



SMA

Quarterly Statement January to March 2020
SMA Solar Technology AG

Integrated. Connected.

Sustainably shaping the
energy supply of the future.

SMA SOLAR TECHNOLOGY AG AT A GLANCE

SMA Group		Q1 2020	Q1 2019	Change	Full Year 2019
Sales	€ million	287.9	167.8	71.6%	915.1
Export ratio	%	79.8	72.5		76.1
Inverter output sold	MW	4,367	1,803	142.2%	11,409
Capital expenditure	€ million	7.2	6.3	14.3%	27.6
Depreciation	€ million	10.7	11.3	-5.3%	46.0
EBITDA	€ million	12.3	0.6	n. a. ¹	34.2
EBITDA margin	%	4.3	0.4		3.7
Net income	€ million	-0.3	-10.6	n. a. ¹	-8.6
Earnings per share ²	€	-0.01	-0.30		-0.25
Employees ³		3,174	3,097	2.5%	3,124
in Germany		2,213	2,197	0.7%	2,186
abroad		961	900	6.8%	938

SMA Group		2020/03/31	2019/12/31	Change
Total assets	€ million	1,031.5	1,107.3	-7%
Equity	€ million	415.4	416.9	0%
Equity ratio	%	40.3	37.6	
Net working capital ⁴	€ million	214.0	159.5	34%
Net working capital ratio ⁵	%	20.7	17.4	
Net cash ⁶	€ million	243.4	303.0	-20%

¹ Not applicable

² Converted to 34,700,000 shares

³ Reporting date; without temporary employees

⁴ Inventories and trade receivables minus trade payables and liabilities from advanced payments received for orders

⁵ Relating to the last twelve months (LTM)

⁶ Total cash minus interest-bearing financial liabilities to banks

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ECONOMIC REPORT

RESULTS OF OPERATIONS

Sales and earnings

SMA SIGNIFICANTLY INCREASES SALES

From January to March 2020, the SMA group sold PV inverters with accumulated power of 4,367 MW (Q1 2019: 1,803 MW). In the reporting period, sales increased by 71.6% to €287.9 million (Q1 2019: €167.8 million). The growth is mainly the result of the strong project business in the U.S. target market and the ongoing positive trade business in Europe.

SMA is well positioned internationally and generates contributions to sales in all relevant regions. In the reporting period, the company generated 42.8% of external sales in the North and South American (Americas) region, 42.3% in European countries, the Middle East and Africa (EMEA) and 14.9% in the Asia-Pacific (APAC) region calculated before sales deductions (Q1 2019: 13.0% Americas, 55.4% EMEA, 31.6% APAC). The main markets for SMA in the reporting period were the U.S., Germany and Australia.

The Large Scale & Project Solutions segment made the largest contribution to sales in the first quarter of 2020, accounting for 47.9% (Q1 2019: 34.2%). The Business Solutions segment generated 27.3% of the SMA group's sales, while the Home Solutions segment contributed 24.8% in the reporting period (Q1 2019: 38.7% Business Solutions, 27.1% Home Solutions).

As of March 31, 2020, SMA had a large order backlog of €797.4 million (March 31, 2019: €619.8 million). Of this amount, €376.3 million is attributable to product business (March 31, 2019: €233.2 million). With €421.1 million, more than half of the order backlog is still attributable to the service business. Most of this share will be implemented over the next five to ten years.

In the reporting period, earnings before interest, taxes, depreciation and amortization (EBITDA) increased to €12.3 million (EBITDA margin: 4.3%; Q1 2019: €0.6 million; 0.4%). Earnings before interest and taxes (EBIT) came to €1.6 million (Q1 2019: -€10.7 million). This equates to an EBIT margin of 0.6% (Q1 2019: -6.4%). Net income amounted to -€0.3 million (Q1 2019: -€10.6 million). Earnings per share thus amounted to -€0.01 (Q1 2019: -€0.30).

Sales and earnings per segment

HOME SOLUTIONS SEGMENT GENERATES SIGNIFICANT GROWTH IN SALES AND EARNINGS

In the Home Solutions segment, SMA caters to global markets for small PV systems with and without connection to a smart home solution. The portfolio comprises single- and three-phase string inverters of the Sunny Boy and Sunny Tripower product families in the lower output range of up to 12 kW, integrated services, energy management solutions, storage systems of the Sunny Island and Sunny Boy Storage product families, communication products and accessories. SMA's Home Solutions segment also offers services, such as extended warranties, spare parts and modernization of PV systems (Repowering), to enhance performance as well as digital energy services.

