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Quarterly Statement
January to March 2017
SMA Solar Technology AG

SMA SOLAR TECHNOLOGY AG

AT A GLANCE

		Q1 2017	Q1 2016 ⁶	Change	Full Year 2016
Sales	€ million	173.2	248.1	-30%	946.7
Export ratio	%	86.5	88.5		87.9
Inverter output sold	MW	1,661	2,075	-20%	8,231
Capital expenditure	€ million	6.7	7.0	-4%	29.0
Depreciation	€ million	13.4	16.4	-18%	76.7
EBITDA	€ million	15.9	41.3	-62%	141.5
EBITDA-margin	%	9.2	16.6	-45%	14.9
Net income	€ million	6.3	18.8	-66%	29.6
Earnings per share ¹	€	0.17	0.54		0.85
Employees ²		3,201	3,308	-3%	3,345
in Germany		2,084	2,066	1%	2,093
abroad		1,117	1,242	-10%	1,252

SMA Group		2017/03/31	2016/12/31	Change
Total assets	€ million	1,202.2	1,210.7	-1%
Equity	€ million	594.5	585.1	2%
Equity ratio	%	49.5	48.3	
Net working capital ³	€ million	193.1	225.4	-14%
Net working capital ratio ⁴	%	22.1	23.8	
Net cash ⁵	€ million	413.1	362.0	14%

¹ Converted to 34,700,000 shares

² Reporting date; without temporary employees

³ Inventories and trade receivables minus trade payables

⁴ Relating to the last twelve months (LTM)

⁵ Total cash minus interest-bearing financial liabilities

⁶ 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 sale of the Railway Technology business division, which was concluded on March 29, 2017.

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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 sale of the Railway Technology business division, which was concluded on March 29, 2017. 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

CHALLENGING MARKET ENVIRONMENT AFFECTS FIRST QUARTER

In the first quarter of 2017, the SMA Group sold PV inverters with an accumulated power of 1,661 MW (Q1 2016: 2,075 MW). As a result of continued high price pressure and the steadily growing share of more powerful inverters in all segments, this 20.0% decrease had a disproportionate impact on sales development. The SMA Group's sales thus decreased by 30.2% to €173.2 million in the reporting period (Q1 2016: €248.1 million).

Thanks to its international positioning, SMA continues to benefit from the positive development seen in foreign photovoltaic markets. In recent years, SMA has consistently invested in establishing its global infrastructure and has reduced its dependency on individual photovoltaic markets. In the first quarter of 2017, the Asia-Pacific (APAC) region accounted for 40.8% of external sales before sales deductions, followed by European countries, the Middle East and Africa (EMEA) at 34.2%, and North and South America (Americas) at 25.0% (Q1 2016: 19.7% APAC, 33.5% EMEA, 46.8% Americas). In particular, gross sales in the Americas region considerably decreased by around 63% to €44.2 million year on year (Q1 2016: €118.1 million). The decline in sales was due to the reduction of the project pipeline in the Utility segment following the extension of the tax incentive program (ITC) and the shift in demand toward module-level power electronics in the Residential segment, which SMA was not yet able to meet in the reporting period. By contrast, sales in the APAC region significantly increased by around 45% to €72.0 million, which was mainly due to positive development in the Residential and Utility segments. Overall, the Commercial segment generated 33.0%, the Utility segment 28.2%, the Residential segment 21.5% and the

Service business 8.4% of the SMA Group's sales in the first quarter of 2017 (Q1 2016: 24.4% Commercial, 46.5% Utility, 20.0% Residential and 5.2% Service).

As of March 31, 2017, SMA still had a large order backlog of €625.6 million (March 31, 2016: €691.6 million). Of this amount, €393.9 million is attributable to Service business. This part of the order backlog will be mainly realized over the next five to ten years. Product business made up €231.7 million of the order backlog. At €111.6 million, the Utility segment accounts for 48.2% of the product-related order backlog. The Residential and Commercial segments account for €57.1 million (24.6%) and €40.6 million (17.5%) of the product-related order backlog. The remaining order backlog of €22.4 million relates to Other Business. Sales and the order backlog in the first three months correspond to approximately half of the annual sales forecast for 2017. The book-to-bill ratio was 1.4 in the first quarter of 2017.

Although fixed costs were successfully reduced in the past fiscal year, EBITDA dropped to €15.9 million in the first quarter of 2017 (EBITDA margin: 9.2%; Q1 2016: €41.3 million, 16.6%). This was particularly due to lower sales. EBIT was €2.5 million (Q1 2016: €24.9 million). This equates to an EBIT margin of 1.4% (Q1 2016: 10.0%). Net income amounted to €6.3 million (Q1 2016: €18.8 million). Earnings per share thus amounted to €0.17 (Q1 2016: €0.54).

