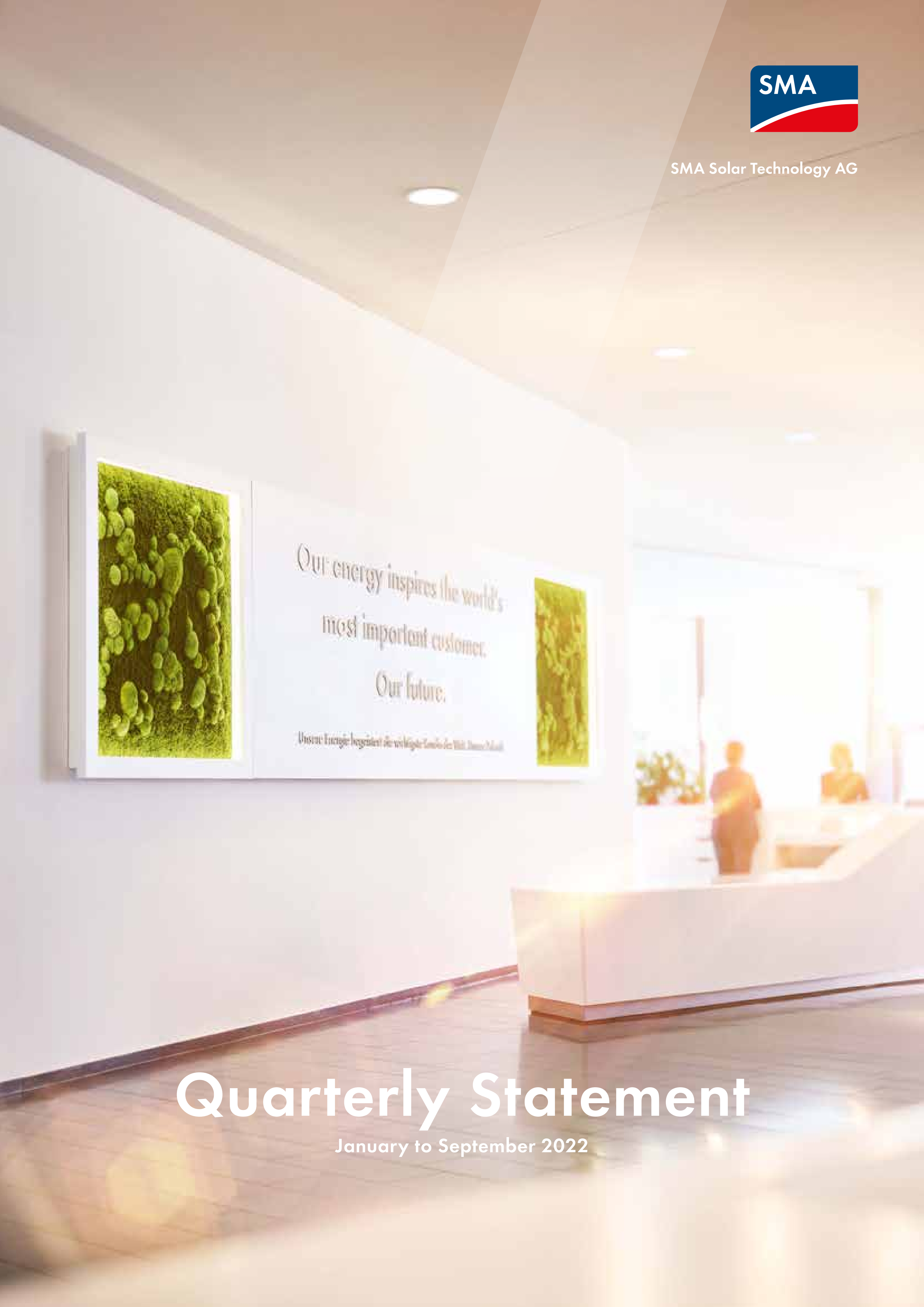

SMA Solar Technology AG

Quarterly Statement

January to September 2022

SMA Solar Technology AG at a glance

SMA group		Q1 – Q3 2022	Q1 – Q3 2021	Change	Full Year 2021
Sales	€ million	724.1	744.9	–2.8%	983.7
Export ratio	%	70.4	73.9		74.9
Inverter output sold	MW	8,730	10,279	–15.1%	13,584
Capital expenditure [1]	€ million	44.3	36.0	23.1%	56.4
Depreciation	€ million	28.4	31.8	–10.7%	41.7
EBITDA	€ million	50.2	52.9	–5.1%	8.7
EBITDA margin	%	6.9	7.1		0.9
Net income	€ million	11.0	15.3	–28.1%	–23.0
Earnings per share [2]	€	0.32	0.44		–0.66
Employees [3]		3,574	3,494	2.3%	3,510
in Germany		2,554	2,455	4.0%	2,474
abroad		1,020	1,039	–1.8%	1,036

SMA group		2022/09/30	2021/12/31	Change
Total assets	€ million	1,106.0	1,052.5	5.1%
Equity	€ million	423.0	410.4	3.1%
Equity ratio	%	38.2	39.0	
Net working capital [4]	€ million	264.7	257.5	2.8%
Net working capital ratio [5]	%	27.5	26.2	
Net cash [6]	€ million	223.9	221.7	1.0%

1 Investments including additions of rights of use in accordance with IFRS 16
2 Converted to 34,700,000 shares
3 Reporting date; including trainees and learners; excluding 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

CONTENTS

ECONOMIC REPORT

Results of operations

Sales and earnings

SALES DOWN SLIGHTLY ON PREVIOUS YEAR DUE TO PROJECT DELAYS

From January to September 2022, the SMA group sold PV inverters with accumulated power of 8,730 MW (Q1–Q3 2021: 10,279 MW). The SMA group's sales decreased by 2.8% to €724.1 million (Q1–Q3 2021: €744.9 million). The slight year-on-year decline in sales was mainly due to project delays in the Large Scale & Project Solutions segment. By contrast, sales in the Home Solutions and Commercial & Industrial Solutions segments increased in the period from January to September 2022, despite the challenges posed by the shortage of components.