External sales in the Home Solutions segment rose by 57.0% to €71.3 million in the first quarter of 2020 (Q1 2019: €45.4 million). Its share of the SMA group's total sales was 24.8% (Q1 2019: 27.1%). The EMEA region accounted for 77.8% (Q1 2019: 74.1%) of the Home Solutions segment's gross sales, the Americas region for 11.7% (Q1 2019: 11.5%) and the APAC region for 10.5% (Q1 2019: 14.4%).

As a result of the growth in sales year on year, the Home Solutions segment's EBIT increased to €5.2 million (Q1 2019: -€5.2 million). In relation to external sales, the EBIT margin was 7.3% (Q1 2019: -11.5%).

BUSINESS SOLUTIONS SEGMENT WITH POSITIVE RESULT

In the Business Solutions segment, the focus is on global markets for medium-sized PV systems with and without an energy management solution. The product portfolio comprises the three-phase inverters of the product families Sunny Tripower with outputs of more than 12 kW and Sunny Highpower. Storage solutions and holistic energy management solutions for medium-sized PV systems based on the ennexOS platform, medium-voltage technology and other accessories round off the offering in this segment. In addition, SMA offers services up to and including system modernization and operational management of commercial PV systems (O&M business) as well as digital services.

External sales in the Business Solutions segment increased to €78.6 million in the first quarter of 2020 (Q1 2019: €64.9 million). Its share of the SMA group's total sales was 27.3% (Q1 2019: 38.7%). 62.0% of gross sales were attributable to the EMEA region, 22.7% to the APAC region and 15.3% to the Americas region (Q1 2019: 61.3% EMEA, 29.8% APAC, 8.9% Americas).

In the first quarter of 2020, the Business Solutions segment's EBIT amounted to €0.8 million (Q1 2019: -€0.2 million). In relation to external sales, the EBIT margin was 1.0% (Q1 2019: -0.3%).

LARGE SCALE & PROJECT SOLUTIONS SEGMENT INCREASES SALES SIGNIFICANTLY

The Large Scale & Project Solutions segment focuses on international PV power plant markets with its powerful string inverters in the Sunny Highpower product family and the central inverters in the Sunny Central product family. The outputs of inverters in this segment range from 150 kW to the megawatts. In addition, the SMA portfolio of this segment 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 portfolio is supplemented by services, such as for the modernization and functional enhancement of PV power plants (Repowering), and operation and maintenance services (O&M business).

Due mainly to a large-scale project in the U.S., external sales in the Large Scale & Project Solutions segment increased by 140.0% to €138.0 million in the first quarter of 2020 (Q1 2019: €57.5 million). Its share of the SMA group's total sales was 47.9% (Q1 2019: 34.2%). The Americas region accounted for 75.2% (Q1 2019: 19.0%) of the Large Scale & Project Solutions segment's gross sales, the APAC region for 12.8% (Q1 2019: 47.3%) and the EMEA region for 12.0% (Q1 2019: 33.7%).

Despite high sales, EBIT in the Large Scale & Project Solutions segment amounted to -€4.1 million (Q1 2019: -€5.6 million) due to continuing price pressure and increased transportation costs. In relation to external sales, the EBIT margin was -3.0% (Q1 2019: -9.7%).

Development of significant income statement items

GROSS MARGIN AFFECTED BY HIGH PRICE PRESSURE IN THE STRONG LARGE SCALE & PROJECT SOLUTIONS SEGMENT

Particularly in light of the considerably higher inverter output sold, cost of sales increased by 76.6% year on year to €239.8 million (Q1 2019: €135.8 million). The gross margin was affected by the high pressure in the Large Scale & Project Solutions segment. In the reporting period, it was 16.7% (Q1 2019: 19.1%).

Personnel expenses included in cost of sales increased by 7.5% to €28.8 million in the reporting period (Q1 2019: €26.8 million). Material costs, including changes in inventories, amounted to €184.7 million (Q1 2019: €92.6 million). SMA is continuously working on its product portfolio in all segments to tackle price pressure by optimizing the cost of existing products and introducing new and less expensive products.

From January to March 2020, depreciation and amortization included in the cost of sales amounted to €9.6 million (Q1 2019: €10.1 million). This includes scheduled depreciation on capitalized development costs of €2.1 million (Q1 2019: €1.9 million). Due to the higher volume, other costs rose to €16.7 million (Q1 2019: €6.3 million), particularly in the areas of transportation costs and warranty provisions.

