA Solar Technology AG adopted a company agreement that grants a certain group of employees entry into a partial retirement scheme.

Sales from goods deliveries is recognized at the time of transfer of control. Advance payments on partial deliveries are reported as liabilities from advance payments received within contractual obligations and explained under other liabilities in section 23. For transportation services, which constitute a performance obligation in their own right, revenue is recognized on a time proportion basis. Sales revenue from services, provided these services are not rendered over time, is recognized at the point in time at which the obligation to the customer is satisfied in accordance with IFRS 15.38. Sales from services recognized at a point in time are generated by the SMA Group when commissioning large-scale projects and carrying out repair orders. Revenue from services rendered over time, including extended warranty or service/maintenance contracts, is recognized over the contractual periods to which these services relate according to the output-based customer perspective. The output-based method leads to an accurate presentation as it best represents the value of the goods and services transferred in the context of the constant commitment to the customer. Cash inflows received in advance do not contain any material finance components. They are the result of a number of end-customer contracts each with small individual contract volumes. With regard to the delivery of goods, in the Home Solutions and Commercial & Industrial Solutions segments full payment is made on delivery depending on the transfer of control, while in the Large Scale & Project Solutions segment advance payments on deliveries are often made in addition to this. These are recognized in revenue upon full delivery depending on the transfer of control.

Services provided over time, such as valuable extended warranties in the Home Solutions and Commercial & Industrial Solutions segments, are paid mainly in full in advance. They are reported as non-current contractual obligations and recognized in revenue over the contractual term. Service and maintenance contracts in the Large Scale & Project Solutions segment are paid beforehand over shorter periods, generally for a period of 12 months. Over this period, they are recognized in revenue in line with the passage of time. There were no significant changes in the balances of assets and contractual obligations as defined in IFRS 15.118 in 2023. Depending on the region and product group, the products of the SMA Group are sold with a factory warranty of 2, 5, 10, 15 or 25 years. The factory warranty includes the statutory warranty and grants the right to an exchange or replacement in the case of defects that are not caused by external factors.

There are no general rights of return for sold products. Transaction prices are not adjusted retroactively.

In the event of a contract termination initiated by a customer, any agreed contractual penalties are not recognized in revenue in accordance with IFRS 15, but in other operating income.

Customer bonuses in the Home Solutions segment are reported as contract liabilities. The reported sales revenue and impairment on receivables relate exclusively to items from contracts with customers as defined in IFRS 15.

Expected contractual penalties (malus payments) are recognized as contractual obligations.

Contract assets arising from contracts with customers are reported under the balance sheet item "Other financial assets".

In the case of customer contracts under which multiple performance obligations recognized at different points in time are sold for a single transaction price or a discount has to be assigned, there is an allocation of the transaction price. This allocation is based on the ratio between the individual sale prices, which are determined based on historical prices for comparable customers in comparable circumstances. If different options are available, the probability of their being exercised is assessed based on comparable cases. As of December 31, 2023, the total amount of outstanding performance obligations came to €1,705.0 million (December 31, 2022: €2,077.4 million). Of this amount, €1,329.8 million was attributable to product business (December 31, 2022: €1,700.7 million). In the product business, revenue will mainly be realized in 2024. €375.2 million of the order backlog was attributable to service business (December 31, 2022: €376.7 million). Revenue in the service business will be largely recognized in the next five to ten years.

Interest income is recognized when an interest claim has accrued (using the effective interest rate, i. e., the internal rate used to discount estimated future cash inflows over the expected term of the financial instrument to the net book value of the financial asset).

Dividend income is recognized when the right to receive payment is established.

Current **tax receivables and tax liabilities** for the ongoing and for previous periods are measured at the amount which is expected to be reimbursed by the tax authority or to be paid to the tax authority. Tax rates and tax laws applicable on the balance sheet date are used to calculate this amount. Income taxes include current and deferred taxes. Current and deferred taxes that relate to circumstances stated directly in equity are not recognized in the income statement but in equity.

Deferred taxes are calculated according to IAS 12 based on the standard international balance-sheet-related liability method. This requires deferred tax items to be recognized for all temporary differences between the tax base of an asset or liability and the carrying amount in the consolidated balance sheet as well as for tax loss carryforwards. However, deferred tax assets are recognized only if there will be sufficient taxable income available in the future.

Deferred taxes are measured using the tax rates that, under current legislation, would apply in the future on the probable date of reversal of the temporary differences. The effects of amendments to tax legislation on deferred tax assets and liabilities are recognized in profit or loss in the period in which the material conditions for such amendments to come into force arise. Deferred tax assets and liabilities are not discounted according to the regulations of IAS 12. Deferred tax assets and deferred tax liabilities are offset at the same maturity, provided that they relate to the same entity.

As a result of the rapid devaluation of the Turkish lira, Turkey is classified as hyperinflationary. Accordingly, IAS 29 "Financial Reporting in Hyperinflationary Economies" is applicable. 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 at the reporting date. This is carried out on the basis of a general price index. Monetary items are not translated because they are already expressed in terms of a measuring unit current at the balance sheet date. A review has shown that the effect resulting from the purchasing power adjustment is insignificant at the group level. It is therefore not taken into account. This assessment is reviewed on an ongoing basis.

2.3. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the Consolidated Financial Statements requires the company management to make judgements, estimates and assumptions that affect the amounts of revenues and expenses, assets and liabilities reported on the reporting date as well as the disclosure of contingent liabilities. Uncertainty related to these assumptions and estimates may lead to results that require material adjustments to the book values of the relevant assets or liabilities in the future. When applying the accounting and valuation policies, the company management made judgements, which had a significant effect on the amounts recognized in the Consolidated Financial Statements.

The key assumptions concerning the future and other key sources of estimation uncertainty on the reporting date associated with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next fiscal year are explained below:

For the purpose of determining necessary **inventory** impairments, devaluations are estimated for discontinued products and for surplus stocks of non-product-specific materials, as these stocks are no longer expected to be used in the production process. In the estimate, SMA Solar Technology AG uses a time horizon of 36 months for the usage of the items to calculate the surplus inventories. For inventory items that are exclusive to a discontinued product and for which there is also no use in service, the assumption is that 100% impairment is required.

Development expenses are capitalized when all required conditions are given. Initial capitalization of expenses is based on an estimate by the company management that a project's technical and economic feasibility has been proven. This is normally the case when a development project has reached a specific milestone or a specific quality gate in the development process. When determining the amounts to be capitalized, the company management makes further valuation assumptions regarding the amount of expected future cash flows from assets, the discounting rates to be applied and the period of inflow of expected future cash flows generated by assets. A total of €41.2 million (2022: €35.2 million) of development costs were capitalized in the 2023 financial year. Research and development costs of €78.6 million (2022: €51.6 million) were recognized as expenses in the 2023 financial year that were either clearly attributable to the research phase or for which the criteria for capitalization in accordance with IAS 38 were not fully met.

In the case of **provisions** for warranty obligations, provisions for expected equipment failures during the warranty period are taken into account in addition to specific individual items. In the case of warranty risks, an obligation of five or ten years is generally adopted as a base. The expected warranty expenditure is based on historical values in previous fiscal years. Depending on the amount, expenses are forecasted based on historical values and then allocated to forecasted undesirable developments. The undesirable developments are based on historical values of the different product groups. This provides a forecast for the future development of group-wide warranty costs. Individual facts are recognized separately if they are not part of the general warranty provisions. This may be the case if they are to be assessed separately on the basis of their significance, or if they represent a special circumstance that has not yet been reflected in historical values. The value of the provision for individual cases and overall warranty risks amounted to €133.4 million (December 31, 2022: €119.2 million) as at December 31, 2023. Further provisions are recognized for current legal or constructive obligations to third parties whose due date or amount are uncertain if these obligations are based on past business transactions or events, are likely to lead to outflows of assets and these outflows can be reliably determined. The amount of the provisions is based on the anticipated expenses that are estimated on the basis of an assessment of the circumstances in the individual case using historical values, results of comparable circumstances, or estimates by internal or if necessary external experts. The estimates are based on an analysis of the main influencing parameters. If the effect is material, the resulting nominal provision requirements are discounted at a market interest rate for debt capital before taxes that takes account of the term and risks. More information is provided in section 19. Provisions.

Sales from long-standing service and maintenance contracts and extended warranties are collected over the contract term as sales because a linear progression of warranty costs is adopted as the best possible estimation method. Whether bonus or malus payments can be expected is based on the available information and historical values.

On each balance sheet date, the SMA Group examines whether there are indicators for an impairment of **non-financial assets**. Estimating the value in use requires the company management to make an estimate of the expected future cash flows from the asset or the cash-generating unit (CGU) and to choose a suitable discount rate. The discounted cash flows are then used to determine the present value of the asset or cash-generating unit. No impairments were recognized on non-financial assets in 2023.

As in the previous year, the impairment tests carried out in the financial year for assets for which an impairment test must be carried out annually regardless of whether there are any indications of impairment did not result in any need for impairment. This also applies in particular to self created intangible assets (completed and in-process development projects). Sensitivity analyses of the impairment tests show that there is no impairment if the capitalization interest rate increases by less than 40% or sales prices do not fall by more than 6%.

There were also no indications of impairment for any other intangible assets and property, plant and equipment in the financial year.

On each balance sheet date, the SMA Group examines whether there are indicators for an impairment of non-financial assets or cash-generating units. The segments of the SMA Group were identified as CGUs. A discounted cash flow (DCF) method is used to determine the recoverable amount in order to calculate the value in use of the CGUs. The book values of all three CGUs continued to be exceeded. The recoverable amount for the Home Solutions segment is €848.2 million (book value €89.2 million; 2022: recoverable amount €388.0 million; book value €44.7 million), €311.8 million for the C&I Solutions segment (book value €100.2 million; 2022: recoverable amount €193.3 million; book value €25.8 million), and €780.9 million for the Large Scale & Project Solutions segment (book value €132.9 million; 2022: recoverable amount €472.3 million; book value €97.0 million). To determine the recoverable amount, the value in use of the CGU is determined using the DCF method; this is based on certain assumptions. A significant portion is based on planning assumptions as used in the detailed three-year plan (2024–2026) developed by the Managing Board and management and approved by the Supervisory Board. For this purpose, external market forecasts are supplemented by internal organizational assessments by the specialist departments. Dynamic growth is expected for the markets relevant for the SMA Group, which is in line with the expansion of renewable energies, the decentralization of energy supply and the increasing demand for energy. The SMA Group is continuously working on the product portfolio in all segments in order to participate in market growth through cost-optimized existing products as well as the introduction of new systems and solutions, where the timely introduction of new products or the cost reduction for existing products will have a significant influence on the development of sales and thus profitability. On the cost side, the detailed three-year plan takes into account increases in the cost of materials in 2023, while we assume a stable price level for subsequent years. To be prepared for participation in the expected market growth and the associated increases in sales, cost increases due to the expansion of the workforce and functional costs

rising in proportion to sales have been taken into account. These assumptions are essentially the same for all three CGUs. Significant input parameters in the calculations that go beyond this include the growth rate for the period after the detailed plan and the discount rate used. A uniform growth rate of 1% is assumed for the reporting period (from 2027) extending beyond the detailed plan phase (2022: 1%). A weighted capitalization interest rate of 13.11% (2022: 12.14%) was used for discounts.

Deferred tax assets are recognized for all unused tax loss carryforwards to the extent that it is probable that there will be sufficient taxable profit to enable the loss carryforwards to actually be used. Determining the amount of deferred tax assets requires the company management to use significant discretion regarding the expected time of accrual and the amount of taxable income in the future as well as regarding future tax planning strategies. Current corporate planning over a planning horizon of three years was used as a basis for calculating future taxable earnings. Deferred tax assets for loss carryforwards of €63.5 million (2022: €64.7 million) were recognized in the 2023 fiscal year, which mainly related to domestic loss carryforwards. If the future planned domestic taxable earnings are 5% or 10% lower in the three planning years, this has no effect on the recoverable amount of the deferred tax assets.

In the first half of 2023, a power purchase agreement was concluded for the purchase of electricity from a solar park in order to indirectly secure the energy supply at predictable prices from renewable energies. This has a fixed purchase price over the term until 2037. The contract covers around one third of the annual electricity requirement. As the actual quantity generated is subject to fluctuations, invoicing was agreed on a pay as produced basis. Discretionary decisions were made with regard to the accounting treatment of the power purchase agreement. As a result, SMA is not contractually authorized to determine the use of the solar park during the term. The existence of a lease in accordance with IFRS 16 was therefore ruled out. As the electricity is purchased to cover SMA's own electricity requirements, SMA applies the own use exemption in accordance with IFRS 9, meaning that the power purchase agreement does not qualify as a financial instrument but as a pending transaction. As at the reporting date of 31 December 2023, there is no onerous contract in accordance with IAS 37.

The sale agreement concluded in November 2023 for the shares in elecon GmbH does not change the status of joint control as at December 31, 2023. The shares and the loan will continue to be reported under assets held for sale, as the legal representatives believe that the sale agreement only grants the purchaser protective rights and not yet any rights that would grant control, especially as the transaction was subject to a prohibition on completion subject to sanctions until approval by the antitrust authorities in January 2024. The completion of the transaction is therefore an event after the balance sheet date (see events after the balance sheet date under other disclosures).

In 2023, the SMA Group sold a plot of land to an investor under a sale and leaseback agreement, who will build a production facility on it that will be leased to SMA for 15 years. In addition to two five-year extension options, SMA has a repurchase option with a right of first refusal. The asset is not derecognized from the balance sheet as a result of the buy-back option, as the power of disposal is not transferred in full to the investor. Accordingly, a liability is recognized in other non-current financial liabilities for the funds received from the investor.

3. Segment reporting

The segments of the SMA Group are described in the organizational and reporting structure as well as individually explained in Results of Operations in the Management Report. SMA's segment structure has not changed in comparison with the previous year.

Segment	Activities
Home Solutions	<p>In the Home Solutions segment, the SMA Group offers integrated solar energy solutions for private PV systems worldwide. The new SMA Home Energy Solution comprises systems for the generation, storage and management of solar energy as well as for heating or charging purposes. The system is supplemented by various components such as hybrid inverters, battery storage systems, heat pump connections, wall boxes and an AI-based intelligent energy management system. The ennexOS energy management platform interconnects the various energy sectors and provides the basis for linking the sectors, thus enabling maximum efficiency and functionality. Taking comprehensive data protection standards into account, the system can be adapted to individual customer needs thanks to its modular design.</p> <p>Further innovations and solutions were unveiled in the 2023 fiscal year under the new "I love the sun" slogan. In addition to the single-phase Sunny Boy Smart Energy inverter and the modular SMA Home Storage battery, the Home Solutions segment is delivering the next generation of the Wallbox Home EV Charger with the eCharger. The Sunny Boy Smart Energy is a hybrid two-in-one PV and battery inverter that is compatible with the new SMA Home Storage battery and other HV batteries from leading brands. The SMA Home Storage battery is designed for use in and adaptation to various applications. If required, its capacity can be expanded anytime. The Sunny Home Manager 2.0, the SMA energy manager for homeowners, has recorded considerable growth since its launch with over 300,000 units (more than half of those in 2023) sold. This success underlines the growing importance of intelligent energy management, which also enables the integration of heat pump connections. SMA serves key photovoltaic markets worldwide (excluding China) and, in addition to hardware, offers communication products, accessories, warranties, spare parts and modernization services (repowering) to increase system performance and service life. Digital energy services round off the extensive offering.</p>

Segment	Activities
C&I Solutions	<p>In the Commercial & Industrial Solutions segment, the focus is on global markets for commercial PV systems with and without energy management, battery storage and electric vehicle charging solutions. The SMA Commercial Energy Solution, featuring ideally matched hardware, software, tools and services, gives commercial enterprises and the real estate industry the option of producing, storing and selling solar power themselves, organizing their companies' energy flows in a transparent and cost-efficient way as well as charging and managing electric vehicle fleets efficiently and sustainably. The solutions comprise the three-phase string inverters of the Sunny Tripower product family with outputs of 12 kW and up to 110 kW, storage solutions for the commercial sector and island applications in the Sunny Tripower Storage and Sunny Island product families as well as holistic energy management solutions for commercial integrated energy. Solutions for charging management and billing of electric vehicle fleets on the basis of the ennexOS platform were implemented by the Commercial & Industrial Solution segment together with the subsidiary company coneve. As a SaaS provider for intelligent energy management, coneve connects all energy-related sectors, optimizing energy flows and making them transparent. The product offering in this segment is rounded off by integrated services and digital services along the product life cycle, starting with the planning of a custom energy solution and including the commissioning of the systems and operational system management right through to system repowering and expansion.</p>
Large Scale & Project Solutions	<p>The Large Scale & Project Solutions segment offers products, systems and solutions for industrial solar, storage and hydrogen projects as well as for the conversion of utility grids to a higher proportion of renewable energy. These are complete solutions including turnkey medium-voltage stations for international markets that perform optimal grid service and monitoring functions on the basis of central and string inverters and system controllers.</p> <p>The offering is complemented by services such as repowering, engineering services, operation and maintenance as well as customized solutions for individual customer requirements. Grid stability and grid reliability are becoming increasingly important as the energy mix is transitioned from conventional to renewable energies. The Large Scale & Project Solutions segment is addressing these challenges with grid-forming solutions in combination with large-scale storage systems. These systems enable numerous additional services, such as energy arbitrage, black starts, frequency control, inertia, stability services and system restoration.</p>

The operating result of the segments is monitored separately by the Managing Board to make decisions on the allocation of resources and to determine the profitability of the segments. Group financing, currency and interest rate hedging and the income tax burden are controlled at the group level and are therefore not allocated to the individual operating segments.

Regarding information on geographical segments, sales are assigned to countries using the destination principle. The company refrains from presenting non-current assets or other items such as the breakdown of sales deductions per segment, as these are not included in monthly reports and the costs of producing this information would be excessively high.

The group measures the performance of its segments through a measurement of segment profit or loss, which is referred to as EBIT in the internal management and reporting system. This measurement comprises gross profit, selling expenses, general administrative expenses, research and non-capitalized development expenses as well as other operating income (balance of other operating income and expenses).