The SMA group is well positioned internationally and generates sales in all relevant regions. In the reporting period, the company generated 60.8% of external sales in European countries, the Middle East and Africa (EMEA), 25.6% in the North and South American (Americas) region and 13.6% in the Asia-Pacific (APAC) region (Q1–Q3 2021: 50.4% EMEA, 33.6% Americas, 16.0% APAC).

The Large Scale & Project Solutions segment made the largest contribution to sales in the reporting period, accounting for 41.9% (Q1–Q3 2021: 47.7%). The Home Solutions segment generated 31.7% of the SMA group's sales, while the Commercial & Industrial Solutions segment generated 26.4% (Q1–Q3 2021: 28.6% Home Solutions, 23.7% Commercial & Industrial Solutions).

As of September 30, 2022, the SMA group had a particularly large order backlog of €1,712.8 million (September 30, 2021: €922.3 million). Of this amount, €1,288.9 million is attributable to product business (September 30, 2021: €430.3 million). This means that the product-related order backlog has more than tripled compared with December 31, 2021 (€408.8 million). This can be attributed primarily to the particularly good level of incoming orders in the Home Solutions and Commercial & Industrial Solutions segments. In total, €423.9 million of the order backlog is attributable to Service business (September 30, 2021: €492.0 million).[1] 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) decreased by 5.1% year on year to €50.2 million (EBITDA margin: 6.9%; Q1–Q3 2021: €52.9 million; 7.1%). Earnings before interest and taxes (EBIT) came to €21.8 million (Q1–Q3 2021: €21.1 million). This equates to an EBIT margin of 3.0% (Q1–Q3 2021: 2.8%). Net income amounted to €11.0 million (Q1–Q3 2021: €15.3 million). Earnings per share thus amounted to €0.32 (Q1–Q3 2021: €0.44).

Sales and earnings per segment

HOME SOLUTIONS SEGMENT CONTINUES TO ENJOY SALES GROWTH AND GOOD PROFITABILITY

In the Home Solutions segment, the SMA group caters to global markets for small PV systems with and without storage systems and connections to a smart home solution. The SMA Energy System Home is an end-to-end, single-source system package featuring all the hardware, software and service components required for an independent household electricity supply. It comprises single- and three-phase string inverters with power of up to 12 kW, integrated services, storage systems and charging solutions for electric vehicles. Communication products and accessories, services, such as extended warranties, spare parts, modernization of PV systems (Repowering) to enhance performance and digital energy services complete the offering.

External sales in the Home Solutions segment increased by 7.5% to €229.3 million in the first nine months of 2022 (Q1–Q3 2021: €213.4 million). Its share of the SMA group's total sales was 31.7% (Q1–Q3 2021: 28.6%). The EMEA region accounted for 85.0% (Q1–Q3 2021: 81.9%) of gross sales, the Americas region for 9.4% (Q1–Q3 2021: 10.5%) and the APAC region for 5.6% (Q1–Q3 2021: 7.6%).

[1] This already includes an amount of €44 million from the cancellation of the order backlog in the course of processing the onerous contract for operation and maintenance services. Further cancellations in the double-digit million range are expected to be made by the end of the year.

Despite the increase in sales, EBIT in the Home Solutions segment declined to €35.4 million (Q1–Q3 2021: €38.5 million). One reason for this is the increased administrative expenses from the implementation of a reorganization project as part of the strategic alignment. As in the previous year, segment earnings include a positive effect in a low single-digit million amount from the recognition of updated quality parameters as part of the remeasurement of warranty provisions for products already sold carried out at the time of the half-year financial statements. In relation to external sales, the EBIT margin was 15.4% (Q1–Q3 2021: 18.0%).

COMMERCIAL & INDUSTRIAL SOLUTIONS SEGMENT INCREASES SALES

In the Commercial & Industrial Solutions segment, the focus is on global markets for medium-sized PV systems with and without energy management, battery storage and electric vehicle charging solutions. SMA Energy System Business, featuring matched hardware, software, tools and services, gives small and medium-sized commercial enterprises and the housing sector the option of producing, storing and selling solar power themselves. The application shows the companies' energy flows in a transparent way and thus contributes to cost savings. It comprises three-phase inverters, storage solutions and holistic energy management solutions for smaller and medium-sized PV systems. Solutions for charging management and billing of electric vehicle fleets complete the offering. In addition, the SMA group 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 Commercial & Industrial Solutions segment increased by 8.5% to €191.3 million in the first nine months of 2022 (Q1–Q3 2021: €176.3 million) thanks to the slowly easing supply situation for electronic components. The segment's share of the SMA group's total sales was 26.4% (Q1–Q3 2021: 23.7%). 79.6% of gross sales were attributable to the EMEA region, 10.8% to the Americas region and 9.6% to the APAC region (Q1–Q3 2021: 71.8% EMEA, 15.2% Americas, 13.0% APAC).

In the first nine months of the fiscal year, the Commercial & Industrial Solutions segment's EBIT amounted to –€16.5 million (Q1–Q3 2021: –€16.0 million). In relation to external sales, the EBIT margin was –8.6% (Q1–Q3 2021: –9.1%). The increase in the cost of materials and the underutilization of production capacity, particularly in the first half of the year as a result of bottlenecks in the supply of materials, also had a negative impact.

LARGE SCALE & PROJECT SOLUTIONS SEGMENT AFFECTED BY PROJECT DELAYS

The Large Scale & Project Solutions segment focuses on complete solutions on international PV power plant markets that perform grid service and monitoring functions on the basis of central inverters and system controllers. The outputs of string and central inverters in this segment range from 100 kW to the megawatts. Another focus is on storage solutions for large-scale PV and storage power plants and on solutions for the hydrogen production. The portfolio is supplemented by services, for example, for the modernization and functional enhancement of PV power plants (Repowering), and operation and maintenance services (O&M business). In addition, the SMA group implements PV diesel hybrid and large-scale storage projects in this segment worldwide.