Sales and Earnings per Segment

PORTFOLIO GAP IN THE RESIDENTIAL BUSINESS UNIT CLOSED IN THE FIRST QUARTER

The Residential business unit serves the attractive long-term market of small PV systems for private applications with single-phase string inverters with the brand name Sunny Boy; three-phase inverters in the lower output range up to 12 kW with the brand name Sunny Tripower; string inverters of the Zeyersolar brand; energy management solutions; storage systems; and communication products and accessories. In the first quarter of 2017, solutions using Tigo Energy, Inc.'s smart module technology were additionally launched in key markets in the U.S., Europe and Australia. 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 quarter of 2017, external sales in the Residential business unit of €37.3 million were lower by approximately 25% than in the same period of 2016 (Q1 2016: €49.6 million). Its share of the SMA Group's total sales was 21.5% (Q1 2016: 20.0%). The EMEA region made up 51.5% (Q1 2016: 39.1%) of the gross sales of the Residential business unit, the APAC region 37.2% (Q1 2016: 15.6%) and the Americas region 11.3% (Q1 2016: 45.3%). In the reporting period, the major sales drivers were the Sunny Boy 5000TL to 7700TL inverters.

EBIT in the Residential business unit fell to -€7.7 million in the first quarter (Q1 2016: -€0.4 million). This was mainly due to the large decline in sales by around 80% in the Americas region. In relation to external sales, the EBIT margin was -20.6% (Q1 2016: -0.8%).

COMMERCIAL BUSINESS UNIT BENEFITS FROM STRONG BUSINESS IN ASIA

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

As a result of the announced model change, external sales in the Commercial business unit amounted to €57.2 million in the first quarter of 2017, slightly below the level of the previous year (Q1 2016: €60.6 million). At 33.0%, the Commercial business unit accounted for the highest share of the SMA Group's total sales (Q1 2016: 24.4%). This business unit generated 48.3% of gross sales in the APAC region, 32.7% in the EMEA region and 19.0% in the Americas region (Q1 2016: 38.6% APAC, 40.6% EMEA, 20.8% Americas).

In the first quarter of 2017, EBIT amounted to -€1.6 million, slightly lower than in the previous year due to low overall utilization (Q1 2016: €1.8 million). In relation to external sales, the EBIT margin was -2.8% (Q1 2016: 3.0%).

UTILITY BUSINESS UNIT INFLUENCED BY WEAK U.S. MARKET

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

In the first quarter of 2017, external sales in the Utility business unit decreased by 58% to €48.8 million (Q1 2016: €115.4 million). Its share of the SMA Group's total sales was 28.2% (Q1 2016: 46.5%). For the first time, the Utility segment has therefore not been the strongest-selling business unit for a long time. The APAC region made up 48.5% (Q1 2016: 12.8%) of the gross sales of the Utility business unit, the Americas region 38.2% (Q1 2016: 64.2%) and the EMEA region 13.3% (Q1 2016: 23.0%). The most successful products included the new Sunny Central series inverters that were launched in the previous year.

In the Utility business unit, EBIT fell by €26.9 million to -€2.7 million (Q1 2016: €24.2 million) due to the slump in sales in the U.S. In relation to external sales, the EBIT margin was -5.5% (Q1 2016: 21.0%).

SERVICE BUSINESS UNIT INCREASES PROFITABILITY

SMA has its own service companies in all important photovoltaic markets. With an installed capacity of around 55 GW worldwide, SMA leverages economies of scale to manage its service business profitably. Services offered include commissioning, warranty extensions, service and maintenance contracts, operational management, remote system monitoring and spare parts supply.

In the first quarter of 2017, external service sales increased to €14.5 million (Q1 2016: €12.9 million). Its share of the SMA Group's sales was 8.4% (Q1 2016: 5.2%). Notable sales drivers were operational management (O&M business), service and maintenance contracts subject to charge, and chargeable commissioning. In the reporting period, EBIT was €2.2 million (Q1 2016: €1.4 million). In relation to external sales, the EBIT margin was 15.2% (Q1 2016: 10.9%).

STRONG SALES GROWTH IN OTHER BUSINESS

The Other Business segment comprises SMA Sunbelt Energy and the Off-Grid and Storage business unit. In the first quarter of 2017, external sales increased by 60.4% year on year to €15.4 million (Q1 2016: €9.6 million). Its share of the SMA Group's sales was 8.9% (Q1 2016: 3.9%). The Other Business segment generated EBIT of €0.6 million (Q1 2016: -€0.1 million). In relation to external sales, the EBIT margin of the Other Business segment was 3.9% (Q1 2016: -1.0%).

Development of Significant Income Statement Items

WEAK SALES BURDEN GROSS MARGIN

The cost of sales fell by 24.2% to €140.9 million (Q1 2016: €185.8 million). The decrease is particularly attributable to lower sales. High price pressure could only be partially offset by productivity increases and savings in cost of materials. The gross margin thus amounted to 18.6% (Q1 2016: 25.0%).

Personnel expenses included in cost of sales amounted to €27.4 million (Q1 2016: €32.6 million). This year-on-year decrease resulted primarily from a decline in the production volume and the consolidation of production sites at the end of 2016. Due to the decline in sales, material costs fell to €95.4 million (Q1 2016: €121.0 million).

