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Quarterly Statement
January to September 2017
SMA Solar Technology AG

SMA SOLAR TECHNOLOGY AG AT A GLANCE

SMA Group		Jan – Sep (Q1 – Q3) 2017	Jan – Sep (Q1 – Q3) 2016	Change	Full Year 2016
Sales	€ million	592.5	708.8	-16%	946.7
Export ratio	%	82.3	90.0		87.9
Inverter output sold	MW	5,894	5,655	4%	8,231
Capital expenditure	€ million	23.0	18.7	23%	29.0
Depreciation and amortization	€ million	39.7	48.5	-18%	76.7
EBITDA	€ million	55.3	107.9	-49%	141.5
EBITDA margin	%	9.3	15.2	-39%	14.9
Net income	€ million	25.0	36.9	-32%	29.6
Earnings per share[1]	€	0.72	1.06		0.85
Employees[2]		3,173	3,358	-6%	3,345
in Germany		2,069	2,092	-1%	2,093
abroad		1,104	1,266	-13%	1,252

SMA Group		2017/09/30	2016/12/31	Change
Total assets	€ million	1,231.2	1,210.7	2%
Equity	€ million	607.5	585.1	4%
Equity ratio	%	49.3	48.3	
Net working capital[3]	€ million	206.3	225.4	-8%
Net working capital ratio[4]	%	24.8	23.8	
Net cash[5]	€ million	435.8	362.0	20%

1 Converted to 34,700,000 shares
2 Reporting date; without temporary employees
3 Inventories and trade receivables minus trade payables
4 Relating to the last twelve months (LTM)
5 Total cash minus interest-bearing financial liabilities

CONTENTS

ECONOMIC REPORT

RESULTS OF OPERATIONS

Sales and Earnings

WEAK U.S. PROJECT BUSINESS BURDENS SALES

From January to September 2017, the SMA Group sold PV inverters with accumulated power of 5,894 MW (Q1 – Q3 2016: 5,655 MW). The SMA Group's sales declined by 16.4% to €592.5 million in the reporting period (Q1 – Q3 2016: €708.8 million). In addition to the price dynamics in all segments and regions, this is primarily due to a decline in demand for large-scale PV power plants in North America. Increased delivery times for electronic components, particularly for the Sunny Boy and Sunny Tripower product families, also had an impact on the sales performance in the first nine months of the fiscal year.

Thanks to its international positioning, SMA continues to benefit from the generally positive development seen in German and foreign photovoltaic markets. SMA has been continuously investing in its global infrastructure in recent years and now has a largely balanced distribution of sales. In the reporting period, SMA generated 41.2% of external sales in European countries, the Middle East and Africa (EMEA), 33.3% in the Asia-Pacific (APAC) region and 25.5% in the North and South American (Americas) region calculated before sales deductions (Q1 – Q3 2016: 32.9% EMEA, 19.6% APAC, 47.5% Americas).

Gross sales in the Americas considerably decreased by around 55% to €154.2 million year on year (Q1 – Q3 2016: €341.5 million). This is first attributable to an important benchmark: In 2016, there were an extraordinarily high number of projects resulting from the anticipated expiration of the Solar Investment Tax Credit (ITC) in the U.S. Many projects were scheduled for completion in 2016. By contrast, the development of business with large-scale solar projects in 2017 was negatively impacted to a significant extent by the discussion about the possible introduction of trade barriers in the U.S. A second reason for the decline in sales in the Americas region is the portfolio gap in the Residential segment, which was not closed until the end of the first quarter of 2017 with the introduction of the smart module technology from Tigo Energy, Inc. In contrast to the Americas region, sales in the APAC region significantly increased by around 43% to €201.9 million. This was mainly due to positive development in the Residential and Utility segments. The main markets in the region were Australia, Japan and India. In total, the Commercial segment generated 31.3% of the SMA Group's sales while the Utility segment contributed 28.3%, the Residential segment 25.4%, the Other Business segment 7.6% and the Service business 7.4% in the first nine months of 2017 (Q1 – Q3 2016: 28.2% Commercial, 40.7% Utility, 21.5% Residential, 4.0% Other Business, 5.6% Service).

As of September 30, 2017, SMA had an extraordinarily large order backlog of €746.3 million (September 30, 2016: €557.0 million). Of this amount, €408.4 million is attributable to Service business. Most of this part of the order backlog will be implemented over the next five to ten years. Product business makes up €337.9 million of the order backlog and will mostly already affect sales in the 2017 fiscal year. At €117.7 million, the Utility segment accounts for 34.8% of the product-related order backlog. The Commercial and Residential segments account for €90.9 million (26.9%) and €56.3 million (16.7%) of the product-related order backlog. The remaining order backlog of €73.0 million relates to Other Business. The book-to-bill ratio was 1.4 in the reporting period.

Although fixed costs were successfully reduced in 2016, EBITDA dropped to €55.3 million in the first nine months of 2017 (EBITDA margin: 9.3%; Q1 – Q3 2016: €107.9 million, 15.2%). This was primarily due to lower sales. EBIT was €15.6 million (Q1 – Q3 2016: €59.4 million). As such, SMA has already reached the lower end of the EBIT guidance for the year as a whole. Net income amounted to €25.0 million (Q1 – Q3 2016: €36.9 million) and was positively affected by the predominantly tax-free sales proceeds from SMA Railway Technology GmbH and the use of loss carryforwards in China for which no deferred tax assets could be recognized. Earnings per share thus amounted to €0.72 (Q1 – Q3 2016: €1.06).

Sales and Earnings per Segment

RESIDENTIAL BUSINESS UNIT EXPERIENCES STRONG THIRD QUARTER – TURNAROUND IS IN SIGHT

The Residential business unit serves the attractive long-term market of small PV systems for private applications with single-phase string inverters with the brand name Sunny Boy; three-phase inverters in the lower output range up to 12 kW with the brand name Sunny Tripower; string inverters of the Zeversolar brand; energy management solutions; storage systems; and communication products and accessories. In the first quarter of 2017, additional solutions using Tigo Energy, Inc.'s smart module technology were launched in key markets in the U.S., Europe and Australia. They will also be available in Japan and India in the future. As a result of changes in market conditions in the U.S., SMA also changed its sales strategy there and reorganized and expanded its sales resources.

In the first nine months of 2017, external sales in the Residential business unit amounted to €150.9 million and were thus only slightly lower than in the same period of 2016 (Q1 – Q3 2016: €152.4 million). Its share of the SMA Group's total sales was 25.4% (Q1 – Q3 2016: 21.5%). The EMEA region accounted for 60.2% (Q1 – Q3 2016: 49.8%) of the Residential business unit's gross sales while the APAC region accounted for 28.3% (Q1 – Q3 2016: 16.4%) and the Americas region accounted for 11.5% (Q1 – Q3 2016: 33.8%).

