



TRANSFORMATION

ENERGY FOR CHANGE

SMA SOLAR TECHNOLOGY AG
HALF-YEARLY FINANCIAL REPORT JANUARY TO JUNE 2016

SMA AT A GLANCE

SMA Group		Jan – June (Q1 – Q2) 2016	Jan – June (Q1 – Q2) 2015	Change	Full Year 2015
Sales	€ million	494.1	429.3	15%	999.6
International share	%	91.1	87.2		87.3
Inverter output sold	MW	3,876	3,153	23%	7,260
Capital expenditure	€ million	12.0	32.4	-63%	50.6
Depreciation and amortization	€ million	33.8	36.2	-7%	79.0
EBITDA	€ million	73.1	21.3	243%	113.3
EBITDA margin	%	14.8	5.0	196%	11.3
Consolidated net result	€ million	19.4	-21.4	n.m. ¹	14.3
Earnings per share ²	€	0.56	-0.62		0.41
Employees ³		3,503	4,134	-15%	3,510
in Germany		2,241	2,823	-21%	2,253
abroad		1,262	1,311	-4%	1,257

SMA Group		2016/06/30	2015/12/31	Change
Total assets	€ million	1,181.4	1,160.5	2%
Equity	€ million	581.3	570.2	2%
Equity ratio	%	49.2	49.1	
Net working capital ⁴	€ million	241.0	223.0	8%
Net working capital ratio ⁵	%	22.6	22.3	
Net cash ⁶	€ million	294.1	285.6	3%

¹ Not meaningful

² Converted to 34,700,000 shares

³ Reporting date; without temporary employees

⁴ Inventories and trade receivables minus trade payables

⁵ Relating to the last twelve months (LTM)

⁶ Total cash minus interest-bearing financial liabilities

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THE SHARE

Stock Markets Under Pressure – Brexit Triggers Price Slide

The capital markets were under pressure from the beginning of the year. In addition, in March the European Central Bank (ECB) caused disquiet on the financial markets. It relaxed its monetary policy again with an extensive package of measures. These included higher negative interest on banks' deposits with the ECB, a reduction of the base rate to 0%, cheap loans for banks and an expansion of the bond-buying program to a total volume of €1.74 trillion up to March 2017. The increase of the euro against the dollar also temporarily caused concern. In the first four months of the year, the euro initially increased from USD 1.0860 (opening price on January 1, 2016) to USD 1.1528 (closing price on May 2, 2016). A stronger euro is currently having two undesired effects on the economy: It is making imports from abroad into the eurozone less expensive – and thus reducing the already weak inflation even further; and it is also making exports from the eurozone more expensive.

With the worries regarding the UK's exit from the European Union (EU), the euro dropped in value again and cost USD 1.1099 at the end of the first half of 2016. In this context, market participants in Germany looked anxiously to the interest rate decisions of the U.S. Federal Reserve (Fed), which in December had increased its interest rates for the first time since the financial crisis and thus ushered in the interest rate reversal. As a result of the economic slowdowns in the U.S., the Fed has since been more conservative than experts initially expected.

The DAX started the new stock market year at 10,485.81 points (opening price on January 4, 2016), but then increasingly came under pressure. In mid-February, it reached its low for the year so far at 8,752.87 points (closing price on February 11, 2016) and was thus priced around 17% lower than at the start of the year. Then it started climbing again. In the second quarter, the market was primarily influenced by the debate about the UK leaving the EU. However, the DAX continued to recover and before the referendum was close to its level at the start of the year. The Britons' "no" to the EU, which few people expected, caused the German leading index to tumble by around 1,000 points. In the last trading days of the first half of the year, the most important German stock market barometer then slightly recovered and reached 9,680.09 points on June 30, 2016 – down 7.3% on the start of the year.

The TecDAX, the stock market barometer for technology stocks, fell by a similarly significant amount in the first half of the year. The index counted 1,818.90 points at the start of the year (opening price on January 4, 2016) and was listed at 1,601.04 points on June 30, 2016 – a drop of 12%. In the interim, the index had fallen by as much as 18%.

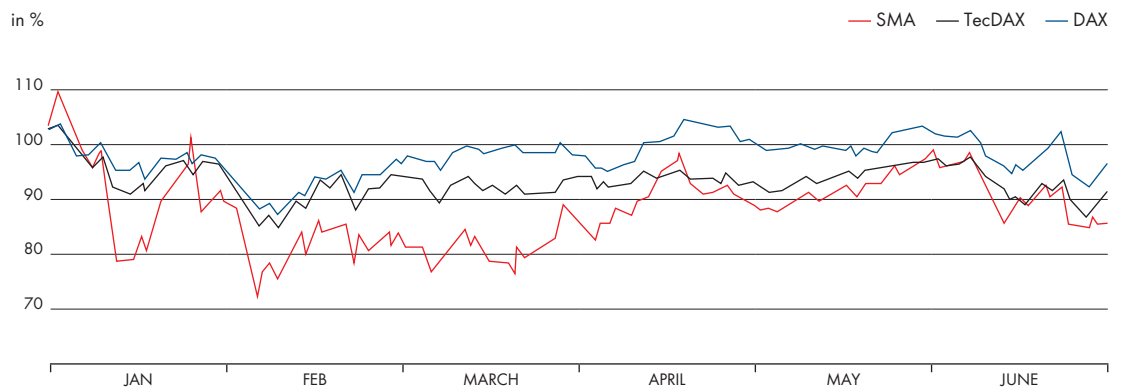
SMA Share Price Also Hit by Brexit

Boosted by the extension of PV subsidization (ITC – Investment Tax Credit) in the U.S., the SMA share started the new year with a tailwind and a price of €51.05 (opening price on January 4, 2016, Xetra). Due to the general weakness of the stock markets, the share lost its gains from December again over the course of January. During the 8th Capital Markets Day, which SMA traditionally organizes at the end of January, the Managing Board published the forecast for the current fiscal year. This forecast anticipates sales of €950 million to €1,050 million and a significant increase in operating earnings (EBIT) to between €80 million and €120 million. Other issues covered during Capital Markets Day included the market and competitive situation in the PV inverter industry and SMA's strategic alignment and unique technological selling propositions.

On April 8, SMA announced its strategic partnership with Tigo Energy in the field of smart module technology, which also comprises an investment in Tigo Energy. In the following weeks, the share price once again rose to over €50 at its peak. In the subsequent months of the first half of the year, its performance was characterized by large fluctuations for no notable price-relevant reason. The Britons' decision against remaining in the EU adversely affected the overall market in June and dragged the SMA share price down with it. At the end of the first half of the year, the share was listed at €44.20 (closing price on June 30, 2016, Xetra) and thus 13.4% lower than at the start of the year.

The SMA share was mid-table among the most actively traded shares in the TecDAX in the first half of 2016 (13th place). The average trading volume was 211,124 shares.

SMA SHARE PERFORMANCE IN THE FIRST HALF OF 2016



Analysts Maintain Focus on SMA Share

As a worldwide leading specialist in PV system technology, SMA operates in a volatile market. Due to structural change, listed European solar stocks posted significant losses with regard to their market capitalization in recent years. In Germany, for example, SMA is the only remaining solar company in the TecDAX. Many investment banks adjusted their European research activities in the solar sector accordingly. SMA is one of the few companies in the sector on which a comparatively large number of banks and securities firms are still regularly reporting. A total of 12 institutions are currently covering the Company.

RESEARCH COVERAGE

Institution	Analyst
Citi	Phuc Nguyen
Deutsche Bank	Nizla Naizer
Independent Research	Sven Diermeier
Landesbank Baden-Württemberg	Erkan Aycicek
Macquarie Research	Gurpreet Gujral
MainFirst	Andreas Thielen
Matelan Research	Hartmut Moers
Metzler	Guido Hoymann
Natureo Finance	Ingo Queiser
Oddo Seydler Bank	Stephan Wulf
Raymond James Euro Equities	Emmanuel Rétif
Warburg Research	Arash Roshan Zamir

Stable Shareholder Structure

The shareholder structure remained unchanged in the reporting period. 25.05% of the shares are in free float and 25.20% are bundled in a pooling agreement. The founders of SMA Solar Technology AG and their trusts and families hold 29.75% of the shares. With a shareholding of 20%, Danfoss A/S is an important anchor investor for SMA.

Press Conference on Financial Statements: Managing Board Confirms Annual Forecast

At the press conference on financial statements in Frankfurt/Main on March 30, 2016, Chief Executive Officer Pierre-Pascal Urbon announced the business figures for 2015. Sales and operating earnings were higher than the most recently published forecast, and SMA returned to profitability earlier than originally expected. The Managing Board also gave a forecast for the first quarter of 2016 and confirmed the sales and earnings forecast for 2016 as a whole, first published on January 29, 2016. After the press conference, Pierre-Pascal Urbon answered questions from the financial and business press.

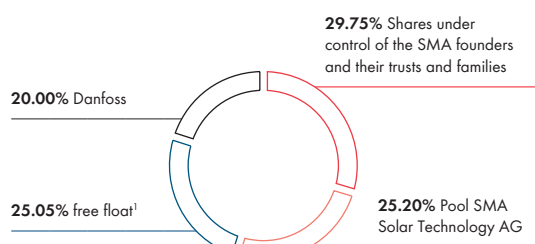
Annual General Meeting: Discharge of Managing Board and Supervisory Board Approved by Large Majority

The SMA Annual General Meeting was held at the Kongress Palais Kassel on May 31, 2016. The shareholders granted discharge to the Managing Board and Supervisory Board for the 2015 fiscal year almost unanimously. The remaining agenda items also received the majority approval of the Annual General Meeting. More than 400 shareholders attended the Annual General Meeting. Voter representation was 85%. The Annual General Meeting followed the Managing and Supervisory Boards' proposal to distribute a dividend of €0.14 per qualifying bearer share for the 2015 fiscal year. With a payout totaling €4.9 million, the payout ratio in relation to consolidated net profit is therefore 34.3% and thus falls within the margin of 20% to 40% announced by the Managing Board. The Company makes all information and documents available on its website at www.SMA.de/AnnualGeneralMeeting.

See website
[www.SMA.de/
AnnualGeneralMeeting](http://www.SMA.de/AnnualGeneralMeeting)

SHAREHOLDER STRUCTURE

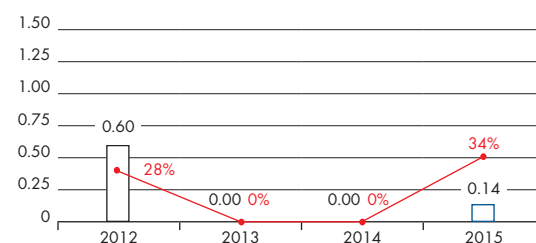
in %



¹ Free float calculated according to guidelines for stock indices of Deutsche Börse

DIVIDEND

in €



□ Dividend
—●— Payout ratio of consolidated earnings (in %)

Continuous Communication With Analysts and Investors

See website
www.IR.SMA.de

In terms of capital market communication, SMA concentrates on the main financial centers in Europe. In the first half of the year, the SMA Managing Board visited institutional investors in London, Edinburgh and Frankfurt/Main and attended the Warburg Research investor conference in Hamburg. The event presentation is available to all investors on the Investor Relations website www.IR.SMA.de.

SMA invites investors, analysts and members of the press to its Capital Markets Day at the beginning of every year. At this event, SMA's management presents its corporate strategy, key financial figures and strategically important innovations, among other things. In addition, Capital Markets Day attendees regularly have the opportunity to visit SMA's production plant at its headquarters in Niestetal. The 8th Capital Markets Day on January 29, 2016 proved to be popular with 40 investors, analysts and members of the press in attendance.

INTERIM CONSOLIDATED MANAGEMENT REPORT

JANUARY TO JUNE 2016

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BASIC INFORMATION ABOUT THE GROUP

Business Activity and Organization

SMA Solar Technology AG (SMA) and its subsidiaries (SMA Group) develop, produce and distribute PV inverters, transformers, choke coils, monitoring and energy management systems for PV systems and power electronics components for railway technology. Another area of business is operation and maintenance services for photovoltaic power plants (O&M business), in addition to other services.

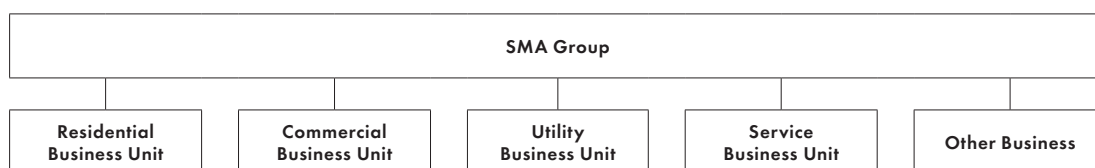
LEGAL STRUCTURE OF THE GROUP

As the parent company of SMA Group, SMA, headquartered in Niestetal near Kassel, Germany, provides all of the functions required for its operative business. The parent company holds, either directly or indirectly, 100% of the shares of all the operating companies that belong to SMA Group. The Half-Yearly Financial Report includes information regarding the parent company and all 35 Group companies (Q2 2015: 37), including eight domestic companies and 27 companies based abroad. The scope of consolidation as of June 30, 2016 changed in comparison to December 31, 2015 as a result of the acquisition of interests in Tigo Energy, Inc. and the increase in the shareholding in Jiangsu Zeyersolar New Energy Co., Ltd. to 100%. As part of a capital increase of USD 20 million, SMA Solar Technology AG acquired interests of 28.27% in Tigo Energy, Inc. Tigo Energy, Inc. is included in the scope of consolidation as an associate.