Selling expenses rose to €21.4 million (Q1 2019: €17.4 million). This includes €2.6 million for the continued establishment of the digital business units conevea GmbH and emerce GmbH. The cost of sales ratio was 7.4% in the reporting period (Q1 2019: 10.4%).

In the first quarter of 2020, research and development expenses, excluding capitalized development costs, amounted to €13.3 million (Q1 2019: €13.3 million). The research and development cost ratio amounted to 4.6% (Q1 2019: 7.9%). Total research and development expenses, including capitalized development costs, were slightly below the previous year's level at €15.7 million (Q1 2019: €16.6 million). Development costs were capitalized in the amount of €2.4 million in the reporting period (Q1 2019: €3.3 million).

General administrative expenses totaled €11.7 million in the first quarter of 2020 (Q1 2019: €12.7 million). The ratio of administrative expenses amounted to 4.1% in the reporting period (Q1 2019: 7.6%).

The balance of other operating income and expenses resulted in a negative effect on earnings of -€0.2 million in the reporting period (Q1 2019: €0.6 million). This includes income from renting the group's own buildings as well as foreign currency valuation effects.

FINANCIAL POSITION

Gross cash flow significantly improved

Gross cash flow reflects operating income prior to commitment of funds. Due to a significant improvement in consolidated earnings, it amounted to €15.7 million in the first quarter of 2020 (Q1 2019: €1.1 million).

Net cash flow from operating activities came to -€50.5 million in the first three months of the reporting year (Q1 2019: -€10.6 million), driven mainly by an increase in net working capital.

At €279.0 million, inventories were around the same level as at the end of the previous year (December 31, 2019: €279.9 million) and ensure SMA's delivery capacity. Combined with the €14.9 million decrease in trade payables, the €25.7 million decrease in trade receivables and a considerable reduction in liabilities from advance payments received, this significantly increased net working capital to €214.0 million (December 31, 2019: €159.6 million). At 20.7%, the net working capital ratio in relation to sales over the past 12 months was higher than the figure at the end of the previous year (December 31, 2019: 17.4%), and within the range of 18% to 22% targeted by management.

In the first quarter of 2020, net cash flow from investing activities amounted to €2.4 million after €0.2 million in the previous year. The outflow of funds for investments in fixed assets and intangible assets amounted to €7.2 million in the reporting period (Q1 2019: €6.3 million). With €2.4 million (Q1 2019: €3.3 million), an essential part of the investments was attributable to capitalized development costs.

As of March 31, 2020, cash and cash equivalents totaling €164.7 million (December 31, 2019: €214.8 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. Together with time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities, liquid assets pledged as collateral, and after deducting interest-bearing financial liabilities, this resulted in net cash of €243.4 million (December 31, 2019: €303.0 million).

Investment analysis

In the first quarter of 2020, investments in fixed assets and intangible assets that affected the statement of cash flows amounted to €7.2 million and were thus above the previous year's figure of €6.3 million. This equates to an investment ratio in relation to sales of 2.5% compared with 3.8% in the first quarter of 2019. Including additions of rights of use under leases, investments amounted to €15.2 million (Q1 2019: €29.2 million).

€4.6 million was invested in fixed assets (Q1 2019: €3.2 million), primarily for machinery and equipment. The investment ratio for fixed assets was 1.6% in the first quarter of the fiscal year (Q1 2019: 1.7%). Depreciation of fixed assets, including depreciation of rights of use under leases, amounted to €8.1 million (Q1 2019: €10.9 million).

Investments in intangible assets amounted to €2.6 million (Q1 2019: €3.5 million). These largely related to capitalized development costs. Amortization of intangible assets amounted to €2.1 million and was thus slightly below the previous year's figure of €2.4 million.

NET ASSETS

Balance-sheet structure remains stable

Total assets decreased by 6.8% to €1,031.5 million as of March 31, 2020 (December 31, 2019: €1,107.3 million). Due to the capitalization of additional rights of use under leases, non-current assets were above their level at the end of 2019 at €304.8 million (December 31, 2019: €298.8 million).

Compared to the end of 2019, net working capital increased significantly to €214.0 million (December 31, 2019: €159.6 million). This put the net working capital ratio in relation to sales over the past 12 months at 20.7%. As of the end of the first quarter of 2020, trade receivables decreased by 17.7% compared to December 31, 2019 to €119.7 million (December 31, 2019: €145.5 million). Days sales outstanding came to 46.8 days and were considerably lower than at the end of the previous year (December 31, 2019: 64.4 days). At €279.0 million, inventories remained virtually unchanged compared to the end of the previous year (December 31, 2019: €279.9 million). Trade payables went down by €14.9 million to €159.8 million (December 31, 2019: €174.7 million). The share of trade credit in total assets came to 15.5%, around the same level as at the end of the previous year (December 31, 2019: 15.8%).