In the first nine months of 2017, EBIT in the Residential business unit amounted to –€2.7 million and was thus virtually unchanged in comparison to the previous year (Q1 – Q3 2016: –€3.3 million). At the same time, Residential business improved from quarter to quarter. The third quarter of 2017 saw particularly strong sales (€57.4 million) and positive earnings (€3.3 million). In relation to external sales, the EBIT margin for January to September 2017 was –1.8% (Q1 – Q3 2016: –2.2%).

COMMERCIAL BUSINESS UNIT WITH LARGE ORDER BACKLOG

The Commercial business unit focuses on the growing market of medium-sized PV systems for commercial applications and on large-scale PV power plants using string inverters. The portfolio includes three-phase Sunny Tripower inverters that are compatible with the smart module technology from Tigo Energy, Inc., with outputs of more than 12 kW, as well as holistic energy management solutions for medium-sized solar power systems, medium-voltage technology and other accessories.

As a result of continued price pressure and due to production downtime resulting from some semiconductor component suppliers failing to comply with binding delivery obligations, external sales in the Commercial business unit from January to September 2017 were down slightly year on year at €185.3 million (Q1 – Q3 2016: €199.9 million). At 31.3%, the Commercial business unit accounted for the highest share of the SMA Group's total sales (Q1 – Q3 2016: 28.2%). This business unit generated 42.7% of gross sales in the EMEA region, 37.9% in the APAC region and 19.4% in the Americas region (Q1 – Q3 2016: 36.2% EMEA, 37.0% APAC, 26.8% Americas).

Partly arising from low utilization, EBIT amounted to €2.2 million in the reporting period, representing a significant year-on-year decrease (Q1 – Q3 2016: €14.5 million). In relation to external sales, the EBIT margin was 1.2% (Q1 – Q3 2016: 7.2%).

UTILITY BUSINESS UNIT SIGNIFICANTLY INFLUENCED BY WEAK U.S. MARKET

The Utility business unit serves the market for large-scale PV power plants with central inverters from the Sunny Central brand. The outputs of Sunny Central inverters range from 500 kW to the megawatts. In addition, its portfolio includes complete solutions comprising central inverters with their grid service and monitoring functions as well as all medium- and high-voltage technology and accessories.

The business unit's external sales decreased by 41.8% to €167.8 million in the reporting period (Q1 – Q3 2016: €288.5 million) resulting from the significant drop in prices and project delays. Its share of the SMA Group's total sales was 28.3% (Q1 – Q3 2016: 40.7%). The Americas region made up 44.9% (Q1 – Q3 2016: 74.9%) of the gross sales of the Utility business unit, the APAC region 43.0% (Q1 – Q3 2016: 9.3%) and the EMEA region 12.1% (Q1 – Q3 2016: 15.8%). Therefore, U.S. business posted another sluggish performance in the third quarter and had a negative impact on the results of the business unit.

In the Utility business unit, EBIT fell to €0.1 million (Q1 – Q3 2016: €57.4 million) due to the extremely sharp decline in sales in the U.S. and a higher business volume in lower-margin markets. In relation to external sales, the EBIT margin was 0.1% (Q1 – Q3 2016: 19.9%).

SERVICE BUSINESS UNIT WITH HIGH PROFITABILITY

SMA has its own service companies in all important photovoltaic markets. With an installed capacity of around 55 GW worldwide, SMA leverages economies of scale to manage its service business profitably. Services offered include commissioning, warranty extensions, service and maintenance contracts, operational management, remote system monitoring and spare parts supply. In the first nine months of 2017, external service sales increased to €43.6 million (Q1 – Q3 2016: €39.4 million). Its share of the SMA Group's total sales was 7.4% (Q1 – Q3 2016: 5.6%). Notable sales drivers were operational management (O&M business), maintenance and service contracts subject to charge as well as chargeable commissioning. In the reporting period, EBIT was €7.1 million (Q1 – Q3 2016: €8.0 million). In relation to external sales, the EBIT margin was 16.2% (Q1 – Q3 2016: 20.3%).

OTHER BUSINESS BENEFITS FROM GROWTH SEGMENT STORAGE

The Other Business segment comprises SMA Sunbelt Energy GmbH and the Off-Grid & Storage business unit, which predominantly serve the battery storage market. From January to September 2017, external sales increased by around 57% year on year to €44.9 million (Q1 – Q3 2016: €28.6 million). Its share of the SMA Group's total sales was 7.6% (Q1 – Q3 2016: 4.0%). The Other Business segment generated EBIT of €1.5 million (Q1 – Q3 2016: –€1.4 million). In relation to external sales, the EBIT margin of the Other Business segment was 3.3% (Q1 – Q3 2016: –4.9%).

Development of Significant Income Statement Items

PRICE PRESSURE AND DELAY IN DELIVERY BURDEN GROSS MARGIN

The cost of sales fell by 11.7% to €467.2 million (Q1 – Q3 2016: €529.3 million). The decrease is particularly attributable to lower sales as a result of suppliers not complying with delivery agreements. High price pressure could only be partially offset by productivity increases and savings in the cost of materials. The gross margin thus amounted to 21.1% (Q1 – Q3 2016: 25.3%).

Personnel expenses included in cost of sales amounted to €84.4 million (Q1 – Q3 2016: €88.1 million). This year-on-year decrease resulted primarily from the consolidation of production sites at the end of 2016 and other efficiency measures. Because of high price pressure, material costs fell at a slower rate than sales and amounted to €319.3 million (Q1 – Q3 2016: €339.4 million). SMA is continuously working on its product portfolio in all segments to tackle price pressure by introducing new and less expensive products.

Depreciation and amortization included in the cost of sales fell by 19.5% to €33.5 million in the first nine months of 2017 (Q1 – Q3 2016: €41.6 million). This included scheduled depreciation on capitalized development costs of €13.3 million (Q1 – Q3 2016: €15.1 million).

Other costs declined by €30.2 million to €30.0 million (Q1 – Q3 2016: €60.2 million). This was mainly due to the consolidation of production sites and the associated provisions from the third quarter of 2016 as well as to the year-on-year decrease in sales.

Selling expenses rose slightly by 2.9% to €35.6 million in the reporting period (Q1 – Q3 2016: €34.6 million). This increase was mainly a result of the expansion of the sales organization in the U.S. and increased global sales activities. The cost of sales ratio climbed to 6.0% in the reporting period (Q1 – Q3 2016: 4.9%). This was primarily due to the significant decline in sales.