Following the positive performance in the previous year, external sales in the Large Scale & Project Solutions segment dropped by 14.6% to €303.5 million in the first nine months of 2022 (Q1–Q3 2021: €355.2 million). The decline in sales is mainly attributable to project delays. Its share of the SMA group's total sales was 41.9% (Q1–Q3 2021: 47.7%). The Large Scale & Project Solutions segment thus accounted for the largest share of the SMA group's total sales. The Americas region accounted for 48.6% (Q1–Q3 2021: 57.8%) of the segment's gross sales, the APAC region for 22.8% (Q1–Q3 2021: 22.9%) and the EMEA region for 28.6% (Q1–Q3 2021: 19.3%).

In the first nine months of 2022, the Large Scale & Project Solutions segment's EBIT amounted to –€15.3 million (Q1–Q3 2021: –€4.7 million). The decline in sales and the resulting underutilization of production capacity in particular had a noticeable impact here. Segment earnings include a positive effect in a low single-digit million amount from the remeasurement of general warranty provisions for products already sold carried out at the time of the half-year financial statements. In relation to external sales, the EBIT margin was –5.0% from January to September 2022 (Q1–Q3 2021: –1.3%).

Development of significant income statement items

GROSS MARGIN ON A PAR WITH THE PREVIOUS YEAR

The cost of sales amounted to €569.7 million in the reporting period (Q1–Q3 2021: €585.4 million). The gross margin was therefore almost unchanged at 21.3% (Q1–Q3 2021: 21.4%).

Personnel expenses included in cost of sales increased by 3.2% to €92.3 million in the reporting period (Q1–Q3 2021: €89.4 million) due to workforce expansion as part of the strategic alignment and pay increases. Material costs including changes in inventories came to €437.5 million (Q1–Q3 2021: €449.8 million).

From January to September 2022, depreciation and amortization included in the cost of sales amounted to €24.1 million (Q1–Q3 2021: €27.4 million). This comprises scheduled depreciation on capitalized development costs of €5.1 million (Q1–Q3 2021: €7.2 million). Other costs fell to €15.8 million (Q1–Q3 2021: €18.8 million), primarily as a result of lower sales in the Large Scale & Project Solutions segment and the associated decrease in logistics costs.

Selling expenses rose to €71.9 million (Q1–Q3 2021: €63.4 million). This is attributable, on the one hand, to the implementation of a reorganization program as part of the strategic alignment and, on the other hand, to the resumption of trade fair activities after the acute phase of the coronavirus pandemic had passed. The cost of sales ratio was thus 9.9% in the reporting period (Q1–Q3 2021: 8.5%).

Research and development expenses, excluding capitalized development projects, came to €33.9 million in the first nine months of 2022 (Q1–Q3 2021: €40.5 million). The research and development cost ratio thus amounted to 4.7% (Q1–Q3 2021: 5.4%). Total research and development expenses, including capitalized development projects, amounted to €61.6 million (Q1–Q3 2021: €58.0 million). Development projects were capitalized in the amount of €27.7 million (Q1–Q3 2021: €17.5 million). The increase in capitalizations can be attributed to several projects that are at an advanced stage of development.

General administrative expenses rose to €44.5 million from January to September 2022 (Q1–Q3 2021: €39.1 million), mainly as a result of higher personnel costs relating to new hires and the implementation of a reorganization project as part of the strategic alignment. The ratio of administrative expenses amounted to 6.1% (Q1–Q3 2021: 5.2%).

The balance of other operating income and expenses resulted in a positive effect on earnings of €17.7 million in the reporting period (Q1–Q3 2021: €4.6 million). This includes effects from foreign currency valuation and foreign currency hedging. This also comprises expenses and revenue from the rental of own buildings, income for assets measured at fair value through profit or loss, as well as expenses from the recognition and income from the reversal of specific valuation allowances on receivables. In the reporting period, SMA Solar Technology AG sold two administrative buildings, including land and associated PV systems, to an investor. These had already been leased to third parties since 2016. After deduction of all costs, the proceeds from the sale amounted to €23.2 million.

Financial position

Gross cash flow positive again

Gross cash flow reflects operating income prior to commitment of funds. From January to September 2022, it amounted to €20.5 million (Q1–Q3 2021: €47.5 million).

In the first nine months of the reporting year, net cash flow from operating activities declined to €10.3 million (Q1–Q3 2021: €22.3 million).

The SMA group is continuing to pursue an intensified stockpiling strategy in view of the ongoing shortage of materials. Against this backdrop, inventories of €321.8 million were significantly higher than at the end of the previous year (December 31, 2021: €273.0 million). Combined with the increase in trade payables, an increase in trade receivables relevant for the statement of cash flows, and a rise in liabilities from advance payments received, this results in net working capital of €264.7 million (December 31, 2021: €257.5 million). Net working capital thus corresponded to 27.5% of sales in the past twelve months (December 31, 2021: 26.2%) and was within the range of 26% to 28% forecasted by management at the end of the year.

In the reporting period, net cash flow from investing activities amounted to €57.0 million after –€8.8 million in the previous year. It includes cash inflows from the sale of buildings previously leased. The balance of cash inflows and outflows from financial investments was €61.7 million (Q1–Q3 2021: €20.9 million). The outflows of funds for investments in fixed assets and intangible assets amounted to €42.3 million in the reporting period (Q1–Q3 2021: €29.1 million). With €27.7 million (Q1–Q3 2021: €17.5 million), a large part of the investments was attributable to capitalized development projects.

As of September 30, 2022, cash and cash equivalents totaling €163.2 million (December 31, 2021: €114.0 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 €223.9 million (December 31, 2021: €221.7 million). Total cash also came to €223.9 million (December 31, 2021: €230.0 million).