The group's equity capital base remained largely stable at €415.4 million (December 31, 2019: €416.9 million). With an equity ratio of 40.3%, SMA still has a solid equity capital base.

FORECAST REPORT

PREAMBLE

The Managing Board's forecasts include all factors with a likelihood of impacting business performance that were known at the time this report was prepared. Not only general market indicators, but also industry- and company-specific circumstances are factored into the forecasts. All assessments cover a period of one year.

THE GENERAL ECONOMIC SITUATION

Coronavirus crisis causes global recession

The protective measures taken to contain the coronavirus pandemic are hitting the global economy hard. In its World Economic Outlook (WEO) from April, the International Monetary Fund (IMF) forecasts a decline in global economic output of 3.0% in 2020 (2019: growth of 2.9%). This would mean that the negative impact of the coronavirus crisis on the global economy would be more severe than that of the financial crisis 2008–2009. If the spread of the virus slows in the second half of 2020, allowing for a relaxation of the protective measures and a gradual return to normal economic activity, the IMF experts expect the global economy to pick up again in 2021 with growth of 5.8%. However, this would require extensive political support. The IMF considers the risks of more far-reaching negative effects of the pandemic to be high.

For industrialized countries, the economists anticipate a decline of 6.1% in 2020 (2019: growth of 1.7%). The economic output of developing and newly industrialized countries is expected to fall by 1.0% (2019: growth of 3.7%).

Large industrialized countries in the West will be particularly hard hit by the effects of the coronavirus pandemic. According to the IMF, the U.S. economy will contract by 5.9% in 2020 (2019: growth of 2.3%). For the eurozone, the experts even anticipate a decline of 7.5% (2019: growth of 1.2%). For newly industrialized countries, the IMF expects this year's economic output to be 1.0% lower as compared to the previous year (2019: growth of 3.7%). While the major newly industrialized Asian countries China and India are expected to record slight growth of 1.2% and 1.9% respectively in spite of the coronavirus pandemic, the IMF forecasts a decline in economic output for newly industrialized countries in all other regions.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

Renewable energies are the key to combating climate change

The fight against climate change is now one of the most central issues in the public, politics and economics. The international Fridays for Future movement and, more notably, unusual weather phenomena, such as severe storms, droughts and flooding in various regions of the world, not to mention the unprecedented bushfires in Australia, have helped raise the profile of this issue.

Greater efforts to expand renewable energies is widely regarded as the central pillar in the response to climate change. These attitudes will drive forward their expansion over the coming years and decades at an ever-greater pace. To meet international climate change targets, the International Renewable Energy Agency (IRENA) is pushing for globally installed renewable power capacity to be tripled from its current level to 7.7 TW between now and 2030.

Other factors driving the projected rapid growth of solar and wind energy include a disproportionately increasing demand for electricity in connection with the electrification of additional sectors and further decreases in the cost of solar and wind energy, which are already considered some of the most cost-effective energy sources in many parts of the world.

In its World Energy Outlook 2019, the International Energy Agency (IEA) estimates that photovoltaics will become the leading source of energy worldwide. The experts from Bloomberg New Energy Finance (BNEF) confirm this. In their New Energy Outlook 2019, they forecast that by 2050, photovoltaic and wind turbine systems will account for around 50% of global power generation. The share of photovoltaics will increase from 2% now to 22%. According to the BNEF experts, wind and photovoltaics are already the most cost-effective energy sources in more than two-thirds of all countries and will also beat the production costs of existing coal and gas power stations almost everywhere by 2030.

In addition to the ever-decreasing consumer cost of electricity from PV systems thanks to technological advancements, the generation of solar power in the vicinity of the consumer makes photovoltaics particularly appealing. The increasingly affordable storage systems and modern communication technologies combined with services for cross-sector energy management will harmonize energy production and demand. The SMA Managing Board is therefore convinced of the market appeal and has thus positioned SMA to ensure it benefits from future developments in the field of photovoltaics, storage technologies and digital energy services.