Depreciation and amortization included in cost of sales fell by 19.3% to €11.3 million in the first quarter of 2017 (Q1 2016: €14.0 million). This included scheduled depreciation on capitalized development costs of €4.4 million (Q1 2016: €5.1 million).

Other costs declined by €11.4 million to €6.8 million (Q1 2016: €18.2 million). This was mainly due to the consolidation of production sites and the year-on-year decrease in sales.

Due to savings in personnel and material costs in the wake of cost reduction measures, selling expenses slightly fell by 5.1%, amounting to €11.1 million in the first quarter of 2017 (Q1 2016: €11.7 million). As a result of the large decline in sales, the cost of sales ratio climbed to 6.4% in the reporting period (Q1 2016: 4.8%).

Research and development expenses not including capitalized development projects amounted to €12.0 million in the reporting period (Q1 2016: €15.1 million). The research and development cost ratio amounted to 6.9% (Q1 2016: 6.1%). Total research and development expenses including capitalized development projects fell to €15.7 million (Q1 2016: €19.5 million). Development projects were capitalized in the amount of €3.7 million (Q1 2016: €4.4 million).

General administrative expenses in the first quarter of 2017 totaled €13.5 million (Q1 2016: €11.8 million). The rise in general administrative expenses was mainly due to one-time items from consulting services. Due to the decline in sales, the ratio of administrative expenses increased to 7.8% in the reporting period (Q1 2016: 4.8%).

The balance of other operating income and expenses amounted to €10.2 million in the first quarter of 2017 (Q1 2016: €1.2 million). This includes foreign currency valuation effects, expenses for assets measured at fair value through profit or loss, and gains from the disposal of SMA Railway Technology GmbH.

FINANCIAL POSITION

SMA Achieves High Net Cash Flow and Increases Net Cash to €413 Million in a Challenging Environment

SMA's flexibility is reflected in its gross cash flow, which shows operating income prior to funds commitment. In the first quarter of 2017, gross cash flow amounted to €11.2 million (Q1 2016: €38.0 million).

As a result of active working capital management, net cash flow from operating activities of continuing operations amounted to €41.6 million in the reporting period (Q1 2016: €55.5 million).

Inventories increased by 11.2% to €188.1 million (December 31, 2016: €169.2 million) due to weather-related customer project delays. The €0.6 million increase in trade payables and €50.6 million decrease in trade receivables caused net working capital to decline by 14.3% to €193.1 million (December 31, 2016: €225.4 million) despite an increase in inventories. At 22.1%, the net working capital ratio in relation to sales over the past twelve months was lower than on December 31, 2016 (23.8%) and at the lower edge of the 22% to 25% range targeted by management.

Net cash flow from investing activities amounted to €4.1 million in the reporting period (Q1 2016: –€26.0 million). This was mainly driven by the net cash inflow from the disposal of the Railway Technology business division. In addition, cash outflows for investments in fixed assets and intangible assets were reported at €6.7 million (Q1 2016: €7.0 million). With €3.7 million (Q1 2016: €4.4 million), an essential part of the investments was attributable to capitalized development projects. The balance of proceeds and payments for financial investments amounted to –€5.9 million (Q1 2016: –€19.2 million).

As of March 31, 2017, cash and cash equivalents amounting to €259.5 million (December 31, 2016: €216.1 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. With time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities, liquid assets pledged as collateral and after deducting interest-bearing financial liabilities, this resulted in net cash of €413.1 million (December 31, 2016: €362.0 million). SMA continued to substantially increase 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 49.5%

As of March 31, 2017, the total assets decreased to €1,202.2 million (December 31, 2016: €1,210.7 million). At €418.7 million, the value of non-current assets was lower than at the end of 2016 (December 31, 2016: €426.2 million).

As of March 31, 2017, net working capital amounted to €193.1 million (December 31, 2016: €225.4 million). The net working capital ratio in relation to sales over the past twelve months was 22.1%. Trade receivables decreased by 30.6% to €114.5 million on the reporting date (December 31, 2016: €165.1 million). Although the international share continued to be high, days sales outstanding substantially decreased to 58.9 days (December 31, 2016: 66.5 days). Inventories increased because of customers' project delays due to weather conditions, especially with regard to finished goods, to €188.1 million (December 31, 2016: €169.2 million). Trade payables rose only slightly by €0.6 million to €109.5 million (December 31, 2016: €108.9 million). At 9.1%, the share of trade credit in total assets was at the level reported at the end of the 2016 fiscal year (December 31, 2016: 9.0%).

At €594.5 million, as of March 31, 2017, the Group's equity capital base was €9.4 million higher than three months previously (December 31, 2016: €585.1 million). With an equity ratio of 49.5%, SMA has a comfortable equity capital base and therefore an extremely solid balance sheet structure.