Segment assets comprise the intangible assets attributed to each segment and its property, plant and equipment, inventories and trade receivables. Segment liabilities include trade payables

that are directly attributable to the relevant segments. Internal management reporting is in line with the accounting policies of external reporting.

The transfer prices between the business segments are determined using management prices based on usual arms length market conditions. Income from external third parties is reported using the same valuation parameters as shown in the income statement.

No asymmetrical allocations are made to individual segments.

Financial ratios by segments and regions

in € million	External product sales		External services sales		Total sales		Operating profit (EBIT)	
	2023	2022	2023	2022	2023	2022	2023	2022
Segments								
Home Solutions	571.5	322.6	8.7	12.4	580.2	335.0	148.0	53.8
C&I Solutions	474.0	285.1	4.9	5.2	478.9	290.3	22.7	-26.0
Large Scale & Project Solutions	774.6	378.5	70.4	62.1	845.0	440.6	103.8	-13.5
Total segments	1,820.1	986.2	84.0	79.7	1,904.1	1,065.9	274.5	14.3
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0	-5.0	17.6
Continuing operations	1,820.1	986.2	84.0	79.7	1,904.1	1,065.9	269.5	31.9

in € million	Segment assets		Segment liabilities		Capital expenditure		Depreciation and amortization	
	2023	2022	2023	2022	2023	2022	2023	2022
Segments								
Home Solutions	152.5	79.3	21.7	8.0	20.4	12.7	1.3	1.2
C&I Solutions	193.1	95.1	31.1	5.3	8.6	13.0	8.8	6.0
Large Scale & Project Solutions	405.8	275.0	67.7	31.8	16.8	13.4	4.3	3.1
Total segments	751.4	449.4	120.5	45.1	45.8	39.1	14.4	10.3
Reconciliation	866.0	660.6	815.2	601.4	49.3	26.7	27.1	27.8
Continuing operations	1,617.4	1,110.0	935.7	646.5	95.1	65.8	41.5	38.1

Sales by regions (target market of the product)

in € million	2023	2022
EMEA	1,345.7	696.3
Americas	481.8	263.0
APAC	132.8	139.6
Sales deductions	-56.2	-33.0
External sales	1,904.1	1,065.9
thereof Germany	718.4	343.7

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

in € million	2023	2022
Total segment earnings (EBIT)	274.5	14.3
Elimination	-5.0	17.6
Consolidated EBIT	269.5	31.9
Financial result	1.0	3.0
Earnings before income taxes	270.5	34.9
Total segment assets	751.4	449.4
Other central items and eliminations	293.7	163.9
Centrally administered land and buildings	139.5	144.0
Cash and long-term time deposits	260.8	203.6
Financial instruments not designated and other assets	87.2	52.6
Deferred tax assets and income tax receivables	84.8	96.5
Group assets	1,617.4	1,110.0
Total segment liabilities	120.5	45.1
Other central items and eliminations	323.8	178.6
Financial instruments not designated, liabilities and provisions	473.9	418.2
Income tax liabilities and deferred tax assets	17.5	4.6
Group liabilities	935.7	646.5

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.

In 2023, as in the previous year, no customer accounted for a share of more than 10% of group sales.

Notes to the income statement SMA Group

For further information on the income statement that is not provided in detail below, please refer to the “Results of operations” section in the Combined Management Report.

4. Other operating income and expenses

The decrease in other operating income compared to the same period of the previous year is mainly due to a positive one-time effect from the previous year. This included a positive earnings effect of €23.2 million resulting from the sale of two administrative buildings together with land and associated PV systems. This item also includes government grants of €3.0 million (2022: €2.7 million) and decreased income from foreign currency translation of €24.0 million (2022: €28.6 million) as well as compensations from contract cancellations from customers in the amount of €6.3 million.

Other operating expenses decreased in comparison to the same period of the previous year, primarily due to decreased foreign currency translation expenses of €29.9 million (2022: €37.9 million).

5. Employee and temporary employee benefits

in €'000	2023	2022
Wages and salaries	284,074	234,060
Expenses for temporary employees	24,934	11,658
Social security contribution and welfare payments	43,808	35,267
	352,816	280,985

Wages and salaries include expenses in an insignificant amount in connection with bike leasing contracts, attributable to employee benefits.

Voluntary contributions to private pensions amounted to €2.2 million in 2023 (2022: €1.4 million).

The average number of employees in the group amounted to:

	2023	2022
Research and Development	565	492
Production and Service	2,040	1,826
Distribution and Administration	1,204	1,087
	3,809	3,405
Trainees and learners	197	155
Temporary employees	615	265
	4,621	3,825

6. Financial result

in €'000	2023	2022
Result from at-equity-accounted investments	688	1,286
Interest income	4,106	7,854
Other financial income	1,266	0
Financial income	5,372	7,854
Interest expenses	4,863	3,597
Other financial expenses	173	2,572
Financial expenses	5,036	6,169
Financial result	1,024	2,971

The result from at-equity-accounted investments decreased compared to the previous year due to the classification of the investment in elexon GmbH as „available for sale“ during the year and the associated termination of at-equity consolidation.

The decline in interest income is mainly due to discounting effects for provisions as a result of a lower increase in the interest rate environment compared to the previous year. Other financial income results from the valuation of financial instruments measured at fair value.

Interest expenses from leases amounted to €1.0 million in the reporting year (2022: €0.9 million). The decrease in other financial expenses is due to lower changes in financial instruments measured at fair value.

7. Income taxes

Actual income taxes (paid or payable) and deferred taxes are recognized as income taxes. They break down as follows:

in €'000	2023	2022
Actual income taxes		
for current fiscal year	37,211	3,309
for previous years	1,564	-697
Deferred taxes		
from temporary differences	5,207	17,378
from tax loss carryforwards	873	-40,949
Income taxes	44,855	-20,959

Income taxes comprise trade tax, corporation tax and the solidarity surcharge in Germany as well as comparable income taxes abroad. The expected income tax expense that would result from applying the tax rate of the parent company SMA Solar Technology AG to the IFRS net income before taxes can be reconciled to income taxes shown in the income statement as follows:

in €'000	2023	2022
Net income before income taxes	270,525	34,858
Tax rate of the parent company	32.4%	32.7%
Expected income tax expenses	87,720	11,415
Differences related to differing tax rates domestic and abroad	-103	491
Effects due to changes in tax rates	718	-64
Tax-free income	-1,741	-570
Non-deductible expenses	618	402
Tax effects from loss carryforwards	-43,943	-32,143
Taxes relating to previous years	1,564	-697
Other tax effects	22	207
Actual income taxes (according to income statement)	44,855	-20,959
Effective group tax rate	16.6%	-60.1%

The corporation tax rate of 15% and the solidarity surcharge rate of 5.5% are to be applied to corporations based in Germany. In addition, domestic companies and partnerships are subject to trade tax, which is influenced by assessment rates specific to the particular municipality. The average trade tax rate to be applied at the level of the parent company was 16.60% (2022: 16.92%). The overall tax rate of the group's parent company is thus 32.4% (2022: 32.7%).

The average effective group tax rate was affected in particular by the decrease in deferred taxes on loss carryforwards associated with corporate planning, temporary differences and the use of loss carryforwards for current taxes.

The effects of deviations between the relevant tax rates at the level of the domestic and foreign group companies and the overall tax rate at the level of the group's parent company are shown in the reconciliation statement under deviations related to tax rate in Germany and abroad.

No deferred tax was recognized for taxable temporary differences of €59.0 million (2022: €52.2 million) in connection with shares in subsidiaries as it is possible to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

As of December 31, 2023, there were current income tax receivables amounting to €6.3 million (2022: €11.1 million) and current income tax liabilities of €15.7 million (2022: €4.2 million). Tax liabilities are the result of global business activity and a share of foreign sales of 63.4%. As a result, the SMA Group is subject to various tax laws and regulations in other countries. Tax changes in Germany and abroad could affect the tax positions of SMA. In addition to changes of legal regulations, the assessment and interpretation of complex tax regulations, for example the transfer prices, can influence our earnings, financial and asset position. We work closely with tax consulting companies in the individual countries to identify risks, perform regular audits and take appropriate precautions.

In 2023, translation differences of €2.2 million (2022: €1.1 million) resulted from the currency translation of deferred foreign tax assets and liabilities.

Deferred tax assets and liabilities were distributed across the following items:

	2023/12/31		2022/12/31	
in €'000	Deferred tax assets	Deferred tax liability	Deferred tax assets	Deferred tax liability
Intangible assets	19	-35,748	336	-26,797
Property, plant and equipment	8,531	-6,481	7,523	-3,248
Financial assets	0	-3	0	0
Inventories	21,164	-867	17,084	-1,041
Other assets	3,795	-1,335	3,984	-411
Other provisions	7,895	-5,637	8,046	-4,873
Other liabilities	23,219	-1,750	20,611	-1,069
Gross amount	64,623	-51,821	57,584	-37,439
Loss carryforwards	63,855	0	64,728	0
Tax assets	0	0	112	0
Balancing	-49,967	49,967	-36,997	36,997
	78,511	-1,854	85,427	-442

The company has examined the right to a possible offsetting of temporary differences by increasing the validity of the financial statements and the better comparability with the financial statements of other companies. For transparency reasons, advance offsetting of deferred tax liabilities for temporary differences against deferred tax assets from loss carryforwards of SMA Solar Technology AG is not used in the gross presentation of deferred tax assets and liabilities.

The deferred tax assets are considered realizable as far as sufficiently high future taxable income is to be expected. This was based on a planning horizon of three years. Based on the current corporate planning in the current fiscal year, deferred tax assets for loss carryforwards of €63.5 million (2022: €64.7 million) were recognized in the 2023 fiscal year.

Of the deferred taxes for loss carryforwards, €56.8 million (2022: €59.2 million) is attributable to domestic loss carryforwards and €7.1 million (2022: €5.5 million) to foreign loss carryforwards.

With €33.0 million (2022: €164.0 million), no deferred taxes were recognized in the 2023 fiscal year on tax loss carryforwards of the group as a whole of €237.5 million (2022: €366.7 million).

The majority of the loss carryforwards are attributable to SMA Solar Technology AG. As of December 31, 2023, corporation tax loss carryforwards of €155.8 million (2022: €296.8 million) existed, of which no deferred taxes were recognized on €0.0 million (2022: €154.2 million), and trade tax loss carryforwards of €188.1 million (2022: €334.0 million), of which no deferred taxes were recognized on €0.0 million (2022: €191.4 million). These loss carryforwards have no time limit. In the case of foreign companies, the main loss carryforwards also have no limits.

As of the balance sheet date, the BEPS Pillar 2 regulations (Min-BestRL-UmsG) were transposed into German law (MinStG) and came into force on publication in the Federal Law Gazette on December 27, 2023. In accordance with Section 101 MinStG, the provisions of the Minimum Tax Act apply for the first time to fiscal years beginning after December 30, 2023, and are therefore not yet applicable for the reporting year.

The SMA Group generally falls within the scope of these regulations from the 2024 fiscal year, as the corresponding size criteria are met.

The SMA Group carried out an initial indicative analysis as at the balance sheet date to determine the basic impact and the jurisdictions from which the group is exposed to possible effects in connection with a Pillar 2 top-up tax. Based on the available data for the 2023 fiscal year, it was first examined whether the CbCR safe harbor regulations are relevant on the basis of this data. Based on this indicative analysis, at least one of the three alternative possible CbCR safe harbor regulations can be used in all countries of the group, so that no tax increase would result.

The SMA Group closely monitors the progress of the legislative process in each country in which it operates and adapts the existing reporting and compliance processes with regard to a future local and central determination of the top-up tax burden and with regard to the future submission of the minimum tax report and the corresponding tax returns.

The SMA Group applies the exemptions in IAS 12 Income Taxes published in May 2023, according to which no deferred tax assets and liabilities are recognized in connection with Pillar Two income taxes of the OECD and no disclosures are made in this regard.

8. Earnings per share

Earnings per share are calculated by dividing the net income attributable to the shareholders by the weighted average of ordinary shares in circulation during the period. The number of shares in the 2023 fiscal year amounted to 34.7 million, as in the previous year.

The net income attributable to the shareholders is the net income after tax. As there were no shares held by the company on the reporting date or any other special cases, the number of ordinary shares issued equated to the number of shares in circulation.

The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of €6.50 per share for the period from January 1 to December 31, 2023, based on a weighted average number of 34.7 million shares and earnings of €1.61 per share for the period from January 1 to December 31, 2022, based on a weighted average number of 34.7 million shares.

There were no options or conversion options as of the reporting date. Therefore, there were no diluting effects and the diluted and basic earnings per share were the same.

Notes to the balance sheet SMA Group

9. Intangible assets

Intangible assets and goodwill evolved in the fiscal years under review as follows:

in €'000	Goodwill	Development projects	Patents/ licenses/rights	Software	Intangible assets in progress	Total
Acquisition costs						
2023/01/01	482	236,513	6,261	56,042	59,934	359,232
Changes in currency	0	601	0	71	0	672
Additions	0	5,299	35	325	34,291	39,950
Disposals (-)	0	0	0	10	0	10
Transfers	0	19,077	267	1,250	-19,819	775
2023/12/31	482	261,490	6,562	57,678	74,406	400,618
Depreciation and amortization						
2023/01/01	0	209,249	3,904	54,454	2,693	270,300
Changes in currency	0	601	0	38	0	639
Additions	0	9,691	1,684	1,036	0	12,411
Disposals (-)	0	0	0	9	0	9
2023/12/31	0	219,541	5,588	55,519	2,693	283,341
Net value 2022/12/31	482	27,264	2,357	1,588	57,241	88,932
Net value 2023/12/31	482	41,949	974	2,159	71,713	117,277
Acquisition costs						
2022/01/01	482	218,412	6,233	55,553	43,398	324,078
Changes in currency	0	-150	0	-8	0	-158
Additions	0	5,279	1	135	30,511	35,926
Disposals (-)	0	656	0	11	0	667
Transfers	0	13,628	27	373	-13,975	53
2022/12/31	482	236,513	6,261	56,042	59,934	359,232
Depreciation and amortization						
2022/01/01	0	202,714	3,518	52,453	2,693	261,378
Changes in currency	0	-150	0	-8	0	-158
Additions	0	6,893	386	2,016	0	9,295
Disposals (-)	0	208	0	7	0	215
2022/12/31	0	209,249	3,904	54,454	2,693	270,300
Net value 2021/12/31	482	15,698	2,715	3,100	40,705	62,700
Net value 2022/12/31	482	27,264	2,357	1,588	57,241	88,932

Self created intangible assets are included both in the „Intangible assets in progress“ column (these are development projects that are still under development and are therefore not yet amortized) and in the Development projects column with the completed development projects. The completed development projects primarily include the development projects utilized in the C&I Solutions

segment. More than half of the carrying amount of the projects still under development is attributable to the development of the next generation of platforms for large-scale systems and project solutions in the Large Scale & Project Solutions segment. These are expected to be completed in 2025 and subsequently amortized over their typical useful life. The other development projects in

progress mainly relate to the new generation of hybrid inverters developed for the Home Solutions segment, which will be partially completed from 2024 and then amortized over their typical useful lives. Further information on the Groups research and development activities can be found in the Combined Management Report €34.3 million (2022: €28.4 million) of the additions of intangible assets in progress included development projects which are not in amortization yet. The total amount of €2.0 million (2022: €0.0 million) was reduced by public allowances.

Amortization of intangible assets is recognized in the income statement under cost of sales insofar as it relates to self created development projects. Amortization of other intangible assets is recognized in the expense category that corresponds to the function of the intangible asset in the company. In the 2023 financial year, increased amortization of € 1.3 million (2022: € 0.0 million) was recognized due to a reassessment of the remaining useful life

of other rights from operating and maintenance contracts in the EMEA region. Impairment losses of €1.3 million (2022: €0.0 million) were recognized due to a reassessment of the remaining useful life of other rights from operating and maintenance contracts in the EMEA region.

The goodwill is assigned to cash-generating units depending on the organizational structure. The goodwill resulting from the asset deal with Phönix is assigned to the Large Scale & Project Solutions segment (€0.2 million), while that of SMA Magnetics (€0.3 million) is assigned to the Home Solutions segment.

10. Property, plant and equipment

Property, plant and equipment evolved as follows in the 2023 fiscal year:

in €'000	Land and buildings, incl. buildings on third party property	Rights of use for buildings	Technical equipment/machinery	Rights of use for technical equipment/machinery	Other equipment, plant and office equipment	Rights of use for vehicle fleet	Prepayments and assets under construction	Total
Acquisition costs								
2023/01/01	223,984	40,487	76,375	1,070	185,304	7,181	16,223	550,624
Changes in currency	-21	327	840	2	-44	-108	503	1,499
Additions	440	6,827	578	487	2,315	3,489	41,080	55,216
Disposals (-)	17	588	2,620	0	4,190	2,119	0	9,534
Transfers	677	0	7,665	0	13,055	0	-22,172	-775
Reclassified to „investment property“	9,358	0	0	0	0	0	0	9,358
2023/12/31	234,421	47,053	82,838	1,559	196,440	8,443	35,634	606,388
Depreciation and amortization								
2023/01/01	113,798	20,969	53,581	846	165,473	4,112	0	358,779
Changes in currency	-53	73	481	1	-32	-31	0	439
Additions	6,528	5,980	4,797	532	9,116	1,950	0	28,903
Disposals (-)	3	572	1,704	0	4,047	1,515	0	7,841
2023/12/31	120,270	26,450	57,155	1,379	170,510	4,516	0	380,280
Net value 2022/12/31	110,186	19,518	22,794	224	19,831	3,069	16,223	191,845
Net value 2023/12/31	114,151	20,603	25,683	180	25,930	3,927	35,634	226,108

The additions to rights of use to buildings mainly resulted from the extension and modification of leases in Italy, Poland and Japan. The additions to assets under construction and the transfers to technical equipment/machinery and other equipment, plant and office equipment include a large number of immaterial

investments. The reclassification from the balance sheet item “Investment property” is in connection with a sale and leaseback agreement for a property for which there is a buyback option and the termination of a tenancy agreement for a property share.

Amounts recognized in the income statement as part of accounting in accordance with IFRS 16:

in €'000	2023	2022
Expenses from short-term leases	35	316
Expenses from leases with low-value assets	854	727

Expenses from short-term leases and from leases with assets of lower value correspond to the cash outflows.

