Energizing the Future.

QUARTERLY STATEMENT JANUARY TO MARCH 2018

SMA Solar Technology AG

SMA SOLAR TECHNOLOGY AG AT A GLANCE

SMA Group		Q1 2018	Q1 2017	Change	Full Year 2017
Sales	€ million	182.5	173.2	5.4%	891.0
Export ratio	%	83.1	86.5		81.8
Inverter output sold	MW	1,843	1,661	11.0%	8,538
Capital expenditure	€ million	7.6	6.6	15.2%	33.2
Depreciation and amortization	€ million	13.2	13.4	–1.5%	53.2
EBITDA	€ million	17.5	15.9	10.1%	97.3
EBITDA margin	%	9.6	9.2	4.3%	10.9
Net income	€ million	2.8	6.3	–55.6%	30.1
Earnings per share[1]	€	0.08	0.17		0.87
Employees[2]		3,419	3,201	6.8%	3,213
in Germany		2,184	2,084	4.8%	2,077
abroad		1,235	1,117	10.6%	1,136

SMA Group		2018/03/31	2017/12/31	Change
Total assets	€ million	1,223.6	1,216.2	1%
Equity	€ million	613.4	611.5	0%
Equity ratio	%	50.1	50.3	
Net working capital[3]	€ million	170.1	167.9	1%
Net working capital ratio[4]	%	18.9	18.8	
Net cash[5]	€ million	444.8	449.7	–1%

1 Converted to 34,700,000 shares
2 Reporting date; without temporary employees
3 Inventories and trade receivables minus trade payables and liabilities from advanced payments received for orders
4 Relating to the last twelve months (LTM)
5 Total cash minus interest-bearing financial liabilities

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ECONOMIC REPORT

RESULTS OF OPERATIONS

Sales and Earnings

SMA ACHIEVES POSITIVE RESULT IN OPERATING BUSINESS

From January to March 2018, the SMA Group sold PV inverters with accumulated power of 1,843 MW (Q1 2017: 1,661 MW). In the reporting period, sales increased by 5.4% to €182.5 million (Q1 2017: €173.2 million). This sales growth resulted chiefly from the positive development in the European countries, the Middle East and Africa (EMEA) and in the Asia-Pacific (APAC) region.

Thanks to its good international positioning, SMA continues to benefit from the generally positive development seen in global photovoltaic markets. SMA has been continuously investing in its global infrastructure in recent years and now has a largely balanced distribution of sales. In the reporting period, the Company generated 41.3% of external sales in the Asia-Pacific (APAC) region, 39.7% in European countries, the Middle East and Africa (EMEA) and 19.0% in the North and South American (Americas) region calculated before sales deductions (Q1 2017: 40.8% APAC, 34.2% EMEA, 25.0% Americas).

The Utility segment made the largest contribution to sales in the first quarter of 2018, accounting for 36.7% (Q1 2017: 32.8%). The Commercial segment generated 31.1% of the SMA Group's sales, while the Residential segment contributed 21.3% and the Storage segment 10.9% in the reporting period (Q1 2017: 33.2% Commercial, 25.1% Residential, 8.9 Storage).

As of March 31, 2018, SMA still had a large order backlog of €647.3 million (March 31, 2017: €623.3 million). Of this amount, €391.0 million is attributable to Service business. Most of this part of the order backlog will be implemented over the next five to ten years. The order backlog for product business increased by 11.0% compared to March 31, 2017, to €256.3 million. A total of 82.6% of the product-related order backlog is attributable to the Commercial and Utility segments with €107.1 million and €104.5 million, respectively. The Residential and Storage segments account for a total of 17.4% of the product-related order backlog with €31.8 million and €12.8 million, respectively.

In the reporting period, earnings before interest, taxes, depreciation and amortization (EBITDA) rose to €17.5 million (EBITDA margin: 9.6%; Q1 2017: €15.9 million; 9.2%). The earnings of the previous year's period include a positive effect in the high single-digit million euro range from the sale of SMA Railway Technology GmbH. EBIT was €4.3 million (Q1 2017: €2.5 million). This equates to an EBIT margin of 2.4% (Q1 2017: 1.4%). Net income amounted to €2.8 million (Q1 2017: €6.3 million). Earnings per share thus amounted to €0.08 (Q1 2017: €0.17).

Sales and Earnings per Segment

JUMP IN EARNINGS IN RESIDENTIAL BUSINESS UNIT

The Residential business unit serves global markets for small PV systems with and without connection to a smart home solution. The portfolio, which includes the SMA and Zeversolar brands, comprises smart module technology from Tigo Energy, Inc., single- and three-phase string inverters in the lower output range up to 12 kW, integrated services, energy management solutions, storage systems, communication products and accessories. In addition, the business unit offers services, such as extended warranties, spare parts and modernization of PV systems to enhance performance. With this portfolio of products and services, SMA provides optimal solutions for private PV systems in all major photovoltaic markets worldwide.

