SMA

TRANSFORMATION

ENERGY FOR CHANGE

SMA SOLAR TECHNOLOGY AG
QUARTERLY STATEMENT JANUARY TO SEPTEMBER 2016

SMA AT A GLANCE

SMA Group		Jan – Sep (Q1–Q3) 2016	Jan – Sep (Q1–Q3) 2015[1]	Change	Full Year 2015
Sales	€ million	708.8	686.9	3%	999.6
International share	%	90.0	86.9		87.3
Inverter output sold	MW	5,655	5,031	12%	7,260
Capital expenditure	€ million	18.7	39.0	-52%	50.6
Depreciation and amortization	€ million	48.5	54.7	-11%	79.0
EBITDA	€ million	107.9	64.6	65%	113.3
EBITDA margin	%	15.2	9.4	60%	11.3
Consolidated net result	€ million	36.9	-13.7	n.m.[2]	14.3
Earnings per share[3]	€	1.06	-0.39		0.41
Employees[4]		3,173	3,246	-2%	3,510
in Germany		1,923	1,990	-3%	2,253
abroad		1,250	1,256	0%	1,257

SMA Group		2016/09/30	2015/12/31	Change
Total assets	€ million	1,205.8	1,160.5	4%
Equity	€ million	599.1	570.2	5%
Equity ratio	%	49.7	49.1	
Net working capital[5]	€ million	205.8	223.0	-8%
Net working capital ratio[6]	%	20.5	22.3	
Net cash[7]	€ million	352.8	285.6	24%

1 The figures for the previous year in the income statement and the statement of cash flows as well as the number of employees were adjusted retrospectively for the planned sale of the Railway Technology business division.
2 Not meaningful
3 Converted to 34,700,000 shares
4 Reporting date; without temporary employees
5 Inventories and trade receivables minus trade payables
6 Relating to the last twelve months (LTM)
7 Total cash minus interest-bearing financial liabilities

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ECONOMIC REPORT

RELEVANT CHANGES TO REPORTING

Pursuant to IFRS 5, the figures for the previous year in the income statement and the statement of cash flows were adjusted retrospectively for the planned sale of the Railway Technology business division. However, there was no adjustment to the previous year's balance sheet as prescribed by the provisions of IFRS 5. The Railway Technology business division is reported as a discontinued operation.

Results of Operations

Sales and Earnings

SMA SIGNIFICANTLY INCREASES SALES AND EARNINGS

From January to September 2016, SMA Group sold PV inverters with a total power of 5,655 MW (Q1–Q3 2015: 5,031 MW). SMA Group's sales increased by 3.2% to €708.8 million in the reporting period (Q1–Q3 2015: €686.9 million). The growth of 12.4% of the inverter output sold 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 nine months of 2016, the international share of sales was 90.0% (Q1–Q3 2015: 86.9%). In recent years, SMA has consistently invested in establishing its global infrastructure and has reduced its dependency on individual photovoltaic markets. In the reporting period, SMA generated 47.4% of external sales before sales deductions in the North and South American (Americas) region, 33.0% in European countries, the Middle East and Africa (EMEA) and 19.6% in the Asia-Pacific (APAC) region (Q1–Q3 2015: 38.6% EMEA, 43.0% Americas, 18.4% APAC). In total, the Utility segment generated 40.7%, the Commercial segment 27.5%, the Residential segment 20.0% and Service business 5.6% of SMA Group's sales in the first nine months of 2016 (Q1–Q3 2015: 41.7% Utility, 20.9% Commercial, 27.1% Residential, 5.2% Service).

As of September 30, 2016, SMA still had a large order backlog of €588 million (September 30, 2015: €629 million). Of this amount, €391 million is attributable to Service business (September 30, 2015: €354 million). This part of the order backlog will be mainly realized over the next 5 to 10 years. Product business made up €166 million of the order backlog (September 30, 2015: €275 million). As of the reporting date, there is also a remaining order backlog of €31 million for the Railway Technology business division to be disposed of.

SMA successfully continued on the path to sustainable profitability in the first nine months of 2016. As a result of increased sales volumes and fixed cost reduction, EBITDA improved considerably in the reporting period to €107.9 million (EBITDA margin: 15.2%; Q1–Q3 2015: €64.6 million, 9.4%). EBIT increased to €59.4 million (Q1–Q3 2015: €9.9 million). This equates to an EBIT margin of 8.4% (Q1–Q3 2015: 1.4%). The result for the first nine months of the year is influenced by one-time items amounting to a low double-digit million amount, which are primarily attributable to the consolidation of production sites. These negative one-time items were partially offset by the reversal of the provision for the employee bonus. Consolidated earnings amounted to €36.9 million (Q1–Q3 2015: €–13.7 million). Earnings per share thus amounted to €1.06 (Q1–Q3 2015: €–0.39).