ORGANIZATIONAL STRUCTURE

SMA Group operates under a functional organization. In this organization, the Residential, Commercial, Utility and Service business units take on overall responsibility and manage development, sales and operations. Railway Technology and Zeyersolar as well as the Off-Grid and Storage business unit have been combined under Other Business. This compact organization allows for fast decisions and a lean management structure.

REPORTING STRUCTURE



The Residential business unit serves the attractive long-term market of small PV systems for private applications. The portfolio includes solutions with Tigo Energy's smart module technology and micro and string inverters as well as energy management solutions and storage systems through to plant communication and monitoring.

The Commercial business unit focuses on the fast-growing market of medium-sized PV systems for commercial applications, providing decentralized solutions with three-phase string inverters as well as integrated energy management solutions, medium-voltage technology and other accessories.

The Utility business unit focuses on the growing market for PV power plants with outputs in the multi-megawatt range. The portfolio includes complete solutions comprising central inverters with their grid service and monitoring functions, all the medium- and high-voltage technology as well as accessories.

The portfolio of the Service business unit includes commissioning, warranty extensions, service and maintenance contracts, operational management, remote system monitoring and spare parts business.

Other Business comprises Railway Technology, Zeversolar and the Off-Grid and Storage business unit with its solutions for integrating storage and supplying power to remote areas. SMA intends to sell the SMA Railway Technology business division within the next 12 months. As the active search for bidders had not yet begun on the reporting date, no reclassification to "non-current assets held for sale and discontinued operations" according to IFRS 5.12 was made up to the end of the reporting period.

MANAGEMENT AND CONTROL

As required by the German Stock Corporation Act (Aktiengesetz), the executive bodies consist of the Annual General Meeting, the Managing Board and the Supervisory Board. The Managing Board manages the Company; the Supervisory Board appoints, supervises and advises the Managing Board. The Annual General Meeting elects shareholder representatives to the Supervisory Board and grants or refuses discharge to the Managing Board and the Supervisory Board.

COMPOSITION OF THE MANAGING BOARD

Since January 1, 2016, the Managing Board of SMA Solar Technology AG has comprised the following members: Roland Grebe (Board Member for Human Resources and IT), Dr.-Ing. Jürgen Reinert (Board Member for Operations and Technology), and Pierre-Pascal Urbon (Chief Executive Officer, Board Member for Finance/Legal and Sales).

COMPOSITION OF THE SUPERVISORY BOARD

The SMA Supervisory Board, which represents shareholders and employees in equal measure, consists of Roland Bent, Peter Drews, Dr. Erik Ehrentraut (Chairman), Kim Fausing (Deputy Chairman), Dr. Winfried Hoffmann (until June 30, 2016) and Reiner Wettlaufer as shareholder representatives. The employees are represented on the Supervisory Board by Oliver Dietzel, Johannes Häde, Heike Haigis, Yvonne Siebert, Dr. Matthias Victor and Hans-Dieter Werner.

Dr. Winfried Hoffmann stepped down from office effective June 30, 2016. Alexa Hergenröther will take his place as shareholder representative on the Supervisory Board. Ms. Hergenröther is a member of the management of K+S KALI GmbH.

Research and Development

As the global market leader in photovoltaics, SMA has set trends in the global photovoltaics industry for many years. We use our systems expertise to develop complete solutions for different photovoltaic applications. In order to offer our customers in the individual market segments and regions the best complete solutions in terms of both technology and economic efficiency, we selectively collaborate with strong partners. With our continuous research and our market- and customer-focused development, we can further reduce the consumer cost of PV electricity and thus make a significant contribution to a successful global energy transition. Our innovations have won numerous awards, most recently at Intersolar Europe in Munich in June 2016. Our technology is protected by many patents.

Forward-Looking Development Approach and High Capacity for Innovation

Our thorough understanding of the different market requirements and our close proximity to our customers enable us to anticipate future system technology demands. Customers used to be concerned primarily with energy yield, service life and design flexibility. Now, however, consumer costs of PV electricity, system integration as well as connectivity are the most important factors in making a purchasing decision. With the increasing integration of PV systems into comprehensive systems, cyber security is also playing an ever more important role. In this context, the PV inverter is classified as a system-critical component, so customers place higher demands on the transparency of companies.

SMA is pursuing a platform strategy aimed at systematically cutting the cost of PV inverters and being able to react fast to market changes. By standardizing the core inverter, we can increase the proportion of identical components across the entire portfolio. Customization in line with different markets and customer needs is implemented through the connection area and software. Thanks to our high capacity for innovation, we are able to launch new products and product enhancements within a very short space of time. In doing so, the development teams at our locations in Germany, China, Poland and the U.S. work together closely and thus allow for optimal use of development capacity.

Complete Solutions to Lower Energy Costs

RESIDENTIAL SYSTEMS: INCREASE IN SELF-CONSUMPTION AND OPTIMUM SERVICE

In the market segment for smaller residential PV systems, SMA launched Sunny Boy Storage on the German market in March 2016, making it the first manufacturer to offer an AC-coupled storage system for integrating high-voltage batteries such as the Powerwall from Tesla. Other major storage markets such as the UK and Australia followed during the reporting period. With Sunny Boy Storage, it is possible to easily and cost-effectively integrate battery-storage systems into new and existing PV installations while also flexibly enhancing the storage system, as it is not necessary to touch the PV system. At the same time, SMA has used the solution to reduce system costs to the extent that the cost of storing electricity is now already comparable to household electricity rates in Germany. This was recognized by the expert judging panel at Intersolar Europe in June 2016, which distinguished Sunny Boy Storage with the ees AWARD for outstanding energy-storage products.

In April 2016, SMA and Tigo Energy, based in Silicon Valley, announced their strategic partnership in the field of smart module technology. The technology patented by Tigo Energy is the consistent evolution of the micro-inverter technology previously available on the market and the module optimizer. SMA obtained the exclusive rights for the global distribution of the TS4-Retrofit smart module technology developed by Tigo. The chip-based solution has various options that allow an increase in energy yield, simplification of system planning and installation, as well as fire safety and cloud-based monitoring of system availability. Customers can thus adapt each individual PV module to their individual needs. With previous solutions, every PV module always had to be equipped with an optimizer regardless of whether this was necessary. The strategic partnership gives SMA access to the fast-growing market of module-level power electronics (MLPE) with an estimated annual market volume of approximately €700 million.

In addition, SMA is pushing ahead with the enhancement of the globally successful Sunny Boy inverter family. The new Sunny Boy in the power classes 3.0/3.6/4.0/5.0 kW is planned for market launch this year. The device is particularly easy to install and put into operation and has the latest communication standards. A particular way in which customers benefit is that SMA for the first time also automatically takes on the job of monitoring the inverter, and informs end customers and/or the installer directly about faults and necessary maintenance work.

COMMERCIAL APPLICATIONS: FULLY INTEGRATED CONTAINER SOLUTION AND ENERGY MANAGEMENT

In the medium-sized inverter segment (Commercial), SMA launched the new medium-voltage station (MVS) for the Sunny Tripower 60 inverters in March 2016. The MVS enables decentralized PV systems with string inverters to be connected to medium-voltage grids quickly and easily. SMA is the first company to provide a fully integrated solution with preconfigured components. A robust ten-foot container holds the medium-voltage transformer, medium-voltage switchgear and low-voltage connections for the inverters.

Another milestone in the first half of 2016 was the commissioning of the decentralized Catalagan Solar Farm in the Philippines with 830 Sunny Tripower 60 inverters. With 63 megawatts of power, it is one of the world's largest PV systems with string inverters and underscored SMA's eminent expertise in this field, which is becoming ever more significant.

The subject of commercial energy management to minimize companies' operating expenditure is also on trend. SMA provided a first look ahead to an upcoming, comprehensive system solution at Intersolar Europe in Munich in June. This allows loads to be supplied cost-effectively through optimum use of various energy sources and storage systems in terms of time and price. The foundation for this is the efficient interaction of different, decentralized generators, loads and storage systems. In addition, the future SMA solution opens up new business models for service providers in the energy sector across the entire value chain.

PV POWER PLANTS: HIGH-PERFORMANCE AND COST-EFFECTIVE COMPLETE SOLUTIONS

In the segment of large-scale PV power plants, SMA is developing the Medium Voltage Power Station (MVPS) 5000SC-EV, a turnkey container solution for 1,500 V power plants. Equipped with two Sunny Central 2500SC-EV inverters and medium-voltage transformers and switchgear in a standard container, the new MVPS enables power of 5,000 kVA for the latest generation of central PV power plants with 1,500 V technology. SMA also provides a version with power of 4,400 kVA for 1,000 V power plants. Due to its unique power density and compactness, the solution considerably lowers transport, installation and operating costs. The complete solution can be used worldwide in large-scale, including the largest, PV power plants and can be erected outdoors in all ambient conditions. The first delivery is planned for early 2017.

Last year already, SMA had launched the Sunny Central 1000CP XT inverter for high-growth markets with particularly high price pressure and challenging ambient conditions, such as India. Photovoltaics projects requiring bids for 1 MW blocks, in particular, are benefiting from the device. As a component of the SMA Medium Voltage Power Station, the Sunny Central 1000CP XT devices deliver an output of 2 MW in the turnkey container station, which can be used globally. This enables solar power plant developers to face the high price pressure and tight schedules required in the bidding process.

OTHER BUSINESS: FLEXIBLE STORAGE INTEGRATION FOR ALL SYSTEM SIZES

The integration of battery-storage systems is also of key importance in the Other Business segment. In the reporting period, SMA entered into a long-term sales partnership with Mercedes-Benz Energy GmbH, a wholly owned subsidiary of Daimler AG, relating to stationary battery-storage systems. The Mercedes-Benz energy storage system based on lithium-ion technology has been designed with a capacity of up to 20 kWh for use in private households. With the Sunny Island battery inverter, Sunny Home Manager and SMA Energy Meter as its core components, the SMA solution offers users of the Mercedes-Benz energy storage system maximum flexibility and high quality. Users benefit above all from the seasonal adjustment of battery use, which makes a crucial contribution to optimum use of the battery, as it considers the differing weather conditions during the summer and winter months.

In March 2016, SMA and its subsidiary SMA Sunbelt Energy GmbH commissioned a PV hybrid system on the Caribbean island of St. Eustatius, guaranteeing a sustainable energy supply for the island through the intelligent combination of PV farm, battery-storage system and diesel generators. The integration of 1.9 MWp of solar power and 1 MW of battery power with the SMA Fuel Save Controller 2.0 reduces the use of fossil fuels by up to 30%. In June, the system won the Intersolar Award for outstanding solar projects.

ECONOMIC REPORT

General Economic Conditions and Economic Conditions in the Sector

General Economic Conditions

The weakness of the global economy continued in the first half of 2016; the risks increased. These included growing political uncertainty as well as concerns over the effectiveness of monetary policy stimulus measures in important industrialized countries and the rate of monetary policy normalization in the U.S. In addition, the positive surge in growth expected in the oil-importing countries failed to materialize due to persistently low oil prices.

In the newly industrialized countries, production and investment declined. This particularly affected the countries that export raw materials, which suffered under the further fall in raw material prices. While in China supporting political measures attenuated the decline in industrial activity, Russia and Brazil remain in recession.

Against the backdrop of weaker growth prospects and increased political uncertainty, investment activity also remained modest in the industrialized countries. Export growth slowed on the basis of lower external demand. The United Kingdom potentially leaving the European Union was the predominant topic of discussion at the end of the first half of the year. The International Monetary Fund warned of substantial economic and financial repercussions. In June, the U.S. Federal Reserve even postponed a decision on a further interest rate hike due to the risks of Brexit to the global economy. After the British voters' decision against remaining in the EU on June 23, the German Institute for Economic Research (DIW) noted that uncertainty, especially with regard to the economic prospects of the United Kingdom, but also to economic development in Europe and the world, had increased considerably. However, it had "increased far less than it did after the collapse of Lehman Brothers or in certain phases of the debt crisis in the eurozone," according to the DIW.

Economic Conditions in the Sector

The global photovoltaic market grew considerably in the first half of 2016 compared to the same period of the previous year. SMA expects newly installed PV power of approximately 40 GW (H1 2015: approx. 25 GW). The installation figures do not include retrofitting of existing PV systems and battery inverter technology. Price pressure remained particularly high in all segments and regions. Accordingly, SMA estimates that global sales of PV inverter technology increased by only around 9% to €2.4 billion (2015: €2.2 billion) despite the considerable growth in newly installed PV power. The regional distribution of demand significantly changed in the reporting period. Accounting for roughly 17% of global sales, the significance of the PV markets in European countries, the Middle East and Africa (EMEA) declined (H1 2015: 24%). Sales decreased to €0.4 billion (H1 2015: €0.5 billion). The decrease is particularly attributable to the decline in demand in Great Britain. In contrast, American photovoltaic markets developed very positively, making up 26% of global sales at €0.63 billion (H1 2015: €0.4 billion; 19%). The Chinese market registered new installations of 20 GW, especially due to a cut in subsidies scheduled midway through the year. This corresponds to nearly a tripling of new installations compared to the same period of the previous year. Because of the high price pressure, growth in terms of euros was much lower. China therefore represented approximately 24% of sales with €0.58 billion in the first half of 2016 (H1 2015: €0.3 billion; 13%). The Asia-Pacific photovoltaic markets (excluding China) accounted for 33% of the global market with sales of €0.8 billion, thereby losing market share (H1 2015: €1.0 billion; 44%).