In the first quarter of 2018, external sales in the Residential business unit amounted to €38.9 million, representing a decrease of around 10% compared with the same period in 2017 (Q1 2017: €43.4 million[1]). The decline is due primarily to continued high inventories at wholesalers in Germany and Australia. The EMEA region accounted for 60.4% (Q1 2017: 54.9%) of the Residential business unit's gross sales, while the APAC region accounted for 23.2% (Q1 2017: 33.9%) and the Americas region accounted for 16.5% (Q1 2017: 11.2%).

[1] The figures for the previous year for the Residential, Commercial and Utility business units were adjusted due to the reclassification of the Service segment to the three business units as of January 1, 2018.

In the first three months of the year, the Residential business unit's EBIT improved significantly year on year to €1.8 million (Q1 2017: –€7.3 million) due to the launch of new products and the reallocated service business with extended warranties. Despite the year-on-year decrease in sales, the EBIT margin in relation to external sales climbed to 4.6% (Q1 2017: –16.8%).

SALES OF COMMERCIAL BUSINESS UNIT AT PREVIOUS YEAR'S LEVEL

The Commercial business unit focuses on global markets for medium-sized and large PV systems with and without an energy management solution. The business unit offers solutions with three-phase Sunny Tripower inverters that are compatible with the smart module technology from Tigo Energy, Inc., with outputs of more than 12 kW, as well as inverters from the Sunny Highpower and Solid-Q brands. Holistic energy management solutions for medium-sized PV systems, medium-voltage technology and other accessories and services, from commissioning through remote monitoring to operational management, complement the offering.

In the first quarter of 2018, the Commercial business unit's external sales were roughly on a par with the previous year at €56.8 million (Q1 2017: €57.5 million[1]). 51.0% of gross sales were attributable to the EMEA region, 41.4% to the APAC region, and 7.6% to the Americas region (Q1 2017: 31.5% EMEA, 49.7% APAC, 18.9% Americas).

EBIT improved to €1.1 million in the first quarter (Q1 2017: –€2.0 million) as a result of new product launches. In relation to external sales, the EBIT margin was 1.9% (Q1 2017: –3.5%).

UTILITY BUSINESS UNIT MAKES GOOD START TO THE YEAR

The Utility business unit serves the markets for large-scale PV power plants with central inverters from the Sunny Central brand and comprehensive services also encompassing operational management (O&M business). 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 2018, the Utility business unit's external sales increased by 17.6% to €66.9 million (Q1 2017: €56.9 million[1]) due to strong demand in the APAC region. The Utility business unit thus accounted for the largest share of the SMA Group's total sales. The APAC region accounted for 61.8% (Q1 2017: 45.3%) of the Utility business unit's gross sales, while the Americas region accounted for 20.9% (Q1 2017: 37.2%) and the EMEA region accounted for 17.3% (Q1 2017: 17.5%). The decline in the Americas region is attributable mainly to adverse regulatory changes in North America, which are described in more detail in the Forecast Report.

In the Utility business unit, EBIT fell to –€6.5 million (Q1 2017: –€0.4 million), partly due to individual warranty-related items. The individual warranty-related items have a negative earnings effect in the medium single-digit million euro range. In relation to external sales, the EBIT margin was –9.7% (Q1 2017: –0.7%).

STORAGE SEGMENT INCREASES SALES AND EARNINGS

The Storage segment comprises SMA Sunbelt Energy GmbH and the Off-Grid & Storage business unit, which predominantly serve the global battery storage market. In addition to system technology for the integration of battery-storage systems for all system sizes, the focus here is on implementing photovoltaic diesel hybrid systems in sunbelt areas around the world and large-scale storage projects in select markets.

External sales in the Storage segment amounted to €19.9 million in the reporting period, up 29.2% on the same period of the previous year (Q1 2017: €15.4 million). The Americas region accounted for 51.5% (Q1 2017: 43.2%) of the Storage segment's gross sales, while the EMEA region accounted for 37.4% (Q1 2017: 44.4%) and the APAC region accounted for 11.1% (Q1 2017: 12.3%).

In the first quarter of 2018, the Storage segment's EBIT significantly increased to €2.5 million (Q1 2017: €0.7 million) due to the volume effect. In relation to external sales, the EBIT margin was 12.6% (Q1 2017: 4.5%).

[1] The figures for the previous year for the Residential, Commercial and Utility business units were adjusted due to the reclassification of the Service segment to the three business units as of January 1, 2018.

The new Digital Energy segment comprises the subsidiaries coneva GmbH and SMA Energy Direct GmbH. coneva GmbH develops digital energy services for private and business customers. SMA Energy Direct GmbH focuses on online sales channels for select markets. Another planned business unit will focus on developing and marketing a portal for energy data. This segment did not yet make a significant contribution to sales and earnings in the first quarter of 2018.

Development of Significant Income Statement Items

SMA BENEFITS FROM GOOD PRODUCT MIX

Cost of sales increased by 1.9% year on year to €143.6 million (Q1 2017: €140.9 million). The slower growth in comparison to the sales increase of 5.4% is due primarily to the fact that both cost-optimized existing products and new products with a low cost of sales accounted for a relatively large share of the product mix in the first quarter. In the reporting period, the gross margin increased to 21.3% (Q1 2017: 18.6%).