Investment analysis

From January to September 2022, investments in fixed assets and intangible assets that affected the statement of cash flows amounted to €42.3 million (Q1–Q3 2021: €29.1 million). This equates to an investment ratio in relation to sales of 5.8% compared with 3.9% in the first nine months of the previous year. Including additions of rights of use under leases, investments amounted to €44.3 million (Q1–Q3 2021: €36.0 million).

In total, €14.2 million was invested in fixed assets (Q1–Q3 2021: €9.7 million), primarily for technical equipment and machinery. The investment ratio for fixed assets was 2.0% in the first nine months of the 2022 fiscal year (Q1–Q3 2021: 1.3%). Additions of rights of use under leases amounted to €2.0 million (Q1–Q3 2021: €6.9 million). Depreciation of fixed assets, including depreciation of rights of use under leases, amounted to €21.5 million (Q1–Q3 2021: €22.6 million).

Investments in intangible assets amounted to €28.1 million (Q1–Q3 2021: €19.4 million). These largely related to capitalized development projects. Amortization of intangible assets came to €7.0 million compared to €9.2 million year on year.

Net assets

Stable equity capital base

Total assets went up by 5.1% to €1,106.0 million as of September 30, 2022 (December 31, 2021: €1,052.5 million). At €348.9 million, non-current assets were above the level observed at the end of 2021 (December 31, 2021: €333.2 million). The increase in non-current assets is attributable to the increase in capitalized development costs. In the third quarter of 2022, the SMA group concluded the sale of buildings at the Kassel site that had previously been leased and recognized under assets held for sale.

Net working capital went up to €264.7 million (December 31, 2021: €257.5 million). This put the net working capital ratio in relation to sales over the past twelve months at 27.5%. Due to the level of sales in the third quarter, trade receivables increased by 4.8% compared to December 31, 2021, to €149.6 million (December 31, 2021: €142.7 million). Days sales outstanding came to 55.4 days and were higher than at the end of the previous year (December 31, 2021: 49.1 days). Inventories remained at a high level of €321.8 million in order to support delivery capacity (December 31, 2021: €273.0 million). As a result, trade payables of €158.6 million were higher than at the end of 2021 (December 31, 2021: €134.0 million). The share of trade credit in total assets of 14.3% was higher than at the end of the previous year (December 31, 2021: 12.7%). At 60.1 days, days payable outstanding was higher than the comparative figure at the end of 2021 (49.7 days).

The group's equity capital base increased to €423.0 million (December 31, 2021: €410.4 million). With an equity ratio of 38.2%, SMA has a stable equity capital base and continues to have a solid balance sheet structure.

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

Outlook still gloomy

The economic outlook for 2022 and 2023 deteriorated further in the third quarter of 2022. Russia's war against Ukraine, the energy crisis, high inflation and coronavirus-related lockdowns in China continue to weigh heavily on the global economy. Above all, inflation resulting from high energy and food prices is increasingly becoming a problem for companies and consumers alike. In its World Economic Outlook for October 2022, the International Monetary Fund (IMF) envisages continuing high risks for future development, for example, in light of central banks' monetary policy to curb inflation. If the monetary policy decisions of the largest national economies were to diverge further, this would lead to further appreciation of the US dollar and additional tensions. Further increases in energy and food prices would lead to a longer period of inflation. Ongoing gas shortages could jeopardize production in Europe and a resurgence of the pandemic could slow growth even further overall. A global tightening of financing conditions would also lead to a debt crisis in newly industrialized countries.

Under these circumstances, the IMF projects that global growth is likely to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. This forecast is the weakest in around 20 years, with the exception of forecasts during the acute phase of the pandemic and the 2008/2009 financial crisis.

According to the IMF, the gross domestic product (GDP) in the eurozone will grow by 3.1% this year and by just 0.5% next year. The latter is a significant downgrade compared with the July forecast of 1.2%. The IMF is anticipating a recession in Germany and Italy. Germany's economy is projected to grow by 1.5% in the current year, but shrink by 0.3% in 2023. This means that the IMF has downgraded its April forecast for the coming year by a full three percentage points.

The experts estimate that the economy of the U.S. will grow by 1.6% this year and by 1.0% in 2023.

The IMF experts also expect global inflation to rise from 4.7% in 2021 to 8.8% in 2022, but then fall to 6.5% in 2023 and to 4.1% in 2024.

However, the IMF points out that these forecasts are highly uncertain, as the future development of the global economy crucially depends on the direction of monetary policy, the course of the war in Ukraine and possible further pandemic-related disruptions, such as in China.

Future general economic conditions in the photovoltaics sector

Solar energy becomes the most important source of energy[1]

The global climate crisis is now one of the most central issues in the public, politics and economics. The global Fridays for Future movement and, more notably, unusual weather phenomena, such as severe storms, heat waves, droughts and flooding in various regions of the world, not to mention the unprecedented bushfires in South Europe, Australia and the U.S. in the past two years, have helped raise the profile of this issue.

[1] Source: McKinsey "Global Energy Perspective 2022"

The increased expansion of renewable energies is widely seen as a key means of combating the further progression of the climate crisis. The Russian government's war of aggression on Ukraine has led to more pressure on policymakers to act to create a supply system independent of fossil fuels. United Nations Secretary-General António Guterres told at a meeting held in September 2022 that renewable energy was "the only credible path" to real energy security, stable electricity prices and sustainable employment opportunities.

Politicians are taking account of this with action plans, such as the "European Green Deal" and "REPowerEU," to build a sustainable and climate-friendly energy supply in the European Union, and by appointing top-class teams of experts to tackle climate change, like the U.S. government is doing. These attitudes will further expedite expansion of renewable energies over the coming years and decades.

In its "Global Energy Perspective 2022" report, consulting firm McKinsey forecasts that renewable energy sources will account for around 50% of global power generation by 2030 and between 80% and 90% by 2050. According to the experts, solar energy will make the largest contribution with 43%.