EMEA: GREAT BRITAIN DECLINES IN IMPORTANCE

Business in the EMEA region continues to be characterized by significant adjustments to solar electricity tariffs in key European markets and delays in tendering procedures in Africa and the Middle East. Demand decreased significantly; newly installed PV power amounted to 4.8 GW (H1 2015: 5.4 GW).

Great Britain was the most important photovoltaic market in Europe in the reporting period with 1.1 GW due to a strong first quarter, but had already declined in significance in the second quarter. This was due to the expiration of the subsidy for large-scale PV power plants with an output of over 1 MW as of April 1, 2016. At the beginning of 2016, there was also a radical reduction in the feed-in tariff, which is mainly used by operators of smaller systems. Quarterly subsidy caps as well as the planned exit from the EU also ensure that the British PV market will continue to play a less important role in the next few years.

In Germany, installation amounted to only 0.5 GW in the first half of the year. If this pace continues during the course of the year, the new installations in the year as a whole could be less than 1 GW. This would again fall well short of the government's expansion target of 2.5 GW a year. The repeated decline is mainly due to the ongoing political discussion about the amendment to the Renewable Energy Sources Act.

Development in other European countries is mixed. While Spain and Greece saw next to no new installations, installations in Italy, Portugal and Turkey increased year on year.

NON-EUROPEAN MARKETS: U.S. MARKET CONTINUES TO GROW

The U.S. market for photovoltaics is continuing to grow strongly. SMA estimates installations in the first half of 2016 at roughly 5 GW; PV inverter sales amounted to approximately €0.5 billion. Demand for solar power systems in the U.S. is being supported in particular by tax incentive programs. The extension of the tax incentives to 2020 announced in December is creating stable conditions in the U.S. market in the medium term. In addition, portfolio standards are supporting investing activities. These standards ensure that electric utility companies include a certain share of renewable energy in their energy generation portfolios. Against this backdrop, persistently positive development of the U.S. market and new installations in the double-digit gigawatt range per year can be expected.

JAPAN AND CHINA DOMINATE THE MARKET IN ASIA

In Japan, the investment in inverter technologies in the reporting period was approximately €0.5 billion, while in China it amounted to €0.6 billion. Commercial systems and large-scale PV power plants are driving segments in both countries.

According to SMA estimates, PV systems with total power of about 5 GW were connected to the grid in Japan in the first six months of the year. In addition, there are a large number of planned and approved projects. Japan will therefore remain one of the most important PV markets in Asia and worldwide in 2016.

In China, the market nearly tripled in the reporting period compared to the same period of the previous year. According to the Chinese news agency Xinhua, 20 GW of new PV power was installed in the first half of 2016. This development is mainly attributable to pull-forward effects. The reduction of the feed-in tariff as of June 30, 2016, resulted in a strong second quarter, as PV system operators wanted to secure the higher tariffs. The Chinese photovoltaic market continues to be dominated by opaque tendering procedures. Significant market shares are only awarded to Chinese providers, some of which are state owned.

India now also plays an important role; the market is developing extremely positively. There are various incentive programs and a fundamental effort on the part of the government to supply the entire country with power. The Indian government has therefore set an ambitious target for PV expansion. 100 GW of PV power is to be installed in India by 2020. In the reporting period, the country saw 2.7 GW of new PV power being installed, almost three times as much as last year (H1 2015: 1 GW). More than 90% of the new installations were large-scale projects. Medium-sized commercial and small private systems are still not very relevant in India at present. The price level in the Indian market is only slightly above that in China. The market structures, however, allow for fair competition.

Results of Operation

Sales and Earnings

SMA SIGNIFICANTLY INCREASES SALES AND EARNINGS

SMA Group's sales increased by 15.1% to €494.1 million in the reporting period (Q1–Q2 2015: €429.3 million). SMA sold PV inverters with a total power of 3,876 MW in the first half of 2016 (Q1–Q2 2015: 3,153 MW). This growth of 22.9% was larger than the increase in sales because of a trend toward more powerful inverters and an increased price pressure in all areas of business.

Thanks to its excellent positioning internationally, SMA continues to benefit from the positive development seen in foreign photovoltaic markets. In the first six months of 2016, its international share of sales was 91.1% (Q1–Q2 2015: 87.2%). In recent years, SMA has consistently invested in establishing its global infrastructure and has reduced its dependency on individual photovoltaic markets. In the first half of 2016, North and South America (Americas) contributed 48.3%, European countries, the Middle East and Africa (EMEA) 33.9% and the Asia-Pacific (APAC) region 17.8% of external sales before sales deductions (Q1–Q2 2015: 41.1% Americas, 39.7% EMEA, 19.2% APAC). In total, the Utility segment generated 41.4%, the Commercial segment 25.2%, the Residential segment 20.1% and Service business 5.0% of SMA Group's sales in the first half of 2016 (Q1–Q2 2015: 40.9% Utility, 20.1% Commercial, 26.5% Residential, 5.2% Service).

As of June 30, 2016, SMA still had a large order backlog of €644.0 million. Of this amount, €392.8 million is attributable to Service business. This part of the order backlog will be mainly realized over the next 5 to 10 years. Product business made up €251.2 million of the order backlog.

SMA successfully continued on the path to more growth and sustainable profitability in the first half of 2016. As a result of increased sales volumes and fixed cost reduction, EBITDA improved considerably in the reporting period to €73.1 million (EBITDA margin: 14.8%; Q1–Q2 2015: €21.3 million, 5.0%). EBIT increased to €39.3 million (Q1–Q2 2015: €–14.9 million). This equates to an EBIT margin of 8.0% (Q1–Q2 2015: –3.5%). Consolidated earnings amounted to €19.4 million (Q1–Q2 2015: €–21.4 million). Earnings per share thus amounted to €0.56 (Q1–Q2 2015: €–0.62).

Sales and Earnings per Segment

RESIDENTIAL BUSINESS UNIT SUFFERS SALES DECLINE

The Residential business unit serves the attractive long-term market of small PV systems for private applications with the smart module technology from Tigo Energy; micro inverters and single-phase string inverters with the brand name Sunny Boy; three-phase inverters in the lower output range up to 12 kW with the brand name Sunny

Tripower; energy management solutions; storage systems; and communication products and accessories. With this portfolio of products and services, SMA offers a suitable technical solution for private PV systems in all major photovoltaic markets.

In the first half of 2016, external sales in the Residential business unit of €99.4 million were lower than in the same period of 2015 (Q1–Q2 2015: €113.8 million). Its share of SMA Group's total sales was 20.1% (Q1–Q2 2015: 26.5%). The sales decline is primarily attributable to the lower demand in Australia, Japan and the U.S. The Americas region made up 40.2% (Q1–Q2 2015: 42.3%) of the gross sales of the Residential business unit, the EMEA region 48.8% (Q1–Q2 2015: 40.5%) and the APAC region 11.0% (Q1–Q2 2015: 17.2%). In the reporting period, the major sales drivers were the Sunny Boy 3000TL to 7700TL inverters.

Despite the decline in sales, the Residential business unit's EBIT improved significantly year on year due to reduced fixed costs, continuous productivity increases and the launch of new products, amounting to €–0.5 million (Q1–Q2 2015: €–10.5 million). The profitability of the Residential business unit was adversely affected primarily by lower sales in the high-margin markets of Japan and the U.S. In relation to internal and external sales, the EBIT margin was –0.5% (Q1–Q2 2015: –9.2%).

COMMERCIAL BUSINESS UNIT CONTINUES POSITIVE DEVELOPMENT

The Commercial business unit focuses on the growing market of medium-sized PV systems for commercial applications. Its portfolio includes solutions with the three-phase inverters from the Sunny Tripower brand with outputs of more than 12 kW, as well as complete energy management solutions for medium-sized PV systems, medium-voltage technology and accessories.

In the first half of 2016, external sales in the Commercial business unit significantly improved by 38.2% year on year to €124.3 million (Q1–Q2 2015: €86.1 million). Its share of SMA Group's total sales was 25.2% (Q1–Q2 2015: 20.1%). The launch of new products in North America and Japan enabled a balanced regional distribution of sales. The EMEA region generated 40.0% of gross sales, the APAC region 33.4% and the Americas region 26.6% of the business unit's sales (Q1–Q2 2015: 55.3% EMEA, 25.1% APAC, 19.6% Americas).

In the first half of 2016, EBIT was €6.6 million, much higher than in the previous year (Q1–Q2 2015: €–21.9 million). Apart from an increase in external sales, this is primarily attributable to new product launches and a reduction in fixed costs. In relation to internal and external sales, the EBIT margin was 5.3% (Q1–Q2 2015: –25.4%).

UTILITY BUSINESS UNIT IS THE KEY EARNINGS DRIVER

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

In the first half of 2016, the business unit's external sales increased to €204.5 million (Q1–Q2 2015: €175.7 million). Thus, the Utility business unit continues to have the strongest sales numbers with a 41.4% share in SMA Group's total sales (Q1–Q2 2015: 40.9%). The Americas region made up 73.3% (Q1–Q2 2015: 56.1%) of the gross sales of the Utility business unit, the EMEA region 18.3% (Q1–Q2 2015: 27.5%) and the APAC region 8.4% (Q1–Q2 2015: 16.4%). The most successful products included the new Sunny Central series inverters that were launched in 2015.

The Utility business unit's EBIT increased by 112.7% year on year due to reduced fixed costs, continuous productivity increases and new product launches, amounting to €31.9 million (Q1–Q2 2015: €15.0 million). In relation to internal and external sales, the EBIT margin was 15.6% (Q1–Q2 2015: 8.5%).

SERVICE BUSINESS UNIT INCREASES EXTERNAL SALES

SMA has its own service companies in all important photovoltaic markets. With an installed capacity of around 50 GW worldwide, SMA leverages economies of scale to manage its service business profitably. Services offered include commissioning, warranty extensions, service and maintenance contracts, operational management, remote system monitoring and spare parts supply.

In the first half of 2016, external Service sales increased to €24.7 million (Q1–Q2 2015: €22.5 million) due to the higher demand in the Americas and APAC. Its share of SMA Group's total sales was 5.0% (Q1–Q2 2015: 5.2%). Notable sales drivers were operational management (O&M business), maintenance and service contracts subject to charge, and chargeable commissioning. In the reporting period, EBIT was €5.6 million (Q1–Q2 2015: €4.0 million). In relation to internal and external sales, the EBIT margin was 9.9% (Q1–Q2 2015: 7.2%).

OTHER BUSINESS WITH SIGNIFICANTLY LOWER LOSS

The Other Business segment comprises Railway Technology and Zegersolar as well as the Off-Grid and Storage business unit. In the first half of 2016, external sales increased by 32.1% year on year to a total of €41.2 million (Q1–Q2 2015: €31.2 million). Its share of SMA Group's total sales was 8.3% (Q1–Q2 2015: 7.3%). With EBIT of €–2.5 million (Q1–Q2 2015: €–10.0 million), the Other Business segment reduced its loss considerably. The Railway Technology business division was profitable again in the first half of 2016. In relation to internal and external sales, the EBIT margin of the Other Business segment was –6.1% (Q1–Q2 2015: –32.1%).

Development of Significant Income Statement Items

GROSS MARGIN IMPROVES SUBSTANTIALLY

The cost of sales increased slightly by 5.0% to €373.2 million (Q1–Q2 2015: €355.4 million) and thus at a considerably lower rate than sales. The cost of sales was positively affected by specific material cost reductions, the introduction of new products with lower specific costs of sales and reduced fixed costs. The gross margin increased to 24.5% (Q1–Q2 2015: 17.2%).

Personnel expenses included in cost of sales amounted to €66.8 million in the reporting period (Q1 – Q2 2015: €64.3 million). The slight year-on-year increase resulted from a greater demand for temporary employees and the recognition of provisions for Christmas and other bonus payments. Due to the successful cost-cutting measures and more cost-effective new products, material costs increased only slightly and also at a much lower rate than sales to €244.1 million (Q1 – Q2 2015: €239.7 million).

Depreciation and amortization included in cost of sales fell slightly short of the previous year's level at €29.1 million in the first half of 2016 (Q1 – Q2 2015: €30.9 million). This included scheduled depreciation on capitalized development costs of €10.6 million (Q1 – Q2 2015: €7.6 million).

The €12.8 million increase in other expenses primarily resulted from higher freight costs in the Utility business unit and the addition of sales-based provisions for warranty obligations in comparison with the same period of the previous year.

Due to savings in personnel and material costs in the wake of cost reduction measures, selling expenses fell by 13.5% year on year, amounting to €24.9 million in the first half of 2016 (Q1 – Q2 2015: €28.8 million). In the reporting period, the cost of sales ratio was 5.0% (Q1 – Q2 2015: 6.7%).

Research and development expenses not including capitalized development projects amounted to €32.6 million in the reporting period (Q1 – Q2 2015: €36.1 million). The research and development cost ratio amounted to 6.6% (Q1 – Q2 2015: 8.4%). Total research and development expenses including capitalized development projects therefore fell considerably to €39.4 million (Q1 – Q2 2015: €55.4 million). Development projects were capitalized in the amount of €6.8 million in the reporting period (Q1 – Q2 2015: €19.3 million).