Global new PV installations fall to 100 GW due to coronavirus crisis

The SMA Managing Board anticipates a decrease in newly installed PV power worldwide of around 9% to approximately 100 GW in 2020 (2019: 110 GW). This is due to the uncertain situation in all regions as a result of the coronavirus crisis. Global investments in system technology for traditional photovoltaic applications will decrease to €3.8 billion. Investments in system technology for storage applications (excluding investments in batteries) will remain at the previous year's level at approximately €600 million. Overall, the SMA Managing Board therefore expects investments in PV system technology (including system technology for storage systems) of around €4.3 billion in 2020 (2019: €5.2 billion). Despite the decline in 2020, the Managing Board rates the medium-term prospects for the PV industry as positive. This is due to the lower costs of photovoltaics and the accelerating transformation of the energy sector toward decentralized, digital and connected energy generation.

Demand in EMEA on a par with previous year

In the Europe, Middle East and Africa (EMEA) region, the SMA Managing Board expects newly installed PV power in 2020 to be unchanged year on year at around 26 GW. This subdued development is attributable in particular to the restrictions and uncertainties in connection with the coronavirus crisis. According to SMA estimates, investments in PV and storage system technology will be lower than in the previous year at an expected €1.4 billion as a result of price development. Battery-storage systems continue to gain importance in European countries, especially in Germany, the UK and Italy. In addition to business involving new systems for consumption of self-generated energy, retrofitting of existing systems with new inverters and storage systems will yield high potential in the medium term. For 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.

Investments in the Americas region below previous year's level

For the Americas region, the SMA Managing Board anticipates a decline in newly installed PV power of around 14% to 19 GW. Roughly 11 GW of this amount is attributable to the U.S. market. The volume of investment in inverter technology will be lower than in the previous year at an expected €900 million (2019: €1.1 billion). Here the residential and commercial segments are currently influenced by strict regulations set forth in the National Electrical Code (NEC). Medium-term prospects are positive for manufacturers that can offer products that comply with the new standard.

The Asia-Pacific region most affected by decline

The most important markets in the APAC region include China, India, Japan and Australia. In Japan and Australia, the installation of PV systems combined with battery-storage systems to supply energy independently of fossil energy carriers offers additional growth potential. The SMA Managing Board estimates that new PV installations in China will remain at the previous year's level at around 30 GW in 2020. Investments in inverter technology are expected to fall to €800 million (2019: €900 million). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to decrease by approximately 22% to around 25 GW in 2020 (2019: 32 GW). This decline will be driven in particular by the effects of coronavirus on the Indian market. In addition to the decrease in new installations, there is also continuing price pressure on the Asian market, with the effect that the SMA Managing Board anticipates lower investments in inverter technology of approximately €1.2 billion for the region (2019: €1.7 billion).

Growth markets: storage technology, digital energy services 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 fuel imports and rising energy costs by having their own PV systems. This will lead to a rise in demand for energy storage solutions in the residential, commercial and industrial sectors. 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.

In this context, the SMA Managing Board holds that innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer worthwhile business opportunities. Rising prices for conventional domestic 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 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 in 2020 (excluding investments in batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market.

In addition to storage technology, digital energy services aimed at optimizing household and commercial enterprises' energy costs and their connection to the energy market are becoming increasingly significant. The SMA Managing Board expects this area to represent an addressable market of approximately €800 million in 2020. The market will then grow exponentially in subsequent years.

Technical management of commercial systems and 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 market in these segments had an accumulated installed capacity of over 530 GW at the end of 2019 and is expected to have over 600 GW by the end of 2020. The SMA Managing Board estimates the addressable market share, which is not yet or no longer under contract, at 150 GW in 2020, which corresponds to a potential of at least €1.1 billion. Prices are calculated yearly per MW and vary significantly depending on the regions and services included.

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

Managing Board anticipates sales and earnings growth

On February 7, 2020, the SMA Managing Board published its sales and earnings guidance for the current fiscal year for the first time. It predicts a sales increase to between €1.0 billion and €1.1 billion (2019: €915.1 million). Despite the coronavirus crisis, the Managing Board is still convinced that SMA can gain market shares by actively working with customers and suppliers. In addition, the SMA Managing Board is implementing further cost reduction measures. The Managing Board is confident that lower production costs and the leveraging of economies of scale accompanied by a leveling off of price declines will bolster SMA's profitability. In this context, the SMA Managing Board is also expecting an increase in earnings. The Managing Board estimates that operating earnings before interest, taxes, depreciation and amortization (EBITDA) will amount to between €50 million and €80 million in 2020 (2019: €34.2 million). Depreciation and amortization are expected to come to approximately €45 million. On this basis, the Managing Board expects an EBIT of between €5 million and €35 million. The SMA Managing Board currently sees no threat to the forecast due to the further spread of the coronavirus. However, final assessment is currently not possible.