In this context, the electrification of other sectors, such as mobility and heat, and the production of green hydrogen will additionally drive electricity demand as further important elements in achieving climate protection targets. McKinsey forecasts that global electricity demand will triple by 2050, and in its "Energy Transition Outlook 2021," consulting company DNV predicts that electricity's share of global total energy demand will double from 19% to 38% within the next 30 years. By 2050, solar and wind energy will account for 69% of grid-connected electricity power, according to the experts at McKinsey and DNV. Connectivity, storage and demand response would be critical factors in a decarbonized power system.

According to Bloomberg New Energy Finance's "New Energy Outlook 2021," the years leading up to 2030 are critical to realizing the goal of global carbon neutrality by 2050. To decarbonize the electricity sector, up to 455 GW of new photovoltaic capacity and up to 245 GWh of battery storage capacity would additionally need to be installed annually on average by 2030. This would correspond to a tripling of the PV capacities installed in 2020 and a 26-fold growth of the storage market.

Along with climate change targets, further decreases in costs are also contributing to the anticipated rapid growth of solar and wind energy. According to the Potsdam Institute for Climate Impact Research (PIK), the cost of solar power generation has fallen by 85% over the past ten years alone and further cost reductions can be expected in the future thanks to rapid technological progress. The experts at Bloomberg New Energy Finance classify newly installed wind or PV power plants to be already the most cost-effective form of electricity generation in almost all major markets. These markets cover two-thirds of the world's population, about 77% of global GDP and 91% of total power generation. Moreover, in a growing number of countries, including China, India and a large part of Europe, it is now more cost-effective to build new renewable energy capacity than to operate existing coal- and gas-fired power plants.

In addition to the ever-decreasing consumer cost of electricity from PV systems and decentralized generation in the vicinity of residential, commercial and industrial consumers, the combination with storage systems makes photovoltaics particularly attractive. DNV's experts see photovol-taics combined with battery-storage systems as a separate power plant category that can supply electricity reliably and on demand, just like conventional power plants. According to their projections, combined PV and storage power plants will account for 12% of grid-connected global electricity generation in 2050.

In the energy system of the future, modern communication technologies with services for cross-sector energy management will further harmonize energy production and demand. In its "World Energy Outlook 2021," the IEA describes the energy system of the future as "more electrified, efficient, connected and clean." Its emergence is the result of policy measures and technological innovation, and the momentum is supported by low costs. Clean energy technology is becoming an important new area for investment and employment – and a dynamic field for international collaboration and competition.

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 fields of photovoltaics and storage technologies as well as in the markets for e-mobility, digital energy services and green hydrogen production, which experts are predicting will experience exponential growth in the future.

Global new PV installations increase to over 170 GW

The SMA Managing Board anticipates growth in newly installed PV power worldwide to approximately 176 GW to 184 GW in 2022 (2021: 161 GW). The growth is expected to be driven by almost all regions. The Managing Board estimates that global investments in system technology for traditional photovoltaic applications will increase by around 16%. Investments in system technology for storage applications (excluding investments in batteries) will rise by approximately €300 million to €350 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 around €8.5 billion to €9.3 billion in 2022 (2021: €7.4 billion). Whether the expected market development can actually be implemented that way is heavily dependent on the further development of supply bottlenecks of electronic components as well as additional challenges in global supply chains in connection with the coronavirus pandemic.

Considerable increase in demand in the EMEA region

The SMA Managing Board anticipates a significant increase in newly installed PV power to around 45 GW to 47 GW in the Europe, Middle East and Africa (EMEA) region in 2022 (2021: 38 GW). In addition to growth in the countries in the Middle East and Africa, this is also due to the positive development in Germany and Italy as well as in East European markets. According to SMA estimates, investments in PV and storage system technology will grow to approximately €2.8 billion to €3.0 billion (2021: €2.2 billion). Battery-storage systems are gaining 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 more and more 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.

Slight decline in new installations in Americas

For the Americas region, the SMA Managing Board currently anticipates a slight decrease in newly installed PV power to approximately 31 GW to 33 GW (2021: 35 GW). Roughly between 18 GW and 20 GW of this amount is attributable to the North American markets. The U.S. market in particular is currently facing a challenging environ-ment. Despite the temporary easing of the situation regarding import duties on PV modules from certain Asian countries, there is still a persistent shortage of modules, which affects prices and delays the installation of large-scale PV power plants. In addition, there are high inflation and thus rising capital costs. At the same time, the Inflation Reduction Act (IRA) passed by the U.S. Congress in August 2022 and the extension of the Investment Tax Credit (ITC) for PV systems as well as the decarbonization goals of politics and business are providing positive impetus. Inverter technology investments are expected to amount to around €2.6 billion to €2.8 billion in the Americas region (2021: €2.3 billion).

New installations in APAC up slightly

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 increase to 63 GW to 65 GW in 2022 (2021: 55 GW). Investments in inverter technology are expected to rise to approximately €1.5 billion to €1.7 billion (2021: €1.4 billion). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to grow to around 37 GW to 39 GW in 2022 (2021: 33 GW). This growth is in particular attributable to the positive development in India. The SMA Managing Board expects slightly increasing investments of approximately €1.6 billion to €1.8 billion in inverter technology for the region as a whole (2021: €1.5 billion).

Growth markets: Storage technology, digital energy services and operational management

The trend to decentralize power supplies is progressing. 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 an essential pillar of these new energy supply structures. Integration of a prospectively large number 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 and commercial 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 continue 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, electric utility 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 still fairly new storage market to grow to approximately €1.1 billion to €1.3 billion in 2022 (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 €1.5 billion in 2022. The market will record strong growth in the medium and long term.