Sales and Earnings per Segment

RESIDENTIAL BUSINESS UNIT SUFFERS SALES DECLINE

The Residential business unit serves the attractive market of small PV systems for private applications with the smart module technology from Tigo Energy, Inc.; 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. 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 nine months of 2016, external sales in the Residential business unit of €142.0 million were lower than in the same period of 2015 (Q1–Q3 2015: €186.4 million). Its share of SMA Group's total sales was 20.0% (Q1–Q3 2015: 27.1%). The decline in sales is primarily attributable to lower demand in the U.S., Australia and Germany. The Americas region made up 34.8% (Q1–Q3 2015: 43.2%) of the gross sales of the Residential business unit, the EMEA region 51.2% (Q1–Q3 2015: 41.8%) and the APAC region 14.0% (Q1–Q3 2015: 15.0%). 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 year on year due to reduced fixed costs, continuous productivity increases and the launch of new products, amounting to €–2.6 million (Q1–Q3 2015: €–6.0 million). The profitability of the Residential business unit was adversely affected primarily by lower sales. In relation to internal and external sales, the EBIT margin was –1.8% (Q1–Q3 2015: –3.2%).

COMMERCIAL BUSINESS UNIT CONTINUES POSITIVE DEVELOPMENT

The Commercial business unit focuses on the growing market of medium-sized PV systems for commercial applications as well as large-scale PV power plants using string inverters. 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 reporting period, external sales in the Commercial business unit improved significantly by 36.1% year on year to €195.0 million (Q1–Q3 2015: €143.3 million). Its share of SMA Group's total sales was 27.5% (Q1–Q3 2015: 20.9%). As a result, the Commercial business unit was able to offset the decline in sales of the Residential business unit. This development underscores the appeal of SMA's complete product portfolio.

The launch of new products in North America and Japan enabled the Commercial business unit to achieve a balanced regional distribution of sales. The EMEA region contributed 38.5%, the APAC region 34.7% and the Americas region 26.8% of the business unit's gross sales (Q1 – Q3 2015: 52.2% EMEA, 23.1% APAC, 24.7% Americas).

In the first nine months of 2016, EBIT was €14.6 million, much higher than in the previous year (Q1 – Q3 2015: € – 18.3 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 7.5% (Q1 – Q3 2015: – 12.8%).

UTILITY BUSINESS UNIT IS 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 medium- and high-voltage technology, and accessories.

In the first nine months of 2016, the business unit's external sales of €288.5 million were on a par with the previous year (Q1 – Q3 2015: €286.5 million). Thus, the Utility business unit continues to have the strongest sales numbers with a 40.7% share in SMA Group's total sales (Q1 – Q3 2015: 41.7%). The Americas region made up 74.9% (Q1 – Q3 2015: 57.0%) of the gross sales of the Utility business unit, the EMEA region 15.8% (Q1 – Q3 2015: 25.5%) and the APAC region 9.3% (Q1 – Q3 2015: 17.5%). The most successful products included the new Sunny Central series inverters that were launched in 2015.

The Utility business unit's EBIT nearly doubled year on year due to reduced fixed costs, continuous productivity increases and new product launches, amounting to €57.3 million (Q1 – Q3 2015: €29.4 million). In relation to internal and external sales, the EBIT margin was 19.9% (Q1 – Q3 2015: 10.2%).

SERVICE BUSINESS UNIT INCREASES EXTERNAL SALES

SMA has its own service companies in all important photovoltaic markets. With an installed capacity of more than 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 nine months of 2016, external Service sales increased to €39.4 million (Q1 – Q3 2015: €36.0 million) due to the higher demand in the Americas and APAC regions. Its share of SMA Group's total sales was 5.6% (Q1 – Q3 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 €8.0 million (Q1 – Q3 2015: €5.5 million). In relation to internal and external sales, the EBIT margin was 8.9% (Q1 – Q3 2015: 6.3%).

OTHER BUSINESS WITH SIGNIFICANTLY LOWER LOSS

The Other Business segment comprises the Off-Grid and Storage business unit and Zeversolar. Railway Technology is no longer included in Other Business as the Group intends to sell this division. In the first nine months of 2016, external sales increased by 26.5% year on year to a total of €43.9 million (Q1 – Q3 2015: €34.7 million). Its share of SMA Group's total sales was 6.2% (Q1 – Q3 2015: 5.1%). With EBIT of € – 3.5 million (Q1 – Q3 2015: € – 8.7 million), the Other Business segment reduced its loss considerably. In relation to internal and external sales, the EBIT margin of the Other Business segment was – 8.0% (Q1 – Q3 2015: – 25.0%).

Development of Significant Income Statement Items

GROSS MARGIN IMPROVES SUBSTANTIALLY

At €529.3 million, cost of sales was down slightly on the previous year (Q1 – Q3 2015: €551.7 million). The cost of sales was positively affected by specific material cost reductions, introduction of new products with lower specific costs of sales and reduced fixed costs. The gross margin increased to 25.3% (Q1 – Q3 2015: 19.7%).

Personnel expenses included in cost of sales amounted to €88.1 million in the reporting period (Q1 – Q3 2015: €93.5 million). This decrease is chiefly attributable to the staff reduction that took place. Due to the successful cost reduction measures and more cost-effective new products, material costs fell to €339.4 million (Q1 – Q3 2015: €385.7 million). Material expenses also include changes in inventories of finished goods, which increased over the first nine months of 2016 as a result of stockpiling in the U.S. and Japan, both key foreign markets.