Personnel expenses included in cost of sales increased slightly to €28.8 million in the reporting period (Q1 2017: €27.4 million) due to the higher production volume. By contrast, material costs, including changes in inventories, were down 6.7% year on year due to the good product mix and increased inventories of finished goods and amounted to €89.0 million (Q1 2017: €95.4 million). SMA is continuously working on its product portfolio in all segments to tackle price pressure by optimizing the cost of existing products and introducing new and less expensive products.

From January to March 2018, depreciation and amortization included in the cost of sales amounted to €11.7 million (Q1 2017: €11.3 million). This includes scheduled depreciation on capitalized development costs of €5.1 million (Q1 2017: €4.4 million). Other costs increased by €7.3 million year on year to €14.1 million (Q1 2017: €6.8 million). This was due to individual warranty-related items in the Utility segment and increased logistics costs, including for air cargo to reduce delivery times, as a result of the shortage of components.

Selling expenses slightly rose to €12.7 million (Q1 2017: €11.1 million). This increase was mainly a result of enhanced sales activities. The cost of sales ratio climbed to 7.0% in the reporting period (Q1 2017: 6.4%).

Research and development expenses, not including capitalized development projects, amounted to €16.1 million in the reporting period (Q1 2017: €15.3 million). In the first quarter of 2018, the research and development cost ratio amounted to 8.8% (Q1 2017: 8.8%). Total research and development expenses, including capitalized development projects, were roughly on a par with the previous year at €20.4 million (Q1 2017: €19.0 million). Development projects were capitalized in the amount of €4.3 million in the reporting period (Q1 2017: €3.7 million).

General administrative expenses totaled €12.1 million in the first quarter of 2018 (Q1 2017: €13.5 million). The ratio of administrative expenses amounted to 6.6% in the reporting period (Q1 2017: 7.8%).

The balance of other operating income and expenses resulted in a positive effect on earnings of €6.3 million in the reporting period (Q1 2017: €10.2 million). This includes foreign currency valuation effects and expenses for assets measured at fair value through profit or loss.

FINANCIAL POSITION

SMA Strengthens Cash Position With Net Cash of €445 Million

Gross cash flow amounted to €21.1 million in the first quarter of fiscal year 2018 (Q1 2017: €11.2 million). It reflects the operating income prior to commitment of funds.

In the first three months of the reporting year, net cash flow from operating activities of continuing operations was €4.4 million (Q1 2017: €41.6 million). The high cash flow from operating activities in the first quarter of 2017 was driven by a significant decline in receivables as against December 31, 2016. In comparison to this, trade receivables decreased to a much lesser extent in the first quarter of 2018 due to stronger project business. At the same time, inventories posted a considerably higher increase in the first quarter of 2018 than in the same period of 2017 due to their low level as of December 31, 2017. These two factors resulted in a total effect of –€41 million for the first quarter of 2018.

Compared to the end of the previous year, inventories increased by 24.4% to €205.2 million (December 31, 2017: €165.0 million). The €6.5 million increase in trade payables, decrease in trade receivables and change in inventories resulted in a slight increase in net working capital to €170.1 million (December 31, 2017: €167.9 million). The net working capital ratio in relation to sales over the past 12 months was virtually unchanged at 18.9% (December 31, 2017: 18.8%). Starting in the 2018 fiscal year, this ratio also includes liabilities from advanced payments received for orders due to their operational nature. The comparative figure for 2017 was adjusted accordingly. The net working capital ratio was thus at the lower end of the range of 19% to 23% targeted by management.

In the first quarter of 2018, net cash flow from investing activities of continuing operations amounted to –€28.1 million after €4.1 million in the previous year. The majority of this amount was attributable to cash inflows and outflows from financial investments totaling –€21.2 million (Q1 2017: –€5.9 million). In addition, the comparative figure for 2017 includes net cash inflows from the sale of the Railway Technology business division. The outflows of funds for investments in fixed assets and intangible assets amounted to €7.6 million in the reporting period (Q1 2017: €6.7 million). At €4.3 million (Q1 2017: €3.7 million), capitalized development projects accounted for a large part of these investments.

As of March 31, 2018, cash and cash equivalents amounting to €208.7 million (December 31, 2017: €234.9 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 €444.8 million (December 31, 2017: €449.7 million).

Investment Analysis

In the first quarter of 2018, investments in fixed assets and intangible assets amounted to €7.6 million and were thus above the previous year's figure of €6.7 million. This equates to an investment ratio in relation to sales of 4.2% compared with 3.7% in the first quarter of 2017.

€3.2 million was invested in fixed assets (Q1 2017: €2.6 million), primarily for machinery and equipment. The investment ratio for fixed assets was 1.8% in the first quarter of the fiscal year (Q1 2017: 1.5%). Scheduled depreciation of fixed assets decreased to €7.4 million (Q1 2017: €7.9 million).

Investments in intangible assets amounted to €4.4 million (Q1 2017: €4.1 million). They largely related to capitalized development projects. Amortization of intangible assets amounted to €5.8 million and was thus marginally above the previous year's figure of €5.5 million.