Research and development expenses not including capitalized development projects amounted to €46.5 million in the reporting period (Q1 – Q3 2016: €46.8 million). The research and development cost ratio amounted to 7.8% (Q1 – Q3 2016: 6.6%). Total research and development expenses including capitalized development projects rose slightly to €60.0 million (Q1 – Q3 2016: €56.1 million). Development projects were capitalized in the amount of €13.5 million in the reporting period (Q1 – Q3 2016: €9.3 million).

General administrative expenses totaled €38.8 million in the first nine months of 2017 (Q1 – Q3 2016: €35.4 million). This increase was mainly due to higher personnel expenses and internal cost reclassifications from other function areas. Also resulting from the decline in sales, the ratio of administrative expenses increased to 6.5% in the reporting period (Q1 – Q3 2016: 5.0%).

The balance of other operating income and expenses amounted to €11.2 million in the first nine months of 2017 (Q1 – Q3 2016: –€3.3 million). This includes foreign currency valuation effects, expenses for assets measured at fair value through profit or loss and gains from the disposal of SMA Railway Technology GmbH.

FINANCIAL POSITION

SMA Generates High Net Cash Flow

In the first nine months of 2017, gross cash flow amounted to €51.0 million (Q1 – Q3 2016: €105.3 million). It shows operating income prior to commitment of funds.

As a result of active working capital management, net cash flow from operating activities of continuing operations amounted to €78.7 million in the reporting period (Q1 – Q3 2016: €123.6 million).

Inventories increased by 18.6% to €200.6 million (December 31, 2016: €169.2 million). This was particularly due to the supply of finished goods for the fourth quarter and higher safety stock following the closure of the U.S. production site. Despite this increase, net working capital decreased by 8.5% to €206.3 million (December 31, 2016: €225.4 million) as a result of the decline in trade receivables by €33.2 million. At 24.8%, the net working capital ratio in relation to sales over the past 12 months was above the level achieved on December 31, 2016 (23.8%). This was due to weaker sales performance. Despite the temporary effect relating to finished goods, the net working capital ratio was within the range of 22% to 25% targeted by the management.

Net cash flow from investing activities of continuing operations amounted to –€89.4 million in the reporting period (Q1 – Q3 2016: –€83.8 million). The majority of this amount was attributable to cash inflows and outflows from financial investments totaling –€84.5 million (Q1 – Q3 2016: –€46.9 million). In addition, this includes net cash inflows from the sale of the Railway Technology business division. The outflow of funds for investments in fixed assets and intangible assets amounted to €23.0 million in the reporting period (Q1 – Q3 2016: €18.7 million). With €13.5 million (Q1 – Q3 2016: €9.3 million), an essential part of the investments was attributable to capitalized development projects.

As of September 30, 2017, cash and cash equivalents amounting to €204.2 million (December 31, 2016: €216.1 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. 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, this resulted in net cash of €435.8 million (December 31, 2016: €362.0 million). SMA further increased its high liquidity reserve in the reporting period. As a result, it is capable of implementing its strategy using its own resources.

NET ASSETS

Equity Ratio Is Stable at 49.3%

As of September 30, 2017, total assets slightly increased to €1,231.2 million (December 31, 2016: €1,210.7 million). At €386.0 million, the value of non-current assets was lower than at the end of 2016 (December 31, 2016: €426.2 million).

As of September 30, 2017, net working capital decreased to €206.3 million (December 31, 2016: €225.4 million), corresponding to 24.8% of sales over the past 12 months. Trade receivables decreased by 20.1% to €131.9 million on the reporting date (December 31, 2016: €165.1 million). Days sales outstanding improved slightly to 65.3 days attributable to a decrease in international share (December 31, 2016: 66.5 days). Inventories increased to €200.6 million (December 31, 2016: €169.2 million). This was particularly due to high inventories of finished goods and increased inventories of blanks at the factories in Poland and China for the production of inverters in the Residential and Commercial segments. Finished goods also include inventories in transit as of the reporting date in the APAC region. Trade payables amounted to €126.2 million and were above the level at the end of the previous year by 15.9% (December 31, 2016: €108.9 million). At 10.3%, the share of trade credit in total assets was slightly above the level reported at the end of the 2016 fiscal year (December 31, 2016: 9.0%).

The Group's equity resources amounted to €607.5 million as of September 30, 2017, and were therefore €22.4 million higher than the level achieved at the end of the previous year (December 31, 2016: €585.1 million). With an equity ratio of 49.3%, SMA has a comfortable equity capital base and therefore an extremely solid balance sheet structure.

CAPITAL EXPENDITURE

SMA's Business Model Is Not Capital Intensive

The SMA Group is planning to make investments in fixed assets and intangible assets of up to €50 million in the 2017 fiscal year (2016: €29.0 million). The increase is mainly attributable to test equipment for new product generations, higher capitalization of development costs and measures to modernize the IT infrastructure.

In the first nine months of the 2017 fiscal year, investments in fixed assets and intangible assets totaled €23.0 million and were thus above the comparative figure for the previous year (Q1 – Q3 2016: €18.7 million). €8.6 million was invested in fixed assets (Q1 – Q3 2016: €8.2 million). The investment ratio for fixed assets was 1.5% in the reporting period (Q1 – Q3 2016: 1.2%). Investments in intangible assets amounted to €14.3 million (Q1 – Q3 2016: €10.5 million) and were predominantly attributable to capitalized development projects.

SUPPLEMENTARY REPORT

Significant Events After the End of the Reporting Period

There have been no significant changes in the Company's situation or market environment since the end of the reporting period.

FORECAST REPORT

THE GENERAL ECONOMIC SITUATION: GROWTH ACCELERATES

The global economy is currently growing faster than it has for a long time. In its World Economic Outlook (WEO) from October, the International Monetary Fund (IMF) raised its forecast for the current year by 0.1 percentage point compared to the forecast from April to 3.6% (2016: 3.2%). For 2018, the IMF anticipates global economic growth of 3.7%. The positive development will primarily be driven by the eurozone, Japan, newly industrialized countries in Asia and Europe, and Russia. Despite the generally positive outlook, the IMF experts warn that the recovery is not complete. Many countries are still only displaying weak growth. In addition, inflation in most industrialized countries is below the target level. While the short-term risks are broadly balanced, there are still significant risks in the medium term, for example, from an overly rapid tightening of interest policy, increasing protectionism and geopolitical tensions.