General administrative expenses in the first half of 2016 totaled €26.0 million (Q1 – Q2 2015: €30.8 million). The decrease in general administrative expenses of 15.6% is mainly attributable to savings in personnel expenses and material costs. In relation to the considerably higher sales, the ratio of administrative expenses declined to 5.3% in the reporting period (Q1 – Q2 2015: 7.2%).

The balance of other operating income and expenses amounted to €1.9 million in the first half of 2016 (Q1 – Q2 2015: €6.9 million). This includes effects from foreign currency valuation and expenses for assets measured at fair value through profit or loss.

The income taxes include €6.0 million from additional risk provisioning for tax risks of previous years.

ANOTHER CONSIDERABLE DROP IN THE NUMBER OF EMPLOYEES

SMA has successfully concluded the socially responsible staff reductions in connection with the Company's transformation. Compared to the same period in 2015, the number of employees as of the reporting date declined considerably. In Germany, it fell by 20.6%, or 582 people, to 2,241 employees (June 30, 2015: 2,823 employees, figures exclude temporary employees). The number of employees abroad also declined. It fell by 49 to a total of 1,262 employees (June 30, 2015: 1,311 employees; figures exclude temporary employees). At the end of the reporting period, SMA Group had a total of 3,503 employees (June 30, 2015: 4,134 employees; figures exclude temporary employees). This equates to a decrease of 15.3% compared with the previous year.

SMA still uses temporary employees to absorb order fluctuations. Their hourly rate of pay is in line with that of SMA employees. In addition, the temporary employees working at SMA also participate financially in the Company's success. As of the reporting date, the number of temporary employees rose to 682 due to the high level of incoming orders (June 30, 2015: 597 temporary employees).

EMPLOYEES

Reporting date	- 2016/06/30	- 2015/06/30	- 2014/06/30	- 2013/06/30	- 2012/06/30
Employees					
(excl. temporary employees)	3,503	4,134	5,018	5,694	5,685
of which domestic	2,241	2,823	3,485	4,297	4,719
of which abroad	1,262	1,311	1,533	1,397	966
Temporary employees	682	597	713	740	1,297
Total employees					
(incl. temporary employees)	4,185	4,731	5,731	6,434	6,982

FULL-TIME EQUIVALENTS

Reporting date	- 2016/06/30	- 2015/06/30	- 2014/12/31
Full-time equivalents			
(excl. temporary employees)	3,277	3,880	4,667
of which domestic	2,034	2,583	3,094
of which abroad	1,243	1,297	1,573

Financial Position

SMA Again Increases Gross Cash Flow

In the first half of 2016, gross cash flow climbed significantly to €60.9 million (Q1-Q2 2015: €-5.1 million). It reflects the operating income prior to commitment of funds. The increase is primarily attributable to the considerable improvement in consolidated earnings before taxes year on year.

Net cash flow from operating activities amounted to €50.2 million in the first half of 2016 (Q1-Q2 2015: €12.1 million).

Inventories increased by 15.9% to €169.3 million (December 31, 2015: €146.1 million) due to customers' project delays. The €12.2 million increase in trade payables, the slightly smaller increase in trade receivables and the increase in inventories caused net working capital to rise by 8.1% to €241.0 million (December 31, 2015: €223.0 million). At 22.6%, the net working capital ratio in relation to sales over the past twelve months was on a par with December 31, 2015 (22.3%), and is thus within the 20% to 23% range targeted by the management.

Net cash flow from investing activities amounted to €-30.0 million in the reporting period (Q1-Q2 2015: €-34.2 million) and primarily included the outflow of €17.6 million for the acquisition of the shares in Tigo Energy, Inc. In addition, investments in fixed assets and intangible assets were reported at €12.0 million. This figure is considerably lower than the previous year's figure of €32.4 million and illustrates the SMA Group's amended investment strategy. With a total of €6.8 million (Q1-Q2 2015: €19.3 million), an essential part of the investments was attributable to capitalized development projects for the introduction of a new product line of central inverters.

As of June 30, 2016, cash and cash equivalents amounting to €206.7 million (December 31, 2015: €200.2 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. With time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities, liquid assets pledged as collateral and after deducting interest-bearing financial liabilities, this resulted in net cash of €294.1 million (December 31, 2015: €285.6 million). Despite the outflow of funds in connection with the restructuring, dividend payout and repayment of external financing, SMA protected its high liquidity reserve in the reporting period and has therefore been able to implement its strategy using its own resources.

Net Assets

Equity Ratio Stable at 49.2%

As of June 30, 2016, the total assets increased to €1,181.4 million (December 31, 2015: €1,160.5 million). At €461.8 million, the value of non-current assets was slightly lower than at the end of 2015 (December 31, 2015: €470.7 million).

As of June 30, 2016, net working capital amounted to €241.0 million (December 31, 2015: €223.0 million). The net working capital ratio in relation to sales over the past 12 months was 22.6%. Trade receivables increased by 3.9% compared to the end of 2015, to €187.0 million as of June 30, 2016 (December 31, 2015: €180.0 million). Despite SMA's higher international share, days sales outstanding were maintained at 62.9 days (December 31, 2015: 62.0 days). Inventories increased due to customers' project delays, especially with regard to finished goods, to €169.3 million (December 31, 2015: €146.1 million). Trade payables rose by €12.2 million to €115.3 million (December 31, 2015: €103.1 million). The share of trade credit in total assets increased to 9.8% (December 31, 2015: 8.9%).

At €581.3 million as of June 30, 2016, the Group's equity capital base was 1.9% higher than six months previously (December 31, 2015: €570.2 million). With an equity ratio of 49.2%, SMA has a comfortable equity capital base and therefore an extremely solid balance sheet structure.

Capital Expenditure

Investment Volume Still Significantly Reduced

SMA significantly reduced and adapted investment to changes in the market. For the 2016 fiscal year, SMA Group is planning investments in fixed assets and intangible assets of €25 million to €30 million (2015: €50.6 million).

In the first half of the 2016 fiscal year, investments in fixed assets and intangible assets totaled €12.0 million and were thus considerably lower than the comparative figure for the previous year (Q1–Q2 2015: €32.4 million). €5.1 million was invested in fixed assets (Q1–Q2 2015: €12.1 million). The investment ratio for fixed assets was 1.0% in the reporting period (Q1–Q2 2015: 2.4%). Investments in intangible assets of €6.9 million (Q1–Q2 2015: €20.3 million) were primarily for capitalized development projects.

RISKS AND OPPORTUNITIES REPORT

Risk and Opportunity Management

The 2015 Annual Report details risk and opportunity management, individual risks with a potentially significant negative impact on our business, results of operation, financial position and net assets and information on the Company's reputation. Our key opportunities are also outlined. Using our Risk Management System, we assess the overall risk situation to be manageable. The statements made in the 2015 Annual Report generally continue to apply. In the first six months of the 2016 fiscal year, we did not identify any additional significant risks or opportunities aside from those presented in the section on business activity and organization and in the additional information on the results of operation, financial position and net assets.

There are currently no discernible risks that, either alone or combined with other risks, could seriously jeopardize the livelihood of the Company or significantly impair business performance. For more information, please refer to the forward-looking statements in the Forecast Report.

FORECAST REPORT

The General Economic Situation: Uncertainty After Britons Vote to Leave the EU

According to the International Monetary Fund (IMF), the United Kingdom's decision to leave the European Union increased the uncertainty regarding the growth prospects of the global economy. The consequences of the vote, which cannot yet be foreseen, will mostly affect Europe's developed national economies. A downturn in sentiment and subdued investment activity are expected.

In the update to the World Economic Outlook (WEO) of July 19, 2016, the IMF experts forecasted global economic growth of 3.1% for the current year. The growth would therefore be on a par with the previous year. In April, the IMF still expected growth of 3.2% for 2016. The IMF experts emphasize that the minor reduction in the growth forecast is based on the assumption that uncertainty will decrease in the months to come as more clarity regarding the process of the United Kingdom leaving the EU is obtained.

For the eurozone, the IMF expects growth to be 0.1 percentage point higher than in the April forecast on the basis of the positive development in the first half of the year. The economy is expected to grow by 1.6% in 2016. For 2017, the IMF expects growth in the eurozone to slow to 1.4% – 0.2 percentage points lower than in April – due to the effects of Brexit. The IMF lowered the growth forecast for the U.S. by 0.2 percentage points compared to April. Because growth in the first quarter fell short of expectations, the experts now forecast U.S. economic growth at 2.2% this year. However, indicators suggest that growth has already increased again in the second quarter. The IMF believes this development should continue over the rest of the year.

The IMF left the growth forecast for the newly industrialized countries for this year unchanged at 4.1%. China's growth prospects have improved due to political support measures. After a forecast of 6.5% in April, the IMF now expects growth of 6.6% in 2016 here. In other important newly industrialized countries, prospects remained mixed.

Future General Economic Conditions in the Photovoltaics Sector

Share of Renewable Energy Will Continue to Grow

In their latest studies, experts at the International Energy Agency (IEA) confirm that the global importance of renewable energies will increase steadily over the next few years despite low oil prices. In addition to industrialized countries, the IEA expects fast-growing newly industrialized countries particularly in South America, Africa and Asia to play an important role. In its latest annual World Energy Outlook, the IEA assumes that renewable energies will overtake coal as the world's most important energy source around the year 2030.

The ever increasing significance of solar energy is clearly illustrated by data from experts at Bloomberg New Energy Finance. In their New Energy Outlook 2016, they predict that in 2030 photovoltaics will be the most cost-effective energy source in most countries of the world and that it will account for 43% of the new energy generation capacity installed worldwide from 2016 to 2040.

The increased use of renewable energies is driven by various trends, which include regionalization of the electricity supply. More and more households, cities and companies want to become less dependent on energy imports and rising energy costs. In this context, the IEA describes a decentralized energy supply with photovoltaics as a "driver for the transformation of traditional roles in the energy market." 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. eMobility is expected to become an important pillar of these new energy supply structures a few years from now. Integration of electric vehicles may also help increase self-consumption of renewable energies and offset fluctuations in the utility grid.

Rising Price Pressure in All Segments and Regions

Photovoltaics have proven to be increasingly competitive in recent years. In a growing number of regions around the world, solar power is now more cost-efficient than conventionally generated energy. For example, large-scale solar projects in the Middle East are already generating solar power at costs that point the way to an environment in which the industry will grow in the medium and long term even without subsidization. In the wake of the transformation of global energy supply structures, current and future objectives include intelligently linking different technologies, providing intermediate storage solutions for generated energy and thereby ensuring a reliable and cost-effective electricity supply based on renewable energies.

For 2016, the SMA Managing Board anticipates 66 GW of newly installed PV power around the world. This equates to growth of approximately 28% compared with 2015. Due to the further rise in price pressure in all market segments and regions, the SMA Managing Board estimates that the worldwide volume of investment for inverter technology will grow by approximately 2% year on year to €4.7 billion in 2016 (2015: €4.6 billion). In subsequent years, growth is expected to fall short of previous expectations. The Chinese government's announcement of its intention to lower its PV expansion target for 2020 from 150 GW to 110 GW will affect both annual PV installation and global price development and accelerate the process of consolidation in the solar industry.

Decline in Demand in EMEA

According to estimates by the SMA Managing Board, the European photovoltaic markets will decline in 2016. This decline in demand will stem in particular from Great Britain. According to SMA Managing Board estimates, market growth in the Middle East and in African countries will not compensate for the anticipated decline in demand in Europe.

Overall, the SMA Managing Board anticipates newly installed power of approximately 10 GW in the Europe, Middle East and Africa (EMEA) region, corresponding to year-on-year decline by approximately 3%. According to SMA estimates, the volume of investment in PV inverter technology will be 6% lower than in the previous year at an expected €1.0 billion. In this region, demand is dominated by the utility and commercial market segments. Small PV systems (residential) are not expected to regain their level of importance in the European market until storage solutions become more widespread.

Positive Growth in North and South America and Asia-Pacific

The SMA Managing Board still foresees strong growth stimuli from the North American markets. Demand here is likely to continue developing positively as a result of tax incentive programs being extended in the U.S. The South American photovoltaic markets are still at the beginning of their development, but promise growth potential in the medium term. According to SMA estimates, newly installed power in the overall Americas region will grow by 51% to 14 GW in 2016. The volume invested in inverter technology is expected to total €1.4 billion (2015: €1.2 billion). In the Americas, large-scale PV power plants (utility) account for the major part of demand. In addition, the SMA Managing Board expects attractive growth rates in the commercial and residential market segments.

In the Asia-Pacific region, the SMA Managing Board anticipates newly installed power of 42 GW in 2016 (2015: 32 GW). The most important markets include Japan, India and China. Due to the extremely low price level in China and India, the volume of investment in inverter technology in the Asia-Pacific region this year is expected to slightly decline to approximately €2.3 billion (2015: €2.4 billion). While the Chinese government has announced that it wants to lower its PV expansion target for 2020 from 150 GW to 110 GW, India is still pursuing its ambitious target of 100 GW by 2022. Given that installed power in India is currently significantly below the target figure (5.4 GW by the end of 2015), the SMA Managing Board anticipates high growth rates in the medium term. However, the expected reduction of China's expansion target and the shrinking market in Japan in the medium term are likely to result in a declining market in the Asia-Pacific region as a whole in the years to come. Demand in this region will also be dominated by large-scale PV projects in 2016. Medium-sized and small PV systems will increase in significance in the medium term.