SMA's business model is not capital-intensive. With approximately €50 million, in 2020, capital expenditure (including capitalized development costs and lease investments) will roughly be on a par with the previous year (2019: €27.6 million plus lease investments amounting to €26.8 million).

For details regarding risks, please refer to the Risks and Opportunities Report on pages 59 et seq. in the SMA Annual Report 2019.

SMA Group guidance for 2020 at a glance

Key figure	Guidance 2020	2019
Sales in € million	1,000 to 1,100	915.1
Inverter output sold in GW	14 to 15	11.4
EBITDA in € million	50 to 80	34.2
Capital expenditure in € million ¹	approx. 50	27.6
Net working capital in % of sales	18 to 22	17.4
Net cash in € million	> 250	303.0
EBIT in € million	5 to 35	-11.8

¹ The actual figure 2019 only includes investments without leases. The 2020 guidance includes investments, including leases, amounting to approximately €15 million. Starting 2020, the actual figure will also include leases. The 2019 lease investments amounted to €26.8 million.

SMA's sales and earnings depend on global market growth, market share and price dynamics. Our global presence and our comprehensive portfolio of products and solutions for all segments (Home Solutions, Business Solutions and Large Scale & Project Solutions) enable us to respond quickly to changing market conditions, offset fluctuations in demand and take advantage of developments in global photovoltaic markets. Its broad product and solution portfolio in all market segments is a major distinguishing feature for SMA. The SMA Managing Board forecasts the following performance for individual SMA segments in fiscal year 2020:

Segment guidance for 2020 at a glance

Segment	Sales	EBIT
Home Solutions	Up slightly	Constant
Business Solutions	Up	Up
Large Scale & Project Solutions	Up	Up

SMA will continue on its path to greater sales and profitability

The implementation of extensive cost-cutting measures, a greater customer focus and enhanced sales activities allowed SMA to gain market shares in its core business and considerably improve its sales and earnings in the past fiscal year.

We also continued to advance our positioning in major future fields by introducing end-to-end system packages for private and commercial applications into key target markets, establishing the elaxon joint venture for electric vehicle fleet charging infrastructure, pooling the sales activities for storage systems, repowering and other services within one in-house sales unit, and refining the digital energy service offering through our subsidiary coneva. SMA intends to pursue this successful course of action in the years to come and continuously works to transform itself into a systems and solutions provider with the aim of generating additional sales potential and developing new business models for the future.

SMA will reap the benefits of megatrends

The urgent need for greater efforts in the fight against climate change and the keen awareness of sustainability issues across large parts of the public, economics and politics will accelerate the expansion of renewable energies and storage systems worldwide, thereby advancing the decentralization and digitalization of the energy supply. At the same time, there will be a continuation of the global PV market consolidation which has already started. This is releasing market shares and is also expected to slow down the decline in prices of PV inverters over the coming years.

SMA is well positioned to benefit from these trends in all market segments and regions. No other competitor has similar international presence combined with similar extensive technical expertise that encompasses all PV applications. In addition, our total installed inverter output of around 85 GW worldwide is a particularly good foundation for data-based business models, as inverters are the most suitable sensors for compiling valuable energy data. Our extensive knowledge of managing complex battery-storage systems and linking solar power systems to other energy sectors, such as heating, ventilation and cooling technology, and e-mobility, is an excellent basis for developing future growth potential for digital energy solutions.

Our subsidiary coneva develops white label solutions for public utility companies, which integrate both prosumers and traditional energy customers of utility companies into the world of digital energy and enable them to use energy easily and cost-effectively. The individual solutions for commercial customers range from monitoring energy flows and optimizing energy costs across all sectors to matching supply and demand on the energy management platform ennexOS developed by SMA. In both segments, coneva has already established successful partnerships and projects with leading electric utility companies and supermarket chains.

Through the elaxon joint venture founded in the past fiscal year, SMA is also strengthening its positioning in the future field of e-mobility. elaxon is a single-source supplier of turnkey solutions for planning, installing and servicing efficient e-vehicle charging parks. Based on their production capacities and experience, the joint venture partners are also focusing on industrial solutions for charging parks and large fleets.