With regard to industrialized countries, the IMF now expects growth to come to 2.2% in the current year, 0.2 percentage point higher than it had anticipated in April. The economy in the eurozone is expected to grow by 2.1% in 2017, which is 0.4 percentage point more than in the forecast from April. The positive development in the eurozone was particularly attributable to Germany, France, Italy and Spain. The IMF also raised its expectations for Canada and Japan. By contrast, the experts slightly lowered their forecast for the U.S. to 2.2%. This was due to uncertainty about tax cuts that would stimulate the economy. In April, this had still been regarded as certain.

The growth prospects for developing and newly industrialized countries have also improved. The IMF expects their economic power to increase by 4.6% in 2017, up 0.1 percentage point on the April forecast. This increase will be chiefly driven by China. In the first half of the year, the Chinese economy saw stronger growth than previously anticipated, and exports also developed positively. The experts are therefore now forecasting growth of 6.8% in China in 2017.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

Renewable Energy Will Grow Faster Than Conventional Energy Carriers

In its Renewables 2017 report, the International Energy Agency (IEA) forecasts that renewable energy will see much faster global growth than conventional energy carriers in the years to come. The IEA states that photovoltaics are “entering a new era”. Over the next five years, installation of new PV capacity will far exceed installation of other renewable energy carriers. The IEA attributes this to further decreases in costs for the technology and the strong momentum on the Chinese market.

Experts at Bloomberg New Energy Finance (BNEF) also emphasize good prospects for renewable energy and photovoltaics in the medium term. In their New Energy Outlook 2017, they forecast that photovoltaic and wind turbine systems will account for roughly 50% of the world’s installed power generation capacity in 2040. According to the BNEF experts, photovoltaics will be the least expensive source of energy in most countries around the world by as early as 2030, and the installed capacity of solar power will increase 14-fold by 2040.

In addition to the low production costs of solar power, the climate change goals resolved by a large community of countries at the 2015 UN Climate Change Conference in Paris represent another growth driver. This will lead to an accelerated expansion of renewable energies. Photovoltaics will benefit from this trend the most as solar power is generated in the vicinity of the consumer. Thanks to technological advancements, the consumer cost of PV systems will further decrease and their attractiveness will increase as a result. Affordable storage systems and modern communication technologies will harmonize energy production and demand. The SMA Managing Board is therefore convinced of the appeal of the photovoltaic market and has thus positioned SMA to ensure it benefits from future developments.

New PV Installations of Almost 100 GW Expected for the First Time

For 2017, the SMA Managing Board anticipates 98 GW of newly installed PV power around the world. This equates to growth of approximately 26%. This growth particularly comes from China and other Asian markets. Global investments in system technology for traditional photovoltaic applications will be only slightly above the level of 2016 caused by high price pressure in the industry overall. By contrast, investments in system technology for storage applications (excluding investments in batteries) will increase by between €100 million and €300 million compared to the previous year. Overall, the SMA Managing Board therefore expects investments in PV system technology (including system technology for storage systems) of €5.3 billion to €5.5 billion in 2017 (2016: €5.1 billion). The Managing Board rates the medium-term prospects for the PV industry more positively than before. This is due to the accelerating transformation of the energy sector toward decentralized energy generation. In particular, automated networking of photovoltaics with stationary storage systems, air-conditioning and ventilation technology and LED lighting is opening up new growth segments for technology-focused companies.

Affordable Storage Technology as a Catalyst for Demand in EMEA

The SMA Managing Board anticipates an increase of approximately 17% in newly installed PV power to around 12 GW in the EMEA region for 2017. According to SMA estimates, investments in PV and storage system technology will increase by around 18% year on year to an expected €1.2 billion, despite price pressure. The increase in euros is particularly attributable to the business involving system technologies for storage applications. Battery-storage systems are gaining importance in Europe, especially in Germany and Italy. In addition to the business involving new systems for consumption of self-generated energy, the retrofitting of existing systems with new inverters and storage systems will also yield high potential in the medium term. For many 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.

Regulatory Environment Hurts Investments in North and South America

The SMA Managing Board expects an 8% decline in newly installed PV power to 16 GW for the American markets after strong growth in the previous year. Roughly 14 GW of this amount is attributable to the North American markets. Inverter technology investments are expected to fall at a greater rate to €1.2 billion (2016: €1.5 billion). This decline is particularly attributable to the discussion about possible U.S. trade barriers for PV modules produced abroad. Due to the resulting uncertainties, several large-scale solar projects have been postponed. In the medium term, however, the U.S. utility market will benefit from the solar ITC that is in place until 2020. The Residential and Commercial segments are currently influenced by strict regulations set forth in the National Electrical Code (NEC). Medium-term prospects are positive here as well.

Investments in the Asia-Pacific Region at Previous Year's Level

The most important markets in the Asia-Pacific (APAC) region include China, Japan and India. In Japan and Australia, the installation of PV systems combined with battery-storage systems to supply energy independently of fossil energy carriers offers additional growth potential. The SMA Managing Board estimates that new PV installations in China will increase substantially again to 50 GW in 2017 (2016: 34 GW). Systems with a total output of around 42 GW were already connected to the grid from January to the end of September 2017. In addition, the Chinese government has defined new minimum installation targets for each province in an amendment to the 13th five-year plan. Investments in inverter technology are expected to rise to €1.4 billion (2016: €900 million) as a result of strong growth in the distributed PV system segment. For the APAC region, excluding China, the SMA Managing Board predicts an increase in newly installed PV power to 21 GW in 2017 (2016: 16 GW). The growth will be driven in particular by the Indian market. However, price pressure will erode volume growth. The SMA Managing Board therefore expects investments of approximately €1.6 billion in inverter technology for this region (2016: €1.6 billion).

Growth Markets: Energy Management, Smart Module Technology and Operational Management

The trend to regionalize power supplies is gaining momentum. More and more households, cities and companies are becoming less dependent on energy imports and rising energy costs by having their own PV systems. This will lead to a rise in demand for energy storage solutions in the residential, commercial and industrial sectors. In addition, energy will be increasingly distributed via smart grids to manage electricity demand, avoid consumption peaks and take the strain off utility grids. E-mobility is also expected to become an important pillar of these new energy supply structures a few years from now. Integration 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.

Against this background, in the view of SMA's Managing Board, innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer attractive business opportunities. Rising prices for conventional domestic 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 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. In addition, power supply companies are increasingly using battery-storage systems to avoid expensive grid expansions, stabilize grid frequency and balance fluctuations in the power feed-in from renewable energy sources. The SMA Managing Board expects the volume of the still fairly new storage market to be around €600 million to €800 million in 2017 (excluding investments in batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market. In the medium term, the Managing Board expects exponential growth in the storage market. It is therefore difficult to predict the market's future size in detail.

