Quarterly Statement January to September 2021
SMA Solar Technology AG

Future Energy. Delivered.

Sustainably. Reliably. Inspiring.

SMA Solar Technology AG at a glance

SMA group		Q1 – Q3 2021	Q1 – Q3 2020	Change	Full Year 2020
Sales	€ million	744.9	773.6	–3.7%	1,026.6
Export ratio	%	73.9	77.6		79.6
Inverter output sold	MW	10,279	10,651	–3.5%	14,416
Capital expenditure	€ million	29.1	24.2	20.2%	38.8
Depreciation and amortization	€ million	31.8	31.9	–0.3%	43.6
EBITDA	€ million	52.9	41.4	27.8%	71.5
EBITDA margin	%	7.1	5.4		7.0
Net income	€ million	15.3	9.2	66.3%	28.1
Earnings per share [1]	€	0.44	0.27		0.81
Employees [2]		3,494	3,254	7.4%	3,264
in Germany		2,455	2,252	9.0%	2,262
abroad		1,039	1,002	3.7%	1,002

SMA group		2021/09/30	2020/12/31	Change
Total assets	€ million	1,036.3	1,051.2	–1%
Equity	€ million	446.8	439.1	2%
Equity ratio	%	43.1	41.8	
Net working capital [3]	€ million	277.2	210.6	32%
Net working capital ratio [4]	%	27.8	20.5	
Net cash [5]	€ million	169.0	226.0	–25%

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 to banks

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ECONOMIC REPORT

Results of operations

Sales and earnings

SMA INCREASES EARNINGS DESPITE SLIGHT DECLINE IN SALES

From January to September 2021, the SMA group sold PV inverters with accumulated power of 10,279 MW (Q1–Q3 2020: 10,651 MW). Sales decreased by 3.7% to €744.9 million in the reporting period (Q1–Q3 2020: €773.6 million). The slight decline in sales year on year is attributable to the Business Solutions segment. In the year to date, this has particularly reflected the reluctance of small and medium-sized enterprises to invest as a result of the uncertainty caused by the coronavirus pandemic in addition to the increasingly tight supply situation for electronic components. By contrast, sales in the Home Solutions and Large Scale & Project Solutions segments increased in the period from January to September 2021, despite the challenges posed by the shortage of components.

SMA is well positioned internationally and generates sales in all relevant regions. In the reporting period, SMA generated 50.4% of external sales calculated before sales deductions in Europe, the Middle East and Africa (EMEA), 33.6% in the North and South America (Americas) region and 16.0% in the Asia-Pacific (APAC) region (Q1–Q3 2020: 49.2% EMEA, 31.6% Americas, 19.2% APAC).

The Large Scale & Project Solutions segment made the largest contribution to sales in the reporting period, accounting for 47.7% (Q1–Q3 2020: 44.6%). The Home Solutions segment generated 28.6% of the SMA group's sales, while the Business Solutions segment contributed 23.7% (Q1–Q3 2020: 26.3% Home Solutions, 29.1% Business Solutions).

As of September 30, 2021, SMA had a large order backlog of €922.3 million (September 30, 2020: €791.7 million). Of this amount, €430.3 million is attributable to product business (September 30, 2020: €331.5 million). The product-related order backlog has thus increased by 11.4% compared with December 31, 2020 (€386.3 million). This was due in particular to the very good level of incoming orders in the Large Scale & Project Solutions segment and the renewed significant increase in incoming orders in the Business Solutions segment. In total, €492.0 million of the order backlog is attributable to Service business. Most of this share will be implemented over the next five to ten years.

In the reporting period, earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 27.8% year on year to €52.9 million (EBITDA margin: 7.1%; Q1–Q3 2020: €41.4 million; 5.4%). Earnings before interest and taxes (EBIT) came to €21.1 million (Q1–Q3 2020: €9.5 million). This equates to an EBIT margin of 2.8% (Q1-Q3 2020: 1.2%). Net income was €15.3 million (Q1–Q3 2020: €9.2 million). Earnings per share thus amounted to €0.44 (Q1–Q3 2020: €0.27).

Sales and earnings per segment

HOME SOLUTIONS SEGMENT DOUBLES EARNINGS

In the Home Solutions segment, SMA caters to global markets for small PV systems with and without connection to a smart home solution. The portfolio comprises single- and three-phase string inverters of the Sunny Boy and Sunny Tripower product families in the lower output range of up to 12 kW, integrated services, energy management solutions, storage systems of the Sunny Island and Sunny Boy Storage product families, charging solutions for electric vehicles, communication products and accessories. SMA's Home Solutions segment also offers services, such as extended warranties, spare parts and modernization of PV systems (Repowering), to enhance performance as well as digital energy services.