SMA will take advantage of the opportunities posed by digitalization

Thanks to its extensive knowledge and experience in PV system technology, its ability to quickly implement changes, the alignment of its subsidiaries toward future business areas and its numerous strategic partnerships, SMA is well prepared for the digitalization of the energy industry and will take advantage of the opportunities that it yields. As a specialist in complete solutions in the energy sector, we will help shape the energy supply of the future, launch a number of innovations and establish new strategic partnerships. In the process, we will build on our unique strengths to design additional system solutions for the conversion to a cost-effective, reliable and sustainable energy supply that is based on decentralized renewable energy. We will be helped in this endeavor by SMA's extraordinary corporate culture and our motivated employees who make a decisive contribution to the company's long-term success and are therefore also given a share in SMA's financial success.

Niestetal, May 4, 2020

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT SMA GROUP

in €'000	Jan – Mar (Q1) 2020	Jan – Mar (Q1) 2019
Sales	287,922	167,819
Cost of sales	239,849	135,782
Gross profit	48,073	32,037
Selling expenses	21,406	17,363
Research and development expenses	13,250	13,336
General administrative expenses	11,672	12,657
Other operating income	8,448	12,355
Other operating expenses	8,571	11,774
Operating profit (EBIT)	1,622	-10,738
Financial income	145	918
Financial expenses	687	320
Financial result	-542	598
Profit before income taxes	1,080	-10,140
Income taxes	1,393	436
Net income	-313	-10,576
of which attributable to shareholders of SMA AG	-313	-10,576
Earnings per share, basic/diluted (in €)	-0.01	-0.30
Number of ordinary shares (in thousands)	34,700	34,700

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

in €'000	Jan – Mar (Q1) 2020	Jan – Mar (Q1) 2019
Net income	-313	-10,576
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	-1,229	1,263
Changes recognized outside profit or loss (currency translation differences)	-1,229	1,263
Overall comprehensive result ¹	-1,542	-9,313
of which attributable to shareholders of SMA AG	-1,542	-9,313

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

BALANCE SHEET SMA GROUP

in €'000	2020/03/31	2019/12/31
ASSETS		
Intangible assets	37,199	37,227
Fixed assets	212,322	208,172
Investment property	14,091	14,274
Other financial investments	3	3
Investments in associates	8	8
Deferred taxes	41,185	39,091
Non-current assets	304,808	298,775
Inventories	279,016	279,883
Trade receivables	119,709	145,530
Other financial assets (total)	104,065	112,292
Cash equivalents with a duration of more than 3 months and asset management		72,059
Rent deposits and cash on hand pledged as collaterals		30,995
Remaining other financial assets		9,239
Receivables from tax authorities (total)	45,224	45,568
Claims for income tax refunds		23,567
Claims for VAT refunds		22,001
Other receivables	13,920	9,977
Cash and cash equivalents	164,730	214,793
	726,664	808,043
Assets classified as held for sale	0	500
Current assets	726,664	808,543
Total assets	1,031,472	1,107,318

in €'000	2020/03/31	2019/12/31
LIABILITIES		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	261,451	262,993
SMA Solar Technology AG shareholders' equity	415,351	416,893
Provisions ¹	78,306	75,287
Financial liabilities ²	29,811	23,462
Other liabilities ¹ (total)	160,967	160,557
Contract liabilities	158,616	157,468
Remaining other liabilities	2,351	3,089
Deferred taxes	8	9
Non-current liabilities	269,092	259,315
Provisions ¹	78,546	77,946
Financial liabilities ²	10,740	11,051
Trade payables	159,820	174,742
Income tax liabilities	4,972	3,135
Other liabilities ¹ (total)	92,951	164,236
Human Resources department	15,796	14,121
Contract liabilities (prepayments received)	24,873	91,143
Contract liabilities (other)	44,299	49,403
Other financial liabilities (current)	592	1,241
Remaining other liabilities (current)	7,391	8,328
Current liabilities	347,029	431,110
Total equity and liabilities	1,031,472	1,107,318
Total cash (in € million)		
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	257	318
Net cash (in € million)		
Total cash – financial liabilities due to credit institutions (current and non-current)	243	303

¹ Not-interest-bearing

² Includes not-interest-bearing current and non-current derivatives amounting to €0.3 million (2019: €0.3 million)

