Management Report 2021

Successful transformation to PV call and module manufacturer

Meyer Burger has completed the strategic transformation of its business model within the ambitious timeframe set and has successfully launched the distribution of its high-performance solar modules in 2021.

The grand openings of the cell and module factories were significant milestones. After opening the solar cell production in Thalheim (Bitterfeld-Wolfen, Saxony-Anhalt) in mid of April, Meyer Burger's high tech module factory in Freiberg (Saxony) was opened only a week later. After an only eight months renovation of the former Solarworld factory and the installation of the SmartWire production lines, there is an annual nominal capacity of 0.4 GW or about 3000 modules per day after the completion of the ramp-up. It is the most modern and environmentally friendly manufacturing facility in Europe of its kind. The opening took place digitally against the backdrop of the Corona pandemic. At the opening ceremony President Michael Kretschmer and Wolfram Günther, State Minister for Energy, Climate Protection, Environment and Agriculture, were representing the Saxon state government.

With the opening of both production facilities, the securing of all supply chains and the establishment of the manufacturing and sales organizations, key milestones along Meyer Burger's transformation from a pure equipment and technology provider to an integrated manufacturer of solar cells and solar modules have been achieved according to plan.

Meyer Burger established a powerful sales and marketing organization in Europe and the USA with an experienced and highly motivated team which continues to grow. Meyer Burger's active customer list meanwhile includes around 30 B2B customers, including market-leading distributors such as BayWa r.e., Krannich Solar, IBC Solar, Sonepar, Memodo in Europe and the U.S. distributor CED Greentech. This means that Meyer Burger's products are represented in more than 60 individual distributor country branches. More than 450 installers have registered as Meyer Burger installers.

At the end of 2021, Meyer Burger announced to establish another production site for high-performance solar modules in the United States. The investment in Goodyear, Arizona, is an important step in meeting the company's commitments to produce modules near end-customers, source material from regional suppliers, and improve overall sustainability by reducing transportation emissions and optimizing the carbon footprint of the company's solar modules. The development of a manufacturing facility in Arizona will provide flexibility, ease of access, and resilience for Meyer Burger's customers in the growing North American market.

Sales and marketing

"Ready to shine" is the slogan to re-establish Meyer Burger as a premium solar module brand. The company launched a broad marketing campaign primarily via digital channels to reach its end customers and installers in a targeted manner. Following the launch of Meyer Burger's solar modules for the rooftop segment, order intake developed highly positively. The prices achieved are fully in line with expectations. In addition, earlier than planned, Meyer Burger was able to win its first pilot projects in the segment for utility-scale and large industrial rooftop systems.

Ramp up

The total reorganization of the company was accompanied by many operational challenges and made even more difficult by the effects of the pandemic. Short-term, unexpected supply bottlenecks of system-relevant individual components, which had to be procured externally, delayed the start-up of production. The ramp-up of production took almost six months, which was longer than planned. The Covid pandemic caused above-average absences due to illness and officially ordered quarantine among Meyer Burger's workforce. The company was forced to operate only one of two production lines at its plant in Freiberg (Saxony) during the fourth quarter and beyond year-end 2021 and therefore to adjust the production plans for its solar modules accordingly. All these factors together impacted the achievement of the internal operational targets.

Momentum & market

With the Ukraine crisis, the solar sector is noted as a strategic necessity to reduce dependence on fossil fuels significantly. The sector is experiencing fast growing industrial policy support in the European Union and the USA. The global solar market is growing dynamically also due to the sustainably competitive power generation costs as well as positive climate impact of solar power generation. Demand for solar energy is expected to rise massively, as power systems are transformed from conventional power generation to renewable energy. Therefore, Meyer Burger is experiencing strong tailwinds. Due to Meyer Burger's successful market entry, but also driven by macro market trends such as globally scarce availability of solar modules, Meyer Burger's high-performance modules are in high demand and achieve the targeted prices in the market. The company expects this momentum to continue in the coming years. Manufacturing cells and modules in the center of Europe further strengthens Meyer Burger's market position, as delivery times are short and logistics costs are low compared to Asian producers. The Europe-focused supply chain also improves the carbon footprint. With the completion of the strategic transformation, the stage is now set for Meyer Burger's success in a continuously rapidly growing market.

Financing secured for capacity expansion

Financing for the expansion of production capacity has been secured in July 2021. This will enable Meyer Burger to achieve critical economies of scale more quickly and also to utilize its own production equipment capacity in a more uniform manner and thus to operate more efficiently. With previously existing cash reserves, the syndicated loan of EUR 125 million, the factoring facility of EUR 60 million and additional funds from the capital increase of CHF 80 million and the green convertible bond of EUR 145 million, the company's further growth is secured.

Results reflect the transition phase

The results of the financial year 2021 expectedly reflect the year of transition. Net sales reduced to CHF 39.9 million (2020: CHF 90.5 million) of which CHF 9.0 million stem from the first sales of the modules segment and thus lay the foundation for Meyer Burger's new business model while the photovoltaics segment will be internalized with the exception of Pasan's measurement technology business. The regional sales mix has changed with more focus on the European market with 49% (30% in 2020), Asia still accounting for 42% of net sales (64% in 2020) and the Americas for 9% (6% in 2020). The regional sales mix is expected to lean even more strongly towards Europe and the Americas under the new business model.

Margin reflects capitalization of own machinery

The operating income after cost of products and services was CHF 29.2 million (CHF 37.9 million in 2020), reflecting a margin of 73.1 % (2020: 41.8 %) strongly based on the positive effects of machinery manufactured in-house and accordingly capitalized for the two new production facilities fostering the captive business model.