NET ASSETS

SMA Maintains Equity Ratio of 50%

As of March 31, 2018, total assets increased by 0.6% to €1,223.6 million (December 31, 2017: €1,216.2 million). At €353.1 million, non-current assets were below the level observed at the end of 2017 (December 31, 2017: €358.3 million).

At €170.1 million, net working capital was at a similar level to the end of 2017 (December 31, 2017: €167.9 million) and corresponded to 18.9% of sales over the past 12 months. Trade receivables decreased by 18.4% compared to December 31, 2017, to €130.5 million as of the end of the first quarter of 2018 (December 31, 2017: €160.0 million). Days sales outstanding came to 58.9 days and were thus lower than at the end of the previous year (December 31, 2017: 66.6 days). Inventories increased by 24.4% to €205.2 million (December 31, 2017: €165.0 million). Trade payables rose by €6.5 million to €136.9 million (December 31, 2017: €130.4 million). At 11.2%, the share of trade credit in total assets was above the level at the end of the previous year (December 31, 2017: 10.7%).

The Group's equity capital base remained stable at €613.4 million (December 31, 2017: €611.5 million). With an equity ratio of 50.1%, SMA has a comfortable equity capital base and therefore an extremely solid balance sheet structure.

FORECAST REPORT

PREAMBLE

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

THE GENERAL ECONOMIC SITUATION: GLOBAL ECONOMY CONTINUES TO GROW

In its most recent update to the World Economic Outlook (WEO) from April 2018, the International Monetary Fund (IMF) confirms the forecast for global economic development in the current year that was published in January. This forecast indicates global economic growth of 3.9% (2017: 3.8%). This positive development is being driven by strong economic momentum, positive sentiment on the markets, favorable financing conditions, and the local and international effects of a more expansive U.S. monetary policy. For industrialized countries, the IMF experts forecast growth of 2.5%, while for developing and newly industrialized countries, they anticipate growth of 4.9%. They once again slightly increased the growth forecast for the U.S. to 2.9%. The IMF also raised its forecast for the eurozone slightly to 2.4%. For China, the experts are still forecasting marginally lower growth of 6.6% year on year in 2018. For India, they still anticipate strong growth of 7.4%, up 0.7 percentage points on 2017. The experts at the IMF have also issued positive growth projections for the global economy beyond 2018. However, they also warn of risks in the medium term. These risks include tougher financing conditions, further trade disputes, an increase in protectionist tendencies and geopolitical tensions.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

Renewable Energy Will Grow Faster Than Conventional Energy Carriers

In its Renewables 2017 report, the International Energy Agency (IEA) forecasts that renewable energy will see much faster global growth than conventional energy carriers in the years to come. The IEA states that photovoltaics are "entering a new era." Over the next five years, installation of new PV capacity will far exceed installation of other renewable energy carriers. The IEA attributes this to further decreases in costs for the technology and the strong momentum in the Chinese market.

Experts at Bloomberg New Energy Finance (BNEF) also emphasize good prospects for renewable energy and photovoltaics in the medium term. In their New Energy Outlook 2017, they forecast that photovoltaic and wind turbine systems will account for roughly 50% of the world's installed power generation capacity in 2040. According to BNEF experts, photovoltaics will be the least expensive source of energy in most countries around the world by as early as 2030, and the installed capacity of solar power will increase fourteen-fold by 2040.

In addition to the low production costs of solar power, the climate change goals resolved by a large community of countries at the 2015 UN Climate Change Conference in Paris represent another growth driver. This will lead to an accelerated expansion of renewable energies. Photovoltaics will benefit from this trend the most as solar power is generated in the vicinity of the consumer. Thanks to technological advancements, the consumer cost of PV systems will further decrease and their attractiveness will increase as a result. Affordable storage systems and modern communication technologies combined with services for cross-sector energy management will harmonize energy production and demand. The SMA Managing Board is therefore convinced of the appeal of the market and has thus positioned SMA to ensure it benefits from future developments.

Global New PV Installations Increase to 109 GW

For 2018, the SMA Managing Board anticipates around 109 GW of newly installed PV power around the world. This equates to growth of approximately 7%. This growth particularly comes from Asian markets outside China. Global investments in system technology for traditional photovoltaic applications will be only slightly above the level of 2017, due to price development. In contrast, investments in system technology for storage applications (excluding investments in batteries) will increase by approximately €100 million compared to the previous year. Overall, the SMA Managing Board therefore expects investment in PV system technology (including system technology for storage systems) of around €5.5 billion in 2018 (2017: €5.3 billion). The Managing Board rates the medium-term prospects for the PV industry more positively than before. This is due to the accelerating transformation of the energy sector toward decentralized energy generation. In particular, automated networking of photovoltaics with stationary storage systems, air-conditioning and ventilation technology and LED lighting is opening up new growth segments for technology-focused companies.