Depreciation and amortization included in cost of sales fell slightly short of the previous year's level at €41.6 million in the first nine months of 2016 (Q1 – Q3 2015: €46.9 million). This included scheduled depreciation on capitalized development costs of €15.1 million (Q1 – Q3 2015: €13.6 million).

Other expenses climbed to €60.2 million (Q1 – Q3 2015: €25.6 million) primarily as a result of higher freight costs in the Utility business unit, provisions recognized for the consolidation of production sites and the addition of sales-based provisions for warranty obligations.

Due to savings in personnel and material costs in the wake of cost reduction measures, selling expenses fell by 11.7% year on year, amounting to €34.6 million in the first nine months of 2016 (Q1 – Q3 2015: €39.2 million). In the reporting period, the cost of sales ratio was 4.9% (Q1 – Q3 2015: 5.7%).

Research and development expenses not including capitalized development projects amounted to €46.8 million (Q1 – Q3 2015: €51.0 million). The research and development cost ratio amounted to 6.6% (Q1 – Q3 2015: 7.4%). Total research and development expenses including capitalized development projects therefore fell considerably to €56.1 million (Q1 – Q3 2015: €74.8 million). Development projects were capitalized in the amount of €9.3 million (Q1 – Q3 2015: €23.8 million).

General administrative expenses in the first nine months of 2016 totaled €35.4 million (Q1–Q3 2015: €42.8 million). The decrease in general administrative expenses of 17.3% is mainly attributable to savings in personnel expenses and material costs. In the reporting period, the ratio of administrative expenses was 5.0% (Q1–Q3 2015: 6.2%).

The balance of other operating income and expenses amounted to €–3.3 million in the first nine months of 2016 (Q1–Q3 2015: €7.7 million). This includes effects from foreign currency valuation and expenses for assets measured at fair value through profit or loss.

In the reporting period, income tax totaled €21.5 million (Q1–Q3 2015: €13.3 million). This includes €6.0 million from additional risk provisioning for tax risks of previous years.

Financial Position

SMA AGAIN INCREASES GROSS CASH FLOW

The considerable increase in SMA's flexibility can be seen in the gross cash flow in particular. In the first nine months of 2016, gross cash flow climbed significantly to €105.3 million (Q1–Q3 2015: €31.4 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 from continuing operations amounted to €123.6 million in the first nine months of 2016 (Q1–Q3 2015: €70.4 million).

Inventories increased due to customers' project delays by 22.8% to €179.4 million (December 31, 2015: €146.1 million). The €7.9 million increase in trade payables, €42.6 million decrease in trade receivables and increase in inventories caused net working capital to decline by 7.7% to €205.8 million (December 31, 2015: €223.0 million). At 20.5%, the net working capital ratio in relation to sales over the past 12 months was lower than on December 31, 2015 (22.3%), falling at the lower end of the 20% to 23% range targeted by management.

Net cash flow from investing activities from continuing operations amounted to €–83.8 million (Q1–Q3 2015: €–42.5 million) and primarily includes the outflow of €17.6 million in funds for acquisition of the shares in Tigo Energy, Inc. In addition, investments in fixed assets and intangible assets were reported at €18.7 million. This figure is considerably lower than the previous year's figure of €39.0 million and illustrates SMA Group's amended investment strategy. With a total of €9.3 million (Q1–Q3 2015: €23.8 million), an essential part of the investments was attributable to capitalized development projects. The balance of proceeds and payments for the investment amounted to €–46.9 million (Q1–Q3 2015: €–2.1 million).

As of September 30, 2016, cash and cash equivalents amounting to €216.0 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 €352.8 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 49.7%

As of September 30, 2016, the total assets increased to €1,205.8 million (December 31, 2015: €1,160.5 million). At €447.7 million, the value of non-current assets was lower than at the end of 2015 (December 31, 2015: €470.7 million) as a result of depreciation.

As of September 30, 2016, net working capital amounted to €205.8 million (December 31, 2015: €223.0 million). The net working capital ratio in relation to sales over the past 12 months was 20.5%. Trade receivables decreased by 23.7% to €137.4 million as of the reporting date (December 31, 2015: €180.0 million). Despite SMA's higher international share, days sales outstanding were reduced to 57.4 days (December 31, 2015: 62.0 days). Inventories increased due to customers' project delays, especially with regard to finished goods, to €179.4 million (December 31, 2015: €146.1 million). Trade payables rose by €7.9 million to €111.0 million (December 31, 2015: €103.1 million). The share of trade credit in total assets increased to 9.2% (December 31, 2015: 8.9%). In the reporting period, income tax liabilities of €6.0 million were recognized for risks from previous years.

At €599.1 million as of September 30, 2016, the Group's equity capital base was 5.1% higher than nine months previously (December 31, 2015: €570.2 million). With an equity ratio of 49.7%, 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 nine months of the 2016 fiscal year, investments in fixed assets and intangible assets totaled €18.7 million and were thus considerably lower than the comparative figure for the previous year (Q1–Q3 2015: €39.0 million). €8.2 million was invested in fixed assets (Q1–Q3 2015: €14.0 million). The investment ratio for fixed assets was 1.2% in the reporting period (Q1–Q3 2015: 2.0%). Investments in intangible assets of €10.5 million (Q1–Q3 2015: €25.0 million) were primarily for capitalized development projects.

