



SMA Solar Technology AG

VIRTUAL ANNUAL GENERAL MEETING 2021

REPORT OF THE MANAGING BOARD TO THE ANNUAL GENERAL MEETING ON ITEM 11 OF THE AGENDA PURSUANT TO ARTICLES 71(1)(8), 186(3) SENTENCE 4, (4) SENTENCE 2 AKTG

Item 11 of the agenda proposes that the Annual General Meeting authorize the Corporation, pursuant to Article 71(1)(8) AktG for a period of five years up to May 30, 2026, to acquire treasury shares worth up to 10% of the capital stock as valued at the time of the Annual General Meeting's resolution or at the time the authorization is exercised, whichever is less. Under the proposed resolution, the Corporation is authorized to acquire the shares, even if doing so impinges on the principle of equal treatment and any tender rights that the shareholders may have, and to use the treasury shares acquired under this authorization while excluding the shareholders' subscription rights.

The authorization granted by the Annual General Meeting on May 31, 2016 to acquire and use treasury shares expires on May 30, 2021 without having been used. Now, the Corporation should be once again given the ability to acquire treasury shares. There are currently no concrete plans to use the granted authorization.

This authorization is subject to the legal proviso that any newly acquired shares, when combined with existing treasury shares that have not yet been used, do not exceed the limit of 10% of the capital stock as set out in Article 71(2) sentence 1 AktG. The purchase of treasury shares can be effected via the stock exchange or by means of a tender offer addressed to all shareholders or by means of a public solicitation to all shareholders to submit offers for sale. This gives all shareholders the same opportunity to sell shares to the Corporation, provided the Corporation makes use of the authorization to purchase treasury shares. However, the authorization also provides that the shares may be purchased even if doing so impinges on the principle of equal treatment and any tender rights that the shareholders may have.

Breakdown:

Purchase of treasury shares excluding any tender rights

The treasury shares are to initially be purchased via the stock exchange, by means of a public tender offer addressed to all the Corporation's shareholders or by means of a public solicitation to all shareholders to submit offers for sale.

In the event of a public tender offer or a public solicitation to all shareholders to submit offers for sale, the quantity of shares in the Corporation offered by the shareholders may exceed the quantity of shares



demanded by the Corporation. In this case, the purchase amounts must be allocated based on quotas. The allocation shall allow the possibility of preferentially accepting smaller offers or smaller parts of offers up to a maximum of 100 shares. This is to avoid small residual quantities and fractional amounts when determining the quotas to be purchased and thus simplify the technical process of settling and clearing the share buyback. It also prevents small shareholders from being disadvantaged. Moreover, the allotment can be made based on the ratio of shares offered (tender ratios) instead of based on shareholding quotas, because this allows the purchase procedure to be technically settled in an economically reasonable manner. Finally, it must be possible to use commercial rounding in order to avoid fractional shares. The purchase ratio and the number of shares to be purchased from individual tendering shareholders can therefore be rounded as necessary to allow purchases to be conducted on the basis of whole shares. The Managing Board considers the resultant exclusion of any further tender rights held by shareholders to be objectively justified and appropriate vis-à-vis the shareholders; the Supervisory Board agrees.

In addition to using the stock exchange, a public tender offer to all shareholders or a public solicitation addressed to all shareholders to submit offers for sale, the authorization also stipulates that the purchase can be made using the tender rights made available to the shareholders. These tender rights are structured in such a way that the Corporation is only obligated to purchase whole shares. Tender rights that cannot be exercised thereafter will expire. This procedure treats shareholders equally and makes it easier to clear and settle the share buyback.

Use of purchased treasury shares and exclusion of subscription right

Statutory law allows purchased treasury shares to be sold on the stock exchange or via a public offer made to all shareholders. The shareholders' right to equal treatment is safeguarded when the purchased treasury shares are sold using the above-mentioned share sale options.

The Managing Board shall be authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription right to fractional amounts if treasury shares are sold by means of a public offer made to all shareholders. The subscription right to fractional amounts has to be excluded in order to make it technically feasible to dispose of purchased treasury shares by way of an offer for sale to the shareholders. The fractional treasury shares excluded from the shareholders' subscription rights are either sold on the stock exchange or otherwise disposed of in the best possible way for the Corporation.