CAPITAL EXPENDITURE

SMA's Business Model Is Not Capital-Intensive

The SMA Group is planning to make investments in fixed assets and intangible assets of up to €50 million in the 2017 fiscal year (2016: €29.0 million). This equates to an investment ratio of a maximum of 6%. The increase in capital expenditure is mainly attributable to test equipment for new product generations, higher capitalization of development costs and measures to modernize the IT infrastructure.

In the first three months of the 2017 fiscal year, investments in fixed assets and intangible assets totaled €6.7 million and were thus at the level of the previous year (Q1 2016: €7.0 million). €2.6 million was invested in fixed assets (Q1 2016: €2.6 million). The investment ratio for fixed assets was 1.5% in the reporting period (Q1 2016: 1.0%). Investments in intangible assets of €4.1 million (Q1 2016: €4.4 million) were primarily for capitalized development projects.

SUPPLEMENTARY REPORT

Significant Events After the End of the Reporting Period

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

FORECAST REPORT

THE GENERAL ECONOMIC SITUATION: GROWTH GAINS MOMENTUM

In its most recent World Economic Outlook dated April 18, 2017, the International Monetary Fund (IMF) presents a positive outlook for the global economy. According to the IMF experts, the economy is regaining momentum as a result of the long-awaited cyclical recovery in investments, manufacturing and trade. If this positive sentiment continues, growth may well exceed expectations in the short term. At the same time, structural problems, such as low productivity growth and high wage inequality, still exist. The IMF sees further risks in the rise in protectionism, which threatens the cooperative global economic order, and a faster-than expected pace of interest rate hikes in the U.S. This would lead to an appreciation of the U.S. dollar, straining growth in developing and newly industrialized countries with currencies pegged to the dollar.

The IMF expects global growth to increase to 3.5% in the current year (2016: 3.1%), up 0.1 percentage points against its January forecast. Industrialized countries are expected to grow by 2.0%, slightly better than anticipated in January. A 4.5% increase in economic power is still forecasted in developing and newly industrialized countries. IMF experts have stressed that the majority of short- to medium-term growth will continue to be driven by developing and newly industrialized countries.

The growth forecast for industrialized countries is driven by the improved outlook for the U.S. in particular. Here, the IMF forecasts a 2.3% rise in economic output (2016: 1.6%) on the basis of increased investments, solid consumption growth and looser fiscal policies expected in 2017. The experts expect the eurozone to continue its moderate recovery from the previous year, with growth at the level of the previous year by 1.7%. While growth in Germany, Italy and Spain is expected to decrease slightly year-on-year, growth in France is set to increase in a small degree. The IMF expects Great Britain and Japan to develop positively in 2017, which, however, is expected to weaken again in the following year.

Growth in China is projected at 6.6%, slightly exceeding the January forecast. The IMF still anticipates 7.2% growth for India in 2017.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

Renewable Energy Will Grow Faster Than Conventional Energy Carriers

In its World Energy Outlook 2016, the International Energy Agency (IEA) forecasts that renewable energy will see much faster global growth than conventional energy carriers in the years to come. 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.

The experts from Bloomberg New Energy Finance (BNEF) also confirm the growing significance of renewable energy. In their New Energy Outlook 2016, they forecast that, in 2040, renewable energy will account for more than 50% of the world's installed power generation capacity. According to BNEF experts, photovoltaics will be the most cost-efficient energy source in most countries of the world by as early as 2030 and it will account for approximately 45% of the new power generation capacity installed worldwide in that year.

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.

Decline in China, Growth in the Rest of the World

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 of less than \$0.03. This points 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, and providing intermediate storage solutions for generated energy, thereby ensuring a reliable and cost-effective electricity supply based on renewable energies.

For 2017, the SMA Managing Board anticipates 71 GW of newly installed PV power around the world. This equates to a decrease of around 9%, mainly due to the declining PV market in China. In contrast, the SMA Managing Board estimates that markets outside China will grow by approximately 7% to a total of 47 GW. Global investments in system technology for traditional photovoltaic applications will decline due to the plummeting demand in China and the overall high price pressure in the industry. The fast-growing segment of storage applications will only partially offset the expected decline in investment in traditional photovoltaic applications. Overall, the SMA Managing Board therefore expects investment in PV system technology (incl. system technology for storage systems) of €4.9 billion in 2017 (2016: €5.2 billion).

Storage Technology Boosts Investment in EMEA

According to estimates by the SMA Managing Board, the European photovoltaic markets will further decline in 2017. However, according to these estimates, market growth in the Middle East and in African countries will more than compensate for the anticipated decline in demand in Europe. Overall, the SMA Managing Board therefore anticipates an approximately 6% increase in newly installed PV power to nearly 10 GW in the European, Middle Eastern and African (EMEA) region. According to SMA estimates, the volume of investment in inverter technology will be around 25% higher than in the previous year at an expected €1.3 billion. The increase in euros is attributable in particular to the business with PV system technology for storage applications.

