

# Strategic focus on cell/module technologies

## Dear Shareholders

2018 turned out to be a very challenging year for the photovoltaic industry as a whole as well as for Meyer Burger. It started in January with the announcement by the US president that steep tariffs on imported solar panels would be introduced; followed by an ever intensifying trade dispute between the USA and China which affected many companies and industries worldwide. Furthermore, on 31 May 2018, the Chinese government announced substantial subsidy cuts in the solar industry. Despite the positive long-term outlook for the solar industry, these facts have created a lot of uncertainties and led to a significant reluctance by Meyer Burger's PV customers regarding new investments in PV manufacturing equipment. The market started to show signs of recovery only at the end of the year.

After a very successful 2017 with strong order intake for Meyer Burger's PERC technologies, the Company has made the experience that Chinese customers seem to put additional emphasis on buying PV manufacturing equipment locally, whenever possible. Despite Meyer Burger's leading position with regards to "Cost of Ownership", the discussion on "CAPEX per GW" has intensified, putting pressure on selling prices for manufacturing equipment while at the same time higher throughput has to be guaranteed.

The reorganisation of the production site in Thun that was announced in November 2017 has largely been completed by the end of 2018. However, during 2018 it also became more and more apparent that Meyer Burger needs to reposition its standard PV business solutions and move a significant part of its global sales and services functions for this business from Europe to Asia, largely to China, in order to be closer to the customer and to increase cost competitiveness. As a result, the company launched a transformation programme in October 2018 which will be fully executed by 2020.

## Strategic focus on Heterojunction, SWCT™ and next generation cell/module technologies

Going forward, Meyer Burger will concentrate its strategic focus in PV mainly on its existing cell/module technologies business, especially its successful Heterojunction and SmartWire Connection Technology (SWCT™), and on promising next generation cell/module technologies.

## Large Heterojunction order of CHF 74 million received in December 2018

On 14 December 2018, we announced a major strategic contract signed for Heterojunction (HJT) and SmartWire Connection Technology (SWCT™). The customer, REC Group, one of the worldwide leading solar companies ordered core equipment for a 600 MW HJT and SWCT™ integrated production line. Initial delivery began in the first quarter of 2019 and the start of cell and module production is planned for the second half of 2019. The total manufacturing capacity is scheduled to be in full production by the first quarter of 2020.

**“We consider this large HJT order from a well-established and highly respected cell and module manufacturer a real breakthrough. It confirms our technology leadership and substantially strengthens the market acceptance and credibility for our HJT and SWCT™ technologies.”**

**Hans Brändle, Chief Executive Officer**

→ For examples on our technologies see pages 6–17.



**Dr Alexander Vogel  
and Dr Hans Brändle**  
Chairman and Chief  
Executive Officer  
of Meyer Burger  
Technology Ltd

### **Divestments of Solar Systems and Wafering businesses in line with strategy to focus on cell/module technologies**

In line with its focussed strategy on cell/module technologies, Meyer Burger sold its Solar Systems business, which mainly addressed the Swiss market with its MegaSlate® products, to 3S Solar Plus AG during 2018. As part of this agreement, about 30 employees in Thun were transferred to 3S Solar Plus AG.

On 7 February 2019, Meyer Burger announced the divestment of its photovoltaic and specialised materials wafering equipment and service business to Precision Surfacing Solutions (PSS), a global supplier of equipment and services for surface enhancement technology. The agreed purchase price of CHF 50 million in cash reflects a multiple of about one times annual net sales of the wafering equipment business. The contract also includes an earn-out component based on certain revenue levels in 2019.

PSS plans to use the know-how of Meyer Burger's local workforce and to continue product development as well as wafer manufacturing activities for non-PV applications in Thun and for PV applications in China. The closing of the transaction is expected by the end of the first quarter of 2019. As part of the negotiated purchase contract about 70 employees in Thun and around an additional 30 employees worldwide will be transferred to PSS. Meyer Burger has signed a rental agreement with PSS for manufacturing space that will be used by PSS. As a result, the Thun manufacturing location, which is owned by Meyer Burger, is fully occupied now and includes long-term leasing contracts with PSS as well as with 3S Solar Plus AG.

**“With PSS as the new owner of the wafering business, we have found a solution that is advantageous for both companies and secures jobs and technology know-how in Thun.”**

**Alexander Vogel, Chairman of the Board of Directors**

## Results for fiscal year 2018

Meyer Burger achieved incoming orders of CHF 326.8 million in 2018 (2017: CHF 560.7 million), reflecting the challenging market environment influenced by the 531 announcement of the Chinese government and the US/China trade crisis as described above, as well as the margin pressure experienced in standard PV business solutions. Larger orders in 2018 represented CHF 122 million (including the CHF 74 million HJT/SWCT™ order in December 2018) compared to CHF 243 million in the previous year (also including a CHF 45 million HJT order in October 2017). The total order backlog as at 31 December 2018 stood at CHF 240.5 million (31.12.2017: CHF 343.8 million).

Net sales amounted to CHF 407.0 million (2017: CHF 473.3 million). As a result of several decisions and steps taken in 2017/2018 to further reduce the overall cost base, EBITDA more than doubled to CHF 26.1 million (2017: CHF 12.4 million). The result at EBIT level amounted to CHF 1.8 million (2017: CHF –19.3 million). The net result includes a substantial value adjustment on deferred tax assets of CHF 49.0 million and was therefore only slightly reduced compared to the previous year. Net loss amounted to CHF –59.4 million in fiscal year 2018 (2017: CHF –79.3 million).