Energy Management and Smart Module Technology Growth Markets

In the opinion of SMA's Managing Board, innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer attractive business opportunities and will become increasingly important in the future. This is mainly attributable to 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. Demand for solutions that increase self-consumption of solar power is likely to rise particularly in the European markets, the U.S. and Japan. In 2016, the SMA Managing Board expects the still fairly new market to grow by over 30% to approximately €460 million. This figure is already included in the specified estimates for the development of the overall market for inverter technology. Positive growth stimuli are also emanating from eMobility. Interconnection with photovoltaic systems is giving rise to new business models and greater customer benefits.

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

PV/Diesel Hybrid Systems Offer Attractive Business Opportunities

There are worthwhile business opportunities for PV/diesel hybrid systems in many countries in Central and South America as well as in the Middle East, Asia-Pacific and Africa. In these regions, energy needs are growing considerably in line with increasing prosperity. Scalable electricity supply solutions are in demand, especially in areas without a grid connection. Intelligent system technology allows photovoltaics to be integrated well into already existing diesel-powered grids. However, business with photovoltaic/diesel hybrid systems is developing more slowly than in subsidized photovoltaic markets because of technical complexity and limited financing options. In addition, the low price of oil is affecting demand negatively. The medium-term prospects remain good.

Overall Statement from the Managing Board on the Expected Development of SMA Group

The following statements on the future development of SMA Group are based on the estimates drawn up by the SMA Managing Board and the expectations concerning the progression of global photovoltaic markets set out above. SMA Group operates under a functional organization. The Residential, Commercial, Utility, and Service business units take on overall responsibility and manage development, sales and operations. Railway Technology and Zeyersolar as well as the Off-Grid and Storage business unit have been combined under Other Business. The Forecast Report is based on the described reporting structure.

SMA's sales and earnings depend on market share, price dynamics and global market growth. Factoring in the pronounced demand fluctuations in the solar industry, last year, the Managing Board conducted an extensive company transformation and thus significantly increased SMA's financial and operational flexibility. This enables the Company to react better to the volatile market and generate profits even when sales are lower than they used to be.

Managing Board Confirms Annual Forecast

Due to a continued high order backlog and anticipated stronger growth in the second half of the year, the SMA Managing Board confirms the sales and earnings forecast for the 2016 fiscal year published on January 29, 2016. This forecast anticipates sales of €950 million to €1,050 million and a significant increase in operating earnings (EBIT) year on year to between €80 million and €120 million. The Managing Board points out that, due to the price development observed in the solar industry since the second quarter of 2016, the upper end of the earnings forecast is ambitious. The Managing Board will therefore take early measures to reduce fixed costs and the cost of sales. Overall, SMA is in a good position to benefit in all market segments and regions from the trend of decentralized energy supply structures. No other competitor has a comparable product and solution portfolio or a similar international presence. SMA will use its financial stability to further improve its position in a consolidating industry, notably in connection with the service business. In addition, the digitization of the energy industry is giving rise to new business models for which SMA has already developed technological solutions and services. In addition to the provision of data to facilitate better forecasts of solar power generation and consumption, integration of battery-storage systems is a particularly important topic for the future. SMA has already positioned itself in these future markets at an early stage and is collaborating with renowned manufacturers.

Development in the Segments

According to Managing Board estimates, the Residential business unit will generate sales of €190 million to €210 million, accounting for more than 20% of SMA Group sales in 2016 (2015: €252.7 million; 25.3% of Group sales). The Residential business unit's portfolio comprises micro inverters and single-phase string inverters with the brand name Sunny Boy; three-phase inverters in the lower output range up to 12 kW with the brand name Sunny Tripower; energy management solutions; storage systems; communication products; and accessories. In the future, sales with the Tigo Energy smart module technology will also be allocated to the Residential business unit. The Managing Board does not expect major sales contributions from Tigo Energy's smart module technology until next year. The Sunny Boy inverters with an output of 3.0 kW to 7.7 kW account for a large share of the Residential business unit's sales. Europe, North America, Australia and Japan will remain the most important sales regions. The Residential business unit is expected to generate positive earnings in the single-digit millions as a result of new product launches in key sales markets and significantly reduced fixed costs.

The Commercial business unit's portfolio includes solutions with the three-phase inverters from the Sunny Tripower brand with outputs of more than 12 kW, complete energy management solutions for medium-sized solar power systems and accessories. For the Commercial business unit, the SMA Managing Board forecasts sales of €190 million to €210 million in 2016. The business unit is therefore expected to account for more than 20% of Group sales (2015: €207.4 million; 20.7% of Group sales). The Sunny Tripower with outputs starting at 25 kW is a major sales driver. The primary sales markets include the U.S., Japan, Europe, Australia and India. The Commercial business unit also improved its fixed cost structure. Combined with sales growth from cost-optimized products for key sales regions and in light of the positive business performance in the first half of 2016, the SMA Managing Board is anticipating positive operating earnings in the double-digit millions in the current fiscal year.

With anticipated sales of €430 million to €470 million, the Utility business unit is expected to account for more than 40% of Group sales (2015: €416.0 million; 41.6% of Group sales). Its portfolio includes complete solutions comprising central inverters with their grid service and monitoring functions as well as all the medium- and high-voltage technology and accessories. Sales in 2016 will largely be driven by the new central inverter generation with an output of up to 2.5 MW, which was launched in 2015. North America is by far the most important sales market, followed by Japan, India and Chile. Due to continued sales growth and an improved cost structure, the Utility business unit is expected to generate a significantly positive result in the middle double-digit millions.

Our service business will continue to benefit from the high number of commissioned projects in the Utility and Commercial business units. We also expect to conclude additional long-term service and maintenance contracts. Overall, the SMA Managing Board expects its service business to achieve sales of more than €55 million in 2016. Due to sales growth, the Service business unit is expected to post a positive result in the double-digit millions.

For the business areas combined under Other Business – Railway Technology, Zegersolar and the Off-Grid and Storage business unit – the SMA Managing Board anticipates sales of €85 million to €100 million. Considering the rather moderate sales growth, these business areas are expected to generate a break-even result in the best-case scenario. The Managing Board cannot rule out a loss.

SMA Emerges Stronger from Structural Change in the Industry

SMA will not change its strategy and, as a specialist with a focus on the system as a whole, will continue to offer complete solutions for all appealing photovoltaic markets, all module types and all power classes. We built on our market position again last year and, according to a study by IHS (September 2015), are still the clear global market leader. We are successfully serving the low-price segment with technologically simple products from our secondary brand Zegersolar. The investment in Tigo Energy in April 2016 complements our product portfolio and allows us to tap into the growing market for smart module technology for the first time. Our customers' feedback on this partnership has been overwhelmingly positive. Furthermore, SMA will use this new solution to enhance its data-based business models. In addition to the product business, SMA is expanding its service operations. Meanwhile, customers in Europe and North America have assigned management and maintenance of their PV power plants with an output of about 1.4 GW to us. We are systematically tapping into the promising business of PV/diesel hybrid applications and off-grid applications with specialized teams. Through continuous process improvement, our global purchasing and logistics structures and systematic leveraging of synergies with Danfoss, we have effectively increased our competitiveness.

With our deliberate focus on technology, consistent internationalization and rapid implementation of the Company's transformation, SMA is emerging stronger from the years of structural change in the solar industry. We are flexibly positioned, have a low break-even point and a sound financial structure. We will build on these strengths and design product solutions for decentralized energy supplies based on renewable energy. Furthermore, we will systematically take advantage of opportunities that arise from new business models as part of the digitization of the energy industry. SMA is characterized by an extraordinary corporate culture and motivated employees who all make a decisive contribution to the Company's long-term success.

Niestetal, August 1, 2016

SMA Solar Technology AG
The Managing Board

HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

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HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Income Statement SMA Group

In €'000	Note	April – June (Q2) 2016	April – June (Q2) 2015	Jan – June (Q1–Q2) 2016	Jan – June (Q1–Q2) 2015
Sales	4	240,242	203,008	494,057	429,273
Cost of sales	5	182,926	167,490	373,210	355,408
Gross profit		57,316	35,518	120,847	73,865
Selling expenses	6	12,720	14,006	24,881	28,767
Research and development expenses	7	17,141	16,723	32,569	36,073
General administrative expenses	8	13,894	14,930	25,977	30,808
Other operating income	9	8,861	10,202	16,195	28,832
Other operating expenses	9	8,375	9,535	14,316	21,918
Operating profit (EBIT)		14,047	-9,474	39,299	-14,869
Financial income		508	400	1,160	878
Financial expenses		2,418	1,167	3,042	2,137
Financial result	11	-1,910	-767	-1,882	-1,259
Profit before income taxes		12,137	-10,241	37,417	-16,128
Income taxes		11,475	3,225	17,991	5,280
Consolidated net result		662	-13,466	19,426	-21,408
of which attributable to non-controlling interests		0	-7	0	-26
of which attributable to shareholders of SMA AG		662	-13,459	19,426	-21,382
Earnings per share, basic (in €)	12	0.02	-0.39	0.56	-0.62
Earnings per share, diluted (in €)	12	0.02	-0.39	0.56	-0.62
Number of ordinary shares (in thousands)		34,700	34,700	34,700	34,700

Statement of Comprehensive Income SMA Group

In €'000	April – June (Q2) 2016	April – June (Q2) 2015	Jan – June (Q1–Q2) 2016	Jan – June (Q1–Q2) 2015
Consolidated net result	662	-13,466	19,426	-21,408
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	511	-2,451	-1,987	4,150
Changes recognized outside profit or loss (currency translation differences)	511	-2,451	-1,987	4,150
Overall comprehensive result¹	1,173	-15,917	17,439	-17,258
of which attributable to non-controlling interests	0	0	0	-26
of which attributable to shareholders of SMA AG	1,173	-15,917	17,439	-17,232

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

Balance Sheet SMA Group

In €'000	Note	6/30/2016	12/31/2015
Assets			
Intangible assets	13	85,635	91,299
Fixed assets	14	259,351	294,584
Investment property	15	15,691	0
Other investments and investments in associates		17,602	5
Deferred taxes		83,496	84,830
Non-current assets		461,775	470,718
Inventories	16	169,323	146,131
Trade receivables		186,965	180,043
Other financial assets (total)	17	122,884	127,157
— Cash equivalents with a duration of more than 3 months and asset management		98,548	97,655
— Rent deposits and cash on hand pledged as collaterals		21,892	27,048
— Remaining other financial assets		2,444	2,454
Receivables from tax authorities (total)		18,640	24,689
— Claims for income tax refunds		5,369	3,879
— Claims for VAT refunds		13,271	20,810
Other receivables		12,941	11,545
Cash and cash equivalents	27	206,665	200,180
		717,418	689,745
Available - for - sale assets		2,208	0
Current assets		719,626	689,745
Total assets		1,181,401	1,160,463
Liabilities and shareholders' equity			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		427,409	416,334
SMA Solar Technology AG shareholders' equity		581,309	570,234
Equity attributable to non-controlling interests		2	-26
Shareholders' equity	18	581,311	570,208
Provisions ¹	19	88,974	86,939
Financial liabilities ²	20	21,985	27,135
Other liabilities (total)		154,246	142,587
— Accrual item for extended warranties	22	146,553	134,763
— Other financial liabilities	21	1,184	1,412
— Remaining other liabilities	22	6,509	6,412
Deferred taxes		27,077	24,402
Non-current liabilities		292,282	281,063
Provisions ¹	19	81,954	83,097
Financial liabilities ²	20	15,142	19,788
Trade payables		115,289	103,134
Income tax liabilities	22	12,609	9,942
Other liabilities ¹ (total)		82,814	93,231
— Human Resources department	22	29,268	23,314
— Prepayments received	22	17,155	22,961
— Other financial liabilities	21	9,453	18,192
— Remaining other liabilities	22	26,938	28,764
Current liabilities		307,808	309,192
Total equity and liabilities		1,181,401	1,160,463
Total Cash (in € million)		327	325
Cash and cash equivalents + cash equivalents with a duration of more than 3 months and asset management + current rent deposits and cash on hand pledged as collaterals + non-current rent deposits			
Net Cash (in € million)		294	286
Total cash - current and non-current loan liabilities (excluding derivatives)			

¹ not interest-bearing ² includes not-interest-bearing current and non-current derivatives amounting to €0.6 million (2015: €7.6 million)