Property, plant and equipment evolved as follows in the 2022 fiscal year:

in €'000	Land and buildings, incl. buildings on third party property	Rights of use for buildings	Technical equipment/machinery	Rights of use for technical equipment/machinery	Other equipment, plant and office equipment	Rights of use for vehicle fleet	Prepayments and assets under construction	Total
Acquisition costs								
2022/01/01	219,275	40,634	75,085	1,028	179,602	8,382	6,405	530,411
Changes in currency	47	-158	-80	0	86	339	113	347
Additions	490	2,454	296	85	1,112	1,411	23,997	29,845
Disposals (-)	1,126	2,443	1,166	43	2,302	2,951	0	10,031
Transfers	5,298	0	2,240	0	6,806	0	-14,292	52
2022/12/31	223,984	40,487	76,375	1,070	185,304	7,181	16,223	550,624
Depreciation and amortization								
2022/01/01	107,970	16,082	49,993	316	158,366	3,511	0	336,238
Changes in currency	59	-118	-35	0	84	72	0	62
Additions	6,678	5,740	4,314	560	9,174	2,222	0	28,688
Disposals (-)	909	735	691	30	2,151	1,693	0	6,209
2022/12/31	113,798	20,969	53,581	846	165,473	4,112	0	358,779
Net value 2021/12/31	111,305	24,552	25,092	712	21,236	4,871	6,405	194,173
Net value 2022/12/31	110,186	19,518	22,794	224	19,831	3,069	16,223	191,845

11. Investments in joint ventures

On December 31, 2023, SMA held a 42% interest in elexon GmbH, a joint venture in the field of charging infrastructure facilities. SMA decided to sell these shares in the course of the 2023 fiscal year. Like a loan receivable granted by SMA, they were recognized in the balance sheet item "Assets held for sale" at the end of the 2023 fiscal year. The sale was completed in January 2024 after all contractual conditions had been met in full. Further explanations can be found in section 2.3 Significant accounting judgments, estimates and assumptions and section 28 Events after the reporting date.

12. Investment property

in €'000	2023/12/31	2022/12/31
Level at the beginning of the year	14,274	14,521
Transfers property, plant and equipment (net book value)	-9,358	-104
Depreciation and amortization (-)	143	143
Level at the end of the reporting period	4,773	14,274
Income and expenses included in the profit and loss account		
in €'000	2023	2022
Rental income	1,089	2,588
Attributable expenses	171	507

The SMA Group rents several buildings and plots of land. This is allocated on the balance sheet to the item "Investment property". The tenancy agreement for a property rented until the beginning of the fiscal year has expired in accordance with the regulations. This property is now again reported under property, plant and equipment.

The tenancy agreements for the buildings do not contain any conditional rental payments, but they each offer an option to extend, which can be exercised by the tenant. The original non-cancelable rental period was five or six years. If the extension options are not exercised by the tenants, the agreements will end in 2026 at the latest. The distribution of rental income expected in the future is shown in the table below.

in € million	< 1 year	> 1 – 5 years	> 5 years	Total
Rental income	0.8	0.7	0.0	1.5

13. Inventories

SMA Group inventories are made up as follows:

in €'000	2023/12/31	2022/12/31
Raw materials, consumables and supplies	228,574	144,149
Unfinished goods	13,015	12,718
Finished goods and goods for resale	297,677	135,289
Prepayments	19,800	16,512
	559,066	308,668

Inventories are measured at the lower value of the cost of acquisition or sales and net realizable value. The balance of impairment accounts amounted to €29.8 million as of the end of the fiscal year (2022: €27.3 million). They are not allocated to the segments in the segment reporting. The addition to impairment on inventories, included under expenses as cost of sales, amounted to €13.0 million (2022: €10.2 million). Reversals of impairment losses of €0.06 million were recognized in the fiscal year (2022: €0.9 million). The book value of partially impaired inventories amounted to €18.4 million as of December 31, 2023 (2022: €12.3 million).

14. Trade receivables and other receivables

Trade receivables are non-interest-bearing and usually due between 14 and 90 days. No significant extensions to payment terms were granted in the reporting period. It is possible that different payment terms are granted in project business.

The other receivables mainly comprise prepaid expenses.

The age structure of trade receivables was as follows on the reporting dates:

in €'000	Book value	Neither over-due nor impaired	Not impaired portion of overdue receivables			
			< 30 days	30 to 60 days	60 to 90 days	> 90 days
2023	277,398	230,611	24,379	11,576	3,060	7,772
2022	153,528	122,410	22,422	4,857	3,839	0

As of December 31, 2023, value adjustments with a nominal value of €22.4 million (2022: €20.3 million) were carried out on aging trade receivables. No additional impairments beyond the simplified impairment model were recognized on overdue trade receivables of €46.8 million as of December 31, 2023 (December 31, 2022: €31.1 million), as there were no significant changes in the credit rating of the customers. Settlement of the receivables is expected. The credit rating of customers with whom trade receivables exist, which are neither overdue nor impaired, is considered to be good.

The impairment account of trade receivables evolved as follows:

in €'000	Specific valuation allowance	Value correction on portfolio basis	Total
As of 2022/01/01	21,255	403	21,658
Additions with effect on the expenses (net)	5,370	100	5,470
Usage	-3,484	0	-3,484
Release	-3,463	-174	-3,637
Exchange rate difference	234	12	246
As of 2022/12/31	19,912	341	20,253
Additions with effect on the expenses (net)	5,078	188	5,266
Usage	-681	0	-681
Release	-2,175	-145	-2,320
Exchange rate difference	-128	-10	-138
As of 2023/12/31	22,006	374	22,380

Furthermore, no adjustments had to be made for other receivables. With regard to other financial assets, please refer to the information below under section 15. The receivables are adjusted individually based on individual assessments. The maximum default risk equates to the carrying amount shown in the balance sheet.

15. Other financial assets and value added tax receivables

In the previous year, the other non-current financial assets mainly included loan receivables from joint ventures, see also section 17.

The other current financial assets as of December 31, 2023, include in particular financial assets and time deposits with a term to maturity of more than three months and accrued interest totaling €41.4 million (2022: €38.3 million). Receivables from tax authorities from sales tax refund claims of €41.6 million were recognized as of December 31, 2023 (2022: €18.5 million).

16. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand as well as bank balances, checks, payments in transit and deposits with an original term to maturity of less than three months. Bank balances bear interest at variable interest rates applicable to deposits subject to call.

As of December 31, 2023, the SMA Group had unused credit lines amounting to €357.2 million (2022: €74.6 million), for which all conditions for use had been met.

17. Assets held for sale

The SMA Group decided to sell its share in a joint venture during the 2023 fiscal year. The shares held and a loan receivable granted by SMA were reported accordingly in the balance sheet item "Assets held for sale" as of December 31, 2023. The sale was completed in January 2024 after all contractual conditions had been met. The income from the sale amounted to a figure in the low double-digit million range. See also section 2.3 "Significant judgments, estimates and assumptions".

18. Equity

The change in equity, including effects not recognized in profit or loss, is shown in the statement of changes in equity. Significant effects arose from net income and the effects of foreign exchange gains/losses from the foreign currency translation of foreign subsidiaries.

The capital reserve contains agio amounts from the issuance of SMA Solar Technology AG shares.

The retained earnings contain mainly the retained profit and the statutory reserve. In addition, retained earnings include other components of equity such as unrealized gains/losses from the foreign currency translation of foreign subsidiaries and other changes from deferred tax effects from previous years that do not affect profit or loss.

Shares in SMA AG are no-par value bearer shares, which were fully paid in.

The Articles of Incorporation include the provisions on the powers of the Managing Board regarding Authorized Capital II. The Managing Board, after obtaining the consent of the Supervisory Board, is entitled to increase the share capital on one or several occasions by up to a total of €3.4 million by issuing new bearer shares in return for cash contributions and/or contributions in kind in the period ending May 23, 2028. The Managing Board, with the consent of the Supervisory Board, is entitled to cancel the statutory subscription rights of shareholders: (a) in the case of capital increases in return for contributions in kind for the acquisition of or investment in companies, parts of companies or investments in companies, (b) for the purpose of issuing shares to employees of the company and companies affiliated with the company, (c) to exclude fractions, and (d) in the case of capital increases in return for cash contributions if the issue amount of the new shares does not fall significantly below the stock exchange price of shares of the same class and terms that are already listed at the time the Managing Board sets the final issue amount, and the total pro rata amount of the issued capital attributable to the new shares in respect of which the subscription right is excluded may not exceed 10% of the issued capital available at the time the new shares are issued.

Furthermore, following a resolution adopted by the Annual General Meeting on June 1, 2021, the Managing Board, in the period up to May 30, 2026, is entitled on behalf of the company to acquire its own shares up to a value of 10% of the existing capital stock at the time the resolution was adopted by the Annual General Meeting and to dispose of shares acquired in this way with the consent of the Supervisory Board by means other than through the stock exchange or an offer made to all the shareholders, provided the shares are sold in return for cash at a price that does not fall significantly below the stock exchange price of shares in the company issued under the same terms or the shares are sold in return for in-kind contributions, or they are offered in return for shares held by persons that either had or have an employment relationship with the company, or with one of its affiliated companies, or members of bodies in companies that depend on the company. Furthermore, if the Managing Board sells the company's own shares by offering them to all the shareholders with the consent of the Supervisory Board, the Managing Board is entitled to exclude the shareholders' right of subscription for fractions. In addition, the Managing Board is entitled to cancel any own shares acquired after obtaining the consent of the Supervisory Board.

The Annual General Meeting of SMA Solar Technology AG held on May 24, 2023, followed the Managing and Supervisory Boards' proposal to distribute no dividend for the 2022 fiscal year (for 2021: €0.00 per dividend-bearing share).

The objectives of capital management are to maintain SMA's financial substance and ensure necessary flexibility.

The equity ratio is used to measure the financial security of SMA. This is the ratio of equity shown in the consolidated balance sheet to total assets. Accordingly, the financing structure is characterized by a conservative capital structure dominated by internal financing. As of the reporting date, the equity ratio is 42.5% (2022: 41.8%).

19. Provisions

Provisions accounted for all discernible risks from pending transactions and contingent liabilities on the balance sheet dates and broke down as follows:

in €'000	Warranties	Personnel	Other	Total
As of 2023/01/01	119,200	5,965	33,981	159,146
Additions	58,965	32,068	12,361	103,394
Usage	39,534	3,109	9,713	52,356
Release	2,996	16	5,398	8,410
Compounding	-2,099	58	2,509	468
Changes in currency	-116	-108	-969	-1,193
As of 2023/12/31	133,420	34,858	32,771	201,049
Current in 2023	45,236	31,347	19,409	95,992
Non-current in 2023	88,184	3,511	13,362	105,057
	133,420	34,858	32,771	201,049

in €'000	Warranties	Personnel	Other	Total
As of 2022/01/01	145,452	5,693	57,753	208,898
Additions	47,147	1,019	21,397	69,563
Usage	54,339	310	41,567	96,216
Release	15,511	526	2,832	18,869
Compounding	-4,648	16	-3,758	-8,390
Changes in currency	1,099	73	2,988	4,160
As of 2022/12/31	119,200	5,965	33,981	159,146
Current in 2022	41,009	2,509	22,936	66,454
Non-current in 2022	78,191	3,456	11,045	92,692
	119,200	5,965	33,981	159,146

The provisions for statutory warranties are attributable to the segments as follows:

in €'000	2023/12/31	2022/12/31
Home Solutions	39,342	37,484
C&I Solutions	41,724	38,798
Large Scale & Project Solutions	52,354	42,918
	133,420	119,200

Warranty provisions consist of general warranty obligations (periods of between five and ten years) for expected device failures during the warranty period. In addition, provisions are set aside for specific individual warranty issues that are mainly used in the following year. Warranty provisions for specific individual cases amount to €1.3 million (December 31, 2022: €2.4 million) and are expected to lead to cash outflows within one year. Provisions for expected equipment failures during the warranty period amount to €132.1 million (December 31, 2022: €116.8 million). For the short-term portion of €43.9 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.

In the 2023 fiscal year, personnel provisions mainly include obligations from variable, performance-related remuneration, for long-service anniversaries, death benefits, partial retirement benefits and working-life time accounts. They affect cash in relation to contractual commitments made.

Additions to other provisions include adjustments to provisions for anticipated losses of €5.6 million (2022: €14.5 million). Overall, provisions for anticipated losses from pending transactions decreased by €1.7 million. A significant portion of the other provisions still relates to obligations from the decision to exit the North American O&M business. In addition, other provisions include in particular restoration obligations, provisions for tax risks and purchase commitments. An outflow of funds for the major part is expected within one year. The changed global interest rate environment led to adjustments in the discounting of provisions in the fiscal year. In total, there were interest effects of €0.5 million.

20. Financial liabilities

in €'000	2023/12/31	2022/12/31
Liabilities due to credit institutions	6	15
Lease liabilities	25,405	23,648
Other financial liabilities	6,442	0
	31,853	23,663

The liabilities due to credit institutions relate to the acquisition of office equipment in South Africa. Changes in liabilities to banks and from leases are reflected in the net cash flow from financing activities. The other financial liabilities were recognized in connection with a sale and leaseback agreement. In addition to two five-year extension options, there is a repurchase option for the property at the end of the lease, which is expected to commence in the second half of 2024.

The following table shows the development of the SMA Group's liabilities including cash-effective and non-cash changes:

in €'000	Financial liabilities		Equity		Total
	Financial liabilities	Lease liabilities	Share capital/capital reserves	Retained earnings	
As of 2023/01/01	15	23,647	153,900	309,623	487,185
Change in cashflows from financing activities					
Redemption of loans granted	-9	0	0	0	-9
Payments for lease liabilities	0	-9,009	0	0	-9,009
Dividends paid	6,442	0	0	0	6,442
Total change in cashflows from financing activities	6,433	-9,009	0	0	-2,576
Other changes					
Effects of changes in exchange rates	0	214	0	0	214
New lease contract	0	10,339	0	0	10,339
Other non-cash movements and interest	0	214	0	0	214
Total other changes, related to liabilities	0	10,767			10,767
Total other changes, related to equity				222,658	222,658
As of 2023/12/31	6,448	25,405	153,900	532,281	718,034

in €'000	Financial liabilities		Equity		Total
	Financial liabilities	Lease liabilities	Share capital/capital reserves	Retained earnings	
As of 2022/01/01	15,969	30,687	153,900	254,120	454,676
Change in cashflows from financing activities					
Redemption of loans granted	-15,954	0	0	0	-15,954
Payments for lease liabilities	0	-10,990	0	0	-10,990
Total change in cashflows from financing activities	-15,954	-10,990	0	0	-26,944
Other changes					
Effects of changes in exchange rates	0	227	0	0	227
New lease contract	0	4,279	0	0	4,279
Other non-cash movements and interest	0	-556	0	0	-556
Total other changes, related to liabilities	0	3,950			3,950
Total other changes, related to equity			0	55,503	55,503
As of 2022/12/31	15	23,647	153,900	309,623	487,185

21. Trade payables

Trade payables are non-interest bearing and are normally due within 14 to 90 days.

22. Other financial liabilities

The other financial liabilities include liabilities for supervisory board compensation and costs for the preparing of the financial statements and are due within one year.

23. Other liabilities

in €'000	2023/12/31	2022/12/31
Contract liabilities	348,764	285,305
Accrual item for extended warranties	165,468	165,996
Liabilities from prepayments received	140,683	90,220
Accruals for service and maintenance contracts	15,041	16,588
Other contract liabilities, current	27,572	12,501
Liabilities in the Human Resources department	25,468	36,705
Other non-financial liabilities	6,334	3,061
	380,566	325,071
Current	236,785	170,300
Non-current	143,781	154,771
	380,566	325,071

Liabilities from advance payments received for deliveries of goods included in contractual liabilities increased significantly due to the completion of major projects in Germany and in the U.S. Other contract liabilities entail accrual items for extended warranties, service and maintenance contracts and bonus agreements. 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. Current contractual obligations mainly include prepayments received, accruals for service and maintenance contracts and bonus agreements. The current contractual obligations will mostly be fulfilled within the next 12 months.

In the fiscal year, revenues in the amount of €81.6 million (2022: €22.5 million) were realized, which were included in the balance of contract liabilities at the beginning of the period.

Liabilities in the Human Resources department contain obligations to employees regarding performance-based bonuses and positive vacation and flextime balances, Christmas bonus as well as variable salary components, contributions to the workers' compensation association and to social insurance systems as well as for a voluntary one-time payment. Other non-financial liabilities include liabilities to tax authorities amounting to €3.4 million (2022: €1.9 million), which chiefly consist of tax liabilities from payroll accounting, and liabilities from subsidies received in the amount of €0.6 million (2022: €0.6 million), which include taxable government grants from funds of the common-task program "Improvement of the Regional Economic Structure" (EU GA), granted as investment subsidies.

24. Additional disclosures relating to financial instruments

in €'000	Assessment category according to IFRS 9	2023/12/31	2022/12/31
		Book value	Book value
Cash and cash equivalents	AC	219,383	165,355
Trade receivables	AC	277,398	153,528
Other financial assets		71,714	63,857
of which other financial investments	FVOCI	3	3
of which institutional mutual funds	FVPL	39,489	38,290
of which other (time deposits)	AC	30,821	25,564
of which derivatives that do not qualify for hedge accounting	FVPL	1,401	0
Trade payables	AC	303,796	133,449
Financial liabilities		31,853	23,663
of which liabilities due to credit institutions	AC	6	15
of which lease liabilities	-	25,405	23,648
of which other financial liabilities	AC	6,442	0
Other financial liabilities	AC	922	568
Of which aggregated according to valuation categories in accordance with IFRS 9			
Financial assets measured at amortized cost	AC	527,602	344,447
Financial liabilities measured at amortized cost	AC	311,166	134,032
Financial assets measured at fair value through profit and loss	FVPL	40,890	38,290
Fair value through other comprehensive income	FVOCI	3	3

The book values represent reasonable approximations of the fair values of the assets and liabilities, which is why a separate indication of the fair amounts is omitted. The fair value of liabilities to credit institutions also differs only insignificantly from the book value.