External sales in the Home Solutions segment rose by 4.9% to €213.4 million in the first nine months of 2021 (Q1–Q3 2020: €203.5 million). Its share of the SMA group's sales was 28.6% (Q1–Q3 2020: 26.3%). The EMEA region accounted for 81.9% (Q1–Q3 2020: 77.3%) of the segment's gross sales, the Americas region for 10.5% (Q1–Q3 2020: 9.7%) and the APAC region for 7.6% (Q1–Q3 2020: 13.0%).

As a result of the growth in sales associated with higher margins in the product portfolio, earnings before interest and taxes (EBIT) in the Home Solutions segment improved significantly to €38.5 million (Q1–Q3 2020: €18.7 million). In addition, a positive effect in a low, single-digit million amount resulted from the remeasurement of general warranty provisions for products already sold, which is a half-yearly occurring practice. In relation to external sales, the EBIT margin was 18.0% (Q1–Q3 2020: 9.2%).

BUSINESS SOLUTIONS AFFECTED BY SHORTAGE OF COMPONENTS AND RELUCTANCE TO INVEST

In the Business Solutions segment, the focus is on global markets for medium-sized PV systems with and without an energy management solution. The product portfolio comprises the three-phase inverters of the Sunny Tripower product family with outputs of 15 kW and more. Storage solutions, charging solutions for electric vehicles and holistic energy management solutions for medium-sized PV systems based on the ennexOS platform, medium-voltage technology and other accessories complement the range of products in this segment. In addition, SMA offers services up to and including system modernization and operational management of commercial PV systems (O&M business) as well as digital services.

External sales in the Business Solutions segment decreased by 21.8% to €176.3 million in the first nine months of 2021 (Q1–Q3 2020: €225.3 million). The background to this is the reluctance of commercial enterprises to invest due to the coronavirus crisis and the increasing shortage of materials for electronic components. Its share of the SMA group's sales was 23.7% (Q1–Q3 2020: 29.1%). 71.8% of gross sales were attributable to the EMEA region, 15.2% to the Americas region and 13.0% to the APAC region (Q1–Q3 2020: 61.4% EMEA, 14.2% Americas, 24.4% APAC).

In the first nine months of the fiscal year, the Business Solutions segment's EBIT amounted to –€16.0 million (Q1–Q3 2020: –€3.8 million). In relation to external sales, the EBIT margin was –9.1% (Q1–Q3 2020: –1.7%). The negative performance is attributable to the decline in sales. This is in contrast to a significant increase in incoming orders in recent months.

LARGE SCALE & PROJECT SOLUTIONS SEGMENT POSTS FURTHER SALES GROWTH

The Large Scale & Project Solutions segment focuses on international PV and battery storage power plant markets with its powerful string inverters in the Sunny Highpower product family and the central inverters in the Sunny Central product family as well as the battery inverters in the Sunny Central Storage product family. The outputs of inverters in this segment range from 100 kW to the megawatts. Furthermore, the SMA 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. The portfolio is supplemented by services, for example, for the modernization and functional enhancement of PV power plants (Repowering), and operation and maintenance services (O&M business).

After the positive performance in the previous year, SMA again increased external sales in its Large Scale & Project Solutions segment by 3.0% to €355.2 million in the first nine months of 2021 (Q1–Q3 2020: €344.8 million). The increase in sales was mainly attributable to the strong U.S. project business. Its share of the SMA group's sales was 47.7% (Q1–Q3 2020: 44.6%). The Large Scale & Project Solutions segment thus accounted for the largest share of the SMA group's total sales. The Americas region accounted for 57.8% (Q1–Q3 2020: 56.6%) of the segment's gross sales, the APAC region for 22.9% (Q1–Q3 2020: 19.6%) and the EMEA region for 19.3% (Q1–Q3 2020: 23.9%).

In the first nine months of 2021, the Large Scale & Project Solutions segment's EBIT amounted to –€4.7 million (Q1–Q3 2020: –€2.6 million). Increased transportation costs in particular had a noticeable impact on this figure. Segment earnings include a positive effect in a low, single-digit million amount from the remeasurement of general warranty provisions for products already sold, which is a half-yearly occurring practice. In relation to external sales, the EBIT margin was –1.3% from January to September 2021 (Q1–Q3 2020: –0.8%).

Development of significant income statement items

GROSS MARGIN REMAINS AT HIGH LEVEL

The cost of sales amounted to €585.4 million in the reporting period (Q1–Q3 2020: €624.6 million). The gross margin came to 21.4% (Q1–Q3 2020: 19.3%). The improved gross margin is in particular the result of a positive margin development in the Home Solutions segment.