Price Pressure Hurts Investment in North and South America

For the American markets, the SMA Managing Board expects a slight decline after the strong growth of last year. There are good medium-term prospects thanks to the existing tax incentive programs in the U.S. and the continued growth of the South American photovoltaic markets. According to the SMA Managing Board's estimates, newly installed power in the Americas region will decrease by approximately 7% to 16 GW overall in 2017. The volume invested in inverter technology will fall at a greater rate to €1.3 billion due to high price pressure (2016: €1.5 billion).

Slight Decline in Investment in Asia-Pacific

The most important markets in the Asia-Pacific (APAC) region include China, Japan and India. The SMA Managing Board estimates that new PV installations in China will decrease sharply to 24 GW in 2017 due to previous subsidy cuts and further scheduled subsidy cuts (2016: 34 GW). Investments in inverter technology in China are expected to fall to €0.6 billion (2016: €0.9 billion). For the Asia-Pacific region excluding China, however, the SMA Managing Board predicts an encouraging increase in newly installed PV power to 21 GW in 2017 (2016: 17 GW). The growth will be driven in particular by the Indian market, however, the high price pressure will erode the volume growth. The SMA Managing Board therefore expects investment of approximately €1.7 billion in inverter technology (2016: €1.8 billion).

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. Rising prices for conventional domestic power and many private households and companies wanting to drive forward the energy transition by making their contribution to a sustainable and decentralized energy supply are the basis for new business models. Demand for solutions that increase self-consumption of solar power is likely to rise particularly in the European markets, the U.S., Australia and Japan. In these markets, renewable energies are already taking on a greater share in the electricity supply. In 2017, the SMA Managing Board expects the volume of the still fairly new market to amount to between €0.6 billion and €1.1 billion (this does not include the figures for batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market. Positive growth stimuli will also emanate 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, among others. The SMA Managing Board estimates that DC optimizers in particular will gain in importance over the currently dominant string inverter technology without optimizers in the years to come. This trend is emanating from North America because regulatory requirements in the markets there encourage the use of DC optimizers.

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

The following statements on the future development of the SMA Group are based on estimates drawn up by the SMA Managing Board and the expectations concerning the progression of global photovoltaic markets set out above. The SMA Group operates under a functional organization. The Residential, Commercial, Utility and Service business units take on overall responsibility and manage development, operational service and sales as well as operations. SMA Sunbelt Energy and the Off-Grid and Storage business unit have been combined under Other Business. From the beginning of the 2017 fiscal year, Zeyersolar has been fully allocated to the Residential business unit due to changes in its business activities. As a result, there was a shift from the Other Business segment to the Residential segment. The sale of the Railway Technology business division was concluded on March 29, 2017. The Forecast Report is based on the described reporting structure.

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

Managing Board Anticipates Difficult Fiscal Year

The first quarter of 2017 was shaped by high price pressure in all markets and segments in addition to poor weather conditions on key sales markets. Incoming orders developed positively. As of March 31, 2017, the order backlog was around €626 million. Around €232 million of this amount was attributable to product business. Against this backdrop, the SMA Managing Board confirms its sales and earnings forecast for the current fiscal year, which was published for the first time on January 26, 2017. It predicts a sales decline to between €830 million and €900 million (2016: €946.7 million). The SMA Managing Board expects declining earnings before interest, taxes, depreciation and amortization (EBITDA) of between €70 million and €90 million (2016: €141.5 million). The depreciation and amortization are expected to amount to between €60 million and €70 million. On this basis, the Managing Board expects EBIT to decline tangibly. The earnings forecast includes positive earnings effects in the single-digit millions from the sale of SMA Railway Technology GmbH, which was completed on March 29, 2017.

SMA's business model is not capital-intensive. Despite the increase in investments (including capitalized development costs) to up to €50 million in the 2017 fiscal year (2016: €29.0 million), SMA's investment ratio of a maximum of 6% remains low. The increase in capital expenditure is mainly attributable to test equipment for new product generations, higher capitalization of development costs and measures to modernize the IT infrastructure. The SMA Group's working capital is expected to amount to between 22% and 25% of the sales of the last twelve months (2016: 23.8%). The consolidation of global production sites will increase transport times and thus inventory. This effect on working capital can be partially offset by longer payment periods with suppliers and optimized debtor management. Overall, the SMA Managing Board anticipates a positive free cash flow. Net cash is expected to increase to between €400 million and €450 million (December 31, 2016: €362.0 million).

Price Dynamics and Digitization Determine Business Performance

The SMA Managing Board expects to see high price pressure continue in all market segments and regions in the current fiscal year. This is mainly being caused by the aggressive pricing policy of Chinese competitors, who are attempting to quickly tap foreign markets and to compensate for their shortcomings in sales and service infrastructures. Unfortunately, many Chinese competitors do not comply with legal standards in product design and thus distort the competition.