Technical management of commercial PV systems and large-scale PV power plants is another growth segment. This includes a range of services, such as repairs and device replacements as well as visual inspections and maintenance of entire systems. The market in these segments had an accumulated installed capacity of over 770 GW at the end of 2021 and will have an expected capacity of more than 905 GW by the end of 2022. The SMA Managing Board estimates the addressable market share, which is not yet or no longer under contract, at more than 170 GW for 2022, which corresponds to a potential of approximately €1.0 billion. The 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 good fourth quarter

On October 27, 2022, the Managing Board of SMA Solar Technology AG revised the sales and earnings guidance for the current fiscal year published on March 1, 2022. The new guidance projects earnings before interest, taxes, depreciation and amortization (EBITDA) of between €60 million and €75 million (EBITDA margin: 6.2% to 7.1%; previously: €10 million to €60 million, 1.0% to 5.7%; ACTUAL 2021: €8.7 million, 0.9%). The reasons for raising the guidance include the continuing high level of incoming orders and a gradually improving supply of electronic components, which is expected to result in a business performance that exceeds previous expectations in the fourth quarter. In addition, a one-time item in a low double-digit million amount from a property sale had a positive effect on the SMA group's result in the third quarter. The Managing Board expects earnings before interest and taxes (EBIT) to range between €22 million and €37 million (EBIT margin: 2.3% to 3.5%; previously: –€30 million to €20 million, –3.3% to 1.9%; ACTUAL 2021: –€33 million, –3.4%). According to the new Managing Board guidance, net cash is expected to amount to approximately €190 million at the end of the year (previously: approximately €175 million; ACTUAL December 31, 2021: €221.7 million). The Managing Board narrowed down the sales expectation for the current fiscal year to between €975 million and €1,050 million (previously: €900 million to €1,050 million; ACTUAL 2021: €983.7 million).

According to the new Managing Board guidance, capital expenditure (including capitalized development costs and lease investments) will amount to approximately €70 million in 2022 (previously: approximately €60 million; ACTUAL 2021: €56.4 million). The SMA group is investing in the future to benefit from the significant potential arising from the megatrends of decentralization, decarbonization and digitalization of the energy supply worldwide, and is developing highly integrated and digitalized solutions for the resulting requirements. In the current 2022 fiscal year, the company is therefore making particular investments in new products, land and buildings, technical equipment and machinery, and the capitalization of research and development costs.

As a result of an intensified stockpiling strategy due to the continuing shortage of components, net working capital at the end of the year will be between 26% and 28% of sales, higher than at the end of the previous year.

For details regarding risks, please refer to the Risks and Opportunities Report in the SMA Annual Report 2021.

SMA group guidance for 2022 at a glance

Key figure	Guidance 2022	Actual 2021
Sales in € million	975 to 1,050	983.7
Inverter output sold in GW	12 to 13	13.6
EBITDA in € million	60 to 75	8.7
Capital expenditure in € million	approx. 70	56.4
Net working capital in % of sales	26 to 28	26.2
Net cash in € million	approx. 190	221.7
EBIT in € million	22 to 37	−33

The SMA group's sales and earnings depend on global market growth, market share, price dynamics and the supply of electronic components. Our global presence and our comprehensive portfolio of products and solutions for all segments (Home Solutions, Commercial & Industrial 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 and storage markets. Its broad product and solution portfolio in all market segments is a major distinguishing feature for the SMA group. The Managing Board of SMA Solar Technology AG forecasts the following performance for individual SMA segments in the 2022 fiscal year:

Segment guidance for 2022 at a glance

Segment	Sales	EBIT
Home Solutions	Up significantly	Up slightly
Commercial & Industrial Solutions	Up significantly	Up slightly
Large Scale & Project Solutions	Down slightly	Up significantly [1]

[1] The previous year's earnings in the Large Scale & Project Solutions segment had been negatively impacted by a one-time item in the mid-double-digit million euro range. Therefore, the Managing Board is expecting a significant increase in earnings in this segment.

Strategic areas of action strengthen long-term competitiveness

After overcoming the shortage of components, the Managing Board sees excellent growth prospects for the SMA group. Significant impetus will be generated by the anticipated growth of the global PV market and of major future fields, such as storage systems, e-mobility, digital energy services and green hydrogen. With its Strategy 2025, its global presence with experts in 20 countries on six continents and its products and solutions, the SMA group is well positioned to benefit from the positive developments and consolidate its market position. The ongoing development of the portfolio into a system landscape for decentralized energy supply is progressing steadily.

The goal of the SMA Strategy 2025 is to develop the SMA group into an innovative and sustainable "energy transition company" that offers appropriate solutions for all essential areas of future energy supply. We are leveraging our systems expertise to develop complete, future-proof solutions of significant customer benefit in close collaboration with our strong partners and to tap into new business areas.

In 2021, we successfully started implementing our Strategy 2025. Strategic areas of action were developed that will strengthen the competitiveness of the SMA group in the long term. They will be pressed ahead by corresponding business initiatives and address key trends and growth segments with high future potential. These include PV and storage solutions, energy market integration, e-mobility and future business fields. They bundle the business initiatives that are essential for achieving the strategic objectives and are implemented with a clear segment focus. The extent to which our objectives have been achieved and the progress within the areas of action are made transparent in quarterly strategy reviews. Management derives appropriate courses of action from the results.

The SMA group will benefit from the increased change in energy supply

The expansion of renewable energies and storage systems and the electrification of other sectors, such as mobility, heating and air conditioning, will be further accelerated by the increased fight against climate change and the striving for an energy supply that is largely independent from imports of raw materials and rising prices. At the same time, the global PV market consolidation will progress. This is releasing market shares and is also expected to further slow down the price pressure in the field of PV inverters over the coming years.

The SMA group is well positioned to benefit from these trends in all market segments and regions. With our products and solutions, we actively contribute to combating the global climate crisis. In addition, we have an international sales and service organization and decades of experience and technological expertise in all PV and storage applica-tions as well as key future fields for energy supply. Our total installed inverter output of approximately 120 GW worldwide is a particularly good foundation for data-based business models, as valuable energy data can be compiled by the inverter. 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 as well as e-mobility, is an excellent basis for developing future growth potential for digital energy solutions. The SMA group has also already positioned itself in the high-margin business field of green hydrogen production, which is expected to see strong growth in the future. We will continuously expand our range of solutions for optimized hydrogen production. In addition, we will almost double our production capacities for inverter technology at our headquarters in Niestetal/Kassel, Germany, from 21 GW to around 40 GW by 2024 and create more than 200 additional high-quality jobs here. This will increase the company's flexibility in a dynamic market environment and will minimize risks, dependencies and costs.