Personnel expenses included in cost of sales increased by 4.5% to €89.4 million in the reporting period (Q1–Q3 2020: €85.5 million) due to performance-related variable remunerations and collectively agreed pay increases. Material costs, including changes in inventories, amounted to €449.8 million (Q1–Q3 2020: €474.4 million).

Depreciation and amortization included in the cost of sales amounted to €27.4 million from January to September 2021 (Q1–Q3 2020: €28.5 million). This covers scheduled depreciation on capitalized development costs of €7.2 million (Q1–Q3 2020: €6.5 million). Other costs decreased to €18.8 million (Q1–Q3 2020: €36.2 million). As a result of improved quality parameters, general warranty provisions for products already sold were reduced. The previous year's figure also included increased individual case warranties.

Selling expenses slightly rose to €63.4 million (Q1–Q3 2020: €62.6 million). The cost of sales ratio was 8.5% in the reporting period (Q1–Q3 2020: 8.1%).

Research and development costs, excluding capitalized development projects, came to €40.5 million in the first nine months of 2021 (Q1–Q3 2020: €39.8 million). The research and development cost ratio thus amounted to 5.4% (Q1–Q3 2020: 5.1%). Total research and development costs, including capitalized development projects, amounted to €58.0 million (Q1–Q3 2020: €50.2 million). Development projects were capitalized in the amount of €17.5 million (Q1–Q3 2020: €10.4 million).

General administrative expenses increased to €39.1 million in the first nine months of 2021 due to performance-related variable remunerations and a collectively agreed pay adjustment (Q1–Q3 2020: €37.0 million). The administrative cost ratio came to 5.2% (Q1–Q3 2020: 4.8%).

The balance of other operating income and expenses resulted in a positive effect on earnings of €4.6 million in the reporting period (Q1–Q3 2020: –€0.1 million). This includes foreign currency valuation effects as well as expenses and income from renting the group's own buildings.

Financial position

Gross cash flow remains at high level

Gross cash flow reflects operating income prior to commitment of funds. It amounted to €47.5 million from January to September 2021 (Q1–Q3 2020: €43.4 million).

Net cash flow from operating activities improved significantly compared with the same period of the previous year and came to €22.3 million in the first nine months of the reporting year (Q1–Q3 2020: –€82.9 million).

At €281.5 million, inventories continued to be significantly higher than at the end of the previous year (December 31, 2020: €255.5 million). The increase is attributable on the one hand to the Large Scale & Project Solutions segment, where a positive development is expected for the following quarters due to a strong project pipeline, and on the other hand due to SMA's pursuit of an intensified stockpiling strategy in view of the current shortage of materials. Combined with the decrease in trade payables, the increase in trade receivables and the decrease in liabilities from prepayments received, this resulted in working capital of €277.2 million. Working capital thus continued to be significantly higher than at the end of the previous year (December 31, 2020: €210.6 million). The net working capital ratio in relation to sales over the past twelve months climbed to 27.8% (December 31, 2020: 20.5%). It was therefore clearly above the range of 22% to 24% targeted by management at the end of the year.

In the reporting period, net cash flow from investing activities amounted to –€8.8 million after €23.0 million in the previous year. The balance of cash inflows and outflows from financial investments was €20.9 million (Q1–Q3 2020: €45.0 million). The outflow of funds for investments in fixed assets and intangible assets amounted to €29.1 million in the reporting period (Q1–Q3 2020: €24.2 million). With €17.5 million (Q1–Q3 2020: €10.4 million), a significant portion of the investments was attributable to capitalized development projects.

As of September 30, 2021, cash and cash equivalents totaling €117.9 million (December 31, 2020: €123.7 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. Together with time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities, liquid assets pledged as collateral, and after deducting interest-bearing financial liabilities, this resulted in net cash of €169.0 million (December 31, 2020: €226.0 million).

Investment analysis

From January to September 2021, investments in fixed assets and intangible assets that affected the statement of cash flow increased to €29.1 million (Q1–Q3 2020: €24.2 million). This equates to an investment ratio in relation to sales of 3.9% compared with 3.1% in the first nine months of the previous year. Including additions of rights of use under leases, investments amounted to €36.0 million.

In total, €9.7 million was invested in fixed assets (Q1–Q3 2020: €13.5 million), predominantly for conversions and extensions of buildings and for machinery and equipment. The investment ratio for fixed assets was 1.3% in the first nine months of the fiscal year (Q1–Q3 2020: 1.7%). Depreciation of fixed assets, including depreciation of rights of use under leases, amounted to €22.6 million (Q1–Q3 2020: €24.1 million).

Investments in intangible assets amounted to €19.4 million (Q1–Q3 2020: €10.7 million). These largely related to capitalized development projects. Amortization of intangible assets amounted to €9.2 million compared to €7.7 million in the same period of the previous year.