SMA will not extricate itself from general developments in market pricing, but it will maintain its own high demands on product quality. Systematic investments in development in recent years resulted in SMA having a multi-award-winning product portfolio for all output ranges. During 2016, customers at the leading trade fairs in the U.S. and Europe were presented with innovations that will lead to considerable savings in the total costs of a PV system. In addition, we will launch further cost-optimized products globally in the future to increase SMA's competitiveness in the medium term. To further optimize the SMA Group's break-even point and increase flexibility, the SMA Managing Board closed production sites in Denver, U.S., and Cape Town, South Africa, at the end of 2016. The effects generated by product innovations and cost reduction measures are expected to be recognized in earnings in the course of 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 similar international presence. In addition, SMA will use its financial strength to benefit from the digitization of the energy industry. For example, SMA has developed a technical platform that allows for energy flow monitoring across different sectors, such as photovoltaics, heating, cooling, ventilation as well as stationary and mobile storage systems. With an intelligent energy management solution, we will optimize total energy costs at the local level in the future. These new solutions distinguish us further from competitors and allow us to establish new business models. As a specialist in complete solutions in the energy sector, SMA will specifically establish and expand strategic alliances to more quickly tap into the potential offered by digitization.

Well Prepared for Market Changes With Full Product Range

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

The Residential business unit serves global markets for small PV systems with and without connection to a smart home solution. According to Managing Board estimates, in 2017, the Residential business unit will generate sales of €190 million to €210 million, accounting for approximately 20% of SMA Group sales (2016: €175.0 million; 18.5%). The portfolio of the Residential business unit with the SMA and Zeyersolar brands comprises smart module technology, single- and three-phase string inverters in the lower output range up to 12 kW, energy management solutions, storage systems, communication products and accessories. The main sales drivers include the Sunny Boy inverters with outputs up to 5 kW. Europe, North America, Australia and Japan remain the most important sales markets. Since March 2017, the Residential business unit has been selling a Sunny Boy inverter configured for the solar module optimizers of Tigo Energy, Inc. and will launch cost-optimized SMA and Zeyersolar products onto its core markets over the course of the year. In addition, the Residential business unit aims to access new customers and distribution channels to increase sales. Product innovations and outlined sales measures are only expected to affect earnings in the medium term. The SMA Managing Board therefore expects the Residential business unit to generate negative EBIT in the lower double-digit millions in 2017. In the medium term, planned product innovations and cost optimization of the existing portfolio will increase the business unit's gross margin.

The Commercial business unit concentrates on global markets for medium-sized to large PV systems with and without an energy management solution. For the Commercial business unit, the SMA Managing Board forecasts sales of €250 million to €270 million (2016: €263.0 million). The business unit is therefore expected to account for around 30% of Group sales (2016: 27.8%). The main sales drivers are the Sunny Tripower inverters in the power class 25 kW and above. In 2017, the portfolio will be expanded by a completely new product generation with an output of 50 kW for rooftop applications and an enhanced-performance, three-phase Sunny Tripower inverter for ground-based PV systems. In addition, the Commercial business unit will launch a new energy management solution to monitor the energy flows from different sectors and also optimize them at a later date. The SMA Managing Board thus anticipates positive operating earnings (EBIT) in the upper one-digit millions in 2017.

The Utility business unit serves the markets for large-scale PV projects. With expected sales of between €270 million and €290 million (2016: €396.7 million), the Utility business unit is expected to account for around 30% of Group sales (2016: 41.9%). In addition to central inverters with grid service and monitoring functions, the Utility business unit portfolio also comprises complete solutions including medium- and high-voltage technology as well as accessories. In 2017, the portfolio will be complemented by a compact, complete solution including medium-voltage and switching technology with an output of 5 MW. The integrated solution within a 40-foot container will be sold under the brand name Medium Voltage Power Station 5000. The main sales driver is expected to be the new Sunny Central inverter with an output of 2.5 MW. The SMA Managing Board anticipates positive operating earnings (EBIT) in the upper one-digit millions in 2017.

Our Service business will continue to benefit from the number of commissioned projects in the Utility and Commercial business units in 2017. In addition, the SMA Managing Board expects the conclusion of new, long-term service and maintenance contracts for large-scale PV projects and extended warranties for Sunny Boy and Sunny Tripower inverters. With sales of €55 million to €60 million (2016: €44.7 million), the SMA Managing Board anticipates positive operating earnings (EBIT) in the single-digit millions.

For the business areas combined under Other Business – SMA Sunbelt Energy and the Off-Grid and Storage business unit – the SMA Managing Board anticipates total sales of €65 million to €70 million (2016: €67.3 million). These business areas are expected to generate positive operating earnings (EBIT) in the one-digit millions.