SUPPLEMENTARY REPORT

Significant Events After the End of the Reporting Period

On October 24, 2016, SMA Solar Technology AG issued an ad hoc disclosure on the decrease of its sales and earnings forecast for the 2016 fiscal year by the Managing Board. For further details, please see the Forecast Report starting on page 9.

FORECAST REPORT

The General Economic Situation: Growth Outlook Remains Cautious

The International Monetary Fund (IMF) is still forecasting subdued global economic growth of 3.1% for the current year. In its updated World Economic Outlook (WEO) published on October 4, 2016, the IMF indicated that the main reasons for the dampened outlook were the slowdown of growth in the U.S. and the considerable uncertainties in connection with Britain's decision to leave the European Union. The experts at the IMF are warning that continued economic stagnation, particularly in industrialized countries, could further ignite populist demands for trade restrictions and a clampdown on immigration. This would have negative repercussions on productivity, growth and innovation.

After disappointing economic development in the first half of the year, the IMF lowered its growth forecast for the U.S. economy by 0.8 percentage points compared with its April forecast. For 2016, the experts are now anticipating growth of just 1.6% in the U.S. However, next year the U.S. economy is expected to deliver a more positive performance, achieving growth of 2.2%.

The IMF is expecting economic output in the eurozone to rise by 1.7% this year. This is 0.2 percentage points more than in April. Britain's decision to leave the EU has so far not had any major impact on the economic development of countries in the eurozone. However, the considerable amount of uncertainty regarding future economic and financial relations between the EU and Britain is negatively impacting Europe's economic and political prospects. Consequently, for 2017 the IMF is projecting economic growth of just 1.5% in the eurozone.

The IMF experts have raised the outlook slightly for newly industrialized countries compared with the April forecast to 4.2%. This would see growth in newly industrialized countries pick up again for the first time in six years in 2016. However, economic development varies greatly between individual regions. Whereas India and other newly industrialized countries in Asia posted robust development, some of the major African economies slipped into recession. For China, the IMF is expecting economic growth of 6.6% in 2016, after a previous forecast of 6.5% in April.

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. E-mobility 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, thereby ensuring a reliable and cost-effective electricity supply based on renewable energies.

For 2016, the SMA Managing Board anticipates 73 GW of newly installed PV power around the world. This equates to growth of approximately 41% 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 in inverter technology will only grow by approximately 8% year on year to €4.9 billion in 2016 (2015: €4.6 billion). In subsequent years, growth is expected to fall short of previous expectations. The step taken by the Chinese government to reduce the feed-in tariff mid-year, additional reductions planned for next year and the lowering of China's PV expansion target for 2020 from 150 GW to 110 GW, which was anounced by the National Energy Administration (NEA) in its 13th five-year plan, will affect both annual PV installation and global price development, as well as accelerating 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 PV power of approximately 10 GW in the Europe, Middle East and Africa (EMEA) region. The year-on-year decline of approximately 6% mainly results from the declining demand in Great Britain. According to SMA estimates, the volume of investment in PV inverter technology will be 3% 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 to develop strongly going forward as a result of the extension of tax incentive programs 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 Americas region overall will grow by 51% to 14 GW in 2016. The volume invested in inverter technology is expected to total €1.4 billion (2015: €1.1 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 49 GW in 2016 (2015: 32 GW). The most important markets include China, Japan and India. Due to an 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 be at only approximately €2.5 billion (2015: €2.4 billion), despite the high level of growth anticipated. While the Chinese government has lowered its PV expansion target for 2020 from 150 GW to 110 GW, India is still pursuing its ambitious expansion target of 100 GW by 2022. Given that installed power in India is currently significantly below the target figure (8.7 GW as of October 2016), the SMA Managing Board anticipates high growth rates in India in the medium term. However, the expected reduction in 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 these markets, renewable energies are already taking on a greater share in the electricity supply. In 2016, the SMA Managing Board expects this still fairly new market to grow by over 30% to approximately €460 million (this does not include the figures for batteries). Estimated demand is already included in the specified development projections for the total inverter technology market. Positive growth stimuli are also emanating from e-mobility. 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 PV 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. Zeversolar and the Off-Grid and Storage business unit have been combined under Other Business. The Railway Technology business division is up for sale and is reported as a discontinued operation. For the Forecast Report, the Railway Technology business division is still included in Other Business.

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 market volatility and generate profits even when sales are lower than they used to be.