Net assets

Equity ratio increased

Total assets decreased by 1.4% to €1,036.3 million as of September 30, 2021 (December 31, 2020: €1,051.2 million). At €326.8 million, non-current assets were just under the level observed at the end of 2020 (December 31, 2020: €328.5 million). In the third quarter of 2021, SMA decided to sell parts of the previous "investment properties" within twelve months. These are classified as "assets held for sale" in the balance sheet as of September 30, 2021.

Net working capital went up significantly to €277.2 million (December 31, 2020: €210.6 million). This put the net working capital ratio in relation to sales over the past twelve months at 27.8%. Due to the high level of sales in the third quarter, trade receivables increased by 20.2% to €142.1 million compared to December 31, 2020 (December 31, 2020: €121.9 million). Days sales outstanding came to 48.3 days and were slightly higher than at the end of the previous year (December 31, 2020: 47.6 days). Inventories remained at a high level of €281.5 million in order to support delivery capacity (December 31, 2020: €255.5 million). Trade payables amounted to €126.4 million and were considerably below the level reported at the end of 2020 (December 31, 2020: €144.2 million). The share of trade credit in total assets of 12.2% was lower than at the end of the previous year (December 31, 2020: 13.7%).

Due to the positive development of earnings, the group's equity capital base rose to €446.8 million (December 31, 2020: €439.1 million). With an equity ratio of 43.1%, SMA has an improved equity capital base as compared to the end of the previous year and continues to have a solid balance sheet structure.

FORECAST REPORT

Preamble

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

The general economic situation

Economic recovery weaker and more inconsistent

According to the World Economic Outlook published by the International Monetary Fund (IMF) in October 2021, the global economy is continuing to recover. However, the IMF experts note that momentum has slowed. The spread of the highly contagious coronavirus delta variant is currently said to be preventing a complete return to normalcy. In addition, pandemic outbreaks in critical parts of global supply chains have led to unexpected supply shortages fueling inflation in many countries. Overall, the risks to economic development have increased.

Against this background, the IMF has slightly lowered its growth forecast for 2021. The experts now anticipate global economic output to grow by 5.9% this year compared to the previous year. The differences between individual countries are expected to broaden in the process. While the outlook for the poorest countries has considerably clouded over due to very low vaccination rates, commodity-exporting countries have benefited from rising commodity prices in the face of prevailing shortages. By contrast, the supply bottlenecks are currently a major challenge for industrialized countries. This is having a negative impact on the growth prospects for the U.S. and Germany in particular. Japan's economy was also hit hard by high infection levels and drastic countermeasures from July to September.

On this basis, the IMF has lowered its forecast for industrialized countries by 0.4 percentage points to 5.2% compared with the July 2021 forecast. At 6.4%, the experts are forecasting slightly higher growth than in July for developing and newly industrialized countries. The IMF has further lowered its outlook for newly industrialized Asian countries and raised it for the other regions, in some cases significantly.

For the U.S., the IMF still expects growth of 6.0% in 2021, down from 7.0% in the July forecast, due to significant declines in inventories in the second quarter and a drop in demand in the third quarter. The economists raised their growth forecast for the eurozone by 0.4 percentage points to 5.0%. At 8.0%, growth expectations for the Chinese economy are slightly below the forecast made in the summer.

For 2022, the IMF continues to anticipate global economic growth of 4.9%.

Future general economic conditions in the photovoltaics sector

Solar energy to become largest source of energy supply [1]

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

[1] Source: IEA "Net Zero by 2050 – A Roadmap for the global Energy Sector"

Greater efforts to expand renewable energies are widely regarded as the central pillar in the response to climate change. Politicians are taking account of this with action plans such as the "European Green Deal" to achieve climate neutrality within the EU in 2050 and by appointing top-class teams of experts to tackle climate change, like the U.S. government is doing. These attitudes will expedite expansion of renewable energies over the coming years and decades. The analysis company Wood Mackenzie describes the solar industry as "highly investable" because it is increasingly able to meet both economic and political targets.

The experts at the International Energy Agency (IEA) emphasize the major role of solar energy in combating the climate crisis: In their "Net Zero by 2050 – A Roadmap for the Global Energy Sector" study, they explain that by 2050 the global energy supply will need to be based largely on renewables, with solar energy the single largest source of supply.