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

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

Thanks to our extensive experience in PV system technology, ability to quickly implement changes and enter into numerous strategic partnerships, SMA is well prepared for the digitization of the energy industry. We will build on our unique strengths and design additional system solutions for decentralized energy supplies based on renewable 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, May 2, 2017

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT SMA GROUP

in €'000	Jan – Mar (Q1) 2017	Jan – Mar (Q1) 2016 ¹
Sales	173,155	248,078
Cost of sales	140,883	185,773
Gross profit	32,272	62,305
Selling expenses	11,083	11,709
Research and development expenses	15,298	15,135
General administrative expenses	13,533	11,822
Other operating income	13,262	7,099
Other operating expenses	3,089	5,858
Operating profit (EBIT)	2,531	24,880
Financial income	772	652
Financial expenses	364	623
Financial result	408	29
Profit before income taxes	2,939	24,909
Income taxes	-3,329	6,298
Profit from continuing operations	6,268	18,611
Profit from discontinued operation	-289	153
Net income	5,979	18,764
of which attributable to non-controlling interests	0	0
of which attributable to shareholders of SMA AG	5,979	18,764
Earnings per share, basic/diluted	0.17	0.54
thereof from continuing operations (in €)	0.18	0.54
thereof from discontinued operation (in €)	-0.01	0.00
Number of ordinary shares (in thousands)	34,700	34,700

¹ Previous year's figures adjusted pursuant IFRS 5.34

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

in €'000	Jan – Mar (Q1) 2017	Jan – Mar (Q1) 2016 ¹
Net income	5,979	18,764
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	164	-2,497
Changes recognized outside profit or loss (currency translation differences)	164	-2,497
Cash flow hedges before taxes	4,750	0
Deferred taxes related to cash flow hedges	-1,473	0
Cash flow hedges after taxes	3,277	0
Overall comprehensive result¹	9,420	16,267
of which attributable to non-controlling interests	0	0
of which attributable to shareholders of SMA AG	9,420	16,267

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

BALANCE SHEET SMA GROUP

in €'000	2017/03/31	2016/12/31
ASSETS		
Intangible assets	71,536	73,231
Fixed assets	227,293	234,327
Investment property	17,076	15,414
Other investments	5	5
Investments in associates	14,875	14,875
Deferred taxes	87,957	88,323
Non-current assets	418,742	426,175
Inventories	188,102	169,219
Trade receivables	114,528	165,098
Other financial assets (total)	185,953	177,935
Cash equivalents with a duration of more than 3 months and asset management	165,610	159,419
Rent deposits and cash on hand pledged as collaterals	10,056	9,242
Remaining other financial assets	10,287	9,274
Receivables from tax authorities (total)	20,176	21,407
Claims for income tax refunds	8,745	5,900
Claims for VAT refunds	11,431	15,507
Other receivables	12,364	9,729
Cash and cash equivalents	259,465	216,124
	780,588	759,512
Assets classified as held for sale	2,895	25,077
Current assets	783,483	784,589
Total assets	1,202,225	1,210,764

in €'000	2017/03/31	2016/12/31
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	440,632	431,212
SMA Solar Technology AG shareholders' equity	594,532	585,112
Provisions ¹	88,008	89,926
Financial liabilities ²	19,855	20,658
Other liabilities (total)	164,593	161,269
Accrual item for extended warranties	158,387	154,872
Other financial liabilities	883	1,015
Remaining other liabilities	5,323	5,382
Deferred taxes	19,728	21,022
Non-current liabilities	292,184	292,875
Provisions ¹	83,272	87,117
Financial liabilities ²	14,618	19,691
Trade payables	109,550	108,902
Income tax liabilities	15,747	14,986
Other liabilities ¹ (total)	92,322	97,920
Human Resources department	20,011	17,687
Prepayments received	15,871	22,239
Other financial liabilities	12,927	13,763
Remaining other liabilities	43,513	44,231
	315,509	328,616
Liabilities directly associated with assets classified as held for sale	0	4,161
Current liabilities	315,509	332,777
Total equity and liabilities	1,202,225	1,210,764
Total Cash (in € million)	435	385
Cash and cash equivalents + cash equivalents with a duration of more than 3 months and asset management + rent deposits and cash on hand pledged as collaterals		
Net Cash (in € million)	413	362
Total cash – current and non-current loan liabilities (excluding derivatives)		

¹ Not interest-bearing

² Includes not- interest-bearing current and non-current derivatives amounting to €12.5 million (2016: €17.6 million)