Statement of Cash Flows SMA Group

In €'000	Note	Jan – June (Q1–Q2) 2016	Jan – June (Q1–Q2) 2015
Consolidated net result		19,426	-21,408
Income taxes		17,991	5,280
Financial result		1,882	1,259
Depreciation and amortization		33,750	36,165
Change in provisions		892	-27,498
Result from the disposal of assets		127	197
Change in non-cash expenses/revenue		377	10,131
Interest received		384	186
Interest paid		-1,079	-1,811
Income tax paid		-12,805	-7,569
Gross cash flow		60,945	-5,068
Change in inventories		-24,208	-171
Change in trade receivables		-7,459	23,831
Change in trade payables		12,155	-17,498
Change in other net assets/other non-cash transactions		8,794	10,990
Net cash flow from operating activities	24	50,227	12,084
Payments for investments in fixed assets		-5,054	-12,115
Proceeds from the disposal of fixed assets		236	310
Payments for investments in intangible assets		-6,942	-20,308
Payments for investments in financial assets / investments in associated companies		-17,596	0
Payments for the acquisitions of companies net of cash/ proceeds from the acquisition of business units		-1,500	0
Proceeds from the disposal of securities and other financial assets		56,608	67,585
Payments for the acquisition of securities and other financial assets		-55,715	-69,616
Net cash flow from investing activities	25	-29,963	-34,144
Change in non-controlling interests		28	-26
Proceeds of financial liabilities		0	3,556
Redemption of financial liabilities		-5,763	-1,193
Dividends paid by SMA Solar Technology AG		-4,858	0
Cash outflows for the acquisition of non-controlling interests in subsidiaries		-3,734	0
Net cash flow from financing activities	26	-14,327	2,337
Net increase/decrease in cash and cash equivalents		5,937	-19,723
Changes due to exchange rate effects		548	1,776
Cash and cash equivalents as of January 1		200,180	183,988
Cash and cash equivalents as of June 30	27	206,665	166,041

Statement of Changes in Equity SMA Group

In €'000	Share capital	Capital reserves
Shareholders' equity as of January 1, 2015	34,700	119,200
Consolidated net result	0	0
Other comprehensive income after tax	0	0
Overall result		
Shareholders' equity as of March 31, 2015	34,700	119,200
 Shareholders' equity as of January 1, 2016	 34,700	 119,200
Consolidated net result	0	0
Other comprehensive income after tax	0	0
Overall result		
Capital increase Zegersolar		
Dividend payments of SMA Solar Technology AG		
Shareholders' equity as of March 31, 2016	34,700	119,200

Equity attributable to the shareholders of the parent company

	Difference from currency translation	Other retained earnings	Total	Equity attributable to non-controlling interests	Consolidated shareholders' equity
	2,658	395,417	551,975	-13	551,962
	0	-21,382	-21,382	-26	-21,408
	4,150	0	4,150	0	4,150
					-17,258
	6,808	374,035	534,743	-39	534,704
	6,757	409,577	570,234	-26	570,208
	0	19,426	19,426	0	19,426
	-1,987	0	-1,987	0	-1,987
					17,439
		-1,506	-1,506	28	-1,478
		-4,858	-4,858		-4,858
	4,770	422,639	581,309	2	581,311

CONDENSED NOTES AS OF JUNE 30, 2016

General Information

1. Basics

The Condensed Half-Year Consolidated Financial Statements of SMA Solar Technology AG as of June 30, 2016 were prepared – as were the Consolidated Financial Statements as of December 31, 2015 – in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as in compliance with the regulations of Section 315a of the German Commercial Code (HGB). In fiscal year 2016, the Interim Financial Statements for SMA Solar Technology AG are therefore prepared in accordance with IAS 34 "Interim Financial Reporting". Pursuant to the regulations of IAS 34, a condensed scope of reporting in comparison with the Consolidated Financial Statements as of December 31, 2015 was chosen. The Condensed Financial Statements do not include all information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the Consolidated Financial Statements as of December 31, 2015.

The Condensed Half-Year Consolidated Financial Statements were prepared in euros. Unless indicated otherwise, all amounts stated are in euros rounded to whole thousands (€ '000) or millions (€ million) in order to improve clarity.

The Consolidated Financial Statements are prepared on the basis of the amortized acquisition cost principle. Exceptions to this are provisions, deferred taxes, leases and derivative financial instruments.

The income statement is classified according to the cost of sales method.

The Managing Board of SMA Solar Technology AG authorized the Half-Year Consolidated Financial Statements on August 1, 2016 for submission to the Supervisory Board.

The registered office of the Company is Sonnenallee 1, 34266 Niestetal, Germany. Shares of SMA Solar Technology AG are traded publicly. They are listed in the Prime Standard of the Frankfurt Stock Exchange. Since September 22, 2008, the Company's shares have been listed on the technology index TecDAX.

SMA Group develops, produces and distributes PV inverters, transformers, choke coils, monitoring and energy management systems for PV systems and power electronics components for railway technology. Another area of business is operation and maintenance services for photovoltaic power plants (O&M business), in addition to other services.

More detailed information on the segments is provided in section 4.

2. Scope of Consolidation and Consolidation Principles

The scope of consolidation as of December 31, 2015 was reduced in comparison to December 31, 2014 as a result of the liquidation of SMA Central and Eastern Europe s.r.o and SMA (Beijing) Commercial Co., Ltd. The Group's share in Jiangsu Zeyersolar New Energy Co., Ltd. increased to 99.34% (December 31, 2014: 99.25%) through a capital increase.

All companies within the scope of consolidation are fully consolidated. Those companies entitled to investments in the list of shareholdings are not consolidated due to their subordinate importance. Non-controlling interests in equity of the consolidated companies are shown separately in equity.

The Half-Year Consolidated Financial Statements are based on the Financial Statements of SMA Solar Technology AG and the subsidiary companies included in the scope of consolidation, which were prepared using uniform accounting policies throughout the Group.

Further details can be found in the Notes to the Consolidated Financial Statements as of December 31, 2015.

The scope of consolidation as of June 30, 2016 changed in comparison to December 31, 2015 as a result of the acquisition of interests in Tigo Energy, Inc. and the increase in the shareholding in Jiangsu Zeversolar New Energy Co., Ltd. to 100%.

As part of a capital increase of USD 20 million, SMA Solar Technology AG acquired interests of 28.27% as of April 8, 2016. In the future, SMA and Tigo Energy, Inc. will collaborate in the areas of development, sales and service. Tigo Energy, Inc., based in Silicon Valley, operates in the field of smart module technology. The technology patented by Tigo Energy, Inc. is a consistent evolution of the micro inverter technology and the module optimizers previously available on the market. SMA obtained the exclusive rights for the worldwide sale of the TS4-Retrofit smart module technology developed by Tigo Energy, Inc. Because the acquisition was so close to the reporting date, the purchase price allocation is not yet complete, as the fair values of the identified technologies have not yet been measured. No statement can currently be made about the amount of goodwill. The purchase price allocation will be finalized when all relevant information is available. Tigo Energy, Inc. is included in the scope of consolidation as an associate.

Associates are companies in which SMA Technology AG is able to exercise significant influence over business and accounting policies on the basis of a shareholding of between 20% and 30%. Material associates are recognized in the Consolidated Financial Statements according to the equity method.

3. Accounting and Valuation Policies

There were changes in the accounting and valuation policies in these Half-Year Consolidated Financial Statements as of June 30, 2016, in comparison with the Consolidated Financial Statements of SMA Solar Technology AG as of December 31, 2015.

Non-current assets held for sale and discontinued operations must be classified as held for sale according to IFRS 5 if the associated book value is realized largely through disposal and not through continued use. On the date of classification, the non-current assets are measured at the lower book value and fair value less costs to sell, and no longer depreciated or amortized.

SMA intends to dispose of a plot of land it no longer uses by the end of the fiscal year. A purchase agreement has already been concluded for one part. Negotiations for the other parts are currently ongoing. It is assumed that the fair value of the respective areas of land less costs to sell will be higher than the book value, so no impairment is recognized.

In addition to the sale of the land, SMA intends to dispose of the SMA Railway division within the next 12 months. As the active search for bidders had not yet begun on the reporting date, the item had not yet been transferred to non-current assets held for sale and discontinued operations according to IFRS 5.12 as of the reporting date.

According to IAS 40, investment property is property held to earn rentals. Investment property must be measured at cost on acquisition. Subsequently, investment property can be measured using either the cost model or the fair value model.

Refer to section 15 for more details.

In comparison with December 31, 2015, the following accounting standards, but not yet mandatory standards and interpretations, were observed in the preparation of the Half-Year Consolidated Financial Statements.

Standard/Interpretation			Date of compulsory application ¹	Endorsement (until June 30, 2016) ²
Amendment	IFRS 2	Share-based payment	2018/01/01	no
Amendment	IFRS 15	Clarification on Revenues from Contracts with Customers	2018/01/01	no

¹ Applicable to the first reporting period of a fiscal year beginning on or after that date

² Mandatory application according to adoption by the European Commission – the standards themselves sometimes stipulate earlier mandatory application

The first-time use of new IFRS to be applied has no essential effects on the representation of the Half-Year Consolidated Financial Statements of SMA Group.

The Group has not yet applied the new standards, interpretations or changes to the standards published that were not yet mandatory in 2016. The standards that have to be applied in the future can be found in the 2015 Annual Report, Chapter 3, Newly Published Accounting Regulations from IASB.

4. Segment Reporting

Since January 1, 2015, SMA Group has operated under its new functional organization. In this organization, the Residential, Commercial, Utility and Service business units take on overall responsibility and manage development, sales and operations. They are presented as separate segments. The subsidiaries Railway Technology and Zeversolar as well as the Off-Grid and Storage business have been combined under Other Business.

Based on the information reported to the Group's chief operating decision-makers for resource allocation and business performance, the above business units and the composite segment Other Business (business area Zeversolar included) are identified as reportable segments under IFRS 8.11a. The business units report directly to the Managing Board. In accordance with market requirements, SMA regularly reviews its organizational structure in order to make it as efficient as possible.

Sales in the Residential, Commercial und Utility business units are subject to fluctuations because of discontinuous incentive programs.

Segment	Activities
Residential	The Residential business unit serves the attractive long-term market of small PV systems for private applications. In particular, the portfolio comprises micro inverters and single-phase string inverters with the brand name Sunny Boy, three-phase inverters in the lower output range up to 12 kW with the brand name Sunny Tripower, energy management solutions, storage systems such as the Sunny Boy Smart Energy, and communication products and accessories. With this portfolio of products and services, SMA offers a suitable technical solution for private PV systems in all major photovoltaic markets.
Commercial	The Commercial business unit serves the growing market of medium-sized PV systems for commercial applications. Its portfolio includes solutions with the three-phase inverters from the Sunny Tripower brand with outputs of more than 12 kW, as well as complete energy management solutions for medium-sized PV systems, medium-voltage technology and other accessories. SMA offers complete solutions as well as individual inverters for commercial PV systems in all major photovoltaic markets.
Utility	The Utility business unit serves the growing market for large-scale PV power plants with outputs ranging from 500 kW to the megawatt range with central inverters from the Sunny Central brand. Its portfolio includes complete solutions comprising central inverters with their grid service and monitoring functions as well as all the medium- and high-voltage technology and accessories.
Service	SMA has its own service companies in all important photovoltaic markets. With an installed capacity of more than 35 GW worldwide, SMA leverages economies of scale to manage its service business profitably. Services offered include commissioning, warranty extensions, service and maintenance contracts, operational management, remote system monitoring and spare parts supply.
Other Business	This segment comprises the business activities of Railway Technology, Off-Grid and Storage and Zeyersolar consisting of Jiangsu Zeyersolar New Energy Co., Ltd. and its subsidiaries.

The operating result of the segments is monitored separately by the Managing Board to make decisions on the allocation of resources and to determine the profitability of the segments. Group financing, currency and interest rate hedging and the income tax burden are controlled at Group level and are therefore not allocated to the individual operating segments.

Regarding information on geographical segments, sales are assigned to countries using the destination principle. The Company refrains from presenting non-current assets based on this classification. SMA Solar Technology AG develops and manufactures its products mainly in Germany. There are no material non-current assets tied to the production sites outside Germany in China, North America and Poland. Accordingly, an apportionment of assets by regions is likewise not a part of internal management reporting.