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

According to Bloomberg New Energy Finance's "New Energy Outlook 2021," the years leading up to 2030 are critical to realizing the goal of global carbon neutrality by 2050. To decarbonize the electricity sector, up to 455 GW of new photovoltaic capacity and up to 245 GWh of battery storage capacity would additionally need to be installed annually on average by 2030. This would correspond to a tripling of the PV capacities installed in 2020 and a 26-fold growth of the storage market. After stagnating at about $300 billion over the past three years, global investment in wind and PV capacity would need to increase to between $763 billion and $1.8 trillion annually from 2021 to 2030, depending on the scenario.

Along with climate change targets, further decreases in its costs are contributing to the anticipated rapid growth of solar and wind energy. According to the experts at Bloomberg New Energy Finance, newly installed wind or PV power plants are already the most cost-effective form of electricity generation in almost all major markets. These markets cover two-thirds of the world's population, about 77% of global GDP and 91% of total power generation. Moreover, in a growing number of countries, including China, India and a large part of Europe, it is now more cost-effective to build new renewable energy capacity than to operate existing coal- and gas-fired power plants.

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

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

The SMA Managing Board is therefore convinced of the market appeal and has thus positioned SMA to ensure it benefits from future developments in the fields of photovoltaics and storage technologies as well as in the markets for e-mobility, digital energy services and green hydrogen production, which experts are predicting will experience exponential growth in the future.

Global new PV installations increase to 155 GW

The SMA Managing Board anticipates growth in newly installed PV power worldwide of around 12% to approximately 155 GW in 2021. The growth is being driven by all regions, apart from Asia-Pacific (excluding China). Global investments in system technology for traditional photovoltaic applications will remain at the previous year's level due to a decline in price development. By contrast, investments in system technology for storage applications (excluding investments in batteries) will rise by approximately €190 million compared to the previous year. Overall, the SMA Managing Board therefore expects investments in PV system technology (including system technology for storage systems) of around €6.6 billion in 2021 (2020: €6.4 billion). The Managing Board rates the medium-term prospects for the PV industry as positive. This is due to the continuously increasing competitiveness of photovoltaics and the accelerating transformation of the energy sector toward decentralized, digital and connected energy generation.

Considerable increase in demand in the EMEA region

The SMA Managing Board anticipates a significant increase in newly installed PV power of approximately 22% to more than 33 GW in the Europe, Middle East and Africa (EMEA) region in 2021 (2020: 27 GW). In addition to growth in the countries in the Middle East and Africa, this is also due to the positive development in a large number of European markets. According to SMA estimates, investments in PV and storage system technology will grow to approximately €1.9 billion (2020: €1.7 billion). Battery-storage systems are gaining importance in European countries, especially in Germany, the UK and Italy. In addition to business involving new systems for consumption of self-generated energy, retrofitting of existing systems with new inverters and storage systems will yield high potential in the medium term. For more and more PV systems, government subsidization will end in the years to come. Self-consumption of solar power is a particularly attractive option for the operators of these systems.

Americas region continues to grow

For the Americas region, the SMA Managing Board anticipates growth in newly installed PV power of around 22% to approximately 33 GW (2020: 27 GW). Roughly 25 GW of this amount is attributable to the North American markets. The extension of the Investment Tax Credit (ITC) for PV systems by a further two years, which was adopted by the U.S. Congress in December 2020, and the Climate Change Agenda of the new U.S. government are providing positive impetus here. Inverter technology investments are expected to increase to almost €1.6 billion in the Americas region (2020: €1.4 billion).

Investments in the Asia-Pacific region below previous year's level

The most important markets in the APAC region include China, India, Japan and Australia. In Japan and Australia, the installation of PV systems combined with battery-storage systems to supply energy independently of fossil energy carriers offers additional growth potential. The SMA Managing Board estimates that new PV installations in China will increase by around 14% and reach more than 55 GW in 2021 (2020: 48 GW). At around €1.4 billion, investments in inverter technology are expected to be slightly higher than last year (2020: €1.3 billion). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to decrease slightly by approximately 6% to around 34 GW in 2021 (2020: 36 GW). While the Indian and Australian markets are expected to grow, the Vietnamese market is likely to decline again following the sharp growth in 2020. The SMA Managing Board expects declining investments of approximately €1.7 billion in inverter technology for the region as a whole (2020: €2.0 billion).

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

The trend to regionalize power supplies is progressing. More and more households, cities and companies are becoming less dependent on energy fuel imports and rising energy costs by having their own PV systems. This will lead to a rise in demand for energy storage solutions in the residential, commercial and industrial sectors. In addition, energy will be increasingly distributed via smart grids to manage electricity demand, avoid consumption peaks and take the strain off utility grids. E-mobility is also expected to become an essential 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.