Affordable Storage Technology as a Catalyst for Demand in EMEA

The SMA Managing Board anticipates an increase in newly installed PV power of approximately 22% to nearly 16 GW in the Europe, Middle East and Africa (EMEA) region in 2018. In addition to private residential PV systems, commercial PV systems will also continue to play an important role. According to SMA estimates, the volume of investment in PV and storage system technology will be around 12% higher than in the previous year at an estimated €1.4 billion in spite of price development. The increase in euros is particularly attributable to the business involving system technologies for storage applications. Battery-storage systems are gaining importance in Europe, especially in Germany, Great Britain and Italy. In addition to the business involving new systems for consumption of self-generated energy, the retrofitting of existing systems with new inverters and storage systems will also yield high potential in the medium term. For many PV systems, government subsidization will end in the years to come. Self-consumption of solar power is a particularly attractive option for the operators of these systems.

Regulatory Environment Hurts Investments in North America

The SMA Managing Board expects growth in newly installed PV power of around 18% to 17 GW for the Americas region after the downturn in the previous year. Roughly 13 GW of this amount is attributable to the North American markets. Inverter technology investments are expected to increase slightly to almost €1.2 billion (2017: €1.1 billion). In addition to the South American markets, the Managing Board also expects growth in the North American markets. This will be driven by a substantial anticipated increase in Mexico. In the U.S., by contrast, the punitive duties adopted in January for PV cells and modules produced abroad and the punitive duties planned by the U.S. government for imports (including electronic components) from China are expected to have a negative impact on market development. The resulting higher prices for the overall system are reducing the economic attractiveness of photovoltaics. In the medium term, however, the U.S. utility market will benefit from the solar Investment Tax Credit (ITC) that is in place until 2020 and will then be progressively reduced. The residential and commercial segments are currently influenced by strict regulations set forth in the National Electrical Code (NEC). Medium-term prospects are positive here as well for manufacturers that can offer products that comply with the new standard.

Investments in the Asia-Pacific Region Roughly at Previous Year's Level

The most important markets in the Asia-Pacific (APAC) region include China, India and Japan. In Japan and Australia, the installation of PV systems combined with battery-storage systems to supply energy independently of fossil energy carriers offers additional growth potential. The SMA Managing Board estimates that new PV installations in China will remain at a high level and reach 50 GW in 2018 (2017: 53 GW). Investments in inverter technology are expected to fall slightly to €1.4 billion (2017: €1.5 billion). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to increase by approximately 30% to around 26 GW in 2018 (2017: 20 GW). The growth will be driven in particular by the Indian market. However, high price pressure will largely erode volume growth. The SMA Managing Board therefore expects investments of approximately €1.6 billion in inverter technology for this region (2017: €1.4 billion).

Growth Markets: Energy Management, Smart Module Technology and Operational Management

The trend to regionalize power supplies is gaining momentum. More and more households, cities and companies are becoming less dependent on energy fuel imports and rising energy costs by having their own PV systems. This will lead to a rise in demand for energy storage solutions in the residential, commercial and industrial sectors. In addition, energy will be increasingly distributed via smart grids to manage electricity demand, avoid consumption peaks and take the strain off utility grids. E-mobility is also expected to become an important pillar of these new energy supply structures a few years from now. Integration of electric vehicles will help increase self-consumption of renewable energies and offset fluctuations in the utility grid. Using artificial intelligence, the behavior of decentralized energy consumers and storage systems can be adapted to the fluctuating production of electricity from renewable energies, thus enabling the overall system to be optimized.

Against this background, it is the viewpoint of SMA's Managing Board that 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 addition, power supply companies are increasingly using battery-storage systems to avoid expensive grid expansions, stabilize grid frequency and balance fluctuations in the power feed-in from renewable energy sources. The SMA Managing Board expects the volume of the still fairly new storage market to be around €700 million in 2018 (excluding investments in batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market.

In addition to storage technology, digital energy services aimed at optimizing the energy costs of households and commercial enterprises and their connection to the energy market are also becoming increasingly significant. The SMA Managing Board is expecting this area to represent an addressable market of approximately €400 million in 2018. The market will then grow exponentially in subsequent years.

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.

The technical management of commercial systems and large-scale PV plants is another growth segment. This includes a range of services, such as repairs, device replacements as well as visual inspections and maintenance of entire systems. The market in this segment had an accumulated installed capacity of over 350 GW at the end of 2017 and will have an expected 445 GW by the end of 2018. The SMA Managing Board is estimating the addressable market share, which is not yet or no longer under contract, at 128 GW in 2018, which corresponds to a potential of at least €1 billion. Prices are calculated yearly per MW and vary significantly depending on the regions and services included.

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

Managing Board Anticipates Sales and Earnings Growth

The SMA Managing Board is confirming the sales and earnings guidance for the current fiscal year that was published for the first time on January 24, 2018. It predicts a sales increase to between €900 million and €1.0 billion (2017: €891.0 million). This will be driven mainly by generally good market development and in particular by the continued strength of Asian and European business. Against this backdrop, the SMA Managing Board expects earnings before interest, taxes, depreciation and amortization (EBITDA) of between €90 million and €110 million (2017: €97.3 million). EBITDA includes for the first time expenses of more than €10 million for establishing the digital energy business. Depreciation and amortization are expected to amount to approximately €50 million. As a result, the Managing Board expects EBIT to be at least on par with the previous year.