Cash and cash equivalents, trade receivables and time deposits mainly have short terms to maturity. Accordingly, their book values on the reporting date were almost identical to their fair value.

The fair values of other non-current receivables 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 expectations (level 2).

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

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

Fair values of other non-current financial liabilities are determined by referring to the present values of the payments associated with the debts. For discounting, term-related commercially available interest rates are used (level 2).

For most borrowings, the fair values are not materially different from the book values, as interest payments on these borrowings are either close to current market rates or borrowing is short-term.

Derivative financial instruments are used to hedge against currency risks arising from operative business. These include currency futures and options inside and outside of 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 relevant to 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.

Hedging transactions for US dollars were concluded as at the reporting date of December 31, 2023. The fair value measurement resulted in a contribution to earnings of €1.4 million (2022: €0.0 million). There were no currency derivatives measured at fair value in the previous year.

As of the reporting date, there were no longer any currency derivatives to be measured at fair value.

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:

The levels of the fair value hierarchy and their application to our assets and liabilities are described below:

Level 1: Quoted prices for identical assets or liabilities in active markets

Level 2: Inputs other than quoted prices that are observable directly (e.g., prices) or indirectly (e.g., derived from prices).

Level 3: Inputs that are not based on observable market data for assets and liabilities.

The institutional mutual funds are valued based on observable market prices.

in €'000

2023	Level 1	Level 2	Level 3	Total
Financial assets, measured at fair value				
Institutional mutual funds	39,489	0	0	39,489
Other financial investments	0	0	3	3
2022	Level 1	Level 2	Level 3	Total
Financial assets, measured at fair value				
Institutional mutual funds	38,290	0	0	38,290
Other financial investments	0	0	3	3

The 2023 net results for financial instruments are as follows:

in €'000	From interest	From subsequent measurement		From disposal	Net result
		Currency translation	Value corrections		
Financial assets measured at amortized cost (AC)	2,118	-3,836	2,948	-142	1,088
Financial liabilities measured at amortized cost (AC)	-396	0	0	0	-396
Financial assets measured at fair value through profit and loss (FVPL)	120	0	-1,401	-672	-1,953
Financial liabilities measured at fair value through profit and loss (FVPL)	-173	0	0	0	-173
Total	1,669	-3,836	1,547	-814	-1,434

The 2022 net results for financial instruments are as follows:

in €'000	From interest	From subsequent measurement		From disposal	Net result
		Currency translation	Value corrections		
Financial assets measured at amortized cost (AC)	292	2,491	1,833	-40	4,576
Financial liabilities measured at amortized cost (AC)	-50	0	0	0	-50
Financial assets measured at fair value through profit and loss (FVPL)	-698	0	-7,584	-4,162	-12,444
Financial liabilities measured at fair value through profit and loss (FVPL)	-2,572	0	0	0	-2,572
Total	-3,028	2,491	-5,751	-4,202	-10,490

Interests from financial instruments are shown in the financial result. The SMA Group recognizes other components of the net result in other operating expenses and other operating income.

repurchase option for the affected property after the end of the lease, which is expected to begin in the second half of 2024. If this is not drawn down, this liability is not cash-effective.

In detail, the nominal payment obligations of financial liabilities are as follows. The other financial liabilities were recognized in connection with a sale and leaseback agreement. There is a

in €'000	Book value	Total cash flows	< 1 year	1 to 3 years	4 to 5 years	> 5 years
2023						
Trade payables	303,796	303,796	303,796	0	0	0
Financial liabilities	31,853	28,852	8,514	11,026	4,869	4,443
of which from liabilities due to credit institutions	6	6	6	0	0	0
of which from lease liabilities	25,405	28,846	8,508	11,026	4,869	4,443
Other financial liabilities	6,442	0	0	0	0	0
Other financial liabilities	922	922	922	0	0	0
2022						
Trade payables	133,449	133,449	133,449	0	0	0
Financial liabilities	23,663	26,129	7,403	10,744	3,257	4,725
of which from liabilities due to credit institutions	15	15	6	9	0	0
of which from lease liabilities	23,648	26,114	7,397	10,735	3,257	4,725
Other financial liabilities	568	568	568	0	0	0

25. Other financial obligations

At the end of the reporting period, other financial obligations to third parties under the purchase order commitment for investment orders placed amounted to €8.9 million (2022: €8.5 million). There were financial obligations for intangible assets amounting to €12.1 million (2022: €5.9 million). Obligations from leasing contracts for short-term and low-value leasing objects exist in the amount of €2.6 million (2022: €2.5 million), the other financial obligations are within the normal business practice.

26. Contingencies

The total amount of directly enforceable guarantees issued for obligations of (not fully consolidated) participations is €5.0 million as of the reporting date (2022: €5.0 million). The probability of utilization is low, as breaches of the commitments given are not to be expected.

In addition, liability declarations were issued to secure the beneficiaries with regard to the fulfilment of contracts by fully consolidated subsidiaries. In the event of non-performance, SMA Solar Technology AG is primarily liable without limitation for the contractual obligations of the secured subsidiaries. A claim is not expected, since a discontinuation of the business operations of the subsidiaries is not likely and the secured companies are equipped in such a way that they meet their contractual obligations.

27. Cash and cash equivalents: reconciliation

For purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. Cash and cash equivalents at the end of the fiscal year, as presented in the Consolidated Statement of Cash Flows, can be reconciled to the corresponding items of the Consolidated Balance Sheet as follows:

in €'000	2023	2022
Cash on hand and bank balances	218,734	164,170
Short-term deposits (maturity < 3 months)	649	1,185
	219,383	165,355

The SMA Group does not have direct access to the financial resources reported in the balance sheet item "Rent deposits and cash on hand pledged as collaterals".

For further information on the statement of cash flows, refer to the "Financial position" section in the Combined Management Report.

Other disclosures

28. Events after the balance sheet date

The sale of the shares in elexon GmbH was completed in January 2024 after all contractual and official conditions had been met. The payment of the purchase price of € 20.3 million, which is due immediately, comprises the sale of the shares and a loan granted by the SMA Group. Taking into account contingent purchase price components, the result from the sale is estimated at around € 19.1million.

29. Related party disclosures

According to the definition contained in IAS 24, related persons are persons responsible for planning, controlling and monitoring the company's activities. Related persons include the members of the Managing Board and the Supervisory Board of SMA Solar Technology AG as well as their close relatives. Danfoss A/S, its subsidiary companies and elexon GmbH, based in Aachen, Germany, belong to the group of related entities. The controlling shareholder of Danfoss A/S is Bitten og Mads Clausens Fond, which is allocated the shares held by Danfoss A/S in accordance with Section 39 of the German Securities Trading Act (WpHG).

Related persons:

On the SMA Solar Technology AG Managing Board, Chief Executive Officer Dr.-Ing. Jürgen Reinert is responsible for Strategy, Sales and Service, Human Resources, Operations and Technology. Barbara Gregor is in charge of Finance, Legal and Capital Market Communication.

Dr.-Ing. Jürgen Reinert sits on the supervisory board of Danfoss A/S, Denmark, and in the advisory committee of KraftPowercon, Sweden.

In the fiscal year, the members of the Supervisory Board of SMA Solar Technology AG were as follows:

Shareholder Representative:

- Roland Bent, i. r.
- Kim Fausing, President and CEO Danfoss A/S, Deputy Chairman
- Uwe Kleinkauf, General Manager WELL development GmbH, Chairman
- Alexa Hergenröther, Management Consultant
- Ilonka Nußbaumer, Senior Vice President, Head of Group HR Danfoss A/S.
- Jan-Henrik Supady, Managing Partner at Liesner & Co. GmbH

Employee Representatives:

- Martin Breul
- Oliver Dietzel, Trade Union Secretary
- Johannes Häde
- Yvonne Siebert
- Romy Siegert, Trade Union Secretary
- Dr. Matthias Victor

Remuneration of key management members of the group, which must be disclosed under IAS 24, includes remuneration of the Managing Board and the Supervisory Board.

The total compensation of the members of the Managing Board amounted to €2.3 million in the reporting year (2022: €1.6 million). All salary components are classified as short-term benefits in accordance with IAS 24.17. The Managing Board members receive no separate remuneration for carrying out tasks at subsidiaries.

The total compensation of the members of the Supervisory Board amounted to €0.4 million in the reporting year (2022: €0.4 million). Of this amount, €0.3 million (2022: €0.3 million) was attributable to non-performance-related fixed compensation and €0.1 million (2022: €0.1 million) to compensation for committee activities. As in the previous year, no variable compensation is included. Kim Fausing renounces his claims against the company. The union representatives pay their salaries.

Members of the Supervisory Board hold the following positions in statutory supervisory boards and similar controlling bodies of commercial enterprises:

Kim Fausing, member of the board at Holcim AG, Switzerland.

Alexa Hergenröther is a member of the supervisory boards of LPKF Lasertechnologies SE, Germany, K-UTEC AG Salt Technologies, Germany, and Ameropa AG, Switzerland.

Related entities:

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. All agreements were concluded under fair market conditions. The business relationships between SMA and Danfoss in the fiscal year are presented in the table below. There is no material collateralization nor are there guarantees. No impairment losses were recognized from transactions with Danfoss.

in € million	2023	2022
Goods acquired by SMA	14.8	0.0
Goods sold by SMA	0.8	1.2
Outstanding receivables at the end of the year	0.2	0.5
Outstanding liabilities at the end of the year	2.8	0.0

Furthermore, elaxon GmbH is recognized as a joint venture. It is a joint venture in the field of charging infrastructure facilities, in which the SMA Group holds a 42.00% stake as at 31 December 2023. Loans totaling €2.0 million have been granted to elaxon GmbH by SMA since 2019, which are included in outstanding receivables in the following table.

in € million	2023	2022
Goods acquired by SMA	0.0	0.3
Goods sold by SMA	1.0	0.8
Outstanding receivables at the end of the year	2.1	2.1

30. Objectives and methods concerning financial risk management

Financial risk management is integrated into the group-wide hedging policy. Deliberate treatment of potential risks and sound control as well as successful management of such risks when they occur are supported by an accompanying information and communication policy as well as by further education and training of employees. The principle underlying the group's hedging policy in the financial field is to protect against significant price, currency and interest risks by means of contracts and hedging transactions to an economically reasonable extent.

The financial instruments of the group relate primarily to trade receivables as well as cash and cash equivalents resulting directly from operating activities. In addition, there is a particular amount of trade payables that also arise from operating activities. The group also uses derivative financial instruments as part of exchange and interest rate hedging. The group's main risks in relation to financial instruments are interest-based cash flow risks as well as liquidity, currency and credit risks. The strategies and procedures for controlling individual types of risks defined in the context of the group's overall hedging policy are presented below.

INTEREST RATE RISK

Interest rate risks within the SMA Group mainly arise in the case of financial liabilities and non-current portions of certain provisions. Interest on liabilities and provisions is not paid by the contracting party and is therefore discounted at the interest rate usual in the market, which means that there is no separate control of the interest rate risk. The interest on existing financing is hedged on a long-term basis and can thus be calculated over the contract's term.

FOREIGN CURRENCY RISK

As a globally active company, the SMA Group is exposed to both transaction-related and translation-related foreign currency risks.

SMA assesses risks from an economical point of view. Using this point of view, foreign currency risks arise in the form of direct transaction risks that derive from any (current or planned) receivable or payable denominated in a foreign currency and the resulting payment flow. The SMA Group's extensive business activity in North America means that foreign currency risks arise to a great extent in USD. In light of the fact that a pro-rata portion of the local added value attributable to the North American companies and supplier contracts based on USD is generated locally and sales in the local currency are balanced by expenditure in the local currency, the operational foreign currency risk in the SMA Group is limited.

Currency risks also arise in particular from the sales activity of our Australian subsidiary.

An intragroup guideline ensures that SMA companies report their foreign currency risks to Corporate Treasury, provided there are no country-specific restrictions in this regard. The remaining group-wide risk is hedged by Corporate Treasury through the use of currency derivatives concluded externally with banks. Forward exchange transactions are the most commonly used method in this case. The use of options as part of the hedging strategy is also possible.

Translation risks mainly occur when the assets and liabilities of subsidiaries denominated in a foreign currency are converted to the parent company's domestic currency when preparing the Consolidated Financial Statements. Translation risks are not included within the scope of the active control of foreign currency risks.

Items denominated in foreign currencies and the development of the exchange rate of those currencies are monitored continuously and the risks are hedged, provided this is economically reasonable. The risks from hedging transactions in themselves are limited to the possibility that opportunities arising from a better price performance cannot be realized.

To present market risks, IFRS 7 requires sensitivity analyses which show the effects of hypothetical changes in relevant risk variables on earnings and equity. Currency risks are caused by financial instruments that are denominated in a currency other than the functional currency and which are of a monetary nature; differences related to exchange rates from the translation of financial statements into the group currency are not taken into account. The USD, JPY and AUD are relevant risk variables. The currency sensitivity analysis is based on original financial instruments in the form of receivables. Through the use of hedging transactions (derivatives), which are designed to hedge the underlying transaction, the opposing effects that accompany changes in the exchange rates are evened out.

As of the balance sheet date of December 31, 2023, hedging transactions with a nominal value of \$90 million (2022: \$0 million) had been concluded. The fair value measurement results in a contribution to earnings of +€1.4 million (2022: €0.0 million). There are no direct effects on equity.

An increase of 5 % in the euro with respect to the US dollar on December 31, 2023, would have led to a change in the currency derivative of +€4.5 million (2022: €0.0 million). A decrease of 5% in the euro with respect to the US dollar on December 31, 2023, would have led to a reduction in the value of the currency derivatives of –€3.6 million (2022: €0.0 million).

There were no hedges for the Australian dollar and Japanese yen business as of December 31, 2023 (2022: none).

Pursuant to IFRS, currency risks affect monetary financial instruments that are denominated in a foreign currency (i. e., in a currency other than the functional currency). This means that the foreign currency is the relevant risk variable. Translation-related risks are not taken into account. Because the individual group companies mainly conduct their operative business in their own functional currency, we rate the risk from exchange rate fluctuations resulting from our ongoing business activity as insignificant.

CREDIT RISK

For all deliveries to customers, collateral is requested depending on the volume of the respective transaction and the specific customer and country risk. Data from the customer's previous business relationship, including payment practices and additional credit reports, are also used to avoid non-payment. In addition, the group performs a customer credit check, which is based on certain financial key ratios. By setting a credit limit in a timely manner or suspending orders, the group avoids being exposed to a significant risk of non-payment. If possible, the default risk is also limited by commercial credit insurance. The maximum non-payment risk is limited to the book value disclosed in section 14. Trade receivables and other receivables. There are no major concentrations of non-payment risks within the group.

With respect to all of the group's other financial assets, such as cash and cash equivalents, available-for-sale financial investments and derivative financial instruments, the maximum credit risk, should the counterparty fail to pay, corresponds to the book value of these instruments. This counterparty default risk is analyzed on a continuous basis and managed by means of corresponding business allocation – also considering potential opportunities – with regard to cluster risks and credit risks.

LIQUIDITY RISK

One element of liquidity protection is the credit line of €380 million newly agreed upon with six domestic banks in 2023. At the end of 2023, the credit line was only utilized in the form of guarantee credits.

The company uses financial planning tools for early detection of future liquidity requirements. According to current planning, it can be assumed that the financial requirements will be covered in a reliably predictable time frame. Insurance contracts are concluded to hedge against the financial consequences of possible liability risks and damage claims, insofar as this is reasonable and possible. The cover provided by such contracts is reviewed and adapted regularly.

CAPITAL MANAGEMENT

The strategic objective of capital management within the SMA Group is to ensure financial flexibility and independence to make rapid use of the opportunities in a photovoltaic market characterized by strong growth. Profitable employment of the capital is measured through regular monitoring of net working capital. Within the SMA Group, net working capital is defined as the sum of inventories and trade receivables less trade payables. To be able to usefully measure relative capital consumption, even in the event of strong corporate growth, net working capital is expressed in relation to sales. Through debtor management, which ensures that receivables are collected in good time, and linking inventories to sales as well as a constant dividend policy, the company positions itself to achieve its objectives of financial flexibility and independence. In accordance with our intragroup guidelines, the net working capital ratio determined in this way has to be below 25%.

In the reporting year, the equity ratio of the SMA Group was 42.5% (2022: 41.8%) and the net working capital ratio was 20.6% (2022: 22.4%).

For information on market risks, please refer to the "Risks and opportunities" section in the Combined Management Report.

31. Auditors fees

The fees paid to the auditor and recorded as an expense in the reporting year break down as follows:

in €'000	2023	2022
Financial statement auditing	1,142	787
Other audit-related services	140	86
	1,282	873

The auditing services listed in the table above include the expenses of BDO AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, for the audit of the Consolidated Financial Statements, the review of the Half-Year Consolidated Financial Statements and the audit of the Annual Financial Statement of SMA Solar Technology AG and its domestic subsidiaries, insofar as these are subject to mandatory audits pursuant to Section 316 of the German Commercial Code. Other audit-related services included the review and confirmation of the non-financial statement and the audit of the risk management system.

32. Declaration on the German Corporate Governance Code in accordance with Section 161 AktG

The declaration required under Section 161 AktG on the recommendations issued by the Government Commission German Corporate Governance Code was given by the Managing Board and the Supervisory Board on December 6, 2023, and made permanently available to shareholders on the [corporate website](#).

33. Consolidated Financial Statements

As the supreme parent company, SMA Solar Technology AG prepared the Consolidated Financial Statements as of December 31, 2023, which are filed with the operator of the Electronic Federal Gazette and subsequently published in accordance with Section 325 HGB. They are subsequently published in the Federal Gazette.

The date of approval of the prepared Consolidated Financial Statements and the Combined Management Report by the Supervisory Board and the associated adoption of the company's Annual Financial Statement in accordance with Section 172 of the German Stock Corporation Act can be found in the Supervisory Board's report.

Niestetal, March, 6, 2024

SMA Solar Technology AG
The Managing Board

Dr.-Ing. Jürgen Reinert Barbara Gregor

RESPONSIBILITY STATEMENT

We assure to the best of our knowledge that, in accordance with the applicable accounting standards, the Annual Financial Statements give a fair view of the net assets, financial position and results of operations of the company and that the Combined Management Report gives a fair view of the course of business including the results of operations and the group's position and describes the fundamental opportunities and risks of the probable development of the company.