The SMA Managing Board also sees good growth prospects in the field of smart module technology to increase the functionality and performance of PV modules (module level power electronics – MLPE). These technologies include micro inverters and DC optimizers, among others. The SMA Managing Board estimates that DC optimizers in particular will gain in importance over the currently dominant string inverter technology without optimizers in the years to come. This trend is emanating from North America because regulatory requirements in the markets there encourage the use of DC optimizers.

The technical management of large-scale PV plants is another growth segment. This includes a range of services, such as repairs, device replacements as well as visual inspections and maintenance of entire systems. The total addressable market in this segment will have an accumulated installed capacity of over 200 GW at the end of 2017. Prices are calculated yearly per MW and vary significantly depending on the regions and services included.

OVERALL STATEMENT FROM THE MANAGING BOARD ON THE EXPECTED DEVELOPMENT OF THE SMA GROUP

The following statements on the future development of the SMA Group are based on estimates drawn up by the SMA Managing Board and the expectations concerning the progression of the global photovoltaic markets set out above. The SMA Group operates under a functional organization. The Residential, Commercial, Utility and Service business units assume responsibility for operations and manage development, operational services, sales, production and the supply chain. SMA Sunbelt Energy GmbH and the Off-Grid & Storage business unit have been combined under Other Business. The Forecast Report is based on the described reporting structure.

SMA's sales and earnings situation depends on the development of different global markets, respective market share and price dynamics. Factoring in the pronounced demand fluctuations in the solar industry, last year, the SMA Managing Board consolidated its global production locations and thus increased SMA's financial and operational flexibility. In addition, more cost-effective products were developed for important sales markets to counter the high price pressure in the industry. By agreeing to a syndicated loan of €100 million, domestic commercial banks have underscored the SMA Group's high credit rating.

Managing Board Specifies Full-Year Forecast

The first nine months of the fiscal year were shaped by price pressure in all markets and segments. Incoming orders developed extremely positively in the reporting period and the book-to-bill ratio was 1.4. The order backlog increased by 39% in the first nine months of the year and amounted to roughly €746 million as of September 30, 2017. Around €338 million of this amount was attributable to product business. The product-related order backlog climbed by around 134% since the start of the year. At the same time, sales development is impacted by a supply shortage of critical components. As a result, the SMA Managing Board specifies its forecast for the current fiscal year. The forecast now predicts sales of more than €900 million and unchanged earnings before interest, taxes, depreciation and amortization (EBITDA) of €85 million to €100 million. The amount of depreciation and amortization is expected to be between €60 million and €70 million. On this basis, the Managing Board expects EBIT to decline compared to the previous year. SMA will generate a high operating cash flow and thus increase net cash to more than €450 million by the end of 2017 (December 31, 2016: €362.0 million). The earnings forecast includes positive earnings effects in the single-digit millions from the sale of SMA Railway Technology GmbH, which was completed on March 29, 2017.

SMA's business model is not capital intensive. Despite the increase in investments (including capitalized development costs) to up to €50 million in the 2017 fiscal year (2016: €29.0 million), SMA's investment ratio of a maximum of roughly 6% remains low. The increase in capital expenditure is mainly attributable to test equipment for new product generations, higher capitalization of development costs and measures to modernize the IT infrastructure. The SMA Group's net working capital is expected to amount to between 22% and 25% of the sales of the last 12 months (2016: 23.8%). The consolidation of global production sites will increase transport times and thus inventory. This effect on net working capital can be partially offset by longer payment periods with suppliers and optimized debtor management. Overall, the SMA Managing Board anticipates a positive free cash flow.

Price Dynamics and Digitization Determine Business Performance

The price development in the year to date has been in line with the SMA Managing Board's expectations. The price level stabilized in a few markets and segments, allowing SMA to even increase prices slightly. These effects are taken into account in the sales and earnings forecast mentioned before. By systematically investing over €500 million in development over the last five years alone, SMA has a multiple award-winning product portfolio for all output ranges. We have also presented a range of innovations to our customers at leading trade fairs in the U.S. and Europe in recent months. These will lead to considerable savings in the total costs of PV systems. In addition, we will launch further cost-optimized products and solutions in global photovoltaic markets in the future to increase our competitiveness in the medium term. These include software applications that adapt the behavior of decentralized consumers and storage systems to the fluctuating production of electricity from photovoltaics on a fully automated basis. To further optimize the SMA Group's break-even point and increase flexibility, the SMA Managing Board closed production sites in Denver, U.S., and Cape Town, South Africa, at the end of 2016. Some of the effects generated by product innovations and cost reduction measures will already be recognized in earnings in 2017.

Overall, SMA is in a good position to benefit from the trend of decentralized energy supply structures in all market segments and regions. No other competitor has a similar international presence. In addition, SMA will use its financial strength to invest in new software solutions and business models. For example, we have developed a technical platform that allows for energy flow monitoring across different sectors, such as photovoltaics, heating, cooling, ventilation as well as stationary and mobile storage systems. With an intelligent energy management solution, we will optimize total energy costs at the local level in the future. As a specialist in complete solutions in the energy sector, SMA will specifically establish and expand strategic alliances to more quickly tap into the potential offered by digitization.

Well Prepared for Market Changes With Full Product Range

SMA's broad product portfolio in all market segments is a major distinguishing feature. The Company can therefore react quickly to changing markets and benefit from the global development of photovoltaic markets.

The Residential business unit serves global markets for small PV systems with and without connection to a smart home solution. According to Managing Board estimates, the Residential business unit will generate significantly higher sales of €210 million to €220 million in 2017, accounting for approximately 25% of SMA Group sales (2016: €175.0 million, 18.5%). The portfolio of the Residential business unit, which includes the SMA and Zeversolar brands, comprises smart module technology, single- and three-phase string inverters in the lower output range up to 12 kW, energy management solutions, storage systems, communication products and accessories. The main sales drivers include the Sunny Boy inverters with outputs up to 5 kW. Europe, North America, Australia and Japan remain the most important sales markets. Since March 2017, the business unit has been selling a Sunny Boy inverter configured for the solar module optimizers of Tigo Energy, Inc. and will launch other cost-optimized SMA and Zeversolar products onto its core markets in the months to come. In addition, the Residential business unit aims to access new customers and distribution channels and increase selling prices in selected markets to increase sales. Because of the positive business performance in the current fiscal year, the SMA Managing Board has raised its earnings forecast for the Residential business unit. The Managing Board now anticipates slightly positive operating earnings (EBIT) in the single-digit millions in 2017 (previously: negative operating earnings).