The segment information in accordance with IFRS 8 for the second quarter of 2016 and 2015 is as follows:

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segments	Residential		Commercial		Utility	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
€ million						
External sales	53.3	65.6	64.4	46.9	89.2	62.1
Internal sales	0.1	0.0	0.2	0.0	0.0	0.7
Total sales	53.4	65.6	64.6	46.9	89.2	62.8
Depreciation and amortization	2.2	2.6	0.6	1.8	2.6	0.1
Operating profit (EBIT)	-0.6	-3.8	4.7	-10.3	7.8	2.6

Sales by regions						
EMEA	30.6	29.7	25.3	24.8	10.9	2.9
Americas	18.2	25.6	20.6	11.3	75.9	50.8
APAC	6.8	12.8	18.9	12.0	2.4	8.4
Sales deductions	-2.3	-2.5	-0.4	-1.2	0.0	0.0
External sales	53.3	65.6	64.4	46.9	89.2	62.1

Segments	Service		Other Business		Reconciliation		Continuing operations	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
€ million								
External sales	11.9	11.5	21.5	16.9	0.0	0.0	240.3	203.0
Internal sales	16.2	16.7	0.0	0.0	-16.5	-17.4	0.0	0.0
Total sales	28.1	28.2	21.5	16.9	-16.5	-17.4	240.3	203.0
Depreciation and amortization	0.3	0.3	1.3	0.9	10.0	11.7	17.0	17.4
Operating profit (EBIT)	4.2	2.5	-1.3	-4.1	-0.8	3.6	14.0	-9.5

Sales by regions								
EMEA	4.9	5.7	9.5	8.2	0.0	0.0	81.2	71.3
Americas	4.7	4.3	3.8	4.6	0.0	0.0	123.2	96.6
APAC	2.3	1.5	8.2	5.0	0.0	0.0	38.6	39.7
Sales deductions	0.0	0.0	0.0	-0.9	0.0	0.0	-2.7	-4.6
External sales	11.9	11.5	21.5	16.9	0.0	0.0	240.3	203.0

The segment information in accordance with IFRS 8 for the first half of 2016 and 2015 is as follows:

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segments	Residential		Commercial		Utility	
	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2
€ million	2016	2015	2016	2015	2016	2015
External sales	99.4	113.8	124.3	86.1	204.5	175.7
Internal sales	0.1	0.0	0.2	0.0	0.0	0.7
Total sales	99.5	113.8	124.5	86.1	204.5	176.4
Depreciation and amortization	4.4	4.8	1.2	4.9	4.9	0.3
Operating profit (EBIT)	-0.5	-10.5	6.6	-21.9	31.9	15.0

Sales by regions						
EMEA	51.4	47.9	50.0	48.6	37.5	48.5
Americas	42.3	49.9	33.3	17.2	150.1	98.7
APAC	11.6	20.3	41.7	22.1	17.2	28.9
Sales deductions	-5.9	-4.3	-0.7	-1.8	-0.3	-0.4
External sales	99.4	113.8	124.3	86.1	204.5	175.7

Segments	Service		Other Business		Reconciliation		Continuing operations	
	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2
€ million	2016	2015	2016	2015	2016	2015	2016	2015
External sales	24.7	22.5	41.2	31.2	0.0	0.0	494.1	429.3
Internal sales	32.1	33.1	0.0	0.0	-32.4	-33.8	0.0	0.0
Total sales	56.8	55.6	41.2	31.2	-32.4	-33.8	494.1	429.3
Depreciation and amortization	0.7	0.7	2.5	1.9	20.1	23.6	33.8	36.2
Operating profit (EBIT)	5.6	4.0	-2.5	-10.0	-1.8	8.5	39.3	-14.9

Sales by regions								
EMEA	11.7	13.5	19.5	15.5	0.0	0.0	170.1	174.0
Americas	7.9	6.4	8.6	7.7	0.0	0.0	242.2	179.9
APAC	5.3	2.7	13.1	9.9	0.0	0.0	88.9	83.9
Sales deductions	-0.2	-0.1	0.0	-1.9	0.0	0.0	-7.1	-8.5
External sales	24.7	22.5	41.2	31.2	0.0	0.0	494.1	429.3

On the basis of the size criteria of IFRS 8, there were fewer reportable segments as of the reporting date than on December 31, 2015. Zeyersolar is reported within the Other Business segment.

Germany accounted for €44.5 million in sales to third parties in the reporting period (Q1–Q2 2015: €55.9 million).

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

in € million	Q2 2016	Q2 2015	Q1–Q2 2016	Q1–Q2 2015
Total segment earnings (EBIT)	14.8	-13.1	41.1	-23.4
Eliminations	-0.8	3.6	-1.8	8.5
Consolidated EBIT	14.0	-9.5	39.3	-14.9
Financial result	-1.9	-0.7	-1.9	-1.2
Earnings before income taxes	12.1	-10.2	37.4	-16.1

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

Segment assets as of June 30, 2016, did not change significantly in comparison with the reporting date of the last Annual Consolidated Financial Statements (December 31, 2015).

Condensed Notes to the Income Statement SMA Group

5. Cost of Sales

In €'000	Q1–Q2 2016	Q1–Q2 2015
Material expenses	244,115	239,736
Personnel expenses	66,784	64,319
Depreciation and amortization	29,061	30,942
Other	33,250	20,411
	373,210	355,408

Cost of sales include, as direct costs, product-related material expenses as well as all other expenses for Production, Purchasing, Service, Facility Management and IT.

Material expenses increased only slightly due to successful cost-reduction measures and thus at a much lower rate than sales of 1.8% to €244.1 million (Q1–Q2 2015: €239.7 million). The average material costs per watt fell to 6.3 cents per watt (Q1–Q2 2015: 7.6 cents per watt) due to specific cost reductions and the introduction of new products with specifically less expensive material costs.

Personnel expenses increased by 3.9% from €64.3 million in the first half of the previous year to €66.8 million. The slight year-on-year increase resulted from a greater demand for temporary employees and the recognition of provisions for Christmas and other bonus payments.

Depreciation and amortization decreased by 5.8% to €29.1 million (Q1–Q2 2015: €30.9 million). In the first half of 2016, this included scheduled depreciation and amortization on development projects of €10.6 million (Q1–Q2 2015: €7.6 million).

The €12.8 million increase in other expenses primarily resulted from higher freight costs in the Utility business unit and the addition of provisions for warranty obligations in comparison with the same period of the previous year, which are partially due to increased sales volumes.

6. Selling Expenses

In €'000	Q1–Q2 2016	Q1–Q2 2015
Material expenses	59	514
Personnel expenses	15,777	17,830
Depreciation and amortization	199	267
Other	8,846	10,156
	24,881	28,767

Selling expenses include expenditure for global sales activities, internal sales and marketing.

The decline in selling expenses compared to the first half of 2015 to €24.9 million (Q1–Q2 2015: €28.8 million) resulted mainly from savings in personnel and material costs in the wake of cost reduction measures taken in 2015. The measures had only a proportionate effect in the comparative period.

7. Research and Development Expenses

in €'000	Q1–Q2 2016	Q1–Q2 2015
Material expenses	2,448	3,448
Personnel expenses	24,809	30,748
Depreciation and amortization	3,865	4,170
Other	8,280	17,054
	39,402	55,420
Capitalized development projects	-6,833	-19,347
	32,569	36,073

Research and development expenses include all costs that can be attributed to the areas of product development, development-related testing and product management. The decline in personnel costs is largely due to the personnel adjustments made last year. Other costs fell considerably as a result of the cost-reduction measures taken. Capitalized development projects fell short of the comparative period after the central inverter Sunny Central with 2.5 MW of power was completed in the previous year.

8. General Administrative Expenses

In €'000	Q1-Q2 2016	Q1-Q2 2015
Material expenses	21	73
Personnel expenses	14,385	15,823
Depreciation and amortization	508	765
Other	11,063	14,147
	25,977	30,808

Administrative expenses include expenses for the Managing Board and for Finance, Legal and Compliance, Human Resources, Quality Management and Corporate Communication. The previous year's cost-reduction measures mainly resulted in general administrative expenses declining to €26.0 million (Q1 - Q2 2015: €30.8 million). The measures had only a proportionate effect in the comparative period.

9. Other Operating Income/Other Operating Expenses

Other operating income specifically includes income from foreign currency valuation as well as non-operative income, such as from assets measured at fair value through profit or loss, and reversal of provisions.

Other operating expenses specifically include expenses from foreign currency valuation, impairment losses on receivables, and expenses from disposal of non-current assets and from assets measured at fair value through profit and loss.

10. Employee and Temporary Employee Benefits

In €'000	Q1-Q2 2016	Q1-Q2 2015
Wages and salaries	97,059	105,644
Expenses for temporary employees	10,297	6,428
Social security contribution and welfare payments	14,338	17,523
	121,694	129,595

The average number of employees in the Group amounted to:

	Q1-Q2 2016	Q1-Q2 2015
Research and Development	631	1,000
Production and Service	1,953	2,521
Sales and Administration	753	849
	3,337	4,370
Apprentices and interns	146	194
Temporary employees	683	425
	4,166	4,989

11. Financial Result

In €'000	Q1-Q2 2016	Q1-Q2 2015
Interest income	935	774
Other financial income	188	0
Income from interest derivatives	37	104
Financial income	1,160	878
Interest expenses	3,042	1,952
Other financial expenses	0	97
Interest portion from valuation of provisions	0	88
Financial expenses	3,042	2,137
Financial result	-1,882	-1,259

Financial income increased compared with the first half of 2015, largely due to higher non-current financial assets. Financial expenses rose as a result of the interest required due to the additional tax expenses for previous years.

12. Earnings per Share

Earnings per share are calculated by dividing the consolidated earnings attributable to the shareholders by the weighted average of ordinary shares in circulation during the period.

Consolidated earnings attributable to shareholders are the consolidated net profit after tax, excluding the portion attributable to non-controlling interests. As there were no shares held by the Company on the reporting date nor any other special cases, the number of ordinary shares issued equated to the number of shares in circulation.

The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 resulted in earnings of €0.56 per share for the period from January 1, 2016 to June 30, 2016, with the number of shares at 34.7 million. For the period from January 1, 2015 to June 30, 2015, the calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 yielded earnings of €-0.62 per share on the basis of 34.7 million shares.

There were no options or conversion options as of the reporting date. Therefore, there were no diluting effects and the diluted and basic earnings per share were the same.

Condensed Notes to the Balance Sheet SMA Group

13. Goodwill and Other Intangible Assets

In €'000	2016/06/30	2015/12/31
Goodwill	798	798
Software	7,367	9,515
Licenses	5,784	5,441
Development projects	58,888	49,304
Intangible assets in progress	12,798	26,241
	85,635	91,299

The goodwill results from dtw Sp. z o.o. and the asset deals with Danfoss Power Electronics A/S and Phoenix Solar AG.

The intangible assets in progress reflect development activities undertaken to ensure SMA Group's position as a technology leader. In the 2016 fiscal year, a significant amount was reclassified to development projects due to the market launch of new products.

14. Fixed Assets

In €'000	2016/06/30	2015/12/31
Land and buildings incl. buildings on third-party property	180,592	207,334
Technical equipment and machinery	37,639	40,608
Other equipment, plant and office equipment	37,939	45,358
Prepayments	3,181	1,284
	259,351	294,584

The additions to prepayments for the period from January 1 to June 30, 2016 mainly relate to investments in technical equipment, machinery and other equipment, and plant and office equipment.

15. Investment Property

In €'000	2016/06/30	2015/12/31
Level at the beginning of the year	0	0
Transfers from fixed assets	15,691	0
Level at the end of the reporting period	15,691	0

SMA Solar Technology AG intends to rent two buildings in the fiscal year. The investment properties are accounted for using the cost model, whereby the properties are measured according to IAS 16 (i.e., at historical cost less depreciation and impairment and reversals of impairment). The buildings are depreciated on a straight-line basis over their economic useful life. The underlying useful life of the two buildings is 33 years.

A survey is currently being compiled to determine the current market value. The properties are valued on the basis of the income approach; the input parameters equate to level three of the measurement hierarchy according to IFRS 13. It is assumed that a result will be available in the third quarter and that the market value will be higher than the reported book value. The necessary disclosures will be made at that time.

16. Inventories

In €'000	2016/06/30	2015/12/31
Raw materials, consumables and supplies	72,956	74,858
Unfinished goods, work in progress	21,252	21,401
Finished goods and goods for resale	75,112	49,329
Prepayments	3	543
	169,323	146,131

Inventories are measured at the lower value of acquisition or production costs and net realizable value. In total, impairment as of June 30, 2016 amounted to €44.0 million (December 31, 2015: €57.9 million). The addition to impairment on inventories, included under expenses as cost of sales, amounted to €2.6 million (Q1 – Q2 2015: €10.6 million).

17. Other Financial Assets

As of June 30, 2016, other current financial assets in particular include financial assets, time deposits with a term to maturity of over three months and accrued interest totaling €98.5 million (December 31, 2015: €97.7 million). Other non-current financial assets were reclassified as current other financial assets due to their subordinate importance for the net assets, financial position and results of operation. They primarily include a rent deposit for buildings in the U.S. amounting to USD 2.5 million (December 31, 2015: USD 2.5 million). The previous year's figures were adjusted accordingly.

18. Shareholders' Equity

The change in equity, including effects not shown in the income statement, is presented in the Statement of Changes in Equity.

On May 31, 2016, the Annual General Meeting of SMA Solar Technology AG passed a resolution to distribute a dividend for the 2015 fiscal year amounting to €0.14 per qualifying bearer share (2014: €0.00). The payout was made on June 1, 2016.

19. Provisions

Provisions account for all discernible risks and contingent liabilities on the balance sheet date and break down as follows:

In €'000	2016/06/30	2015/12/31
Warranties	143,136	139,790
Personnel	2,233	7,904
Other	25,559	22,342
	170,928	170,036

Warranty provisions consist of general warranty obligations (periods of between five and ten years) for the various product areas within the Group. In addition, provisions are set aside for individual cases that are expected to be used in the following year.

Personnel provisions mainly include obligations for long-service anniversaries, death benefits and partial retirement benefits.

Other provisions included restoration obligations, purchase commitments and obligations for service-related benefits.

SMA expects that these provisions will, in general, affect cash within the next 12 months to 20 years (long-term service contracts).

20. Financial Liabilities

In €'000	2016/06/30	2015/12/31
Liabilities due to credit institutions	32,981	39,306
Derivative financial liabilities	4,146	7,617
	37,127	46,923

Liabilities to credit institutions mainly comprise the financial liabilities of the subsidiary Jiangsu Zeyersolar New Energy Co., Ltd. assumed by SMA. In addition, liabilities to credit institutions were incurred for financing of SMA Immo properties and a PV system for SMA AG. They have an average time to maturity of 10 years.

The reduction in loan liabilities results primarily from Zeyersolar's repayments in connection with the conversion to internal credit financing.

Derivative financial liabilities mainly consist of interest derivatives and currency futures and options.