Niestetal, March 6, 2024

SMA Solar Technology AG
The Managing Board

Dr.-Ing. Jürgen Reinert Barbara Gregor

INDEPENDENT AUDITOR'S REPORT

To SMA Solar Technology AG, Niestetal

NOTE ABOUT THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

Audit opinion

We audited the Consolidated Financial Statements of SMA Solar Technology AG, Niestetal, Germany, and its subsidiaries (the group) – which consisted of the SMA Group consolidated balance sheet as of December 31, 2023, the SMA Group consolidated income statement, the SMA Group consolidated statement of cash flows and the SMA Group consolidated statement of changes in equity for the fiscal year from January 1, 2023, to December 31, 2023, as well as the Notes to the Consolidated Financial Statements, including a summary of the relevant accounting methods.

In addition, we audited the Combined Management Report (report on the company's and group's position) of SMA Solar Technology AG for the fiscal year from January 1, 2023, to December 31, 2023. The contents of the sections of the Combined Management Report mentioned under "Other information" have not been audited in accordance with German law.

In our opinion, based on the findings of the audit:

→ The Consolidated Financial Statements attached comply with the IFRS as adopted by the EU in all material respects and the additional requirements of the German statutory provisions pursuant to Section 315e (1) of the HGB, and give a true and fair picture of the assets and financial position of the group as of December 31, 2023, and its results of operations for the fiscal year from January 1, 2023, to December 31, 2023, in accordance with these requirements.

→ On the whole, the Combined Management Report attached provides a suitable illustration of the group's position. In all material respects, this Combined Management Report is consistent with the Consolidated Financial Statements, complies with German statutory provisions and suitably presents the opportunities and risks of future developments. Our audit opinion on the Combined Management Report does not include the contents of the sections of the Combined Management Report mentioned under "Other information."

→ In accordance with Section 322 (3) Sentence 1 of the HGB, we declare that our audit did not raise any objections against the correctness of the Consolidated Financial Statements and the Combined Management Report.

Basis for the audit opinion

We performed our audit of the Consolidated Financial Statements and the Combined Management Report in accordance with Section 317 of the HGB and the EU regulation on statutory audits of public interest entities (no. 537/2014) in consideration of the generally accepted standards for financial audits in Germany as defined by the Institute of Public Auditors (IDW). Our responsibility under these provisions and standards is described in more detail in the "RESPONSIBILITY OF THE AUDITOR TO CHECK THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent of the group companies in compliance with EU law provisions, German commercial law and the German rules of professional conduct, and we have fulfilled our professional obligations applicable in Germany in accordance with these requirements.

Furthermore, in accordance with Article 10, Paragraph 2 f) of the EU regulation on statutory audits of public interest entities, we declare that we did not render any prohibited non-audit services as per Article 5, Paragraph 1 of the EU regulation on statutory audits of public interest entities.

We believe that the audit evidence we have obtained is sufficient and suitable to provide a basis for our audit opinion on the Consolidated Financial Statements and the Combined Management Report.

Key audit matters in the Consolidated Financial Statements audit

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements for the financial year from January 1, 2023, to December 31, 2023. These matters were considered as a whole in conjunction with our audit of the Consolidated Financial Statements and also taken into account when we formed our audit opinion. We do not provide a separate audit opinion on these matters.

We identified the following key matters as the most important key audit matters to be outlined in our auditor's report:

1. Realization of revenue
2. Subsequent valuation of inventories
3. Evaluation of the warranty provision
4. Recoverability of deferred tax assets
5. Disposal of the interest in the elaxon joint venture
6. Recognition and recoverability of capitalized development projects.

1. REALIZATION OF REVENUE

BUSINESS MATTER

Total sales of €1,904.2 million are recognized in the accounts (previous year's adjusted figure: €1,065.9 million).

For these items, which represent significant amounts, there is a risk that, close to the balance sheet date, this revenue might not be realized in the correct fiscal year. This risk arises close to the balance sheet date due to the complexity of ensuring the realization of revenue on an accrual basis for a large number of sales transactions throughout the group within the meaning of a transfer of control as defined in IFRS 15, even in cases where the transfer of control over the goods to the customer is delayed due to terms of delivery such as DDP, DAP and DDU ("Group D Incoterms") because, in contrast to the standard process, the transfer of risk does not occur until the goods enter the country of destination or are loaded onto a ship.

This is why we identified the realization of revenue on an accrual basis for corporate transactions close to the balance sheet date, especially in conjunction with deliveries made under the contractual agreement of group D Incoterms, as an especially important key audit matter.

Information from the legal representatives of SMA Solar Technology AG on sales can be found in section (2.2) "Disclosures to the accounting and valuation policies" and in section (3) "Segment reporting" of the Notes to the Consolidated Financial Statements and in the "Results of operation" section of the Combined Management Report.

AUDIT RESPONSE

As part of a risk assessment, we first gained an understanding of the different sales transactions and assessed whether the company's guidance regarding the realization of revenue for the different types of sales transactions is consistent with IFRS 15.

Furthermore, we identified sales-related controls in the sales process and assessed their appropriateness and implementation. We then performed functional tests to examine the effectiveness of the implemented controls. We also checked for the existence and amount of the recognized sales over the course of the year by means of sampling. To this end, we compared the postings in the sales accounts against the underlying customer contracts as well as the outgoing invoices and proof of delivery/payment from third parties and satisfied ourselves that the evidence showed that the sales were posted to the accounts in the correct amount and in the correct fiscal year.

Finally, we identified sales transactions close to the balance sheet date and with risky group D Incoterms. We conducted a range of checks on a sample basis to confirm that the sales were posted to the accounts in the correct amount and in the correct period on the basis of customer contracts and by comparing the outgoing invoices against the proof of delivery from third parties.

2. SUBSEQUENT VALUATION OF INVENTORIES

BUSINESS MATTER

Inventories totaling €559.1 million (about 34.5% of the total assets; previous year: €308.7 million) are stated in the accounts. This figure includes value adjustments of €29.8 million (previous year: €27.3 million).

The process of determining value adjustments is discretionary and highly complex due to the large number of materials in the inventory. Recoverability assessment is based on a series of estimates made by the legal representatives: estimates regarding the turnover of the inventories as well as for excess inventories of non-product-specific materials and for discontinued products; whether these products are likely to still be used in the sales process or are otherwise usable in the service business. SMA Solar Technology AG uses a time horizon of 36 months to estimate the turnover. In the case of inventory assets that are included in a discontinued product and for which no potential use in the service business is seen, a value adjustment is carried out for their full value.

Given the risk to the Consolidated Financial Statements resulting from the discretionary and complex process of determining value adjustments on inventories and the high amount of the balance sheet item, we consider this to be an especially important key audit matter.

Information from SMA Solar Technology AG's legal representatives on the inventory value adjustments can be found in section (2.2) "Disclosures to the accounting and valuation policies", section (2.3) "Significant judgements and assumptions" and section (13) "Inventories" of the Notes to the Consolidated Financial Statements.

AUDIT RESPONSE

As part of our audit of the valuation of the inventories, we examined both the system-based and manual procedure for determining value adjustments and performed a structural and functional audit of value-adjustment-related controls.

We also satisfied ourselves of the appropriateness and correct application by the system of the group-specific devaluation regulations according to turnover for raw materials, consumables and supplies as well as unfinished and finished goods.

Also in the case of materials that have been discontinued or are part of a discontinued product as well as for excess inventories, we verified – on the basis of a careful, risk-oriented selection – the assessment of the legal representatives regarding whether these inventories can still be used in the production process or are otherwise usable in the service business. In addition, we assessed both the process of determining the devaluation amount/reversal of impairment losses based on this estimate and their proper posting. Finally, on the basis of a representative sample, we satisfied ourselves that the unfinished goods and unfinished services and the finished goods were measured at the lower value of cost of acquisition or sales and net realizable value.

3. EVALUATION OF THE WARRANTY PROVISION

BUSINESS MATTER

In the Consolidated Financial Statements under the balance sheet item "Provisions", provisions for statutory warranties totaling €133.4 million (about 8.2% of the total assets; previous year: €119.2 million) are stated in the accounts.

To evaluate the provision for warranty risks, a discretionary best estimate of the expected warranty expenses is required. Furthermore, the large number of product groups to be considered makes this especially complex. At the level of product groups, a forecast of the number of expected warranty cases is made on the basis of historical values in previous fiscal years and the expected warranty expenses are allocated to these cases by amount. The settlement amount calculated in this way is then discounted to the balance sheet date.

Given the risk to the Consolidated Financial Statements arising from the complex and discretionary evaluation of the warranty provision and the high amount of the balance sheet item, we consider this to be an especially important key audit matter.

Information from SMA Solar Technology AG's legal representatives on the warranty provisions can be found in section (2.2) "Disclosures to the accounting and valuation policies", section (2.3) "Significant judgements and assumptions" and section (19) "Provisions" of the Notes to the Consolidated Financial Statements.

AUDIT RESPONSE

As part of our audit of the evaluation of the provision for warranty risks, we examined the procedure for determining the warranty provisions and verified whether this procedure complies with the requirements of IAS 37.

To make a careful, risk-oriented selection, we first checked that the past events of damage under warranty were properly determined and then verified the chosen forecasting method and the resulting derivation of the expected trend in the occurrence of errors. In doing so, we satisfied ourselves that the respective error patterns were correctly allocated to the relevant product groups. To assess the reliability of the estimates for error pattern frequency, we compared the historical forecasts with the actual events of damage in the past. To verify the calculated number of expected warranty cases, we also ensured that the sales volumes used in the calculation were complete and correct.

We then checked that the expected costs for remediation of the expected damage for each product group were correctly derived from cost accounting. In particular, we verified that the direct costs were properly recorded and the indirect costs properly taken into account. Finally, we satisfied ourselves of the appropriate discounting and of the correct entry into accounts of the provision for warranty risks in the Consolidated Financial Statements.

4. RECOVERABILITY OF DEFERRED TAX ASSETS

BUSINESS MATTER

In the Consolidated Financial Statements, deferred tax assets for loss carryforwards amounting to €63.9 million are stated in the accounts as of December 31, 2023, (about 3.9% of total assets; previous year: €64.7 million). Of this amount, €44.7 million was newly recognized and €45.6 million used in the current fiscal year.

For the recording of deferred tax assets, it is necessary to estimate the extent to which the existing deferred tax assets can be utilized in the subsequent reporting periods. The realization of these assets requires that sufficient taxable income be generated in the future. If there are doubts about the future usability of the calculated deferred tax assets, deferred tax assets must not be recorded and/or deferred tax assets already recognized must be derecognized. The measurement of deferred tax assets depends to a large extent on the assessments and assumptions of the legal representatives regarding the operating performance of the segments and the group's tax management and thus involves a great deal of uncertainty.

Given the risk to the Consolidated Financial Statements due to the discretionary assessment of the legal representatives regarding the recoverability of the deferred tax assets and the high amount of the balance sheet item, we consider this to be an especially important key audit matter.

Information from SMA Solar Technology AG's legal representatives on the recoverability of deferred tax assets can be found in section (2.2) "Disclosures to the accounting and valuation policies", section (2.3) "Significant judgements and assumptions" and section (7) "Income tax" of the Notes to the Consolidated Financial Statements.

AUDIT RESPONSE

To check the recoverability of deferred tax assets, we – together with our valuation and tax specialists – had the legal representatives present and explain the corporate planning and resulting tax management. On this basis, we determined the extent to which it is planned and possible over the next three years to offset taxable income with tax loss carryforwards.

Furthermore, with regard to the underlying three-year detailed plan, we gained an understanding of the planning process and assessed its appropriateness. We verified the plan elaborated by the legal representatives and approved by the Supervisory Board as well as the key, underlying planning assumptions and evaluated the appropriateness of the key assumptions, among other things, by means of sensitivity analyses taking into account general and industry-specific market expectations.

With the assistance of our tax specialists, we then reviewed the planning of future taxable income to determine, in particular, whether the results of the approved three-year plan were appropriately incorporated into tax management.

In addition, our tax specialists reconciled the tax loss carryforwards to the tax assessments of previous fiscal years in the main jurisdictions and their forward projection with the tax calculations for the current fiscal year. We also assessed whether tax-related adjustments to income were properly calculated. Finally, we satisfied ourselves that the applicable tax rates were taken into account. In a final step, we performed an overall assessment of the sustainability of taxable income on the basis of the verifiable three-year plan and the proper derivation of tax-related earnings planning.

5. RECOGNITION AND RECOVERABILITY OF CAPITALIZED DEVELOPMENT PROJECTS

BUSINESS MATTER

As of December 31, 2023, the intangible assets item includes development projects in progress and completed with a book value of €113.7 million (previous year: €84.5 million). Development costs of €41.2 million were capitalized in the fiscal year (previous year: €35.2 million).

Because the group's development projects are increasingly focused on segment-specific platforms rather than individual products, over the past few years there has been a significant increase in the time periods required for developments and consequently a significant rise in capitalized development costs as well. Assessing whether a project has already reached the development phase and whether the incurred development costs should be capitalized and assessing the recoverability of capitalized development projects requires legal representatives to exercise a significant degree of judgement.

The company carries out an impairment test at least once a year for development projects that are both in progress and already completed in order to write them down to the recoverable amount if this is less than the capitalized development costs. The recoverable amount is determined using discounted cash flow models at the level of individual capitalized development projects and for groups of development projects at the level of segment-specific platforms.

Recognition and recoverability of capitalized development projects was an especially important key audit matter in the course of our audit given not only the increasing importance of capitalized development projects but also the degree of judgement inherent in recognition and the assessment complexity.

Information from the legal representatives on development projects can be found in section 2.2 Disclosures to the accounting and valuation policies under the heading "Research and development expenses", section 2.3 Significant judgements, estimates and assumptions and section 9 Intangible assets of the Notes to the Consolidated Financial Statements and in the Development of significant income statement items and Research and development sections of the Combined Management Report.

AUDIT RESPONSE

Firstly, we obtained an understanding of the product development process and the company's process for capitalizing development costs and assessing their recoverability, and we assessed whether the accounting-related internal controls within these processes were designed and implemented appropriately.

For a certain number of development projects in progress, with the help of our engineering experts, we assessed the technical and economic feasibility of the projects (including the possibility of technical implementation, intention to complete and ability to use or sell the asset), and we assessed the legal representatives' opinion on deriving a future economic benefit. To this end, we held discussions with the legal representatives, project managers and the relevant specialist departments, examined project-specific documents and inspected test facilities.

For any development costs capitalized in the fiscal year, we carried out a random check using substantive audit procedures to check whether the project-specific development hours and other expenses had been properly allocated to the development projects in which they arose, and we reviewed and verified the calculation of the hourly rates used for the assessment.

Regarding the matter of reviewing the recoverability of capitalized development costs, we first sought to gain an understanding of the planning process and the methods used. We then verified the significant planning assumptions taking into account general and sector-specific market expectations, and we evaluated whether the plans on which the impairment tests are based were consistent with the three-year corporate planning prepared by the legal representatives and approved by the Supervisory Board. For a certain number of development projects, we sought explanations for significant changes in planning assumptions and, where possible, we carried out earlier plans with outcomes and cash inflows that had already been realized. We asked our valuation specialists to help us assess the discount rate used, and they used market data to review the underlying parameters, including the market risk premium and the beta factor. In addition, we reviewed the

sensitivity analyses carried out by the legal representatives and performed our own sensitivity analyses with regard to possible changes in capital costs and the underlying growth rate.

6. DISPOSAL OF THE INTEREST IN THE ELEXON JOINT VENTURE

BUSINESS MATTER

On November 26, 2023, SMA Solar Technology AG signed an agreement on the disposal of all shares held by SMA in the joint venture elexon GmbH. In the course of the transaction, SMA Solar Technology AG will transfer its entire shareholding in elexon GmbH and its loan to elexon GmbH to the purchaser. The disposal had been planned since the first half of 2023, and since then the shares and the loan pursuant to IFRS 5 have been recognized in the balance sheet under assets held for sale. The disposal was completed in January 2024 once all contractual and official conditions had been met. Taking into account contingent purchase price components, SMA Solar Technology AG's proceeds from the disposal is estimated at €19.1 million.

The legal representatives do not believe that the sale agreement concluded in November 2023 for the shares in elexon GmbH will change the status of the joint arrangement as of December 31, 2023.

Both the shares and the loan will therefore continue to be reported under assets held for sale as of December 31, 2023, as the legal representatives believe that the sales agreement only grants the purchaser property rights and not yet any rights that would give it control, especially as the transaction was subject to a prohibition on completion until approval by the antitrust law authorities in January 2024.

Given the risk to the Consolidated Financial Statements with respect to the proper period allocation of the gain on disposal recognized in profit or loss, we consider the more complex assessment of the time of disposal to be an especially significant key audit matter.

Information from SMA Solar Technology AG's legal representatives on the disposal transaction can be found in section 1.2 Scope of consolidation, section 2.3 Significant judgements, estimates and assumptions, section 11 Investments in joint ventures, section 15 Other financial assets, section 17 Assets and asset groups held for sale, section 28 Events after the balance sheet date and section 29 Related party disclosures.

AUDIT RESPONSE

Regarding the matter of the disposal of the interest in the elaxon joint venture, the first step we took was to view and examine the contractual conditions of the sale and undertake an initial balance sheet risk assessment on this basis. In particular, we examined the provisions for the period between the signing of the contract and the actual execution of the purchase agreement, as well as the conditions for the execution, and assessed whether SMA was no longer involved in the joint control of elaxon GmbH prior to the fulfilment of all conditions precedent of the purchase agreement.

For the balance sheet assessment, we specifically discussed with the company's accounting experts and legal representatives the contractual regulations around completion conditions and transaction-specific factors for rights granted to the purchaser in the period between signature of the agreement and completion of the agreement. As part of this process, together with our legal expert, we reviewed the legal conditions of the prohibition on completion imposed by the antitrust law authorities. On this basis, we verified the opinion of the legal representatives that the purchaser does not yet have any rights that would give it control as of December 31, 2023, and performed a conclusive assessment of the proper time of disposal.