The Commercial business unit concentrates on global markets for medium-sized to large PV systems with and without an energy management solution. For the Commercial business unit, the SMA Managing Board forecasts gratifying sales growth to between €300 million and €310 million in 2017 (2016: €263.0 million). The business unit is therefore expected to account for more than 30% of Group sales (2016: 27.8%). The main sales drivers are the Sunny Tripower inverters in the power class of 25 kW and above. In the reporting period, the portfolio was expanded with a completely new product generation for rooftop applications with a power output of 50 kW. An enhanced three-phase Sunny Tripower inverter for ground-based PV systems will follow shortly. Additionally, the Commercial business unit will launch ennexOS as a new energy management solution to monitor the energy flows of different sectors and also optimize them at a later date. The SMA Managing Board thus anticipates positive operating earnings (EBIT) in the single-digit millions in 2017.

The Utility business unit serves the markets for large-scale PV projects. In addition to central inverters with grid service and monitoring features, the portfolio also comprises holistic solutions with medium- and high-voltage technology as well as accessories. With expected sales of between €250 million and €260 million (2016: €396.7 million), the Utility business unit is expected to account for less than 30% of Group sales (2016: 41.9%). The anticipated drop in sales is predominantly attributable to U.S. business. However, the Managing Board expects this to only be a temporary effect. Medium-term prospects in the U.S. are good and sales growth is therefore expected to pick up again from 2018 onwards. The new Sunny Central inverter with an output of 2.5 MW is set to be the main sales driver in this business unit in the current fiscal year. In the reporting period, the portfolio was complemented by a compact, complete solution including medium-voltage and switching technology with an output of 5 MW. The integrated solution within a 40-foot container is sold under the brand name Medium Voltage Power Station 5000. The SMA Managing Board anticipates positive operating earnings (EBIT) in the single-digit millions in 2017.

In 2017, our service business continues to benefit from the number of commissioned projects in the Utility and Commercial business units. In addition, the SMA Managing Board expects the conclusion of additional, long-term service and maintenance contracts for large-scale PV projects and extended warranties for Sunny Boy and Sunny Tripower inverters. With sales of €60 million to €70 million (2016: €44.7 million), the SMA Managing Board anticipates positive operating earnings (EBIT) in the single-digit millions.

The SMA Managing Board anticipates a significant sales growth to €80 million to €90 million (2016: €67.3 million) for the areas included in Other Business (SMA Sunbelt Energy and the Off-Grid & Storage business unit). These business areas are expected to generate positive operating earnings (EBIT) in the single-digit millions.

SMA Is a Global Market Leader and Has Set the Course for the Future

With its strategy thus far, SMA has successfully defended its position as the global market leader in a market environment dominated by drastic change. According to its own estimates, SMA accounted for nearly 20% of industry turnover worldwide in 2016. The SMA Managing Board adjusted its strategy to the market developments expected in the future. As the energy supply of the future becomes more and more decentralized and renewable, the requirements for system technology are increasing significantly. Establishing the technical conditions for fully automatic optimization of total energy costs and merging supply and demand are giving rise to attractive business opportunities for SMA. Therefore, SMA's continued development into an energy service provider is one of the most important strategic objectives for the years to come. In our strategy, we have also defined flexibility concepts enabling us to operate profitably, even in sharply fluctuating sales markets.

Thanks to our extensive experience in PV system technology, ability to quickly implement changes and enter into numerous strategic partnerships, SMA is well prepared for the digitization of the energy industry. We will build on our unique strengths and design additional system solutions for decentralized energy supplies based on renewable energies. Furthermore, we will take advantage of opportunities that arise from new business models as part of the digitization of the energy industry. SMA is characterized by an extraordinary corporate culture and motivated employees who make a decisive contribution to the Company's long-term success and are therefore also given a share in SMA's financial success.

Niestetal, October 30, 2017

SMA Solar Technology AG
Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT SMA GROUP

in €'000	July – Sep (Q3) 2017	July – Sep (Q3) 2016	Jan – Sep (Q1 – Q3) 2017	Jan – Sep (Q1 – Q3) 2016
Sales	**211,429**	**226,501**	**592,501**	**708,834**
Cost of sales	159,127	166,379	467,202	529,291
Gross profit	**52,302**	**60,122**	**125,299**	**179,543**
Selling expenses	10,879	10,605	35,632	34,635
Research and development expenses	15,453	14,820	46,461	46,787
General administrative expenses	12,213	10,003	38,754	35,447
Other operating income	11,922	3,849	39,098	18,132
Other operating expenses	12,797	7,418	27,915	21,362
Operating profit (EBIT)	**12,882**	**21,125**	**15,635**	**59,444**
Result from at equity-accounted investments	–329	0	–1,294	0
Financial income	662	671	3,294	1,832
Financial expenses	233	534	928	3,574
Financial result	**100**	**137**	**1,072**	**–1,742**
Profit before income taxes	**12,982**	**21,262**	**16,707**	**57,702**
Income taxes	–3,201	3,845	–8,576	21,508
Profit from continuing operations	**16,183**	**17,417**	**25,283**	**36,194**
Profit from discontinued operation	0	33	–289	681
Net income	**16,183**	**17,450**	**24,994**	**36,875**
of which attributable to non-controlling interests	0	0	0	0
of which attributable to shareholders of SMA AG	16,183	17,450	24,994	36,875
Earnings per share, basic/diluted	0.47	0.50	0.72	1.06
thereof from continuing operations (in €)	0.47	0.50	0.73	1.04
thereof from discontinued operation (in €)	0.00	0.00	–0.01	0.02
Number of ordinary shares (in thousands)	34,700	34,700	34,700	34,700

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

in €'000	July – Sep (Q3) 2017	July – Sep (Q3) 2016	Jan – Sep (Q1 – Q3) 2017	Jan – Sep (Q1 – Q3) 2016
Net income	**16,183**	**17,450**	**24,994**	**36,875**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	–1,988	318	–5,055	–1,669
Changes recognized outside profit or loss (currency translation differences)	**–1,988**	**318**	**–5,055**	**–1,669**
Cash flow hedges before taxes	1,843	0	16,547	0
Deferred taxes related to cash flow hedges	–563	0	–5,063	0
Cash flow hedges after taxes	**1,280**	**0**	**11,484**	**0**
Overall comprehensive result[1]	**15,475**	**17,768**	**31,423**	**35,206**
of which attributable to non-controlling interests	0	0	0	0
of which attributable to shareholders of SMA AG	15,475	17,768	31,423	35,206