SMA's business model is not capital-intensive. Investments (including capitalized development costs) will increase to approximately €50 million (2017: €33.2 million), of which roughly €20 million will be attributable to capitalized development projects. The main factors contributing to this increase are testing and production facilities for new product generations and building maintenance. The SMA Group's working capital is expected to amount to between 19% and 23% of sales (December 31, 2017: 18.8% of sales). Starting in the 2018 fiscal year, this ratio also includes liabilities from advanced payments received for orders due to their operational nature. The comparative figure for 2017 was adjusted accordingly. Overall, the SMA Managing Board anticipates a positive free cash flow. Net cash is expected to increase to up to €500 million (December 31, 2017: €449.7 million).

SMA Group Guidance for 2018 at a Glance

Key figure	**Guidance 2018**	**2017**
Sales in € million	900 to 1,000	891.0
EBITDA in € million	90 to 110	97.3
Capital expenditure in € million	approx. 50	33.2
Net working capital in % of sales	19 to 23	18.8
Net cash in € million	up to 500	449.7
Depreciation and amortization in € million	approx. 50	53.2

SMA's sales and earnings depend on global market growth, market share and price dynamics. Our global presence and our comprehensive portfolio of products and solutions for all segments enable us to respond quickly to changing market conditions, offset fluctuations in demand and take advantage of developments in global photovoltaic markets. Its broad product and solution portfolio in all market segments is a major distinguishing feature for SMA. The SMA Managing Board forecasts the following performance for the individual SMA segments in fiscal year 2018:

Segment Guidance for 2018 at a Glance[1]

Segment	**Sales**	**EBIT**
Residential	Up slightly	Up slightly
Commercial	Up	Up
Utility	Up significantly	Up
Storage	Up slightly	Constant
Digital Energy	No comparative figure	No comparative figure

[1] The overview is based on the reporting structure applicable from January 1, 2018. The comparison includes the sales and earnings growth that has been generated since this date in the Residential, Commercial and Utility segments from the transfer of sales and earnings from the former Service segment.

Megatrends Offer Additional Potential

The SMA Managing Board anticipates growth in 2018, both in the market for private residential PV systems (Residential) and in the segments for commercial PV systems (Commercial) and PV power plants (Utility). While price pressure will remain high in the Utility segment, it is expected to be moderate in the other segments. SMA will be able to take advantage of the forecast growth with new products and solutions. Continuously investing around €500 million in development over the last five years alone has led to our award-winning product portfolio for all output ranges – from smart module technology to end-to-end turnkey solutions for multi-megawatt PV power plants.

This year, we will also continue to launch cost-optimized products and solutions in global markets to increase our competitiveness. This will also include further development of software applications that control the behavior of electrical appliances and storage systems on a fully automated basis and thereby offset fluctuations in the production of electricity from photovoltaics.

The megatrends of decarbonization, decentralization and digitalization are opening up excellent prospects for SMA. Photovoltaic inverter business has now been joined by system technology for storage applications, service and maintenance contracts for large-scale PV power plants (O&M business) as well as energy services, all of which will continue to become increasingly important in the future.

SMA is excellently positioned to benefit from these trends in all market segments and regions. No other competitor has similar international presence combined with similar extensive technical expertise that encompasses all PV applications. Our total installed inverter output of over 65 GW worldwide is the ideal foundation for data-based business models, as inverters are the most suitable sensors for compiling valuable energy data. Our extensive knowledge of managing complex battery-storage systems and linking solar power systems with other energy sectors, such as heating, ventilation and cooling technology and e-mobility, is an excellent basis for developing future growth potential for digital energy solutions.

With our new subsidiary coneva GmbH, founded at the beginning of 2018, we are focusing on digital energy services for public utility companies, supermarket operators and housing companies. The offerings range from monitoring energy flows and optimizing energy costs across all sectors to matching supply and demand via the energy management platform ennexOS developed by SMA. With SMA Energy Direct GmbH, also founded in the first quarter of 2018, we will establish online sales channels for select markets. Over the course of the year, we will also combine our activities in the field of energy data in another business unit, enabling us to provide targeted, data-based solutions and services that improve performance forecasts, optimize grid management and more.

As a specialist in complete solutions in the energy sector, SMA will specifically establish and expand additional strategic alliances to more quickly tap into the potential offered by digitalization. In addition, we will use our financial strength to invest in other digital and data-based business models.

SMA Will Take Advantage of the Opportunities Created by Digitalization

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 us. Therefore, SMA's continued development in the field of digital energy services is one of the most important strategic objectives for the years to come.

Thanks to our extensive experience in PV system technology, ability to quickly implement changes and numerous strategic partnerships, SMA is well prepared for the digitalization of the energy industry. The energy management platform ennexOS will enable us to cope with the complexity of the energy system in the future and to generate considerable added value for our customers.

We will build on our unique strengths and design additional system solutions for decentralized energy supplies based on renewable energies. In the future, we will launch a number of innovations and establish new strategic partnerships to take advantage of opportunities that arise from business models as part of the digitalization of the energy industry. We will be helped in this endeavor by SMA's extraordinary corporate culture and our motivated employees who make a decisive contribution to the Company's long-term success. Therefore, they are also given a share in SMA's financial success.