Managing Board Adjusts Annual Forecast and Continues to Anticipate a Profit

On October 24, 2016, the SMA Managing Board adjusted its sales and earnings forecast for the 2016 fiscal year, first published on January 29, 2016. The new forecast anticipates sales between €900 million and €950 million (previously €950 million to €1,050 million) and continues to expect a significant year-on-year increase in EBIT to between €60 million and €70 million (previously €80 million to €120 million). This forecast adjustment was mainly caused by price pressure emerging in all market segments worldwide since the middle of 2016 and numerous delays in major solar projects in EMEA and North America. The earnings forecast takes into account one-off effects from the consolidation of global production sites of a low double-digit million amount. Some of these one-time items are already included in the earnings for the third quarter. However, the positive impact on earnings from the disposal of SMA Railway Technology GmbH is no longer considered in the forecast. The SMA Managing Board continues to anticipate the conclusion of an agreement for the disposal of the SMA Railway Technology GmbH subsidiary in the fourth quarter of 2016. Due to antitrust approval requirements, the transaction is now expected to be completed in the first quarter of 2017.

For the coming year, the SMA Managing Board expects to see high price pressure continue in all market segments. This is mainly being caused by the aggressive pricing policy of Chinese competitors, who are using reduced prices in an attempt to expand into foreign markets to compensate for declining sales in their domestic market. However, many of these Chinese competitors do not have a complete range of products with unique technological selling propositions. They also tend to have developed the system technology for a significantly shorter service life than equivalent SMA products. Furthermore, the products manufactured by many Chinese competitors do not meet strict regulatory requirements (e.g., electromagnetic compatibility) imposed on system-critical components. Lack of transparency in company structures also means that Chinese manufacturers are often not able to satisfy the ever increasing requirements of data security (cybersecurity).

The SMA Managing Board has responded early to an increasingly fierce competitive environment and strong fluctuations in demand. Systematic investments in development mean that SMA has a multi-award-winning product portfolio for all output ranges. We presented our customers with product innovations and solutions at significantly reduced costs this year at leading trade fairs in Europe and the U.S. We have further innovations in the pipeline for the next few years, which will also reduce cost of sales. To reduce the Group's fixed costs and continue to enhance flexibility, the SMA Managing Board made the decision at mid-year to close the production sites in Denver, U.S., and Cape Town, South Africa. This will take place at the end of 2016. The effects generated by product innovations and restructuring measures are expected to be recognized in earnings from 2017 onwards. The SMA Managing Board will publish its sales and earnings forecast for fiscal year 2017 at the Capital Markets Day on January 27, 2017.

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 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 area 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 €150 million to €160 million (previously €190 million to €210 million), accounting for more than 15% 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. Sales with the Tigo Energy smart module technology are allocated to the Residential business unit. An inverter technology tailored to the Tigo Energy technology will start selling across primary sales markets in Q4 2016. As such, the SMA Managing Board does not expect major sales contributions from 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 will achieve a negative result in the single-digit millions as a result of the expected decline in sales of around 35% compared with the previous year.

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. Major innovations this year include the Sunny Tripower CORE1, a simple to install 50 kW inverter with integrated energy management. This innovation will allow the Commercial business unit to benefit from the trend toward decentralized structuring of large-scale solar projects and to further consolidate its market leadership in this segment. For the Commercial business unit, the SMA Managing Board forecasts sales between €250 million and €260 million in 2016 (previously €190 million to €210 million). The business unit is therefore expected to account for more than 25% of Group sales (2015: €207.4 million; 20.7% of Group sales) and achieve significant growth year on year. The Sunny Tripower inverters with outputs starting at 25 kW are major sales drivers. The primary sales markets include the U.S., Japan, Europe, Australia and India. The Commercial business unit improved its fixed cost structure and reduced cost of sales by product innovations. The SMA Managing Board thus anticipates positive operating earnings in the double-digit millions in the current fiscal year.

The Utility business unit is being hit particularly hard by project delays in North America and EMEA and by the strong price pressure involved in major tendering procedures. The SMA Managing Board thus expects sales to decline significantly compared with the previous year. For 2016, the SMA Managing Board forecasts sales of between €360 million and €390 million (previously €430 million to €470 million). The Utility business unit will therefore continue to be the main sales driver with a share of approximately 40% of Group sales (2015: €416 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 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 improved production costs, the Managing Board expects the Utility business unit to generate a significantly positive result in the middle double-digit millions.

Our service business will continue to benefit from the 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 continues to expect its service business to achieve external 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 – Zeversolar and the Off-Grid and Storage business unit as well as Railway Technology – the SMA Managing Board anticipates sales of €85 million to €90 million. Considering the rather moderate sales growth, these business areas are expected to generate a loss in the single-digit millions.

SMA Is the Global Market Leader

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 Zeversolar. The investment in Tigo Energy, Inc. 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 its 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 1.7 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 now has a more agile structure than ever before. The SMA Managing Board is responding quickly to market changes and implementing appropriate measures. Our high equity ratio of nearly 50% and net cash of over €350 million make SMA one of the most solid companies in the solar industry. Financial soundness is incredibly important especially with regard to the market for large-scale solar projects and long-term service business. We will build on our unique strengths and design system 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 make a decisive contribution to the Company's long-term success.