In this context, the SMA Managing Board holds that innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer worthwhile business opportunities. Rising prices for conventional domestic 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 European markets, the U.S., Australia and Japan. In these markets, renewable energies are already taking on a greater share in the electricity supply. In addition, electric utility companies are increasingly using battery-storage systems to avoid expensive grid expansions, stabilize grid frequency and balance fluctuations in the power feed-in from renewable energy sources. The SMA Managing Board expects the still fairly new storage market to grow to approximately €950 million in 2021 (excluding investments in batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market.

In addition to storage technology, digital energy services aimed at optimizing household and commercial enterprises' energy costs and their connection to the energy market are becoming increasingly significant. Solutions from hardware, software and ongoing consulting services are used here, for example, in supermarkets to monitor all energy flows digitally and to identify potential savings across all consumption sectors, such as electricity, cooling, heating and e-mobility. The SMA Managing Board expects this area to represent an addressable market of approximately €1.9 billion in 2021. The market will grow exponentially in the medium and long term.

Technical management of commercial PV systems and large-scale PV power plants is another growth segment. This includes a range of services, such as repairs and device replacements as well as visual inspections and maintenance of entire systems. The market in these segments had an accumulated installed capacity of over 650 GW at the end of 2020 and will have an expected 780 GW by the end of 2021. The SMA Managing Board estimates the addressable market share, which is not yet or no longer under contract, at around 150 GW in 2021, which corresponds to a sales potential of approximately €900 million. 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 adjusts sales and earnings guidance

On September 6, 2021, the SMA Managing Board adjusted its sales and earnings guidance for the current fiscal year, which was published for the first time on February 5, 2021. The new guidance predicts sales of between €980 million and €1,030 million (previously: €1,075 million to €1,175 million; ACTUAL 2020: €1,026.6 million). The Managing Board estimates that operating earnings before interest, taxes, depreciation and amortization (EBITDA) will amount to between €50 million and €65 million in 2021 (previously: €75 million to €95 million; ACTUAL 2020: €71.5 million). Depreciation and amortization are expected to come to approximately €40 million. The background to the forecast adjustment is the shortage of electronic components affecting the entire electronics industry. In particular, the situation for SMA worsened significantly in September due to unexpected cancellations of firmly pledged delivery volumes. In addition, it became clear that project developers and investors are increasingly postponing the implementation of larger PV projects until next year. The Managing Board is responding to the situation with tighter and more intensive supplier management policies and is accepting a temporarily higher inventory level to safeguard delivery capacity in the current phase. Material shortages are expected to last into the first half of 2022.

SMA's very good medium-term business prospects remain unaffected by the tight supply situation. The Managing Board is driving the ongoing development of its product portfolio toward creating a system landscape for decentralized energy supply as part of Strategy 2025. The Managing Board is confident that lower production costs and the leveraging of economies of scale accompanied by a leveling off of price declines will bolster both SMA's profitability and the continued portfolio streamlining to focus on higher-margin products.

In 2021, capital expenditure of approximately €55 million (including capitalized development costs and lease investments) will be on a par with the previous year (ACTUAL 2020: €57.1 million).

For details regarding risks, please refer to the Risks and Opportunities Report in the SMA Annual Report 2020 starting on page 62.

SMA group guidance for 2021 at a glance

Key figure	Guidance 2021	2020
Sales in € million	980 to 1,030	1,026.6
Inverter output sold in GW	13.5 to 14.5	14.4
EBITDA in € million	50 to 65	71.5
Capital expenditure in € million	approx. 55	57.1
Net working capital in % of sales	22 to 24	20.5
Net cash in € million	200 to 220	226.0
EBIT in € million	10 to 25	27.9

SMA's sales and earnings depend on global market growth, market share and price dynamics. Our global presence and our wide 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 individual SMA segments in the 2021 fiscal year:

Segment guidance for 2021 at a glance

Segment	Sales	EBIT
Home Solutions	constant	up
Business Solutions	down	up
Large Scale & Project Solutions	slightly up	down

SMA has set course for the future with Strategy 2025

By further developing and refining its corporate strategy, SMA's management has laid the foundations for future business success in 2020. The company's further transformation into a systems and solutions provider remains key to the strategy. SMA Strategy 2025 aims to leverage the company's exceptional systems expertise to develop completely sustainable, future-proof solutions offering significant customer benefit in close collaboration with its strong partners and to tap into new business areas.

The focal points of the corporate objectives set out in SMA's Strategy 2025 include achieving closer proximity to the customer, stability through profitability, holistic sustainability, using our innovative strength to position the company for the future in existing and new business fields and developing and expanding a powerful partner network. All the objectives are accompanied by tangible initiatives and measures as well as measurable key figures.

While a market environment dominated by the ever-faster pace of technological development is causing some competitors to shy away from R&D investments, SMA has firmly embedded the continued development of its innovative prowess in its Strategy 2025 and, with investments, including a new test center for large-scale central inverters which meets stringent international standards, has laid the groundwork to ensure that it can continue to meet even future compatibility and reliability requirements for systems in all regions.