1 All items of other comprehensive income may be reclassified to profit or loss.

BALANCE SHEET SMA GROUP

in €'000	2017/09/30	2016/12/31
ASSETS		
Intangible assets	71,171	73,231
Fixed assets	216,654	234,327
Investment property	16,788	15,414
Other investments	3	5
Investments in associates	13,581	14,875
Deferred taxes	67,707	88,323
Non-current assets	**385,904**	**426,175**
Inventories	200,619	169,219
Trade receivables	131,904	165,098
Other financial assets (total)	267,844	177,935
Cash equivalents with a duration of more than 3 months and asset management	243,946	159,419
Rent deposits and cash on hand pledged as collaterals	8,443	9,242
Remaining other financial assets	15,455	9,274
Receivables from tax authorities (total)	28,257	21,407
Claims for income tax refunds	11,054	5,900
Claims for VAT refunds	17,203	15,507
Other receivables	11,065	9,729
Cash and cash equivalents	204,216	216,124
	843,905	**759,512**
Assets classified as held for sale	1,379	25,077
Current assets	**845,284**	**784,589**
Total assets	**1,231,188**	**1,210,764**

in €'000	2017/09/30	2016/12/31
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	453,613	431,212
SMA Solar Technology AG shareholders' equity	**607,513**	**585,112**
Provisions[1]	86,476	89,926
Financial liabilities[2]	18,551	20,658
Other liabilities (total)	164,894	161,269
Accrual item for extended warranties	157,541	154,872
Other financial liabilities	591	1,015
Remaining other liabilities	6,762	5,382
Deferred taxes	5,080	21,022
Non-current liabilities	**275,001**	**292,875**
Provisions[1]	69,923	87,117
Financial liabilities[2]	6,712	19,691
Trade payables	126,181	108,902
Income tax liabilities	12,006	14,986
Other liabilities[1] (total)	133,852	97,920
Human Resources department	26,550	17,687
Prepayments received	39,305	22,239
Other financial liabilities	15,060	13,763
Remaining other liabilities	52,937	44,231
	348,674	**328,616**
Liabilities directly associated with assets classified as held for sale	0	4,161
Current liabilities	**348,674**	**332,777**
Total equity and liabilities	**1,231,188**	**1,210,764**
Total Cash (in € million)	457	385
Cash and cash equivalents + cash equivalents with a duration of more than 3 months and asset management + rent deposits and cash on hand pledged as collaterals		
Net Cash (in € million)	436	362
Total cash – current and non-current loan liabilities (excluding derivatives)		

1 Not interest-bearing
2 Includes not-interest-bearing current and non-current derivatives amounting to €4.5 million (2016: €17.6 million)

STATEMENT OF CASH FLOWS SMA GROUP

in €'000	Jan – Sep (Q1 – Q3) 2017	Jan – Sep (Q1 – Q3) 2016
Profit from continuing operations	25,572	36,194
Income taxes	8,576	21,508
Financial result	–1,072	1,742
Depreciation and amortization	39,734	48,516
Change in provisions	–20,643	12,620
Result from the disposal of assets	–62	99
Change in non-cash expenses/revenue	10,360	3,566
Interest received	1,466	697
Interest paid	–922	–1,611
Income tax paid	–12,037	–18,022
Gross cash flow	**50,972**	**105,309**
Change in inventories	–38,408	–36,392
Change in trade receivables	31,665	41,398
Change in trade payables	17,279	7,853
Change in other net assets/other non-cash transactions	17,241	5,402
Net cash flow from operating activities – continuing operations	**78,749**	**123,570**
Net cash flow from operating activities – discontinued operations	**0**	**–1,207**
Net cash flow from operating activities	**78,749**	**122,363**
Payments for investments in fixed assets	–8,648	–8,239
Proceeds from the disposal of fixed assets	1,440	891
Payments for investments in intangible assets	–14,319	–10,479
Payments for investments in associated companies	0	–17,596
Payments for the acquisitions of companies net of cash/ proceeds from the acquisition of business units	0	–1,500
Cash inflow from the disposal of held for sale assets net of cash	16,624	0
Proceeds from the disposal of securities and other financial assets	24,500	87,167
Payments for the acquisition of securities and other financial assets	–109,000	–134,041
Net cash flow from investing activities – continuing operations	**–89,403**	**–83,797**
Net cash flow from investing activities – discontinued operations	**0**	**–533**
Net cash flow from investing activities	**–89,403**	**–84,330**
Change in non-controlling interests	0	28
Redemption of financial liabilities	–1,880	–11,857
Dividends paid by SMA Solar Technology AG	–9,022	–4,858
Cash outflows for the acquisition of non-controlling interests in subsidiaries	0	–3,734
Net cash flow from financing activities – continuing operations	**–10,902**	**–20,421**
Net cash flow from financing activities – discontinued operations	**0**	**0**
Net cash flow from financing activities	**–10,902**	**–20,421**
Net increase/decrease in cash and cash equivalents	–21,556	17,612
Changes due to exchange rate effects	9,648	1,669
Cash and cash equivalents as of January 1	216,124	200,180
Less cash and cash equivalents of discontinued operations	**0**	**–3,413**
Cash and cash equivalents as of September 30	**204,216**	**216,048**

STATEMENT OF CHANGES IN EQUITY SMA GROUP

in €'000	Share capital	Capital reserves
Shareholders' equity as of January 1, 2016	**34,700**	**119,200**
Net income	0	0
Other comprehensive income after tax	0	0
Overall result		
Proceeds from owners (capital increase Zeversolar)		
Dividend payments of SMA Solar Technology AG		
Shareholders' equity as of September 30, 2016	**34,700**	**119,200**
Shareholders' equity as of January 1, 2017	**34,700**	**119,200**
Net income	0	0
Other comprehensive income after tax	0	0
Overall result		
Dividend payments of SMA Solar Technology AG		
Shareholders' equity as of September 30, 2017	**34,700**	**119,200**

Equity attributable to the shareholders of the parent company					
Difference from currency translation	**Cash flow hedges**	**Other retained earnings**	**Total**	**Equity attributable to non-controlling interests**	**Consolidated shareholders' equity**
6,757	**0**	**409,577**	**570,234**	**–26**	**570,208**
0	0	36,875	36,875	0	36,875
–1,669	0	0	–1,669	0	–1,669
					35,206
	0	–1,507	–1,507	28	–1,479
		–4,858	–4,858		–4,858
5,088	**0**	**440,087**	**599,075**	**2**	**599,077**
8,750	**–10,348**	**432,810**	**585,112**	**0**	**585,112**
0	0	24,994	24,994	0	24,994
–5,055	11,484	0	6,429	0	6,429
					31,423
		–9,022	–9,022		–9,022
3,695	**1,136**	**448,782**	**607,513**	**0**	**607,513**