The Managing Board shall be authorized to offer to sell treasury shares to persons who are or were employed by the Corporation or one of its affiliated companies, as well as to current or former members of the Managing Board or the executive managements of companies affiliated with the Corporation. The proposed subscription right exclusion is a prerequisite for issuing these shares. The use of treasury shares to be issued to persons who are or were employed by the Corporation or one of its affiliated companies is permitted under the German Stock Corporation Act even if the Annual General Meeting does not authorize it (Article 71(1)(2) AktG); in this case, however, it shall be permitted only to issue the shares to employees within one year of purchase (Article 71(3) sentence 2 AktG). The Managing Board, on the other hand, is authorized to use the treasury shares as employee shares and additionally as shares for current or former members of the Managing Board or the executive managements of companies affiliated with the Corporation without observing a time limit. It may make economic sense to use existing treasury shares



instead of a capital increase or a cash payment; the authorization is intended to increase flexibility in this respect.

The Corporation should continue to have the option of offering treasury shares to third parties in return for payments in kind, in particular in connection with business combinations or the acquisition of companies, parts of companies, other assets or investments in companies. Sellers in such transactions often prefer consideration in the form of shares. International competition increasingly demands this type of acquisition financing. The authorization proposed here gives the Managing Board (with the consent of the Supervisory Board) the necessary leeway to quickly and flexibly exploit opportunities that arise to purchase companies, parts of companies or other assets or investments in companies in national and international markets. The other assets being purchased may also include receivables (loans or bonds) owed by the Corporation or by Group companies. Obtaining these assets as consideration eliminates the liability and simultaneously strengthens equity. The proposed exclusion of the subscription right takes this into account. The Managing Board will adequately safeguard shareholders' interest when determining the valuation ratios. The Managing Board will generally base its assessment of the value of the shares offered as consideration on the stock market price of SMA Solar Technology shares. There are no plans to establish a schematic link to a stock exchange price, especially since any positive negotiation outcomes should not be jeopardized by fluctuations in the stock exchange price.

The proposed authorization to exclude subscription rights in the event of the sale of shares for cash at a price which is not significantly lower than the stock market price of same-class shares in the Corporation at the time of the sale makes use of the option for a simplified exclusion of subscription rights under Article 71(1)(8) AktG in conjunction with Article 186(3) sentence 4 AktG. Shareholders receive anti-dilution protection in that the shares may only be sold at a price that is not significantly lower than the relevant stock market price. The final selling price of the treasury shares will be determined shortly before the sale. The Managing Board will set any discount from the stock market price as low as possible in light of the market conditions prevailing at the time of the placement. The discount on the stock market price at the time the authorization is exercised will never exceed 5% of the current stock market price. This authorization is subject to the proviso that the treasury shares sold in this way must not exceed 10% of the capital stock at the time the authorization takes effect or is exercised, whichever is less. This limitation of 10% of the capital stock must include shares issued from authorized capital while this authorization is in effect without granting subscription rights pursuant to Article 186(3) sentence 4 AktG. Including these shares ensures that purchased treasury shares are not sold while excluding subscription rights in accordance with Article 186(3) sentence 4 AktG if this would result in the exclusion of shareholders' subscription rights for a total of more than 10% of the capital stock in direct or indirect application of Article 186(3) sentence 4 AktG. This restriction and the fact that the issue price must be based on the stock market price ensure that the shareholders' financial and voting interests are adequately protected. Shareholders can purchase the number of shares required to maintain their shareholding quota on the stock exchange at approximately the same conditions. Furthermore, the authorization is in the interest of the Corporation because it gives it greater flexibility and enables it to expand its shareholder base through the targeted issue of shares to



cooperation partners, institutional investors or financial investors. This should also put the Corporation in a position where it can respond quickly and agilely to favorable stock market situations.

Finally, the authorization allows for purchased treasury shares to be retired. It should be possible to retire shares so that the retirement either (i) reduces the Corporation's capital stock or (ii) does not reduce the capital stock solely by virtue of the retirement while simultaneously increasing the pro-rata amount of the capital stock attributable to the remaining shares. The rights of the shareholders are not affected in either of the above cases.

The Managing Board will report to the Annual General Meeting following any use of the authorization to purchase treasury shares in accordance with Article 71(3) sentence 1 AktG, and, where applicable, in conjunction with Article 160(1)(2) AktG.

The Managing Board

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