SMA will reap the benefits of megatrends

The urgency of the fight against climate change and the keen awareness of sustainability issues across large parts of the public, economics and politics will accelerate the expansion of renewable energies and storage systems worldwide, thereby advancing the decentralization and digitalization of the energy supply. At the same time, there will be a continuation of the global PV market consolidation, which has already started. This is releasing market shares and is also expected to slow down the decline in prices of PV inverters over the coming years.

SMA is well 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. In addition, our total installed inverter output of approximately 110 GW worldwide is a particularly good 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 to 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.

Our subsidiary coneva develops white label solutions for public utility companies, which integrate both prosumers and traditional energy customers of utility companies into the world of digital energy and enable them to use energy easily and cost-effectively. The individual solutions for commercial customers range from monitoring energy flows and optimizing energy costs across all sectors to matching supply and demand on the energy management platform ennexOS developed by SMA. In both segments, coneva has already established successful partnerships and projects with leading electric utility companies and supermarket chains.

Through the elexon joint venture founded in the 2019 fiscal year, SMA is also strengthening its positioning in the future field of e-mobility. elexon is a single-source supplier of turnkey solutions for planning, installing and servicing efficient e-vehicle charging parks. Based on their production capacities and experience, the joint venture partners are also focusing on industrial solutions for charging parks and large fleets. In addition, SMA successfully gained a foothold in the charging station for private electric vehicles segment with the market launch of the SMA EV Charger in 2020.

During the reporting period, we also advanced our positioning in the future market of green hydrogen production and already implemented our first few projects in this field.

SMA will take advantage of the opportunities posed by digitalization

Thanks to its extensive knowledge and experience in PV system technology, the ability to quickly implement changes, alignment of the subsidiaries toward future business areas and its numerous strategic partnerships, SMA is well prepared for the digitalization of the energy industry and will take advantage of the opportunities that it yields. As a specialist in complete solutions in the energy sector, we will help shape the energy supply of the future, launch a number of innovations and establish new strategic partnerships. In the process, we will build on our unique strengths to design additional system solutions for the conversion to a cost-effective, reliable and sustainable energy supply that is based on decentralized renewable energy. 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 and are therefore also given a share in SMA's financial success.

Niestetal, November 2, 2021

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement SMA group

in €'000	July – Sept. (Q3) 2021	July – Sept. (Q3) 2020	Jan. – Sept. (Q1 – Q3) 2021	Jan. – Sept. (Q1 – Q3) 2020
Sales	**256,665**	**259,412**	**744,921**	**773,566**
Cost of sales	205,779	208,136	585,417	624,590
Gross profit	**50,886**	**51,276**	**159,504**	**148,976**
Selling expenses	19,891	19,961	63,379	62,600
Research and development expenses	13,600	12,938	40,533	39,792
General administrative expenses	12,370	12,541	39,094	37,002
Other operating income	7,597	9,886	24,445	25,177
Other operating expenses	8,632	8,902	19,819	25,299
Operating profit (EBIT)	**3,990**	**6,820**	**21,124**	**9,460**
Income from at-equity-accounted investments	0	0	–386	0
Financial income	13	689	1,753	955
Financial expenses	416	274	1,966	1,103
Financial result	**–403**	**415**	**–599**	**–148**
Profit before income taxes	**3,587**	**7,235**	**20,525**	**9,312**
Income taxes	1,583	706	5,232	72
Net income	**2,004**	**6,529**	**15,293**	**9,240**
of which attributable to shareholders of SMA AG	2,004	6,529	15,293	9,240
Earnings per share, basic (in €)	0.06	0.19	0.44	0.27
Earnings per share, diluted (in €)	0.06	0.19	0.44	0.27
Number of ordinary shares (in thousands)	34,700	34,700	34,700	34,700

Statement of Comprehensive Income SMA group

in €'000	July – Sept. (Q3) 2021	July – Sept. (Q3) 2020	Jan. – Sept. (Q1 – Q3) 2021	Jan. – Sept. (Q1 – Q3) 2020
Net income	**2,004**	**6,529**	**15,293**	**9,240**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	902	–2,570	2,804	–4,188
Changes recognized outside profit or loss (currency translation differences) [1]	**902**	**–2,570**	**2,804**	**–4,188**
Overall result	**2,906**	**3,959**	**18,097**	**5,052**
of which attributable to shareholders of SMA AG	2,906	3,959	18,097	5,052