Operating costs based on ramp-up

With the operative ramp-up, personnel costs preceed sales volumes and increased to CHF 60.4 million (2020: CHF 53.9 million). Operating expenses amounted to CHF 41.2 million (2020: 28.5 million) based on additional new infrastructural costs, such as rent and energy, marketing costs as well as additional administrative costs for the financing measures. This led to an EBITDA of CHF –72.5 million (CHF –44.6 million in 2020) respectively an EBITDA margin of –181.6 % (2020: –49.3 %).

Depreciation and amortization remained relatively stable given the start of cell and module production and therefore start of depreciation of machinery in the second semester of 2021 only. Accordingly EBIT stood at CHF –85.3 million (CHF –58.1 million in 2020) with a margin of –213.9 % (2020: –64.2 %).

Financial result reflects successful financing measures

The financial result, net, was CHF –11.2 million (2020: CHF –3.4 million). Financial expense in the fiscal year included interest expense for the syndicated loan and the green convertible bond of CHF –5,5 million (2020: interest expense for the convertible bond: CHF –1.5 million). The valuation of intercompany loans to foreign subsidiaries led to financial losses from unrealized negative foreign currency translation effects of CHF 0.8 million (2020: unrealized gains of CHF 6.1 million). In addition, there were other foreign currency translation effects of CHF –4.8 million (2020: CHF –6.2 million), other interest expense of CHF –0.3 million (2020: CHF –0.7 million) and other financial expense of CHF –1.5 million (2020: CHF –1.2 million) as well as interest income of CHF <0.1 million (2020:

CHF <0.1 million). The proportionate result from investments in associates due to the acquired interest in Oxford PV amounted to CHF –2.9 million (2020: CHF –2.8 million) until its derecognition from the scope of consolidation per end of August 2021.

Net result

Meyer Burger generated a Group result of CHF –100.5 million (2020: CHF –64.5 million) which equals a net result per share of CHF –0.04 (2020: CHF –0.04).

Balance sheet holds investments made

As of 31 December 2021, the balance sheet total increased to CHF 492.7 million (31 December 2020: CHF 296.8 million) , mainly due to the investments made in the high-speed ramp-up of the two new facilities as well as the successful financing measures taken. In the face of further necessary investments, the cash position of the Group stood at CHF 231.4 million (31 December 2020: CHF 139.7 million) while trade working capital remained relatively stable at CHF 33.4 million (31 December 2020: CHF 32.7 million) based on higher inventories with counterbalancing higher trade payables as at year-end. Property, plant and equipment included investments made and capitalizations net of investment subsidies received of CHF 99.2 million (2020: 20.7 million) and at 31 December 2021 amounted to CHF 124.3 million (31 December 2020: CHF 38.1 million) as a basis for the new successful realization of the new business model. Intangible assets of CHF 6.1 million as at year-end 2021 (31 December 2021: CHF 0.3 million) included the investments made in the intellectual property for the expansion of Meyer Burger's product portfolio towards innovative solar roof tiles.

Derecognition of investment in Oxford PV from the scope of consolidation

With the termination of the collaboration agreement and the persistent abstinence of Meyer Burger's delegate from Oxford PV's Board of Directors, Meyer Burger has lost its position of significant influence over its previous associate Oxford PV. Accordingly, the investment in associates was eliminated from the scope of consolidation as per 31 August 2021 while the related goodwill of CHF 4.9 million was fully impaired per that date and the currency translation effect of CHF –0.9 million was recognized through profit and loss. The investment in Oxford PV is now presented as a financial asset.

Liabilities and equity show successful financing measures

The increase in non-current financial liabilities and equity reflects the successful financing measures taken in the financial year 2021, namely the syndicated loan of EUR 125 million of which EUR 60 million were drawn at year-end, the factoring facility of EUR 60 million and additional funds from the capital increase of CHF 80 million and the green convertible bond of EUR 145 million. These measures have secured the company's further growth and expansion and accordingly have laid the basis for Meyer Burger's future success.

Workforce

Employees (FTE)	2021	2020	2019	2018	2017
Total at year-end	**789**	548	805	1191	1276
Operations	444	185	304	481	587
Research, Development	170	162	213	281	232
Sales, Services	87	126	189	281	322
Finance, Administration	88	75	99	148	135

Gratitude for our employees

At the end of 2021, Meyer Burger employed about 858 people who worked tirelessly and with great focus to make the successful change of the business model happen. Meyer Burger is beyond grateful for the service of all employees during these challenging times. The number of full time equivalents increased from 548 in 2020 to 789 in 2021. In addition, the Group employed 31 temporary workers (2020: 10 temporary employees) and 16 apprentices (2020: 21 apprentices). For more information on Human Resources issues see page 26.

Risk management

Meyer Burger uses various risk management instruments to manage its strategic, financial and operational risks. The Board of Directors has primary responsibility for evaluating strategic risks. Financial and operational risks are mainly assessed by the Executive Board. The results are submitted to the Board of Directors at regular intervals and any necessary countermeasures determined. Risk management is integrated within the company's management processes and involves Planning, Finance & Controlling, Internal Audit, Production & Logistics, Research & Development, Product Management, Sales, IT, Corporate Communications, Human Resources, and external Tax and Legal Consulting. Especially with the new business model, the related set-up of new processes and the changing environment, risk management has become more important than ever, among other also standardized risk management in IT processes and the related infrastructure.

- For information about financial risk management see Note 3 on page 97.

Occupational safety is of major importance to Meyer Burger. Risks are minimized and a high degree of process safety is achieved through careful analysis of operating procedures and the provision of employee training.

- For information about employees see the next section and the corresponding part of the Sustainability Report on page 22.