STATEMENT OF CASH FLOWS SMA GROUP

in €'000	Jan – Mar (Q1) 2020	Jan – Mar (Q1) 2019
Net income	-313	-10,576
Income taxes	1,393	436
Financial result	542	-598
Depreciation and amortization of fixed assets and intangible assets	10,747	11,335
Change in provisions	3,619	-1,389
Result from the disposal of assets	92	953
Change in non-cash expenses/revenue	1,368	1,296
Interest received	50	0
Interest paid	-355	-251
Income tax paid	-1,423	-112
Gross cash flow	15,720	1,094
Change in inventories	-349	-19,275
Change in trade receivables	25,710	2,207
Change in trade payables	-14,922	11,778
Change in other net assets/other non-cash transaction	-76,634	-6,391
Net cash flow from operating activities	-50,475	-10,587
Payments for investments in fixed assets	-4,587	-2,836
Proceeds from the disposal of fixed assets	10	44
Payments for investments in intangible assets	-2,562	-3,491
Proceeds from the disposal of available for sale assets net of cash	500	0
Proceeds from the disposal of securities and other financial assets	45,081	6,500
Payments for the acquisition of securities and other financial assets	-36,081	0
Net cash flow from investing activities	2,361	217
Redemption of financial liabilities	-1,039	-707
Payments for lease liabilities	-958	-1,861
Net cash flow from financing activities	-1,997	-2,568
Net increase/decrease in cash and cash equivalents	-50,111	-12,938
Changes due to exchange rate effects	48	-2,656
Cash and cash equivalents as of January 1	214,793	142,637
Cash and cash equivalents as of March 31	164,730	127,043

STATEMENT OF CHANGES IN EQUITY SMA GROUP

in €'000	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2019	34,700	119,200	4,277	266,304	424,481
Consolidated net result				-10,576	-10,576
Other comprehensive income after tax			1,263	0	1,263
Overall result					-9,313
Dividend payments of SMA Solar Technology AG				-3,984	-3,984
Shareholders' equity as of March 31, 2019	34,700	119,200	5,540	251,744	411,184
Shareholders' equity as of January 1, 2020	34,700	119,200	5,315	257,678	416,893
Consolidated net result				-313	-313
Other comprehensive income after tax			-1,229	0	-1,229
Overall result					-1,542
Shareholders' equity as of March 31, 2020	34,700	119,200	4,086	257,365	415,351

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

in € million	Product sales		Services sales		Total sales	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Segments						
Home Solutions	69.0	43.2	2.3	2.2	71.3	45.4
Business Solutions	78.2	63.6	0.4	1.3	78.6	64.9
Large Scale & Project Solutions	126.3	46.9	11.7	10.6	138.0	57.5
Total segments	273.5	153.7	14.4	14.1	287.9	167.8
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	273.5	153.7	14.4	14.1	287.9	167.8

in € million	Depreciation and amortization		Operating profit (EBIT)	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Segments				
Home Solutions	0.7	0.9	5.2	-5.2
Business Solutions	1.0	0.8	0.8	-0.2
Large Scale & Project Solutions	1.3	0.9	-4.1	-5.6
Total segments	3.0	2.6	1.9	-11.0
Reconciliation	7.7	8.7	-0.3	0.3
Continuing operations	10.7	11.3	1.6	-10.7

Sales by regions (target market of the product)

in € million	Q1 2020	Q1 2019
EMEA	125.1	94.2
Americas	126.4	22.1
APAC	44.2	53.8
Sales deductions	-7.8	-2.3
External sales	287.9	167.8
thereof Germany	59.7	46.8

Reconciliation of the segment figures to the correlating figures in the Financial Statements is as follows:

in € million	Q1 2020	Q1 2019
Total segment earnings (EBIT)	1.9	-11.0
Elimination	-0.3	0.3
Consolidated EBIT	1.6	-10.7
Financial result	-0.5	0.6
Earnings before income taxes	1.1	-10.1

Circumstances are shown in the reconciliation, which by definition are not part of the segments. In particular, this comprises unallocated parts of group head offices, including centrally managed cash and cash equivalents, financial instruments, financial liabilities and buildings, the expenses of which are allocated to the segments. Business relationships between the segments are eliminated in the reconciliation.

With regard to the economic and market impacts associated with the coronavirus, SMA examined whether there could currently be an impact on assets that should be taken into account. In particular, trade receivables, intangible assets and property, plant and equipment were considered. As of the reporting date, we do not see any current or future negative developments in the business and market environment of SMA that would result in the devaluation of assets. This review is ongoing due to the rapidly changing situation and could lead to adjustments if the risk assessment changes.

FINANCIAL CALENDAR

2020/06/04	Annual General Meeting 2020
2020/08/13	Publication of Half-Yearly Financial Report: January to June 2020 Analyst Conference Call: 09:00 a.m. (CET)
2020/11/12	Publication of Quarterly Statement: January to September 2020 Analyst Conference Call: 09:00 a.m. (CET)

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