Niestetal, November 1, 2016

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement SMA Group

in €'000	July – Sep (Q3) 2016	July – Sep (Q3) 2015[1]	Jan – Sep (Q1 – Q3) 2016	Jan – Sep (Q1 – Q3) 2015[1]
Sales	**226,501**	**265,771**	**708,834**	**686,910**
Cost of sales	166,379	204,135	529,291	551,737
Gross profit	**60,122**	**61,636**	**179,543**	**135,173**
Selling expenses	10,605	11,525	34,635	39,199
Research and development expenses	14,820	15,398	46,787	50,975
General administrative expenses	10,003	13,587	35,447	42,841
Other operating income	3,849	7,304	18,132	35,377
Other operating expenses	7,418	8,160	21,362	27,617
Operating profit (EBIT)	**21,125**	**20,270**	**59,444**	**9,918**
Financial income	671	364	1,832	1,242
Financial expenses	534	2,758	3,574	4,882
Financial result	**137**	**–2,394**	**-1,742**	**–3,640**
Profit before income taxes	**21,262**	**17,876**	**57,702**	**6,278**
Income taxes	3,845	8,145	21,508	13,316
Profit from continuing operations	**17,417**	**9,731**	**36,194**	**–7,038**
Profit from discontinued operation	33	–2,069	681	–6,708
Consolidated net result	**17,450**	**7,662**	**36,875**	**–13,746**
of which attributable to non-controlling interests	0	–16	0	–42
of which attributable to shareholders of SMA AG	17,450	7,678	36,875	–13,704
Earnings per share, basic/diluted (in €)	0.50	0.22	1.06	–0.39
of which from continuing operations (in €)	0.50	0.28	1.04	–0.20
of which from discontinued operations (in €)	0.00	–0.06	0.02	–0.19
Number of ordinary shares (in thousands)	34,700	34,700	34,700	34,700

[1] Previous year's figures adjusted pursuant IFRS 5.34

Statement of Comprehensive Income SMA Group

in €'000	July – Sep (Q3) 2016	July – Sep (Q3) 2015	Jan – Sep (Q1 – Q3) 2016	Jan – Sep (Q1 – Q3) 2015
Consolidated net result	**17,450**	**7,662**	**36,875**	**–13,746**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	318	–1,238	–1,669	2,912
Changes recognized outside profit or loss (currency translation differences)	**318**	**–1,238**	**–1,669**	**2,912**
Overall comprehensive result[1]	**17,768**	**6,424**	**35,206**	**–10,834**
of which attributable to non-controlling interests	0	–14	0	–40
of which attributable to shareholders of SMA AG	17,768	6,438	35,206	–10,794

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

Balance Sheet SMA Group

in €'000	2016/09/30	2015/12/31
Assets		
Intangible assets	78,148	91,299
Fixed assets	250,703	294,584
Investment property	15,518	0
Investments in associates	17,602	5
Deferred taxes	85,677	84,830
Non-current assets	**447,648**	**470,718**
Inventories	179,358	146,131
Trade receivables	137,416	180,043
Other financial assets (total)	167,145	127,157
_ Cash equivalents with a duration of more than 3 months and asset management	146,037	97,655
_ Rent deposits and cash on hand pledged as collaterals	18,313	27,048
_ Remaining other financial assets	2,795	2,454
Receivables from tax authorities (total)	18,423	24,689
_ Claims for income tax refunds	4,111	3,879
_ Claims for VAT refunds	14,312	20,810
Other receivables	12,080	11,545
Cash and cash equivalents	216,048	200,180
	730,470	**689,745**
Assets classified as held for sale	27,664	0
Current assets	**758,134**	**689,745**
Total assets	**1,205,782**	**1,160,463**
Liabilities and shareholders' equity		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	445,175	416,334
SMA Solar Technology AG shareholders' equity	**599,075**	**570,234**
Equity attributable to non-controlling interests	2	-26
Shareholders' equity	**599,077**	**570,208**
Provisions[1]	89,502	86,939
Financial liabilities[2]	21,188	27,135
Other liabilities (total)	157,935	142,587
_ Accrual item for extended warranties	150,106	134,763
_ Other financial liabilities	1,075	1,412
_ Remaining other liabilities	6,754	6,412
Deferred taxes	22,743	24,402
Non-current liabilities	**291,368**	**281,063**
Provisions[1]	93,154	83,097
Financial liabilities[2]	9,129	19,788
Trade payables	110,987	103,134
Income tax liabilities	16,166	9,942
Other liabilities[1] (total)	80,732	93,231
_ Human Resources department	23,389	23,314
_ Prepayments received	18,457	22,961
_ Other financial liabilities	10,897	18,192
_ Remaining other liabilities	27,989	28,764
	310,168	**309,192**
Liabilities directly associated with assets classified as held for sale	5,169	0
Current liabilities	**315,337**	**309,192**
Total equity and liabilities	**1,205,782**	**1,160,463**
Total Cash (in € million) 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	380	325
Net Cash (in € million) Total cash – current and non-current loan liabilities (excluding derivatives)	353	286

[1] Not interest-bearing [2] Includes not-interest-bearing current and non-current derivatives amounting to €2.8 million (2015: €7.6 million)