We also determined whether the information contained in the supplementary report on the estimate of the financial impact of the transaction was appropriate.

Other information

The legal representatives and the Supervisory Board are responsible for other information. The other information contains:

- The sections of the Combined Management Report mentioned in the annex to the auditor's report, the content of which has not been audited, and
- The other sections of the Annual Report, with the exception of the audited Consolidated Financial Statements and Combined Management Report as well as our auditor's report.
- Our audit opinions on the Consolidated Financial Statements and the Combined Management Report do not extend to the other information and, accordingly, we do not provide an audit opinion or any other kind of audit conclusion on them.

In connection with our audit of the Consolidated Financial Statements, we have a responsibility to read the other information and, in doing so, to assess whether the other information:

- Demonstrates any significant inconsistencies with the Consolidated Financial Statements, Combined Management Report or the knowledge that we have acquired from the audit, or
- Otherwise appears incorrect.
- If we conclude on the basis of our work that there has been a material misstatement of such other information, we are obligated to report this. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the Consolidated Financial Statements, which comply with the IFRS as applicable in the EU and the additional statutory regulations applicable in Germany as per Section 315e (1) of the HGB in all material respects, and for ensuring that the Consolidated Financial Statements give a true and fair picture of the net assets, financial position and results of operations of the group in compliance with these requirements. Furthermore, the legal representatives are responsible for the internal controls they have deemed necessary to enable preparation of Consolidated Financial Statements that are free of material misstatements due to fraudulent behavior (i.e., accounting manipulation or misappropriation of assets) or error.

When preparing the Consolidated Financial Statements, the legal representatives are responsible for assessing the group's ability to continue with its business activity. In addition, they are in charge of disclosing any matters related to the continuation of the business activity, where relevant. Furthermore, they are responsible for reporting on the continuation of the business activity based on the accounting policy unless there is an intention to liquidate the group or cease business operations, or if there is no realistic alternative.

The legal representatives are also responsible for preparing the Combined Management Report, which provides an accurate view of the group's position overall, is consistent with the Consolidated Financial Statements in all material respects, complies with German law and suitably presents the risks and opportunities of future development. Moreover, the legal representatives are responsible for the precautions and measures (systems) that they considered necessary to enable the preparation of a Combined Management Report in compliance with the applicable legal regulations in Germany and the provision of suitable evidence for statements made in the Combined Management Report.

The Supervisory Board is responsible for monitoring the accounting process of the group for preparing the Consolidated Financial Statements and the Combined Management Report.

Responsibility of the auditor to check the Consolidated Financial Statements and the Combined Management Report

Our aim is to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free of material misstatements due to fraudulent behavior or error as well as whether the Combined Management Report provides an accurate view of the group's overall position, is consistent with the Consolidated Financial Statements and any knowledge gained from the audit in all material respects, complies with German law, suitably presents the risks and opportunities of future development, and to provide an auditor's report containing our audit opinions on the Consolidated Financial Statements and the Combined Management Report.

Reasonable assurance is a high degree of certainty but no guarantee that an audit performed in compliance with Section 317 of the HGB and the EU regulation on statutory audits of public interest entities in consideration of the generally accepted standards for financial audits in Germany as defined by the Institute of Public Auditors (IDW) will always reveal a material misstatement. Misstatements may result from fraudulent behavior or error and are considered material if it could be reasonably expected for them to influence the economic decisions made by the addressees, whether individually or as a whole, based on these Consolidated Financial Statements and Combined Management Report.

During the audit, we exercise professional judgement and maintain a critical stance. Furthermore:

- We identify and assess the risks of material misstatements due to fraudulent behavior or error in the Consolidated Financial Statements and the Combined Management Report, plan and implement audit procedures as a response to these risks and gather audit evidence that is sufficient and appropriate to serve as the basis for our audit opinions. The risk that material misstatements resulting from fraudulent activities will not be detected is higher than the risk that material misstatements resulting from errors will not be detected because fraudulent activities may involve collusion, forgery, intentional omissions, misleading representations or the overriding of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the Consolidated Financial Statements and of the precautions and measures relevant to the audit of the Combined Management Report in order to plan audit activities that are appropriate for the given circumstances. However, we do not aim to provide an audit opinion on the effectiveness of these systems.
- We assess the appropriateness of the accounting methods applied by the legal representatives as well as the tenability of the values estimated by the legal representatives and the related information.
- We draw conclusions about the appropriateness of the accounting policy for the continuation of business activity used by the legal representatives and, based on the audit evidence acquired, whether a material uncertainty exists in connection with occurrences or circumstances, which may raise significant doubts about the ability of the group to continue with its business activity. If we reach the conclusion that a material uncertainty exists, we are obliged to draw attention to the relevant information in the Consolidated Financial Statements and the Combined Management Report in the auditor's report or, if these statements are inadequate, modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future occurrences or circumstances can result in the group no longer being able to continue with its business activity.

- We assess the overview, structure and content of the Consolidated Financial Statements, including the information provided, and check whether the Consolidated Financial Statements present the underlying business transactions and occurrences in such a way that the Consolidated Financial Statements give a true and fair picture of the net assets, financial position and results of operations of the group in accordance with the IFRS as applicable in the EU and the additional statutory regulations applicable in Germany as per Section 315e (1) of the HGB.
- We obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities within the group in order to provide audit opinions on the Consolidated Financial Statements and the Combined Management Report. We are responsible for guiding, supervising and implementing the audit of the Consolidated Financial Statements. We bear sole responsibility for our audit opinions.
- We assess the correlation of the Combined Management Report with the Consolidated Financial Statements, its compliance with the law and the view of the group's position conveyed by it.
- We subject the forward-looking statements presented by the legal representatives in the Combined Management Report to audit procedures. In particular, we use sufficient and suitable audit evidence to trace the significant assumptions on which the forward-looking statements are based and assess the proper deduction of the forward-looking statements stemming from these assumptions. We do not provide a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future occurrences may differ significantly from the forward-looking statements.

Among other things, we discuss the planned scope and timing of the audit with those responsible for overseeing it as well as significant audit findings, including any relevant deficiencies in the internal control system that we identify during our audit.

We provide those responsible for overseeing the audit with a declaration that we have met the relevant independence requirements and discuss with them all the relationships and other circumstances that could reasonably be expected to affect our independence and, where relevant, the actions or precautions taken to address any such risks to our independence. From the matters we discussed with those responsible for overseeing the audit, we determine those that were most significant to the audit of the Consolidated Financial Statements for the current reporting period and are therefore the key audit matters. We describe these key audit matters in the auditor's report unless the public disclosure of a key matter is ruled out by law or other statutory provisions.

OTHER LEGAL AND STATUTORY REQUIREMENTS

Note about the audit of the electronic reproductions of the Consolidated Financial Statements and of the Combined Management Report in accordance with Section 317 (3a) HGB that were prepared for purposes of disclosure

Audit opinion

We have carried out an audit in accordance with Section 317 (3a) HGB with reasonable assurance as to whether the reproductions of the Consolidated Financial Statements and of the Combined Management Report (hereinafter also referred to as "ESEF documents") contained in the "SMA-2023-12-31-de.zip" file and prepared for purposes of disclosure comply with the regulations of Section 328 (1) HGB for the electronic reporting format ("ESEF format") in all material respects. In accordance with the German statutory provisions, this audit extends only to the transfer of the information in the Consolidated Financial Statements and Combined Management Report to the ESEF format and therefore neither to the information contained in these reproductions nor to the information contained in the aforementioned file.

In our opinion, the reproductions of the Consolidated Financial Statements and the Combined Management Report contained in the aforementioned file and prepared for purposes of disclosure comply with the regulations of Section 328 (1) HGB for the electronic reporting format in all material respects. Beyond this audit opinion and our audit opinions contained in the above "NOTE ABOUT THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT" concerning the enclosed Consolidated Financial Statements and the enclosed Combined Management Report for the fiscal year from January 1, 2023, to December 31, 2023, we do not provide any audit opinion whatsoever on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We carried out our audit of the reproductions of the Consolidated Financial Statements and of the Combined Management Report contained in the aforementioned, provided file in accordance with Section 317 (3a) HGB taking into account the audit standard of the Institute of Public Auditors (IDW) in Germany: "Auditing of electronic reproductions of financial statements and management reports prepared for purposes of disclosure in accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022))." Our responsibility under these requirements is further described in the "Responsibility of the auditor of the Consolidated Financial Statements for the audit of the ESEF documents" section. Our auditing practice applied the requirements of the quality management standards promulgated by the Institute of Public Auditors in Germany (IDW), which implements the IAASB's International Standards on Quality Management.

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company's legal representatives are responsible for preparing the ESEF documents with the electronic reproductions of the Consolidated Financial Statements and of the Combined Management Report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for marking up the Consolidated Financial Statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

In addition, the company's legal representatives are responsible for such internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material violations, whether intentional or unintentional, of the requirements for the electronic reporting format stipulated in Section 328 (1) HGB.

The Supervisory Board is responsible for monitoring the preparation process of the ESEF documents as part of the accounting process.

Responsibility of the auditor of the Consolidated Financial Statements for the audit of the ESEF documents

Our aim is to obtain reasonable assurance as to whether the ESEF documents are free from material violations, whether intentional or unintentional, of the requirements stipulated in Section 328 (1) HGB. During the audit, we exercise professional judgement and maintain a critical stance. Furthermore:

- We identify and assess the risks of material violations of the requirements stipulated in Section 328 (1) HGB, whether intentional or unintentional, design and carry out audit procedures that respond to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- We gain an understanding of the internal controls relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not with the aim of expressing an opinion on the effectiveness of such control.
- We assess the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements relating to the technical specification for this file stipulated in the Delegated Regulation (EU) 2019/815 in the version applicable on the date of the financial statements.
- We assess whether the ESEF documents enable reproduction of the audited Consolidated Financial Statements and audited Combined Management Report with the identical content in XHTML format.
- We assess whether marking up the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as applicable at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

REMAINING INFORMATION IN ACCORDANCE WITH ARTICLE 10 OF THE EU REGULATION ON STATUTORY AUDITS OF PUBLIC INTEREST ENTITIES

We were selected as the auditor at the Annual General Meeting on May 24, 2023. We were commissioned by the Supervisory Board on July 18, 2023. We have worked continuously as a group auditor for SMA Solar Technology AG since fiscal year 2022.

We hereby declare that the audit opinions contained in this auditor's report conform with the additional report submitted to the audit committee in accordance with Article 11 of the EU regulation on statutory audits of public interest entities (auditor's report).

OTHER MATTERS – USE OF THE AUDITOR'S REPORT

Our auditor's report should always be read in conjunction with the audited Consolidated Financial Statements and the audited Combined Management Report and the audited ESEF documents. The Consolidated Financial Statements and Combined Management Report converted to ESEF format – including the versions to be included into the Business Register – are merely electronic reproductions of the audited Consolidated Financial Statements and audited Combined Management Report and do not replace them. In particular, the ESEF note and our audit opinion contained therein can only be used in conjunction with the audited ESEF documentation provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Dr. Jan Faßhauer.

Appendix to the auditor's report: Non-audited components of the combined management report

We have not audited the content of the following components of the combined management report:

- the combined non-financial statement included in the „Combined non-financial statement“ section of the combined management report
- the (Group) Corporate Governance Statement included in the „Corporate Governance“ section of the combined management report
- the information contained in the combined management report that is not part of the management report and has been labelled as unaudited. These include
 - the „Products and services“ section
 - the estimated values in the section „Key sales markets and competitive situation“
 - the „Purpose, vision and mission“ section
 - the paragraph labelled in the section „Future-oriented development approach“
 - the section „Holistic solutions for the energy supply of the future“
 - the estimated values in the section „Sector economic conditions“
 - the section „STRATEGIC POSITIONING AS AN „ENERGY VIEW COMPANY“ FURTHER PROGRESSED“
 - the section „Principles of the internal control system“
 - the section „Description of the internal control system“
 - the section „Overall statement on the internal control and risk management system“
 - the section „The SMA Group will exploit the potential of digitalisation“

Frankfurt am Main, March 6, 2024

BDO AG Accounting firm

Gebhardt
German Public Auditor

Dr. Fasshauer
German Public Auditor

NOTE ABOUT THE AUDIT OF THE COMBINED NON-FINANCIAL STATEMENT

Independent auditor's report on a limited assurance engagement on the combined non-financial statement¹

To SMA Solar Technology AG, Niestetal

We have performed a limited assurance engagement on the Combined Non-Financial Group Statement of SMA Solar Technology AG, Niestetal (hereinafter: SMA Solar or the Company) for the period from 1 January to 31 December 2023 (hereinafter: the Combined Non-Financial Statement) included in section "Combined Non-Financial Statement" of the Combined Management Report.

The external sources of documentation or expert opinions referred to in the combined non-financial statement are not subject to our audit.

Responsibility of the legal representatives

The legal representatives of the company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the delegated acts adopted in this regard. The consolidated financial statements comply with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter referred to as the "EU Taxonomy Regulation") and the delegated acts adopted in this regard, as well as with their own interpretation of the formulations and terms contained in the EU Taxonomy

Regulation and the delegated acts adopted in this regard, as presented in the "EU Taxonomy" section of the combined non-financial statement.

This responsibility of the legal representatives of the company includes the selection and application of appropriate methods for non-financial reporting as well as making assumptions and estimates for individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls as they have considered necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud (manipulation of the non-financial statement) or error.

The EU Taxonomy Regulation and the related delegated acts contain formulations and terms that are still subject to considerable interpretation uncertainty and for which clarifications have not yet been published in every case. The legal representatives have therefore set out their interpretation of the EU Taxonomy Regulation and the delegated acts adopted in this regard in the "EU Taxonomy" section of the combined non-financial statement. They are responsible for the reasonableness of this interpretation. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation is subject to uncertainty.

Independence and quality assurance of the auditing company

We have complied with the German professional regulations on independence and other requirements of professional behavior.

Our auditing firm applies the national statutory regulations and professional pronouncements - in particular the Professional Code of Conduct for German Public Auditors and Chartered Accountants (BS WP/vBP) and the IDW Quality Management Standards issued by the Institute of Public Auditors in Germany (IDW) - and accordingly maintains a comprehensive quality management system that includes documented regulations and measures relating to compliance with professional behavioral requirements, professional standards and relevant statutory and other legal requirements.

¹ We have performed a limited assurance engagement on the German version of the Combined non-financial statement and issued an Independent Practitioner's Report in German language, which is authoritative. The following text is a translation of the original German Independent Practitioner's Report.

Responsibility of the auditor

Our responsibility is to express a limited assurance conclusion on the combined non-financial statement based on our audit.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the combined non-financial statement of the Company, with the exception of the external documentation sources, expert opinions and unaudited sections referred to in the non-financial group statement, is not prepared, in all material respects, in accordance with § 315c in conjunction with § 289c to 289e of the German Commercial Code (HGB). 289c to 289e HGB, the EU Taxonomy Regulation and the related delegated acts as well as the interpretation by the legal representatives presented in the "EU Taxonomy" section of the combined non-financial statement.

In an audit to obtain limited assurance, the audit procedures performed are less extensive than in an audit to obtain reasonable assurance, meaning that considerably less assurance is obtained. The selection of audit procedures is at the auditor's discretion.

As part of our audit, we performed, among others, the following audit procedures and other activities:

- Gaining an understanding of the structure of the Group's sustainability organization and the involvement of stakeholders
- Interviewing the legal representatives and the employees responsible for the materiality analysis in order to gain an understanding of the procedure for identifying material topics and corresponding reporting boundaries of SMA Solar
- A risk assessment, including a media analysis, of relevant information on SMA Solar's sustainability performance in the reporting period

- Assessment of the suitability of the internally developed definitions
- Assessment of the design and implementation of systems and processes for the collection, processing and monitoring of data on environmental, labor and social issues, respect for human rights, anti-corruption and anti-bribery, including the consolidation of data
- Inquiries of personnel at group level and the legal representatives who are responsible for the determination of disclosures on concepts, due diligence processes, results and risks, as well as for the implementation of internal control procedures and the consolidation of disclosures
- Inspection of selected internal and external documents
- Analytical assessment of the data and trends of the quantitative disclosures reported for consolidation at Group level
- Assessment of local data collection, validation and reporting processes and the reliability of reported data
- Comparison of selected disclosures with the corresponding data in the consolidated financial statements and the other components of the Group management report
- Assessment of the process for identifying taxonomy-eligible and taxonomy-compliant economic activities and the corresponding disclosures in the combined non-financial statement
- Assessment of the overall presentation of the combined non-financial statement

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation and, accordingly, our audit in this regard is subject to uncertainty.

Audit judgement

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of SMA Solar for the period from 1 January to 31 December 2023 is not prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the related delegated acts as well as the legal representatives' interpretation presented in section "EU Taxonomy" of the combined non-financial statement.

We do not express an opinion on the external documentation sources or expert opinions mentioned in the combined non-financial statement.

Restriction on the use of the endorsement

We draw attention to the fact that the audit was conducted for the purposes of the company and that the report is intended solely for the information of the company on the results of the audit. Consequently, it is not suitable for any purpose other than the aforementioned. Consequently, the report is not intended to be used by third parties to make (asset) decisions. Our responsibility is solely to the company. We do not accept any responsibility towards third parties. Our audit opinion is not modified in this respect.

Reference to order conditions

This engagement is based on the "Special Engagement Terms of BDO AG Wirtschaftsprüfungsgesellschaft" dated 1 March 2021 agreed with the company and the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften" issued by the IDW dated 1 January 2017 (www.bdo.de/auftragsbedingungen).

Frankfurt am Main, March 6, 2024

BDO AG Wirtschaftsprüfungsgesellschaft

Dr. Jan Faßhauer
Auditor

Viola Möller
Partner Sustainability Services

REMUNERATION REPORT

The Remuneration Report provides detailed, personalized information on the remuneration granted and owed to the members of the Managing Board and Supervisory Board of SMA Solar Technology AG in the reporting year. In addition, the Remuneration Report summarizes the principles that are decisive when it comes to determining remuneration for the Supervisory Board and the Managing Board and also explains the remuneration structure and the emoluments payable. The Report meets the requirements of Section 162 of AktG. Further detailed information regarding the remuneration systems for the Managing Board and Supervisory Board members can be found on the company's [corporate website](#).