The SMA group will take advantage of the opportunities posed by digitalization

Thanks to its extensive knowledge and experience in PV system technology, the ability to quickly implement changes, alignment of the subsidiaries toward future business areas and its numerous strategic partnerships, the SMA group is well prepared for the digitalization of the energy industry and will take advantage of the opportunities that it yields. As a specialist in holistic solutions in the energy sector, we will help shape the energy supply of the future, launch a number of innovations and establish further strategic partnerships as part of our centralized and focused partner management. In the process, we will build on our 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.

Niestetal, November 3, 2022

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement SMA group

in €'000	July – Sept. (Q3) 2022	July – Sept. (Q3) 2021	Jan. – Sept. (Q1 – Q3) 2022	Jan. – Sept. (Q1 – Q3) 2021
Sales	**252,264**	**256,665**	**724,090**	**744,921**
Cost of sales	193,821	205,779	569,670	585,417
Gross profit	**58,443**	**50,886**	**154,420**	**159,504**
Selling expenses	24,164	19,891	71,928	63,379
Research and development expenses	11,307	13,600	33,896	40,533
General administrative expenses	15,178	12,370	44,497	39,094
Other operating income	40,730	7,597	73,876	24,445
Other operating expenses	23,979	8,632	56,184	19,819
Operating profit (EBIT)	**24,545**	**3,990**	**21,791**	**21,124**
Income from at-equity-accounted investments	0	0	560	–386
Financial income	52	13	207	1,753
Financial expenses	1,432	416	4,625	1,966
Financial result	**–1,380**	**–403**	**–3,858**	**–599**
Profit before income taxes	**23,165**	**3,587**	**17,933**	**20,525**
Income taxes	1,573	1,583	6,941	5,232
Net income	**21,592**	**2,004**	**10,992**	**15,293**
of which attributable to shareholders of SMA AG	21,592	2,004	10,992	15,293
Earnings per share, basic (in €)	0.62	0.06	0.32	0.44
Earnings per share, diluted (in €)	0.62	0.06	0.32	0.44
Number of ordinary shares (in thousands)	34,700	34,700	34,700	34,700

Statement of comprehensive income SMA group

in €'000	July – Sept. (Q3) 2022	July – Sept. (Q3) 2021	Jan. – Sept. (Q1 – Q3) 2022	Jan. – Sept. (Q1 – Q3) 2021
Net income	**21,592**	**2,004**	**10,992**	**15,293**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	113	902	1,622	2,804
All items of other comprehensive income may be reclassified to profit or loss in subsequent periods	113	902	1,622	2,804
Overall result	**21,705**	**2,906**	**12,614**	**18,097**
of which attributable to shareholders of SMA AG	21,705	2,906	12,614	18,097

Balance sheet SMA group

€´000	2022/09/30	2021/12/31
ASSETS		
Intangible assets	83,892	62,700
Property, plant and equipment	187,331	194,173
Investment property	14,336	14,521
Other financial assets, non-current	3,245	2,662
Deferred tax assets	60,052	59,113
Non-current assets	**348,856**	**333,169**
Inventories	321,779	273,024
Trade receivables	149,643	142,674
Other financial assets, current (total)	81,970	133,689
Cash equivalents with a duration of more than 3 months and asset management	43,505	105,857
Rent deposits and cash on hand pledged as collaterals	17,151	10,188
Remaining other financial assets, current	21,314	17,644
Income tax assets	10,775	9,897
Value added tax receivables	19,832	27,401
Other non-financial assets, current	9,923	5,966
Cash and cash equivalents	163,208	113,978
	757,130	706,629
Assets held for sale	0	12,698
Current assets	**757,130**	**719,327**
Total assets	**1,105,986**	**1,052,496**
LIABILITIES		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	269,123	256,509
SMA Solar Technology AG shareholders' equity	**423,023**	**410,409**
Provisions, non-current	103,581	104,431
Financial liabilities, non-current	17,764	28,485
Contract liabilities, non-current	156,580	155,094
Other non-financial liabilities, non-current	1,315	1,550
Deferred tax liabilities	398	364
Non-current liabilities	**279,638**	**289,924**
Provisions, current	80,677	104,467
Financial liabilities, current	38,138	18,170
Trade payables	158,578	134,026
Income tax liabilities	6,053	6,629
Contract liabilities (advances)	48,139	24,206
Other contract liabilities, current	45,134	43,330
Other financial liabilities, current	592	538
Other non-financial liabilities, current	26,014	20,797
Current liabilities	**403,325**	**352,163**
Total equity and liabilities	**1,105,986**	**1,052,496**

Statement of cash flows SMA group

in €'000	Jan. – Sept. (Q1 – Q3) 2022	Jan. – Sept. (Q1 – Q3) 2021
Net income	10,992	15,293
Income taxes	6,941	5,232
Financial result	3,858	599
Depreciation and amortization of property, plant and equipment and intangible assets	28,433	31,797
Change in provisions	–24,640	–19,241
Result from the disposal of assets	2,304	388
Change in non-cash expenses/revenue	–1,907	–736
Interest received	68	731
Interest paid	–688	–625
Income tax paid	–4,859	14,070
Gross cash flow	**20,502**	**47,508**
Change in inventories	–50,457	–26,388
Change in trade receivables	–9,730	–20,405
Change in trade payables	24,552	–17,828
Change in other net assets/other non-cash transaction	25,411	39,371
Net cash flow from operating activities	**10,278**	**22,258**
Payments for investments in property, plant and equipment	–14,180	–9,680
Proceeds from the disposal of property, plant and equipment	88	216
Payments for investments in intangible assets	–28,129	–19,443
Payments for the acquisition of shares in associated companies	0	–750
Cash inflow from the disposal of held for sale assets net of cash	37,610	0
Proceeds from the disposal of securities and other financial assets	61,650	40,900
Payments for the acquisition of securities and other financial assets	0	–19,995
Net cash flow from investing activities	**57,039**	**–8,752**
Redemption of financial liabilities	–8,344	–2,579
Payments for lease liabilities	–6,986	–5,377
Dividends paid by SMA Solar Technology AG	0	–10,410
Net cash flow from financing activities	**–15,330**	**–18,366**
Net increase/decrease in cash and cash equivalents	51,987	–4,860
Changes due to exchange rate effects	–2,757	–939
Cash and cash equivalents as of January 1	113,978	123,707
Cash and cash equivalents as of September 30	**163,208**	**117,908**