Niestetal, April 27, 2018

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS[1]

INCOME STATEMENT SMA GROUP

in €'000	Jan – Mar (Q1) 2018	Jan – Mar (Q1) 2017
Sales	**182,454**	**173,155**
Cost of sales	143,613	140,883
Gross profit	**38,841**	**32,272**
Selling expenses	12,659	11,083
Research and development expenses	16,077	15,298
General administrative expenses	12,134	13,533
Other operating income	12,143	13,262
Other operating expenses	5,830	3,089
Operating profit (EBIT)	**4,284**	**2,531**
Result from at equity-accounted investments	–466	0
Financial income	796	772
Financial expenses	311	364
Financial result	**19**	**408**
Profit before income taxes	**4,303**	**2,939**
Income taxes	1,465	–3,329
Profit from continuing operations	**2,838**	**6,268**
Profit from discontinued operation	0	–289
Net income	**2,838**	**5,979**
of which attributable to shareholders of SMA AG	2,838	5,979
Earnings per share, dasic/diluted (in €)	0.08	0.17
thereof from continuing operations (in €)	0.08	0.18
thereof from discontinued operation (in €)	0.00	–0.01
Number of ordinary shares (in thousands)	34,700	34,700

[1] This is not an interim financial report within the scope of IAS 34.

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

in €'000	Jan – Mar (Q1) 2018	Jan – Mar (Q1) 2017
Net income	**2,838**	**5,979**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	–972	164
Changes recognized outside profit or loss (currency translation differences)	**–972**	**164**
Cash flow hedges before taxes	0	4,750
Deferred taxes related to cash flow hedges	0	–1,473
Cash flow hedges after income taxes	**0**	**3,277**
Overall comprehensive result[1]	**1,866**	**9,420**
of which attributable to shareholders of SMA AG	1,866	9,420

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

BALANCE SHEET SMA GROUP

in €'000	03/31/2018	12/31/2017
Assets		
Intangible assets	69,531	70,931
Fixed assets	208,541	212,552
Investment property	16,779	16,979
Other investments	2	2
Investments in associates	12,668	13,134
Deferred taxes	45,545	44,658
Non-current assets	**353,066**	**358,256**
Inventories	205,189	164,983
Trade receivables	130,451	160,001
Other financial assets (total)	272,985	248,546
Cash equivalents with a duration of more than 3 months and asset management	246,585	225,422
Rent deposits and cash on hand pledged as collaterals	9,156	9,853
Remaining other financial assets	17,244	13,272
Receivables from tax authorities (total)	38,909	38,328
Claims for income tax refunds	19,808	20,476
Claims for VAT refunds	19,101	17,852
Other receivables	13,804	10,061
Cash and cash equivalents	208,746	234,853
	870,084	**856,772**
Assets classified as held for sale	500	1,180
Current assets	**870,584**	**857,952**
Total assets	**1,223,650**	**1,216,208**

in €'000	03/31/2018	12/31/2017
Liabilities and shareholders' equity		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	459,482	457,616
SMA Solar Technology AG shareholders' equity	**613,382**	**611,516**
Provisions[1]	90,380	91,427
Financial liabilities[2]	17,226	18,095
Other liabilities (total)	163,611	163,410
Accrual item for extended warranties	155,992	155,985
Other financial liabilities	190	532
Remaining other liabilities	7,429	6,893
Deferred taxes	13,557	12,287
Non-current liabilities	**284,774**	**285,219**
Provisions[1]	65,487	64,622
Financial liabilities[2]	2,675	2,725
Trade payables	136,872	130,433
Income tax liabilities	11,812	12,152
Other liabilities[1] (total)	108,648	109,541
Human Resources department	27,643	24,062
Prepayments received	28,713	26,658
Other financial liabilities (customer bonuses etc.)	17,317	19,454
Remaining other liabilities	34,975	39,367
Current liabilities	**325,494**	**319,473**
Total equity and liabilities	**1,223,650**	**1,216,208**
Total Cash (in € million)	465	470
Cash and 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)	445	450
Total cash – current and non-current financial liabilities (excluding derivatives)		

1 not interest-bearing
2 includes not-interest-bearing current and non-current derivatives amounting to €0.2 million (2017: €0.4 million)

STATEMENT OF CASH FLOWS SMA GROUP

in €'000	Jan – Mar (Q1) 2018	Jan – Mar (Q1) 2017
Net result	2,838	6,268
Income taxes	1,465	–3,329
Financial result	–19	–408
Depreciation and amortization	13,247	13,376
Change in provisions	–183	–5,763
Result from the disposal of assets	–27	0
Change in non-cash expenses/revenue	4,892	554
Interest received	103	515
Interest paid	–430	–364
Income tax paid	–754	316
Gross cash flow	**21,132**	**11,165**
Change in inventories	–44,602	–19,205
Change in trade receivables	29,867	50,548
Change in trade payables	6,438	648
Change in other net assets/other non-cash transaction	–8,414	–1,602
Net cash flow from operating activities	**4,421**	**41,554**
Payments for investments in fixed assets	–3,242	–2,616
Proceeds from the disposal of fixed assets	717	22
Payments for investments in intangible assets	–4,414	–4,104
Cash inflow from the disposal of held for sale assets net of cash	0	16,624
Proceeds from the disposal of securities and other financial assets	28,531	0
Payments for the acquisition of securities and other financial assets	–49,694	–5,852
Net cash flow from investing activities	**–28,102**	**4,074**
Redemption of financial liabilities	–758	–686
Net cash flow from financing activities	**–758**	**–686**
Net increase/decrease in cash and cash equivalents	–24,439	44,942
Changes due to exchange rate effects	–1,668	–1,601
Cash and cash equivalents as of January 1	234,853	216,124
Cash and cash equivalents as of March 31	**208,746**	**259,465**