Remuneration of the members of the Managing Board

A REVIEW OF THE FISCAL YEAR WITH REGARD TO REMUNERATION

In n 2023, the Supervisory Board stipulated adjustments to the remuneration system for the Managing Board, which had been in place since 2021, to take effect starting June 1, 2023. The adjustments made took particular account of the experience gained through the application of the 2021 remuneration system. The adjusted remuneration system for the Managing Board (hereinafter referred to as the 2023 remuneration system) was put to a vote at the ordinary Annual General Meeting on May 24, 2023, in accordance with Section 120a (1) of AktG and approved by a majority of 86.09%. This applies to the employment contract concluded in July, 2023, for Dr. Jürgen Reinert and will continue to apply to future employment contracts with Managing Board members in the event of both the reappointment of an existing Managing Board member and the appointment of a new member. The remuneration system approved by the 2021 Annual General Meeting applies to the employment contracts concluded in 2022 for Barbara Gregor and Thomas Pixa (left the company). The remuneration for Ulrich Hadding (left the company) is based on the 2017 remuneration system.

The remuneration systems are compared in the table below:

Differences between the 2017 and 2023 remuneration systems

Subject	Remuneration system 2021	Remuneration system 2023
Variable remuneration: annual bonus	1st component: 40% EBIT target (150% max.) 2nd component: 30% financial performance target (150% max.) 3rd component: 30% two personal targets (150% max.); of which 50% from financial and 50% from non-financial performance criteria; non-financial criteria from ESG	1st component: 40% EBIT target (150% max.) 2nd component: 30% financial performance target (150% max.) 3rd component: 30% two personal targets (150% max.); of which 50% from financial and 50% from non-financial performance criteria; non-financial criteria from ESG
Variable remuneration: long-term bonus	One to two long-term financial performance targets over four fiscal years (150% max.) Discretionary factor (0.8 to 1.2) for ESG targets Overfulfillment possible up to 180% max. (cap including discretionary factor)	One long-term financial and one long-term non-financial performance target over four financial years (max. 150%) Non-financial performance target must account for at least 50% of the long-term bonus
Maximum remuneration	Maximum remuneration defined; implemented via limits on amounts paid out in variable remuneration	Maximum remuneration defined; implemented via limits on amounts paid out in variable remuneration
Share ownership guideline	If short- and long-term bonuses > 100%, obligation to invest 40% of amount in SMA shares	If short- and long-term bonuses > 100%, obligation to invest 40% of amount in SMA shares
Change of control	No entitlement to severance pay if contract is terminated in the event of a change of control	No entitlement to severance pay if contract is terminated in the event of a change of control

In the event of major changes to the remuneration systems, or at least every four years, the applicable remuneration system for the Managing Board of SMA Solar Technology AG will be submitted at the Annual General Meeting for approval.

PRINCIPLES BY WHICH REMUNERATION IS SET

The Supervisory Board as a whole is responsible for deciding the form that the remuneration system for the Managing Board takes and for setting the separate emoluments and other material contract elements. The Presidial Committee assists the Supervisory Board with this and prepares Supervisory Board resolutions. In arranging both the 2021 and 2023 remuneration systems, the Supervisory Board worked on the basis of the following parameters:

- Making the system transparent and easy to understand;
- The company's financial situation and long-term sustainable development;
- Linking the interests of shareholders in the sustainable development of their stakes in the company to corresponding performance incentives for the members of the Managing Board;
- Ensuring that remuneration is competitive on the market for highly skilled executives;
- Basing remuneration on the assignments, responsibilities and success of each individual member of the Managing Board;
- Linking a significant proportion of overall remuneration to the achievement of ambitious long-term performance targets;
- Establishing an appropriate ratio of fixed remuneration to performance-based remuneration;
- Maintaining an appropriate level in both horizontal and vertical terms.

LINK BETWEEN REMUNERATION SYSTEM AND CORPORATE STRATEGY

The components of the 2021 and 2023 remuneration systems are essentially fixed remuneration, additional benefits, one-year variable remuneration and several years' variable remuneration. The link between these components and the corporate strategy is as follows:

Together with the other remuneration components, fixed remuneration and additional benefits form the basis for allowing the Managing Board to secure and retain for the long term the highly skilled members required for the development and implementation of the corporate strategy. Both components are intended to be competitive offers on the market for highly skilled Managing Board members.

One-year variable remuneration is intended to motivate members of the Managing Board to achieve ambitious and challenging financial, operational and strategic objectives during a fiscal year. These objectives are based on the corporate strategy and, in addition to profitability and sales as the material key figures of an efficiently operating company, they incorporate further strategy-based objectives. The system also stipulates the setting of non-financial targets as part of the one-year personal targets for the Managing Board with a weighting of at least 50%. The potential to surpass objectives in a way that will then be reflected in the remuneration is to set a stronger incentive for Managing Board members to strive to achieve the objectives.

Multiyear variable remuneration is indicative of the company's strategic approach of encouraging members of the Managing Board to secure and improve profitability and the value of the company on a long-term basis by setting ambitious objectives linked closely with the multiyear performance of the company's earnings. The evaluation period of four years stipulated for the remuneration system has helped to ensure that the Managing Board's actions are focused partly on the long-term development of the company. The requirement in the 2023 remuneration system for the Supervisory Board to define non-financial targets with the Managing Board that are at least equivalent to financial targets takes greater account of the importance of sustainability in the company and the market compared to the 2021 remuneration system.

SETTING OF TARGET REMUNERATION

When setting remuneration, the Supervisory Board considers the general principles outlined in this section in particular, as well as the criteria for appropriate remuneration.

A twelfth of the agreed annual fixed remuneration is paid out each calendar month. If an employment contract begins or ends in the course of a fiscal year, the remuneration for that fiscal year will be paid out on a pro rata basis.

The fixed remuneration, like the other remuneration components, can be adjusted or reset for the duration of a new employment contract as part of the existing remuneration system for the members of the Managing Board. Furthermore, all remuneration components can be reviewed if the duties or responsibilities of a member of the Managing Board should change.

One-year variable remuneration is measured on the basis of two key group figures and one personalized performance factor based on the performance of the member of the Managing Board in question and the achievement of stakeholder objectives. The performance period is the fiscal year as defined by SMA Solar Technology AG.

A personal target amount (target amount) to be paid out upon 100% achievement of objectives is agreed in the employment contract of each member of the Managing Board. With regard to the target amount agreed, the Supervisory Board refers to the general principles outlined in the section "Principles by which remuneration is set". Performance objectives under the remuneration system include earnings before interest and taxes on sales revenue (EBIT margin), a further financial performance target (such as sales or free cash flow) and personal performance targets of the Managing Board members. The Supervisory Board sets the figures for these performance targets for the applicable fiscal year.

Under 4.2.2 of the remuneration system, 40% of the "EBIT margin" component mentioned in 4.2.1 of the system is included in the one-year variable remuneration. The "financial performance target" and "personal performance" components each contribute 30% to the one-year variable remuneration. All components can also be fulfilled up to 150%. If the annually defined lower limits of the respective components are not met, they are graded with a "0". If the sum of the percentages of the components reaches 100%, this entitles payment of the full agreed target amount. Exceeding the agreed targets leads to a payment claim of up to 150% of the individually agreed target amount.

The multiyear variable remuneration under the 2021 remuneration system is paid according to the achievement of a financial performance target (e.g., EBIT, sales), the achievement of which is measured based on the target achievement over a period of four consecutive fiscal years. For this purpose, two non-financial performance targets (ESG targets) are included in determining the target achievement value via a discretionary factor of 0.8 to 1.2.

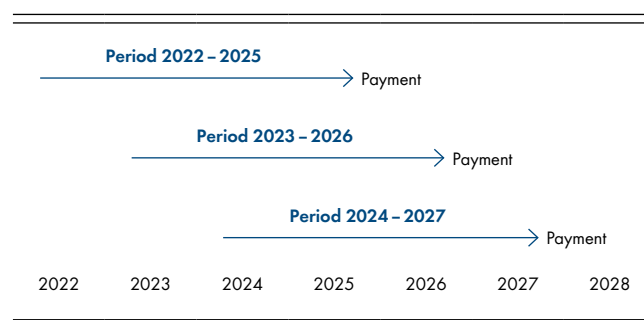
With regard to the target amount agreed, the Supervisory Board also referred to the general principles outlined in the section "Principles by which remuneration is set".

The upper and lower limits of the target value (EBIT margin) are determined by the Supervisory Board for a period of four fiscal years. If the upper limit for the target value is reached, the member will be entitled to the full target amount. The Managing Board member is not entitled to the bonus until the lower threshold for the target value is reached. Values in-between are determined on a linear basis. Exceeding the agreed target values leads to a higher variable component, which can reach a maximum of 180% of the agreed variable remuneration (Cap). The target assessment takes place after the end of the defined four-year period.

Instead of just one financial performance target as the basis for multiyear remuneration, the 2023 remuneration system provides for at least equal weighting of a financial and a non-financial performance target. In the case of a non-equally weighted determination, the share of the non-financial performance target must continue to predominate. In addition, the discretionary factor of the 2021 remuneration system no longer applies. However, exceeding the agreed target values will also lead to a higher variable component under the 2023 remuneration system, which can reach a maximum of 150% of the agreed variable remuneration (cap). The target assessment takes place after the end of the defined four-year period.

Payment is made after the adoption of the first consolidated financial statements following the end of the assessment period, even if the employment contract ends before the end of the performance period.

Installments for long-term variable remuneration (2021 and 2023 remuneration system) ¹

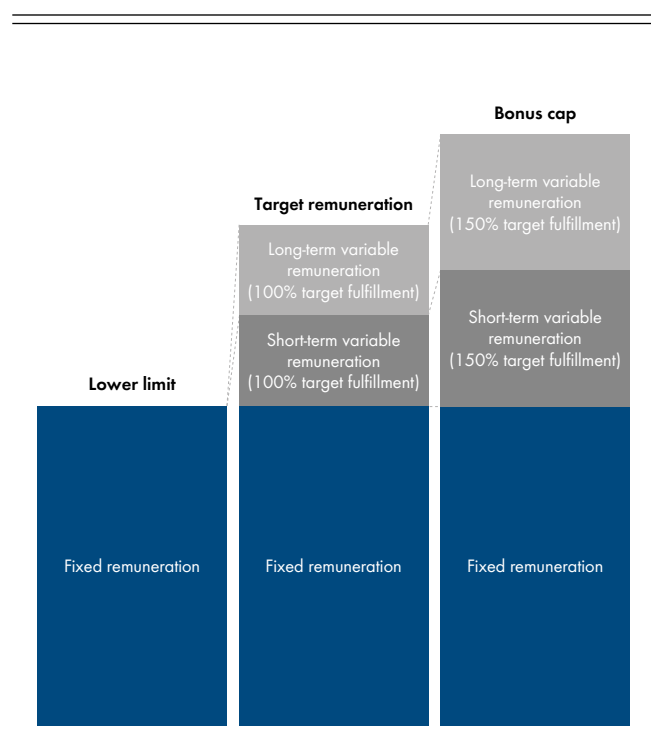


¹ The Supervisory Board set a target value for the average EBIT margin for every period over the four year period.

ADHERENCE TO MAXIMUM REMUNERATION

In the 2023 fiscal year, the remuneration paid and owed to the Managing Board members fell short of the maximum possible remuneration, in particular, due to the fact that long-term targets were only partially achieved in 2022. The maximum remuneration levels set out in the 2021 remuneration system were complied with in the fiscal year. For further details of remuneration paid and owed, please refer to the remuneration tables in the "Managing Board remuneration amounts in the fiscal year".

Distribution of Managing Board remuneration (2023 remuneration system)¹



¹ Schematic representation; in contrast to the 2021 remuneration system, the long-term variable remuneration element in the 2023 remuneration system can be fulfilled up to 180%.

ASSESSMENT OF APPROPRIATENESS

The Supervisory Board used the disclosed remuneration figures of companies listed on the M-DAX for comparison purposes when assessing if the remuneration for Managing Board members was appropriate.

It also included Managing Board remuneration in relation to remuneration of the top-level executives and the workforce as a whole, taking into account changes over time, and thus laid out comparable peer groups from top-level executives (employees at the first and second levels below the Managing Board working in Germany) and the workforce (all employees working in Germany).

APPLICATION OF THE REMUNERATION SYSTEM DURING THE FISCAL YEAR

Due to the varying employment contracts of the Managing Board members, including those who have already left, the 2017, 2021 and 2023 remuneration systems have been applied in the reporting year. In view of the remuneration systems to be applied at the same time, the Supervisory Board also took into account their compatibility under both systems when selecting the performance targets for the active Managing Board members for the reporting year.

Fixed remuneration components

In line with both remuneration systems, a twelfth of the agreed annual fixed remuneration is paid out each calendar month.

All Managing Board members are also entitled to the following additional benefits:

- A company car, including for personal use; or, alternatively, a gross monthly vehicle allowance of €1,600;
- Reimbursement of travel costs and any expenses incurred on company business in accordance with the SMA Solar Technology AG travel expenses policy;
- Continued payment of remuneration for up to nine months in the event of temporary sick leave;
- Payment of the hypothetical employer's contribution up to the contribution assessment ceiling of the statutory social insurance scheme (pension, health, nursing care), even in the case of voluntary insurance and without any proof being furnished;
- Appropriate accident insurance;
- Appropriate directors and officers liability insurance ("D&O insurance") in case one or more members of the Managing Board should be subject to a claim for financial loss from a third party or the company based on statutory liability provisions under private law on the grounds of a breach of duty committed in the course of business. There is a deductible for D&O insurance of 10% of the damages up to a maximum of one and a half times the fixed annual remuneration;
- Criminal defense insurance covering the members of the Managing Board for legal expenses incurred in criminal and administrative proceedings if these relate to action or failure to act associated with their activities on behalf of SMA Solar Technology AG.

Barbara Gregor also received support for the expenses of a second residence at the Kassel site as part of onboarding.

Any taxes due on additional benefits must be borne by the Managing Board member. The members of the Managing Board do not receive any extra payment for a private pension beyond the employer's contribution paid when the contribution assessment ceiling for statutory pension insurance is reached.

Variable remuneration components

The performance criteria for one-year and multiyear variable remuneration in line with both remuneration systems are based on the strategic objectives of the company. The financial performance criteria for variable remuneration under the remuneration systems serve to measure success in terms of increasing profitability and efficiency while making optimized use of capital. The non-financial performance criteria support the company's alignment with the criteria of good corporate governance that takes social and environmental concerns into account in order to align the performance incentive even more specifically with the specific business strategy. The agreement of personal performance criteria for Managing Board members takes place in addition to the aforementioned performance criteria. This gives the Supervisory Board the option to

promote the sustainability of the SMA Group in a more targeted way while taking the interests of shareholders and other stakeholders into account.

One-year variable remuneration

In 2022, on the basis of the 2021 remuneration system, the Supervisory Board stipulated minimum, target and maximum figures for the key financial and, in the case of personal targets, selected issues of "cash flow" and "proportion of women in the workforce as a whole" for variable remuneration for the one-year variable remuneration paid and owed in the reporting year. In doing so, the Supervisory Board ensured that the target values for the performance criteria were ambitious and challenging. The Supervisory Board set the financial targets for the 2022 fiscal year on the basis of the group's medium-term financial planning, meaning without considering any impact of the coronavirus crisis on business at the company – any such impact being impossible to foresee at the time the targets were set.

The target values for one-year variable remuneration and its weighting and the degree of fulfillment achieved for the Managing Board members in 2022, set at the same level, are presented below:

Target values and degree of fulfillment for one-year variable remuneration

Criterion and weighting	0% target	100% target	150% target	Actual figures in 2022	Degree of target fulfillment
Sales (30%)	€800 million	€1,000 million	€1,100 million	€1,066 million	133.0%
EBIT margin (40%)	0%	1.50%	3.00%	3.00%	150%
Personal target 1: Free Cashflow	-€46 million	-€26 million	-€16 million	€8 million	150%
Personal target 2: Proportion of women in the workforce as a whole	24.70%	25.03%	25.20%	26.40%	150%

Long-term variable remuneration

The target values actually achieved as a parameter for measuring long-term remuneration is calculated on the basis of the results actually achieved in the fiscal years covered by the respective

period. The degree of target fulfillment thus cannot be calculated, nor can any long-term remuneration be paid, until the respective period has finished. Any advance payments are not possible.

During the reporting year, the Supervisory Board regularly assessed the degree of target fulfillment of the common target value set for the Managing Board members for long-term Managing Board remuneration relating to the period from 2020 to 2022 as follows:

Target value and degree of fulfillment for multi-year variable remuneration

Criterion and weighting	0%	100%	Cap	Actual figure 2019–2021	Degree of target fulfillment
Average EBIT margin 2020–2022 (100%)	0% EBIT margin	3% EBIT margin	3% EBIT margin	0.77%	26%

Share Ownership Guidelines

If the employment contract still has a term of at least two years to run when Under the 2021 and 2023 remuneration systems, the Managing Board is required to invest 40% of the gross amount of the variable remuneration in company shares, insofar as this is based on a target achievement of more than 100%.

According to a disclosure made by the members of the Managing Board, they held, either directly or indirectly, a total stake of 0.04% in all shares issued as of the end of the fiscal year. The active Managing Board members acquired shares in the company during the fiscal year.

Retention/clawback

In the 2021 and 2023 remuneration systems, the Supervisory Board has not made use of the option to claw back or retain (malus) remuneration components, either partially or in full, over and above the statutory provisions.

Benefits in the event of termination of Managing Board duties

In the event of early termination of Managing Board duties without good cause, the compensation payable is limited to the total remuneration for the remaining term of the contract and up to a maximum of two years' emoluments (severance pay cap). SMA Solar Technology AG will not grant any benefits in the event of regular termination of Managing Board duties.

Benefits from third parties

Managing Board members receive no separate remuneration for carrying out work at subsidiaries relating to their Managing Board activities at SMA Solar Technology AG.