Statement of Cash Flows SMA Group

In €'000	Jan – Sep (Q1–Q3) 2016	Jan – Sep (Q1–Q3) 2015[1]
Consolidated net result	36,194	-7,038
Income taxes	21,508	13,316
Financial result	1,742	3,640
Depreciation and amortization	48,516	54,699
Change in provisions	12,620	-38,165
Result from the disposal of assets	99	370
Change in non-cash expenses/revenue	3,566	19,582
Interest received	697	229
Interest paid	-1,611	-4,331
Income tax paid	-18,022	-10,890
Gross cash flow	**105,309**	**31,412**
Change in inventories	-36,392	16,747
Change in trade receivables	41,398	14,600
Change in trade payables	7,853	-11,450
Change in other net assets/other non-cash transactions	5,402	19,053
Net cash flow from operating activities – continuing operations	**123,570**	**70,362**
Net cash flow from operating activities – discontinued operations	**-1,207**	**-7,275**
Net cash flow from operating activities	**122,363**	**63,087**
Payments for investments in fixed assets	-8,239	-14,021
Proceeds from the disposal of fixed assets	891	103
Payments for investments in intangible assets	-10,479	-24,983
Payments for the acquisitions of companies net of cash/ proceeds from the acquisition of business units	-19,096	-1,500
Proceeds from the disposal of securities and other financial assets	87,167	89,100
Payments for the acquisition of securities and other financial assets	-134,041	-91,166
Net cash flow from investing activities – continuing operations	**-83,797**	**-42,467**
Net cash flow from investing activities – discontinued operations	**-533**	**-1,679**
Net cash flow from investing activities	**-84,330**	**-44,146**
Change in non-controlling interests	28	0
Proceeds of financial liabilities	0	2,804
Redemption of financial liabilities	-11,857	-6,172
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 – continuing operations	**-20,421**	**-3,368**
Net cash flow from financing activities – discontinued operations	**0**	**0**
Net cash flow from financing activities	**-20,421**	**-3,368**
Net increase/decrease in cash and cash equivalents	17,612	15,573
Changes due to exchange rate effects	1,669	1,058
Cash and cash equivalents as of January 1	200,180	183,988
Less cash and cash equivalents of discontinued operation	-3,413	-4,409
Cash and cash equivalents as of September 30	**216,048**	**196,210**

[1] Previous year's figures adjusted pursuant IFRS 5.34

Statement of Changes in Equity SMA Group

	Equity attributable to the shareholders of the parent company						
in €'000	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Total	Equity attributable to non-controlling interests	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2015	**34,700**	**119,200**	**2,658**	**395,417**	**551,975**	**–13**	**551,962**
Consolidated net result	0	0	0	–13,704	–13,704	–42	–13,746
Other comprehensive income after tax	0	0	2,909	0	2,909	3	2,912
Overall result							**–10,834**
Shareholders' equity as of September 30, 2015	**34,700**	**119,200**	**5,567**	**381,713**	**541,180**	**–52**	**541,128**
Shareholders' equity as of January 1, 2016	**34,700**	**119,200**	**6,757**	**409,577**	**570,234**	**–26**	**570,208**
Consolidated net result	0	0	0	36,875	36,875	0	36,875
Other comprehensive income after tax	0	0	–1,669	0	–1,669	0	–1,669
Overall result							**35,206**
Capital increase Zeversolar				–1,507	–1,507	28	–1,479
Dividend payments of SMA Solar Technology AG				–4,858	–4,858		–4,858
Shareholders' equity as of September 30, 2016	**34,700**	**119,200**	**5,088**	**440,087**	**599,075**	**2**	**599,077**

CONDENSED NOTES AS OF SEPTEMBER 30, 2016

There were changes in the accounting and valuation policies in these Interim Consolidated Financial Statements as of September 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 10 parts. 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. SMA is currently involved in negotiations to this effect. It is assumed that the fair value less costs to sell of the division will be higher than the total book value of its associated assets and liabilities. As such, no impairment was recognized at the time of reclassification. Pursuant to IFRS 5, the division is reported as a discontinued operation as of September 30, 2016. As a result, the expenses and income associated with this operation are reported under "Profit from discontinued operation." The assets and liabilities attributable to the Railway division are reclassified under the items "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale." The previous year's disclosure in the income statement has been adjusted accordingly. However, there was no adjustment to the previous year's balance sheet as prescribed by the provisions of IFRS 5.

As part of a capital increase of USD 20 million, SMA Solar Technology AG acquired interests of 28.27% in Tigo Energy, Inc. 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 micro inverter technology and 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, probably by the end of the year. Tigo Energy, Inc. is included in the scope of consolidation as an associate.