STATEMENT OF CASH FLOWS

SMA GROUP

in €'000	Jan – Mar (Q1) 2017	Jan – Mar (Q1) 2016 ¹
Profit from continuing operations	6,268	18,611
Income taxes	-3,329	6,298
Financial result	-408	-29
Depreciation and amortization	13,376	16,353
Change in provisions	-5,763	-1,224
Result from the disposal of assets	0	-91
Change in non-cash expenses/revenue	554	729
Interest received	515	41
Interest paid	-364	-526
Income tax paid	316	-2,141
Gross cash flow	11,165	38,021
Change in inventories	-19,205	2,638
Change in trade receivables	50,548	18,013
Change in trade payables	648	3,520
Change in other net assets/other non-cash transaction	-1,602	-6,730
Net cash flow from operating activities – continuing operations	41,554	55,462
Net cash flow from operating activities – discontinued operations	0	-10,849
Net cash flow from operating activities	41,554	44,613
Payments for investments in fixed assets	-2,616	-2,606
Proceeds from the disposal of fixed assets	22	167
Payments for investments in intangible assets	-4,104	-4,413
Proceeds from the disposal of held for sale assets net of cash	16,624	0
Proceeds from the disposal of securities and other financial assets	0	11,733
Payments for the acquisition of securities and other financial assets	-5,852	-30,920
Net cash flow from investing activities – continuing operations	4,074	-26,039
Net cash flow from investing activities – discontinued operations	0	-273
Net cash flow from investing activities	4,074	-26,312
Change in non-controlling interests	0	28
Redemption of financial liabilities	-686	-743
Cash outflows for the acquisition of non-controlling interests in subsidiaries	0	-3,734
Net cash flow from financing activities – continuing operations	-686	-4,449
Net cash flow from financing activities – discontinued operations	0	0
Net cash flow from financing activities	-686	-4,449
Net increase/decrease in cash and cash equivalents	44,942	13,852
Changes due to exchange rate effects	-1,601	2,656
Cash and cash equivalents as of January 1	216,124	200,180
Less cash and cash equivalents of discontinued operations	0	-2,178
Cash and cash equivalents as of March 31	259,465	214,510

¹ Previous years figures adjusted pursuant IFRS 5.34

STATEMENT OF CHANGES IN EQUITY SMA GROUP

in €'000

	Share capital	Capital reserves
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		
Proceeds from owners (capital increase Zerversolar)		
Shareholders' equity as of March 31, 2016	34,700	119,200
 Shareholders' equity as of January 1, 2017	 34,700	 119,200
Consolidated net result	0	0
Other comprehensive income after tax	0	0
Overall result		
Shareholders' equity as of March 31, 2017	34,700	119,200

	Equity attributable to the shareholders of the parent company				Equity attributable to non-controlling interests	Consolidated shareholders' equity
	Difference from currency translation	Cash flow hedges	Other retained earnings	Total		
	6,757	0	409,577	570,234	-26	570,208
	0	0	18,764	18,764	0	18,764
	-2,497	0	0	-2,497	-1	-2,498
						16,266
		0	-1,507	-1,507	29	-1,478
	4,260	0	426,834	584,994	2	584,996
	8,750	-10,348	432,810	585,112	0	585,112
	0	0	5,979	5,979	0	5,979
	164	3,277	0	3,441	0	3,441
						9,420
	8,914	-7,071	438,789	594,532	0	594,532

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

in € million	External sales		Internal sales		Total sales	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Segments						
Residential	37.3	49.6	0.0	0.0	37.3	49.6
Commercial	57.2	60.6	0.0	0.0	57.2	60.6
Utility	48.8	115.4	0.0	0.0	48.8	115.4
Service	14.5	12.9	0.0	15.9	14.5	28.8
Other Business	15.4	9.6	0.1	0.0	15.5	9.6
Total segments	173.2	248.1	0.1	15.9	173.3	264.0
Reconciliation	0.0	0.0	-0.1	-15.9	-0.1	-15.9
Continuing operations	173.2	248.1	0.0	0.0	173.2	248.1

in € million	Depreciation and amortization		Operating profit (EBIT)	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Segments				
Residential	1.7	2.5	-7.7	-0.4
Commercial	0.4	0.7	-1.6	1.8
Utility	2.7	2.3	-2.7	24.2
Service	0.0	0.4	2.2	1.4
Other Business	0.3	0.4	0.6	-0.1
Total segments	5.1	6.3	-9.2	26.9
Reconciliation	8.3	10.1	11.7	-2.0
Continuing operations	13.4	16.4	2.5	24.9

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

Sales by regions

in € million	Q1 2017	Q1 2016
EMEA	60.5	84.6
Americas	44.2	118.1
APAC	72.0	49.8
Sales deductions	-3.5	-4.4
External sales	173.2	248.1
thereof Germany	23.8	19.5

Reconciliation of segment figures for the continuing operations to the correlating figures stated in the Financial Statements is as follows:

in € million	Q1 2017	Q1 2016
Total segment earnings (EBIT)	-9.2	26.9
Eliminations	11.7	-2.0
Consolidated EBIT	2.5	24.9
Financial result	0.4	-0.0
Earnings before income taxes	2.9	24.9

Circumstances are shown in the reconciliation which by definition are not part of the segments. In addition, unallocated parts of the Group head office, 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.

REGISTERED TRADEMARKS

Company logos, Energy that changes, SMA, SMA Solar Technology, SMA Railway Technology, Sunny, Sunny Boy, Sunny Central, Sunny Home Manager, Sunny Island, Sunny Portal, Sunny Tripower, Sunny Tripower Core, Zegersolar are registered trademarks of SMA Solar Technology AG in many countries.

DISCLAIMER

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

FINANCIAL CALENDAR

2017/05/23	Annual General Meeting 2017
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)

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