MANAGING BOARD REMUNERATION AMOUNTS IN THE FISCAL YEAR

Remuneration paid and owed

The following tables show the remuneration paid and owed (inflows) for each individual member of the Managing Board in the reporting year. The payments specified for the reporting year encompass the fixed remuneration components actually paid out in the reporting year plus the variable remuneration due and paid out in the fiscal year. According to Section 162 of AktG, remuneration paid and owed refers to the amounts that were due in the reporting period and have already been paid to the specific Managing Board member or are due and have yet to be paid.

The figures for each payment are divided into fixed and variable remuneration components. The fixed remuneration components include the nonperformance-based basic salaries and additional benefits.

The variable performance-based remuneration components are divided into one-year and multiyear variable remuneration.

Managing Board remuneration paid and owed

	Dr.-Ing. Jürgen Reinert Chief Executive Officer Joined 2014/04/01				Barbara Gregor Chief Financial Officer Joined 2022/12/01			
	2023	2023 ¹	2022	2022 ¹	2023	2023 ¹	2022	2022 ¹
	in €'000		in €'000		in €'000		in €'000	
Fixed remuneration	1,185	71%	949	91%	650	90%	54	93%
Additional benefits/Others	20	1%	21	2%	49	7%	4	7%
Total	1,205	72%	970	93%	699	97%	58	100%
One-year variable remuneration 2022 (2021) ²	348	21%	73	7%	21	3%	0	0%
Multiyear variable remuneration		0%		0%				
Three-year variable remuneration 2019-2021	111	7%	0	0%	0	0%	0	0%
Total	459	28%	73	7%	21	3%	0	0%
Pension contribution	0	0%	0	0%	0	0%	0	0%
Total	1,664	100%	1,043	100%	720	100%	58	100%

	Thomas Pixia Chief Financial Officer Joined 2022/06/01, left 2022/11/30				Ulrich Hadding Chief Financial Officer Joined 2017/01/01, left 2022/05/31			
	2023	2023 ¹	2022	2022 ¹	2023	2023 ¹	2022	2022 ¹
	in €'000		in €'000		in €'000		in €'000	
Fixed remuneration	0	0%	304	96%	0	0%	285	34%
Additional benefits/Others	0	0%	14	4%	0	0%	13	2%
Total	0	0%	318	100%	0	0%	298	36%
One-year variable remuneration 2023 (2022) ²	113	100%	0	0%	250	76%	521	64%
Multiyear variable remuneration		0%		0%				
Three-year variable remuneration 2019-2021	0	0%	0	0%	80	24%	0	0%
Total	113	100%	0	0%	330	100%	521	64%
Pension contribution	0	0%	0	0%	0	0%	0	0%
Total	113	100%	318	100%	330	100%	819	100%

¹ The relative portions given here refer to the remuneration components "paid and owed" in the respective fiscal year in accordance with Section 162 (1), sentence 1 of AktG. They thus include all benefits actually allocated in the fiscal year in question, irrespective of the fiscal year for which they were allocated to the members of the Managing Board. Consequently, the relative portions given here are not comparable with the relative portions in the description of the remuneration system according to Section 87a (1), no. 3 of AktG submitted to the Annual General Meeting with this remuneration report. The portions specified in the remuneration system refer to the applicable target values.

² The disclosures on the one-year variable remuneration for Ulrich Hadding include a severance payment and a one-time remuneration payment for outstanding claims under the employment contract totaling €468,000.

Comparison of remuneration and earnings performance

The comparison of the changes in Managing Board remuneration, the company's earnings and the average remuneration of the workforce presented in the table below in accordance with Section 162 (1), sentence 2, no. 2 of AktG shows a consistent

two-year correlation, as the comparison with average workforce remuneration over the past five years required by law in accordance with Section 26j (2), sentence 2 of the introductory legislation to the Stock Corporation Act does not need to be extended to the years prior to introduction of Section 162 (1), sentence 2, no. 2 of AktG.

The comparison with the progression in average employee remuneration is based on the average remuneration of the workforce of SMA AG because remuneration varies, particularly at the subsidiary companies outside Germany. This reference group was also used in the appropriateness assessment on the remuneration of the members of the Managing Board. This considered the remuneration of all employees, including executive staff, as defined in Section 5 (3) of the German Works Constitution Act (BetrVG). Any remuneration additionally received by employees as members of the Supervisory Board of SMA AG was disregarded. For ease of comparison, the remuneration of part-time staff was adjusted to full-time equivalent level.

Comparison of annual changes in Managing Board remuneration in accordance with Section 162 (1) no. 2 of AktG

Annual change	2023 vs. 2022	2022 vs. 2021	2021 vs. 2020
Managing Board remuneration and emoluments ¹			
Dr. Jürgen Reinert	60%	-21%	4%
Barbara Gregor ^{2, 8}			
Thomas Pixa ^{2, 3}	-64%		
Ulrich Hadding ⁴	-60%	-17%	2%
Earnings performance			
SMA Solar Technology AG ⁵	2,607.0%	249.4%	-85.7%
SMA Group ⁶	344.1%	728.1% ⁶	-88.2% ⁶
Average remuneration of employees on full-time equivalent basis			
Employees of the company	2%	3%	8%

¹ Remuneration paid and owed in accordance with Section 162 (1), sentence 1 of AktG. Fixed remuneration including additional benefits and one-year and multiyear variable remuneration.

² Joined in 2022

³ Left on November 30, 2022

⁴ Left on May 31, 2022

⁵ Annual earnings as referred to in Section 275 (2), no. 17 of HGB.

⁶ EBITDA of the SMA Group; The comparative values were adjusted according to IAS 8.42 (see Chapter 2.2 of the Notes to SMA's 2022 Annual Report)

⁷ EBITDA of the SMA Group

⁸ As a result of joining in December 2022, the annual remuneration for 2022 cannot be meaningfully compared to the annual income for 2023

Remuneration of the members of the Supervisory Board

The remuneration system for the Supervisory Board detailed in the Articles of Incorporation of SMA Solar Technology AG and approved for the first time by the Annual General Meeting on May 23, 2013, was approved unchanged by the Annual General Meeting on June 01, 2021, with a majority of 99.99% (2013 Supervisory Board remuneration system). In the reporting year, the Supervisory Board presented the Annual General Meeting with an adjustment to the remuneration system with regard to the amount of Supervisory Board remuneration, effective from the reporting year, which was approved by a majority of 99.97% (2023 Supervisory Board remuneration system).

STRUCTURE OF SUPERVISORY BOARD REMUNERATION

In accordance with the 2013 Supervisory Board remuneration system, the members of the Supervisory Board have received exclusively fixed remuneration since the 2013 fiscal year. The ordinary members of the Supervisory Board receive remuneration of €25,000 for each fiscal year in accordance with Section 11 (1) of the Articles of Incorporation. The chairperson receives €50,000 and the deputy chairperson receives €37,500.

The chairperson of the Audit Committee receives an additional €15,000, while other members of the Audit Committee receive an additional €7,500 each. The chairperson of the Presidial Committee receives an additional €10,000, while other members of the Presidial Committee receive an additional €5,000 each. The members of other committees do not receive any additional remuneration.

In accordance with the 2023 Supervisory Board remuneration system, the ordinary members of the Supervisory Board receive remuneration of €50,000 for each fiscal year in accordance with Section 11 (1) of the Articles of Incorporation. The chairperson receives €100,000 and the deputy chairperson receives €75,000.

In accordance with the 2023 Supervisory Board remuneration system, the chair of the Audit Committee receives an additional €37,500, while other members of the Audit Committee receive an additional €18,750 each. The chairperson of the Presidial Committee receives an additional €15,000, while other members of the Presidial Committee receive an additional €7,500 each. The members of other committees do not receive any additional remuneration.

Any members of the Supervisory Board who leave the Supervisory Board or positions on any of its committees that receive additional remuneration during a fiscal year are remunerated on a pro rata basis.

The members of the Supervisory Board also receive an attendance fee of €750 per meeting, up to a maximum of two meeting fees on one day. Furthermore, SMA has taken out professional indemnity insurance in case one or more members of the Supervisory Board should be subject to a claim for financial loss from a third party or the company based on statutory liability provisions under private law on the grounds of a breach of duty committed in the course of business.

SUPERVISORY BOARD REMUNERATION AND EMOLUMENT AMOUNTS

In accordance with Section 162 (1), sentence 1, sentence 2, no. 1 of AktG, all fixed and variable remuneration components that were "paid and owed" to the individual members of the Supervisory Board in the 2023 fiscal year have to be disclosed. The figures presented in the table below refer to the remuneration components "paid and owed" in the respective fiscal year in accordance with Section 162 (1), sentence 1 of AktG. They thus include all benefits actually allocated or owed in the fiscal year in question, irrespective of the fiscal year for which they were allocated to the members of the Supervisory Board. The amounts for the 2022 fiscal year that were not paid out until the 2023 fiscal year in accordance with the Articles of Incorporation are considered on a value basis

Remuneration paid and owed to the Supervisory Board in the 2022 fiscal year¹

in €'000	Fixed remuneration		Fixed remuneration for committee duties		Meeting fees		Total
Roland Bent	25.0	87%			3.8	13%	28.8
Martin Breul	25.0	85%			4.5	15%	29.5
Oliver Dietzel	25.0	58%	7.5	17%	10.5	24%	43.0
Kim Fausing ²							
Johannes Häde	25.0	56%	7.5	17%	12.0	27%	44.5
Alexa Hergenröther	25.0	48%	15.0	29%	12.0	23%	52.0
Uwe Kleinkauf	50.0	75%	10.0	15%	6.8	10%	66.8
Ilonka Nußbaumer	25.0	85%			4.5	15%	29.5
Yvonne Siebert	25.0	68%	5.0	14%	6.8	18%	36.8
Romy Siegert	25.0	87%			3.8	13%	28.8
Jan-Henrik Supady	25.0	56%	7.5	17%	12.0	27%	44.5
Dr. Matthias Victor	25.0	68%	5.0	14%	6.8	18%	36.8
Total	300.0		57.5		78.8		440.8

¹ Due to rounding differences, the total amount shown in this table does not correspond exactly to the sum of individual amounts shown in the table.

² Kim Fausing waived remuneration for the Supervisory Board role.

Comparison of remuneration and earnings performance

Because remuneration is largely dependent on national conditions, particularly at the subsidiary companies outside Germany, the comparison with the progression in average remuneration is based solely on the remuneration of the workforce of SMA AG. This reference group was also used in the appropriateness assessment on the remuneration of the members of the Managing Board. This considered the remuneration of all employees, including executive staff, as defined in Section 5 (3) of the German Works Constitution Act (BetrVG). Any remuneration additionally received by employees as members of the Supervisory Board of SMA AG was disregarded. For ease of comparison, the remuneration of part-time staff was adjusted to full-time equivalent level.

Comparison of annual changes in Supervisory Board remuneration in accordance with Section 162 (1), no. 2 of AktG

Annual change	2023 vs. 2022	2022 vs. 2021	2021 vs. 2020
Supervisory Board remuneration and emoluments ¹			
Roland Bent	0%	0%	3%
Martin Breul	3%	73%	
Oliver Dietzel	2%	0%	0%
Kim Fausing ²		0%	0%
Johannes Häde	5%	0%	0%
Alexa Hergenröther	3%	2%	2%
Uwe Kleinkauf	1%	83%	
Ilonka Nußbaumer ³	0%	0%	0%
Yvonne Siebert	4%	-6%	2%
Romy Siegert	0%	73%	
Jan-Henrik Supady	3%	80%	
Dr. Matthias Victor	2%	-4%	2%
Earnings performance			
SMA Solar Technology AG ⁴	2,607.0%	249.4%	-85.7%
SMA Group ⁶	344.1%	728.1% ⁵	-88.2% ⁵
Average remuneration of employees on full-time equivalent basis			
Employees of the company	2%	3%	8%

¹ Changes depend in particular on the date on which a member joined the Supervisory Board, a member's subsequent departure and the number of meetings attended.

² Kim Fausing waived remuneration for the Supervisory Board role.

³ As no remuneration was received in the years 2020-2022, the amount received in 2023 cannot be compared.

⁴ Annual earnings as referred to in Section 275 (2), no. 17 of HGB.

⁵ EBITDA of the SMA Group; The comparative values were adjusted according to IAS 8.42 (see Chapter 2.2 of the Notes to SMA's 2022 Annual Report).

⁶ EBITDA of the SMA Group

REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT OF THE REMUNERATION REPORT IN ACCORDANCE WITH SEC. 162 (3) GERMAN STOCK CORPORATION ACT (AKTG)

To SMA Solar Technology AG, Niestetal

Audit opinion

We have formally audited the remuneration report of SMA Solar Technology AG, Niestetal, Germany, for the financial year from January 1, 2023, until December 31, 2023, whether the disclosures pursuant to Section 162 (1) and (2) AktG were made in the remuneration report. In line with Section 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the remuneration report contains all the information required by Section 162 (1) and (2) AktG in all material respects. Our audit opinion does not cover the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report in accordance with Section 162 (3) AktG and in compliance with IDW Auditing Standard: the Audit of the Remuneration Report in Accordance with Section 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibility under that provision and standard is further described in the "Responsibilities of the auditor" section of our report. Our audit firm applies Quality Assurance Standard: Requirements for Quality Assurance in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW). We have fulfilled the professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Code of Conduct for German Public Auditors and Sworn Auditors (BS WP/vBP), including the requirements for independence.

Responsibilities of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of Section 162 AktG. They are further responsible for such internal control as they determine is necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether intentional or unintentional.

Responsibilities of the auditor

Our objective is to obtain reasonable assurance about whether the information required by Section 162 (1) and (2) AktG has been disclosed in all material respects in the remuneration report and to express an opinion thereon in an auditor's report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we did not audit the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Handling any misleading representations

In connection with our audit, we have a responsibility to read the remuneration report under consideration of the findings from the audit of the financial statements and, in so doing, to remain alert to any indications that the remuneration report contains misleading representations in terms of the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the fair representation of the remuneration report.

If we conclude on the basis of our work that there has been a misleading representation, we are obligated to report this. We have nothing to report in this regard.

Frankfurt am Main, March 6, 2024

BDO AG

Accounting firm

Gebhardt
German Public Auditor

Dr. Faßhauer
German Public Auditor

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FINANCIAL GLOSSARY

E

Earn-out

An earn-out clause in a purchase agreement defines a portion of the purchase price that is paid at a later date on a performance-related basis.

EBIT

Earnings before interest and taxes

EBITDA

Earnings before interest, taxes, depreciation and amortization

EBITDA margin

The higher the percentage, the higher the earnings power. The EBIT margin is calculated by putting operating profit in relation to sales.

EBIT margin

The higher the percentage, the higher the earnings power. The EBIT margin is calculated by putting operating profit in relation to sales.

EBT

Earnings before taxes

Equity ratio

Shows the share of equity in total assets.

F

Free Cash Flow

Operating cash flow minus investments plus negative investments in fixed and intangible assets. Free cash flow is important because it allows a company to pay dividends or to buy back shares. Therefore, free cash flow is a measure of how much cash can be paid to the shareholders of a company.

Free Cash Flow (adjusted)

Operating cash flow minus investments plus negative investments in fixed and intangible assets before cash inflows or outflows from time deposits or investments in securities. Adjusted free cash flow is an indicator of ability to repay debt financing.

G

Gross Cash Flow

Shows the operating income prior to any commitment of funds. It is calculated by considering earnings before income tax and the financial result – plus interest received, depreciation and amortization, changes in other provisions, profit/loss from the disposal of fixed assets and other non-cash expenses/revenues less interest paid and income tax paid.

Gross Profit

Sales minus cost of sales

I

IAS

International Accounting Standards; newer standards refer to the initials IFRS.

IASB

International Accounting Standards Board

IFRIC

Interpretations of the International Financial Reporting Interpretations Committee on IAS/IFRS

IFRS

International Financial Reporting Standards defined by the IASB

N

Net Cash

Liquid funds and securities contained within working capital and cash on hand pledged as collateral less interest-bearing financial liabilities to banks

Net Cash Flow From Financing Activities

Outflow/inflow of liquid funds from equity financing and debt financing

Net Cash Flow From Investing Activities

Outflow/inflow of liquid funds from investments and disinvestments

Net Cash Flow From Operating Activities

Outflow/inflow of liquid funds, unaffected by investments, disinvestments and financing activities

Net Working Capital

The total amount of short-term, interest-free working capital (inventories plus trade receivables less trade payables and liabilities from advanced payments received for orders)

Net Working Capital Ratio

Net working capital in relation to net sales

O

Operating Profit (EBIT)

Earnings before interest and taxes

Order Backlog

This includes current sales and sales expected in the future. In this context, the requirements for all orders pending delivery and deliveries that have already been made but not yet posted as goods issue are taken into account based on their volume and value.

R

Return on Assets (After Taxes)

The return on assets (after taxes) is the consolidated net profit divided by the average total assets of the reporting period (average of total assets at the beginning and end of the reporting period).

Return on Equity (After Taxes)

The return on equity (after taxes) is the consolidated net profit divided by the averaged total equity for the reporting period (average of total equity at the beginning and end of the reporting period).

Return on Sales

Ratio of EBT to sales

REGISTERED TRADEMARKS

The SMA company logo, as well as the names altenso, coneva, emerge, Energy that changes, ennexOS, ShadeFix, SMA, SMA Magnetics, SMA Smart Connected, SMA Solar Academy, SMA Solar Technology, Sunny, Sunny Boy, Sunny Design, Sunny Highpower, Sunny Highpower Peak, Sunny Home Manager, Sunny Island, Sunny Portal, Sunny Tripower, Sunny Tripower Core, Zegersolar are registered trademarks of SMA Solar Technology AG in many countries in the world.

DISCLAIMER

The Annual 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 Annual Report.

FINANCIAL CALENDAR

2024/05/08	Publication of Quarterly Statement: January to March 2024 Analyst Conference Call: 01:30 p.m. (CEST)
2024/05/28	Annual General Meeting 2024
2024/08/08	Publication of Half-Yearly Financial Report: January to June 2024 Analyst Conference Call: 01:30 p.m. (CEST)
2024/11/14	Publication of Quarterly Statement: January to September 2024 Analyst Conference Call: 01:30 p.m. (CET)

PUBLICATION INFORMATION

Published by
SMA Solar Technology AG

Text
SMA Solar Technology AG

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