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

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segments	**Residential**		**Commercial**		**Utility**	
in € million	**Q3 2016**	**Q3 2015**	**Q3 2016**	**Q3 2015**	**Q3 2016**	**Q3 2015**
External sales	42.6	72.6	70.7	57.2	84.0	110.8
Internal sales	0.0	0.0	0.7	0.0	0.0	0.0
Total sales	42.6	72.6	71.4	57.2	84.0	110.8
Depreciation and amortization	2.3	2.5	0.4	1.6	2.6	2.2
Operating profit (EBIT)	-2.1	4.5	8.0	3.6	25.4	14.4
Sales by regions						
EMEA	25.7	32.1	25.7	27.3	8.1	24.8
Americas	10.1	32.8	19.4	18.7	66.2	64.8
APAC	9.4	8.3	26.6	11.5	9.7	21.2
Sales deductions	-2.6	-0.6	-1.0	-0.3	0.0	0.0
External sales	42.6	72.6	70.7	57.2	84.0	110.8

Segments	**Service**		**Other Business**[1]		**Reconciliation**		**Continuing operations**[1]	
in € million	**Q3 2016**	**Q3 2015**	**Q3 2016**	**Q3 2015**	**Q3 2016**	**Q3 2015**	**Q3 2016**	**Q3 2015**
External sales	14.7	13.5	14.5	11.6	0.0	0.0	226.5	265.7
Internal sales	18.0	17.7	0.1	0.1	-18.8	-17.8	0.0	0.0
Total sales	32.7	31.2	14.6	11.7	-18.8	-17.8	226.5	265.7
Depreciation and amortization	0.4	0.4	0.6	0.7	9.3	11.6	15.6	19.0
Operating profit (EBIT)	2.4	1.5	-0.3	-2.8	-12.3	-0.9	21.1	20.3
Sales by regions								
EMEA	8.3	8.8	7.8	8.1	0.0	0.0	75.6	101.1
Americas	3.7	2.9	1.8	3.8	0.0	0.0	101.2	123.0
APAC	2.7	2.1	5.3	2.8	0.0	0.0	53.7	45.9
Sales deductions	0.0	-0.3	-0.4	-3.1	0.0	0.0	-4.0	-4.3
External sales	14.7	13.5	14.5	11.6	0.0	0.0	226.5	265.7

[1] The Railway Technology company is no longer part of the Other Business segment. The previous year's figures were adjusted.

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

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segments	Residential		Commercial		Utility	
in € million	Q1–Q3 2016	Q1–Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Q1–Q3 2016	Q1–Q3 2015
External sales	142.0	186.4	195.0	143.3	288.5	286.5
Internal sales	0.1	0.0	0.9	0.0	0.0	0.7
Total sales	142.1	186.4	195.9	143.3	288.5	287.2
Depreciation and amortization	6.7	7.3	1.6	6.5	7.5	2.5
Operating profit (EBIT)	-2.6	-6.0	14.6	-18.3	57.3	29.4
Sales by regions						
EMEA	77.1	80.0	75.7	75.9	45.6	73.3
Americas	52.4	82.7	52.7	35.9	216.3	163.5
APAC	21.0	28.6	68.3	33.6	26.9	50.1
Sales deductions	-8.5	-4.9	-1.7	-2.1	-0.3	-0.4
External sales	142.0	186.4	195.0	143.3	288.5	286.5

Segments	Service		Other Business[1]		Reconciliation		Continuing operations[1]	
in € million	Q1–Q3 2016	Q1–Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Q1–Q3 2016	Q1–Q3 2015
External sales	39.4	36.0	43.9	34.7	0.0	0.0	708.8	686.9
Internal sales	50.1	50.8	0.1	0.1	-51.2	-51.6	0.0	0.0
Total sales	89.5	86.8	44.0	34.8	-51.2	-51.6	708.8	686.9
Depreciation and amortization	1.1	1.1	2.2	2.2	29.4	35.1	48.5	54.7
Operating profit (EBIT)	8.0	5.5	-3.5	-8.7	-14.4	8.0	59.4	9.9
Sales by regions								
EMEA	20.0	22.3	18.8	18.7	0.0	0.0	237.2	270.2
Americas	11.6	9.3	8.5	9.3	0.0	0.0	341.5	300.7
APAC	8.0	4.8	17.0	11.7	0.0	0.0	141.2	128.8
Sales deductions	-0.2	-0.4	-0.4	-5.0	0.0	0.0	-11.1	-12.8
External sales	39.4	36.0	43.9	34.7	0.0	0.0	708.8	686.9

[1] The Railway Technology company is no longer part of the Other Business segment. The previous year's figures were adjusted.

Germany accounted for €71.6 million in sales to third parties in the reporting period (Q1–Q3 2015: €94.6 million).

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

in € million	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015
Total segment earnings (EBIT)	33.4	21.2	73.8	1.9
Eliminations	-12.3	-0.9	-14.4	8.0
Consolidated EBIT	21.1	20.3	59.4	9.9
Financial result	0.1	-2.4	-1.7	-3.6
Earnings before income taxes	**21.2**	**17.9**	**57.7**	**6.3**

Circumstances are shown in the reconciliation which by definition are not part of the segments. In addition, unallocated parts of the Group headquarters, including cash and cash equivalents and owned buildings, are included, the expenses of which are assigned to the segments. Business relations between the segments are 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 September 30, 2016, did not change significantly in comparison with the reporting date of the last Annual Consolidated Financial Statements (December 31, 2015).

REGISTERED TRADEMARKS

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DISCLAIMER

This Quarterly Statement 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 Quarterly Statement.

FINANCIAL CALENDAR

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

Published by
SMA Solar Technology AG

Text
SMA Solar Technology AG

Concept
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Kommunikationsagentur GmbH,
Frankfurt

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