SEGMENT REPORTING

The segment information in accordance with IFRS 8 for the third quarter of 2017 and 2016 is as follows:

	External sales		Internal sales		Total sales	
in € million	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Segments						
Residential	57.2	45.4	0.2	0.0	57.4	45.4
Commercial	62.0	72.2	0.9	0.7	62.9	72.9
Utility	60.0	84.0	0.1	0.0	60.1	84.0
Service	15.2	14.7	0.0	18.0	15.2	32.7
Other Business	16.9	10.2	0.0	0.1	16.9	10.3
Total Segments	211.3	226.5	1.2	18.8	212.5	245.3
Reconciliation	0.0	0.0	–1.2	–18.8	–1.2	–18.8
Continuing operations	**211.3**	**226.5**	**0.0**	**0.0**	**211.3**	**226.5**

	Depreciation and amortization		Operating profit (EBIT)	
in € million	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Segments				
Residential	1.4	2.3	3.3	–2.1
Commercial	0.9	0.6	1.8	8.0
Utility	2.6	2.6	2.3	25.4
Service	0.0	0.4	1.6	2.4
Other Business	0.4	0.3	0.8	–0.3
Total Segments	5.3	6.2	9.8	33.4
Reconciliation	7.8	9.4	3.1	–12.6
Continuing operations	**13.1**	**15.6**	**12.9**	**20.8**

Due to the disposal of the Railway Technology business division and the reclassification of Zeversolar to segment Residential the former segment “Other Business” comprises the business activities SMA Sunbelt Energy and Business Unit Off-Grid & Storage in the current fiscal year. The previous year’s figures were adjusted.

Sales by regions

in € million	Q3 2017	Q3 2016
EMEA	94.9	77.8
Americas	57.4	99.9
APAC	63.3	52.8
Sales deductions	–4.3	–4.0
External sales	**211.3**	**226.5**
thereof Germany	38.4	29.1

The segment information in accordance with IFRS 8 for the first nine months of 2017 and 2016 is as follows:

in € million	External sales Q1–Q3 2017	External sales Q1–Q3 2016	Internal sales Q1–Q3 2017	Internal sales Q1–Q3 2016	Total sales Q1–Q3 2017	Total sales Q1–Q3 2016
Segments						
Residential	150.9	152.4	0.5	0.1	151.4	152.5
Commercial	185.3	199.9	1.2	0.9	186.5	200.8
Utility	167.8	288.5	0.1	0.0	167.9	288.5
Service	43.6	39.4	0.1	50.1	43.7	89.5
Other Business	44.9	28.6	0.5	0.1	45.4	28.7
Total Segments	592.5	708.8	2.4	51.2	594.9	760.0
Reconciliation	0.0	0.0	–2.4	–51.2	–2.4	–51.2
Continuing operations	**592.5**	**708.8**	**0.0**	**0.0**	**592.5**	**708.8**

in € million	Depreciation and amortization Q1–Q3 2017	Depreciation and amortization Q1–Q3 2016	Operating profit (EBIT) Q1–Q3 2017	Operating profit (EBIT) Q1–Q3 2016
Segments				
Residential	4.6	7.2	–2.7	–3.3
Commercial	1.8	1.9	2.2	14.5
Utility	7.9	7.5	0.1	57.4
Service	0.0	1.1	7.1	8.0
Other Business	1.1	1.3	1.5	–1.4
Total Segments	15.4	19.0	8.2	75.2
Reconciliation	24.3	29.5	7.4	–16.1
Continuing operations	**39.7**	**48.5**	**15.6**	**59.1**

Due to the disposal of the Railway Technology business division and the reclassification of Zeversolar to segment Residential the former segment "Other Business" comprises the business activities SMA Sunbelt Energy and Business Unit Off-Grid & Storage in the current fiscal year. The previous year's figures were adjusted.

Sales by regions

in € million	Q1–Q3 2017	Q1–Q3 2016
EMEA	249.9	237.2
Americas	154.2	341.5
APAC	201.9	141.2
Sales deductions	–13.5	–11.1
External sales	**592.5**	**708.8**
thereof Germany	107.3	71.6

The **reconciliation** of total segment earnings (EBIT) in accordance with IFRS 8 with earnings before income taxes is as follows:

in € million	Q3 2017	Q3 2016	Q1–Q3 2017	Q1–Q3 2016
Total segment earnings (EBIT)	9.8	33.4	8.2	73.8
Eliminations	3.1	–12.3	7.4	–14.4
Consolidated EBIT	12.9	21.1	15.6	59.4
Financial result	0.1	0.1	1.1	–1.7
Earnings before income taxes	**13.0**	**21.2**	**16.7**	**57.7**

Circumstances are shown in the reconciliation which by definition are not part of the segments. In addition, unallocated parts of the SMA Group headquarters, including cash and cash equivalents and owned buildings, are included, the expenses of which are assigned to the segments. Business relations between the segments are elimintated in the reconciliation. Currency hedging is controlled centrally for the SMA Group and is therefore not contained in the individual segments, but rather in the eliminations.

Segment assets as of September 30, 2017, did not change significantly in comparison with the reporting date of the last Annual Consolidated Financial Statements (December 31, 2016).

REGISTERED TRADEMARKS

Company logos, Energy that Changes, ennexOS, SMA, SMA Railway Technology, SMA Solar Technology, Sunny, Sunny Boy, Sunny Central, Sunny Highpower Peak, Sunny Home Manager, Sunny Island, Sunny Portal, Sunny Tripower, Sunny Tripower Core, Zeversolar are registered trademarks of SMA Solar Technology AG in many countries.

DISCLAIMER

The Quarterly Financial Statement 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 Quarterly Financial Statement.

FINANCIAL CALENDAR

2018/03/29	Publication of the SMA Group 2017 Annual Report and 2017 Individual Financial Statement of SMA Solar Technology AG Analyst Conference Call: 09:00 a.m. (CET)
2018/05/09	Publication of Quarterly Statement: January to March 2018 Analyst Conference Call: 09:00 a.m. (CET)
2018/05/24	Annual General Meeting 2018
2018/08/09	Publication of Half-Yearly Financial Report: January to June 2018 Analyst Conference Call: 09:00 a.m. (CET)
2018/11/08	Publication of Quarterly Statement: January to September 2018 Analyst Conference Call: 09:00 a.m. (CET)

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