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, 2021	**34,700**	**119,200**	**–523**	**285,769**	**439,146**
Net income				15,293	15,293
Other comprehensive income after tax			2,804		2,804
Overall result					18,097
Dividend payments of SMA Solar Technology AG				10,410	10,410
Shareholders' equity as of September 30, 2021	**34,700**	**119,200**	**2,281**	**290,652**	**446,833**
Shareholders' equity as of January 1, 2022	**34,700**	**119,200**	**4,150**	**252,359**	**410,409**
Net income				10,992	10,992
Other comprehensive income after tax			1,622		1,622
Overall result					12,614
Shareholders' equity as of September 30, 2022	**34,700**	**119,200**	**5,772**	**263,351**	**423,023**

Financial ratios by segments and regions

The segment information in accordance with IFRS 8 for the third quarter of 2022 and 2021 is as follows:

	External product sales		External services sales		Total sales	
in € million	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021
Segments						
Home Solutions	89.8	61.9	4.0	3.6	93.8	65.5
C&I Solutions [1]	72.0	59.7	0.9	0.3	72.9	60.0
Large Scale & Project Solutions	68.4	115.9	17.2	15.2	85.6	131.1
Total segments	**230.2**	**237.5**	**22.1**	**19.1**	**252.3**	**256.6**
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	**230.2**	**237.5**	**22.1**	**19.1**	**252.3**	**256.6**

1 The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

	Depreciation and amortization		Operating profit (EBIT)	
in € million	Q3 2022	Q3 2021	Q3 2022	Q3 2021
Segments				
Home Solutions	0.4	0.9	18.3	8.9
C&I Solutions [1]	1.6	1.1	–5.4	–4.5
Large Scale & Project Solutions	1.0	1.2	–9.0	0.4
Total segments	**3.0**	**3.2**	**3.9**	**4.8**
Reconciliation	6.8	7.6	20.6	–0.8
Continuing operations	**9.8**	**10.8**	**24.5**	**4.0**

1 The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

Sales by regions (target market of the product)

in € million	Q3 2022	Q3 2021
EMEA	177.7	134.9
Americas	61.8	78.8
APAC	23.3	51.9
Sales deductions	–10.5	–9.0
External sales	**252.3**	**256.6**
thereof Germany	81.4	70.4

The segment information in accordance with IFRS 8 for the first nine months of 2022 and 2021 is as follows:

	External product sales		External services sales		Total sales	
in € million	Q1 – Q3 2022	Q1 – Q3 2021	Q1 – Q3 2022	Q1 – Q3 2021	Q1 – Q3 2022	Q1 – Q3 2021
Segments						
Home Solutions	222.1	202.1	7.2	11.3	229.3	213.4
C&I Solutions [1]	186.2	175.1	5.1	1.2	191.3	176.3
Large Scale & Project Solutions	253.3	311.4	50.2	43.8	303.5	355.2
Total segments	**661.6**	**688.6**	**62.5**	**56.3**	**724.1**	**744.9**
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	**661.6**	**688.6**	**62.5**	**56.3**	**724.1**	**744.9**

[1] The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

	Depreciation and amortization		Operating profit (EBIT)	
in € million	Q1 – Q3 2022	Q1 – Q3 2021	Q1 – Q3 2022	Q1 – Q3 2021
Segments				
Home Solutions	0.8	2.7	35.4	38.5
C&I Solutions [1]	3.9	3.2	–16.5	–16.0
Large Scale & Project Solutions	3.0	3.6	–15.3	–4.7
Total segments	**7.7**	**9.5**	**3.6**	**17.8**
Reconciliation	20.7	22.3	18.2	3.3
Continuing operations	**28.4**	**31.8**	**21.8**	**21.1**

[1] The Business Solutions segment has been renamed Commercial & Industrial Solutions as of 2022.

Sales by regions (target market of the product)

in € million	Q1 – Q3 2022	Q1 – Q3 2021
EMEA	455.3	386.0
Americas	192.2	257.5
APAC	102.3	122.9
Sales deductions	–25.7	–21.5
External sales	**724.1**	**744.9**
thereof Germany	222.2	199.8

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

in € million	Q3 2022	Q3 2021	Q1 – Q3 2022	Q1 – Q3 2021
Total segment earnings (EBIT)	3.9	4.8	3.6	17.8
Elimination	20.6	–0.8	18.2	3.3
Consolidated EBIT	24.5	4.0	21.8	21.1
Financial result	–1.3	–0.4	–3.9	–0.6
Earnings before income taxes	**23.2**	**3.6**	**17.9**	**20.5**

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.

FINANCIAL CALENDAR

2023/03/30	Publication of Annual Report 2022 Analyst Conference Call: 1:30 p.m. (CEST)
2023/05/11	Publication of Quarterly Statement: January to March 2023 Analyst Conference Call: 1:30 p.m. (CEST)
2023/05/24	Annual General Meeting 2023
2023/08/10	Publication of Quarterly Statement: January to June 2023 Analyst Conference Call: 1:30 p.m. (CEST)
2023/11/09	Publication of Quarterly Statement: January to September 2023 Analyst Conference Call: 1:30 p.m. (CET)

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