STATEMENT OF CHANGES IN EQUITY SMA GROUP

in €'000	Share capital	Capital reserves	Difference from currency translation	Cash flow hedges	Other retained earnings	Total	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2017	**34,700**	**119,200**	**8,750**	**–10,348**	**432,810**	**585,112**	**585,112**
Consolidated net result					5,979	5,979	5,979
Other comprehensive income after tax			164	3,277	0	3,441	3,441
Overall result							9,420
Shareholders' equity as of March 31, 2017	**34,700**	**119,200**	**8,914**	**–7,071**	**438,789**	**594,532**	**594,532**
Shareholders' equity as of January 1, 2018	**34,700**	**119,200**	**3,680**	**0**	**453,936**	**611,516**	**611,516**
Consolidated net result					2,838	2,838	2,838
Other comprehensive income after tax			–972	0	0	–972	–972
Overall result							1,866
Shareholders' equity as of March 31, 2018	**34,700**	**119,200**	**2,708**	**0**	**456,774**	**613,382**	**613,382**

SEGMENT INFORMATION[1]

	External product sales[2]		External services sales[3]		Internal sales		Total sales	
in € million	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Segments								
Residential	34.0	39.0	4.9	4.4	0.0	0.0	38.9	43.4
Commercial	56.0	57.2	0.8	0.3	0.0	0.0	56.8	57.5
Utility	57.4	49.6	9.5	7.3	0.0	0.0	66.9	56.9
Storage	19.9	15.4	0.0	0.0	0.0	0.0	19.9	15.4
Digital Energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total segments	167.3	161.2	15.2	12.0	0.0	0.0	182.5	173.2
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	**167.3**	**161.2**	**15.2**	**12.0**	**0.0**	**0.0**	**182.5**	**173.2**

	Depreciation and amortization		Operating profit (EBIT)	
in € million	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Segments				
Residential	1.3	1.7	1.8	–7.3
Commercial	1.6	0.4	1.1	–2.0
Utility	2.7	2.7	–6.5	–0.4
Storage	0.4	0.3	2.5	0.7
Digital Energy	0.0	0.0	–0.6	0.0
Total segments	6.0	5.1	–1.7	–9.0
Reconciliation	7.2	8.3	6.0	11.5
Continuing operations	**13.2**	**13.4**	**4.3**	**2.5**

[1] Due to the reclassification of the Service segments into the segments Residential, Commercial and Utility, the former Service segment is no longer valid. In the current fiscal year, business units SMS Sunbelt Energy and Business Unit Off-Grid Storage are reported under Storage. Prior year values were adjusted accordingly.

[2] "Products" include inverters, storage systems, communication products, spare parts and accessories.

[3] "Services" include commissioning, extended warranties, service and maintenance contracts, operational management, remote system monitoring and digital energy services.

Sales by regions (target market of the product)

in € million	Q1 2018	Q1 2017
EMEA	73.8	60.5
Americas	35.3	44.2
APAC	76.8	72.0
Sales deductions	–3.4	–3.5
External sales	**182.5**	**173.2**
thereof Germany	31.4	23.8

The reconciliation of segment values to the respective values contained in the financial statements results is as follows:

in € million	Q1 2018	Q1 2017
Total segment earnings (EBIT)	–1.7	–9.0
Eliminations	6.0	11.5
Consolidated EBIT	4.3	2.5
Financial result	0.0	0.4
Earnings before income taxes	**4.3**	**2.9**

Circumstances are shown in the reconciliation which by definition are not part of the segments. In addition, unallocated parts of the SMA Group headquarters, including cash and cash equivalents and owned buildings, are included, the expenses of which are assigned to the segments. In the prior year, the sale of SMA Railway Technology GmbH was included. Business relations between the segments are eliminated in the reconciliation.

REGISTERED TRADEMARKS

Company logos, Energy that changes, SMA, SMA Magnetics, SMA Solar Technology, SMA Railway Technology, SMA Solar Academy, SMA Smart Connected, ennexOS, Power+, Solid-Q, Sunny, Sunny Boy, Sunny Central, Sunny Highpower, Sunny Highpower Peak, Sunny Home Manager, Sunny Island, Sunny Places, Sunny Tripower, Sunny Tripower Core, Zeversolar 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

2018/05/24	Annual General Meeting 2018
2018/08/09	Publication of Half-Yearly Financial Report: January to June 2018 Analyst Conference Call: 09:00 a.m.(CET)
2018/11/08	Publication of Quarterly Statement: January to September 2018 Analyst Conference Call: 09:00 a.m. (CET)

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