21. Other Financial Liabilities

In €'000	2016/06/30	2015/12/31
Sales department liabilities	2,118	6,618
Other	8,519	12,986
	10,637	19,604

The liabilities of the Sales department primarily contain liabilities to customers from overpayments. Liabilities from bonus agreements with customers have been reported in remaining other liabilities since the 2016 fiscal year; the previous year's figures were adjusted accordingly.

22. Other Liabilities and Income Tax Liabilities

In €'000	2016/06/30	2015/12/31
Accrual item for extended warranties	157,920	146,130
Liabilities in the Human Resources department	31,118	25,191
Liabilities from prepayments received	25,126	31,613
Liabilities due to tax authorities	3,965	6,735
Liabilities from subsidies received	862	427
Liabilities from bonus agreements	5,990	3,653
Other	1,442	2,465
	226,423	216,214
Income tax liabilities	12,609	9,942
	12,609	9,942

The accrual item for extended warranties includes liabilities from chargeable extended warranties granted for products from the Residential and Commercial business units. Liabilities in the Human Resources department contain obligations to employees regarding positive vacation and flextime balances as well as variable salary components and contributions to the workers' compensation association and to social insurance systems. The main items included in the liabilities due to tax authorities are tax liabilities from payroll accounting and value-added tax liabilities. The liabilities from subsidies received relate to taxable government grants from funds of the common-task program "Improvement of the Regional Economic Structure" (EU GA), granted as investment subsidies. The total amount of retransfer of government grants is stated under other operating income.

Liabilities from bonus agreements with customers have been reported in remaining other liabilities since the 2016 fiscal year; the previous year's figures were adjusted accordingly.

Income tax liabilities result from global business operations and an international sales share of 91.1%. SMA is therefore subject to various tax laws and regulations abroad. Changes in tax laws in Germany and abroad could affect the SMA Group's tax accounting items. In addition to changes in legal regulations, assessment and interpretation of complex tax regulations, such as those regarding transfer prices, may also affect our results of operation,

financial position and net assets. We therefore collaborate closely with tax consultants in individual countries to identify risks, carry out audits at regular intervals and recognize appropriate provisions. As of June 30, 2016, income tax liabilities of €6.0 million were recognized for risks from previous years.

23. Financial Instruments

As of June 30, 2016, there were eight currency futures, which are intended to hedge against the currency risks associated with anticipated future sales with customers. The derivatives were still classified as held for trading. They are not part of a hedging relationship as defined by IAS 39. For the interest risks arising for SMA Immo due to financial liabilities, interest derivatives were concluded for a part of these financial liabilities. The derivatives are classified as held for trading. They are not part of a hedging relationship as defined by IAS 39.

In €'000	Assessment category according to IAS 39	2016/06/30		2015/12/31	
		Market value	Book value	Market value	Book value
Assets					
Cash and cash equivalents	LaR	206,665	206,665	200,180	200,180
Trade receivables	LaR	186,965	186,965	180,043	180,043
Other financial investments	AfS	5	5	5	5
Other financial assets		122,884	122,884	127,157	127,157
of which institutional mutual funds	FAHfT	48,839	48,839	47,636	47,636
of which other (time deposits)	LaR	74,045	74,045	79,521	79,521
of which derivatives that do not qualify for hedge accounting	FAHfT	0	0	0	0
Liabilities and shareholders' equity					
Trade payables	FLAC	115,289	115,289	103,134	103,134
Financial liabilities		37,127	37,127	46,923	46,923
of which liabilities due to credit institutions	FLAC	32,981	32,981	39,306	39,306
of which derivatives that do not qualify for hedge accounting	FLHfT	4,146	4,146	7,617	7,617
Other financial liabilities	FLAC	10,637	10,637	19,604	19,604
Of which grouped by categories according to IAS 39:					
Loans and receivables	LaR	467,675	467,675	459,744	459,744
Financial liabilities measured at amortized cost	FLAC	157,722	157,722	165,698	165,698
Financial assets held for trading	FAHfT	48,839	48,839	47,636	47,636
Financial liabilities held for trading	FLHfT	4,146	4,146	7,617	7,617
Available - for - sale financial assets	AfS	5	5	5	5

Cash and cash equivalents, trade receivables and time deposits mainly have short terms to maturity. Accordingly, their book values on the reporting date were almost identical to their fair value.

The fair values of other non-current assets correspond to the present values of the payments related to the assets while taking into account current interest parameters, which reflect market- and partner-related changes in conditions and expectations.

Other financial investments relate to investments not included in the scope of consolidation. However, because no active market exists for these investments and a reliable measurement of their fair value was not possible, measurement on the relevant reporting dates was effected at amortized cost of acquisition.

Trade payables and other current financial liabilities normally have short terms to maturity. The recognized values are almost identical to the fair values.

Fair values of other non-current financial liabilities are determined by referring to the present values of the payments associated with the debts. For discounting, term-related commercially available interest rates were used (level 2).

Derivative financial instruments are used to hedge against currency risks arising from operative business. These include currency futures and options. In principle, these instruments are only used for hedging purposes. As is the case with all financial instruments, they are recognized at fair value upon initial recognition. The fair values are also relevant for subsequent measurements. The fair value of traded derivative financial instruments is identical to the market value. This value may be positive or negative. The measurement of forward transactions is based on forward contract rates. Options are measured in line with the Black-Scholes and Heath-Jarrow-Morton option pricing models. The parameters that were used in the valuation models are in line with market data.

The put option in the amount of the present value of the redemption amount of the shares granted in connection with the acquisition of Zeversolar shares was posted under derivative financial liabilities without a hedge relationship. As of the reporting date, the put option no longer exists (December 31, 2015: €3.9 million). This is due to the increase in the share in Zeversolar.

The following table shows the allocation of our financial assets and liabilities measured at fair values in the balance sheet using the three levels of the fair value hierarchy:

2016/06/30	Level 1	Level 2	Level 3	Total
In €'000				
Financial assets, measured at fair value				
Institutional mutual funds	48,839			48,839
Derivative financial instruments		0		0
Financial liabilities, measured at fair value				
Derivative financial instruments		4,146	0	4,146
2015/12/31				
In €'000				
Financial assets, measured at fair value				
Institutional mutual funds	47,636			47,636
Derivative financial instruments		0		0
Financial liabilities, measured at fair value				
Derivative financial instruments		3,731	3,886	7,617

Notes to the Statement of Cash Flows SMA Group

The liquid funds shown in the Statement of Cash Flows correspond to the balance sheet item "Cash and Cash Equivalents."

24. Net Cash Flow From Operating Activities

Gross cash flow improved significantly, climbing to €60.9 million (Q1–Q2 2015: €–5.1 million). It reflects the operating income prior to commitment of funds. The increase is primarily attributable to the significantly improved consolidated earnings before taxes compared to the previous year.

Net cash flow from operating activities amounted to €50.2 million in the first half of 2016 (Q1–Q2 2015: €12.1 million).

Inventories increased due to customers' project delays by 15.9% to €169.3 million (December 31, 2015: €146.1 million). The €12.2 million increase in trade payables, the slightly smaller increase in trade receivables and the increase in inventories caused net working capital to rise by 8.1% to €241.0 million (December 31, 2015: €223.0 million). At 22.6%, the net working capital ratio in relation to sales over the past twelve months was on a par with December 31, 2015 (22.3%), and is thus within the 20% to 23% range targeted by the management.

25. Net Cash Flow From Investing Activities

Net cash flow from investing activities amounted to €-30.0 million in the reporting period (Q1 – Q2 2015: €-34.2 million) and primarily includes the outflow of €17.6 million in funds for the acquisition of the shares in Tigo Energy, Inc. Investments in fixed assets and intangible assets of €12.0 million are also reported. This figure is considerably lower than the comparative figure of the previous year of €32.4 million and illustrates the SMA Group's adjusted investment activity. With a total of €6.8 million, an essential part of the investments was attributable to capitalized development projects for the introduction of a new product line of central inverters.

Pursuant to IAS 7.16, monetary investments with a term to maturity of more than three months are allocated to the net cash flow from investing activities.

26. Net Cash Flow From Financing Activities

In the reporting period, besides loan repayments of Immo and Jiangsu Zeversolar New Energy Co., Ltd., net cash flow from financing activities consisted of the dividend payment of SMA Solar Technology AG in an amount of €4.9 million and a cash outflow of €3.7 million for the acquisition of the remaining shares in Jiangsu Zeversolar New Energy Co., Ltd.

27. Cash and Cash Equivalents

Cash and cash equivalents amounting to €206.71 million (June 30, 2015: €166.0 million) include cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months.

Other Disclosures

28. Events After the Balance Sheet Date

There were no significant events on or after the balance sheet date other than those presented in or recognizable from the statements in the Notes to the Consolidated Financial Statements.

29. Related Party Disclosures

As of the reporting date, the Managing Board of SMA Solar Technology AG comprised the following members: SMA Chief Executive Officer Pierre-Pascal Urbon is responsible for Finance, Legal and Sales; Roland Grebe is in charge of Human Resources and IT; and Dr.-Ing. Jürgen Reinert has overall responsibility for Operations and Technology.

Danfoss A/S has a 20% stake in SMA. SMA entered into a strategic partnership with Danfoss in the areas of purchasing, sales and research and development. SMA also performs services on behalf of Danfoss. All agreements were concluded under fair market conditions. The business relationships between SMA and Danfoss in the fiscal year are presented in the table below. There is no material collateralization nor are there guarantees.

In €'000	Q1-Q2 2016	Q1-Q2 2015
Goods acquired from Danfoss	11,676	6,804
Services acquired from Danfoss	3,165	5,420
Services sold to Danfoss	1,398	1,526
Goods sold to Danfoss	59	0
Outstanding receivables on the reporting date	700	494
Outstanding liabilities on the reporting date	4,272	3,651

SMA has a 28.27% stake in Tigo Energy, Inc. SMA entered into a strategic partnership with Tigo Energy, Inc. in the areas of development, sales and service. Furthermore, for a duration of 30 months, SMA has exclusive rights to the worldwide sale of the new TS4-Retrofit product platform for module optimization developed by Tigo Energy, Inc. SMA has also obtained a seat on Tigo Energy's Board of Directors. No significant transactions were carried out with Tigo Energy, Inc. in the reporting period.

In the reporting period, there were no other significant transactions with other related parties.

Niestetal, August 1, 2016

SMA Solar Technology AG
The Managing Board

Roland Grebe

Dr.-Ing. Jürgen Reinert

Pierre-Pascal Urbon

RESPONSIBILITY STATEMENT

We assure to the best of our knowledge that, in accordance with the applicable accounting standards for half-year financial reporting, the Half-Year Consolidated Financial Statements give a fair view of the net assets, financial position and results of operations of the Group and that the Consolidated Interim Management Report gives a fair view of the course of business including the results of operations and the Group's position and describes the fundamental opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Niestetal, August 1, 2016

SMA Solar Technology AG
The Managing Board

Roland Grebe Dr.-Ing. Jürgen Reinert Pierre-Pascal Urbon

AUDITOR'S REPORT

(Translation – the German text is authoritative)

To SMA Solar Technology AG, Niestetal

We have reviewed the Condensed Interim Consolidated Financial Statements – comprising the Condensed Income Statement, the Condensed Statement of Comprehensive Income, Condensed Balance Sheet, Condensed Statement of Changes in Equity, Condensed Statement of Cash Flows and Selected Explanatory Notes – together with the Interim Group Management Report of SMA Solar Technology AG, Niestetal, for the period from January 1, 2016 to June 30, 2016, which are components of the Half-Yearly Financial Report pursuant to Section 37w (2) of the German Securities Trading Act (Wertpapierhandelsgesetz). The preparation of the Condensed Interim Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's Managing Board. Our responsibility is to issue a review report on the Condensed Interim Consolidated Financial Statements and on the Interim Group Management Report based on our review.

We conducted our review of the Condensed Interim Consolidated Financial Statements and of the Interim Group Management Report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the Condensed Interim Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical assessments and therefore does not provide the assurance attainable in a financial statements audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the Condensed Interim Consolidated Financial Statements of SMA Solar Technology AG, Niestetal, have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, August 1, 2016

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Reker	Meier
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REGISTERED TRADEMARKS

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DISCLAIMER

This Half-Yearly Financial Report includes various forecasts and expectations as well as statements relating to the future development of SMA Group and SMA Solar Technology AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provisions, or fundamental changes in the economic and political environment. SMA does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this Half-Yearly Financial Report.

FINANCIAL CALENDAR

2016/11/10	_____	Publication of Quarterly Statement: January to September 2016	_____
		Analyst Conference Call: 09:00 a.m. (CET)	_____
2017/03/30	_____	Publication of the SMA Group 2016 Annual Report and 2016 Individual Financial Statement SMA Solar Technology AG	_____
		Analyst Conference Call: 09:00 a.m. (CET)	_____
2017/05/11	_____	Publication of Quarterly Statement: January to March 2017	_____
		Analyst Conference Call: 09:00 a.m. (CET)	_____
2017/05/23	_____	2017 Annual General Meeting	_____
2017/08/10	_____	Publication of Half-Yearly Financial Report: January to June 2017	_____
		Analyst Conference Call: 09:00 a.m. (CET)	_____
2017/11/09	_____	Publication of Quarterly Statement: January to September 2017	_____
		Analyst Conference Call: 09:00 a.m. (CET)	_____

Publication Information

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