→ For further detailed information on the results 2018 please refer to the Management Report 2018 on page 2 of the “Report to Fiscal Year 2018” section of this Annual Report.

## New Heterojunction 72 cell module performance record at 410 Watt

The CEA INES team, in collaboration with Meyer Burger, achieved a new heterojunction 72 cell module performance record of 410W in May 2018. The record module integrates heterojunction cells manufactured on industrial 2,400 wph Meyer Burger cell manufacturing equipment on the CEA INES pilot line with an average HJT cell efficiency of 23.4%.

The CEA INES pilot line for heterojunction cell manufacturing integrates Meyer Burger’s PECVD and PVD equipment. The record module was manufactured in Thun on Meyer Burger’s SmartWire Connection Technology (SWCT™) manufacturing equipment using materials based on the newest SWCT™.

## “The 410W module highlights the very high potential of Heterojunction and our strong partnership with CEA INES.”

Hans Brändle, Chief Executive Officer

## Board of Directors renewal process completed with nomination of new members

As part of its long-term succession plan and Board renewal process, Meyer Burger announced in January 2019 the nomination of Dr Remo Lütolf and Andreas R. Herzog as new independent members of the Board of Directors. Dr Lütolf will be proposed for election as Chairman and Mr Herzog as member of the Board of Directors at the General Meeting of Shareholders to be held on 2 May 2019. Remo Lütolf, Chairman of the Board of RUAG Holding Ltd and previously Country Managing Director of ABB Switzerland Ltd, has many years of international strategic and operational experience in the automation and power sectors and his proven leadership skills make him a very well qualified Chairman to lead Meyer Burger in future years. Andreas Herzog, Chief Financial Officer of Bühler Group, will ideally complement the Board of Directors with his many years of international experience in finance and risk management.

Dr Alexander Vogel, Wanda Eriksen-Grundbacher and Michael R. Splinter have decided not to stand for re-election at the Ordinary Shareholders Meeting. The Board of Directors and the Executive Board would like to thank them for their important and valuable contributions during the past years and wish them all the best for their future, both professionally as well as personally.

During 2018, Meyer Burger also appointed a new Chief Financial Officer: Manfred Häner, previously CFO at CPH Chemie + Papier Holding AG and CFO at Micronas Semiconductor Holding AG, joined the Executive Board as of 1 October 2018. Michel Hirschi stepped down and left the company as of 30 September 2018. The Board of Directors and the Executive Management team would like to extend their thanks also to Michel Hirschi for his outstanding commitment and crucial contributions to the company’s development over many years and wish him all the best and every success for the future.

→ Information on the CVs of the Board of Directors and the Executive Board members currently in office and those proposed for election to the Board of Directors can be found in the section “Report to Fiscal Year 2018” – Corporate Governance.

## “The Board of Directors proposes to the shareholders to elect Dr Remo Lütolf as Chairman and Andreas Herzog as member of the Board of Directors. Their elections will complete the long-term strategic Board renewal process as planned.”

Alexander Vogel, Chairman of the Board of Directors

### Outlook

Meyer Burger expects 2019 to become a difficult year, due to political uncertainties, such as trade tariffs, energy policies and the announced subsidy cuts under “China 531” last year. The announced and planned divestment of the wafering business will, once the transaction is completed by the end of Q1 2019, lead to lower net sales for fiscal year 2019 (unit with annual sales of about CHF 60 million), but also to an expected one-off accounting profit from the sale of this business (estimated to be in an amount of about CHF 30 million).

Meyer Burger remains confident in relation to the development of the heterojunction and SmartWire Connection equipment business, which has been validated by the order from and joint roadmap development with REC Group. On the back of China’s new energy policies and demand from outside China, management expects 2019 to be the inflection point for these new technologies with attractive gross margins starting to replace PERC. Meyer Burger as the leader in HJT and SmartWire Connection technologies is expected to be the main beneficiary of such advanced technology buys.

PERC, enabled by Meyer Burger, is meanwhile the new mainstream cell technology. However, increased Chinese competition resulted in decreasing market share and lower margins for Meyer Burger. The mainstream players in PV are trying to enhance PERC performance with Paco (Passivated Contacts; also known under TOPCon and monoPoly®). But this upgrade technology requires an industrialised production solution to become widely adopted in the PV industry. MB achieved a breakthrough end of 2018 with the CAiA® solution based on their well-known MAiA® platform and won a first pilot customer to speed up industrialisation beginning of 2019.

→ Detailed information on the 2018 annual results can be found in the section “Report to Fiscal Year 2018” – Management Report.

### Thank you

2018 has again been a very challenging year for all of us. The Board of Directors and the Executive Board would like to thank all employees for their daily work and strong commitment to Meyer Burger. We also thank our customers, suppliers and business partners for their continuous support. Finally, we extend our thanks to you, our shareholders, for your loyalty to Meyer Burger.



Dr Alexander Vogel  
Chairman of the Board  
of Directors



Dr Hans Brändle  
Chief Executive Officer