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

Balance Sheet SMA group

in €'000	2021/09/30	2020/12/31
ASSETS		
Intangible assets	54,544	44,263
Property, plant and equipment	191,539	207,180
Investment property	14,583	17,988
Other financial assets, non-current	19,619	19,428
Deferred tax assets	46,547	39,674
Non-current assets	**326,832**	**328,533**
Inventories	281,540	255,469
Trade receivables	142,106	121,872
Other financial assets, current (total)	94,319	156,145
Cash equivalents with a duration of more than 3 months and asset management	51,844	72,113
Rent deposits and cash on hand pledged as collaterals	8,070	41,556
Remaining other financial assets, current	34,405	42,476
Income tax assets	9,818	28,032
Value added tax receivables	35,434	28,808
Other non-financial assets, current	15,613	8,629
Cash and cash equivalents	117,908	123,707
Current assets	**696,738**	**722,662**
Assets held for sale	12,697	0
	709,435	**722,662**
Total assets	**1,036,267**	**1,051,195**
LIABILITIES		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	292,933	285,246
SMA Solar Technology AG shareholders' equity	**446,833**	**439,146**
Provisions, non-current	81,890	84,524
Financial liabilities, non-current	28,878	29,658
Contract liabilities, non-current	153,583	152,249
Other non-financial liabilities, non-current	6,518	3,769
Deferred tax liabilities	420	278
Non-current liabilities	**271,289**	**270,478**
Provisions, current	66,445	83,053
Financial liabilities, current	15,205	11,475
Trade payables	126,382	144,210
Income tax liabilities	12,177	6,648
Contract liabilities (advances)	20,040	22,560
Other contract liabilities, current	47,331	44,617
Other financial liabilities, current	420	538
Other non-financial liabilities, current	30,145	28,470
Current liabilities	**318,145**	**341,571**
Total equity and liabilities	**1,036,267**	**1,051,195**
Total cash (in € million) 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	178	237
Net cash (in € million) Total cash minus interest-bearing financial liabilities to banks	169	226

Statement of Cash Flows SMA group

in €'000	Jan. – Sept. (Q1 – Q3) 2021	Jan. – Sept. (Q1 – Q3) 2020
Net income	15,293	9,240
Income taxes	5,232	72
Financial result	599	148
Depreciation and amortization of property, plant and equipment and intangible assets	31,797	31,852
Change in provisions	–19,241	–8,054
Result from the disposal of assets	388	2,013
Change in non-cash expenses/revenue	–736	10,951
Interest received	731	844
Interest paid	–625	–761
Income tax paid	14,070	–2,902
Gross cash flow	**47,508**	**43,403**
Change in inventories	–26,388	–6,798
Change in trade receivables	–20,405	24,671
Change in trade payables	–17,828	–52,057
Change in other net assets/other non-cash transaction	39,371	–92,081
Net cash flow from operating activities	**22,258**	**–82,862**
Payments for investments in property, plant and equipment	–9,680	–13,496
Proceeds from the disposal of property, plant and equipment	216	79
Payments for investments in intangible assets	–19,443	–10,743
Payments for the acquisition of shares in associated companies	–750	0
Proceeds from the disposal of available-for-sale assets net of cash	0	2,188
Proceeds from the disposal of securities and other financial assets	40,900	45,000
Payments for the acquisition of securities and other financial assets	–19,995	0
Net cash flow from investing activities	**–8,752**	**23,028**
Redemption of financial liabilities	–2,579	–2,888
Payments for lease liabilities	–5,377	–6,393
Dividends paid by SMA Solar Technology AG	–10,410	0
Net cash flow from financing activities	**–18,366**	**–9,281**
Net increase/decrease in cash and cash equivalents	–4,860	–69,115
Changes due to exchange rate effects	–939	–6,497
Cash and cash equivalents as of January 1	123,707	214,793
Cash and cash equivalents as of September 30	**117,908**	**139,181**

Statement of Changes in Equity SMA group

in €'000	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2020	**34,700**	**119,200**	**5,315**	**257,678**	**416,893**
Net income				9,240	9,240
Other comprehensive income after tax			–4,188		–4,188
Overall result					5,052
Shareholders' equity as of September 30, 2020	**34,700**	**119,200**	**1,127**	**266,918**	**421,945**
Shareholders' equity as of January 1, 2021	**34,700**	**119,200**	**–523**	**285,769**	**439,146**
Net income				15,293	15,293
Other comprehensive income after tax			2,804		2,804
Overall result					18,097
Dividend payments of SMA Solar Technology AG				10,410	10,410
Shareholders' equity as of September 30, 2021	**34,700**	**119,200**	**2,281**	**290,652**	**446,833**

Financial ratios by segments and regions

The segment information in accordance with IFRS 8 for the third quarter of 2021 and 2020 is as follows:

	External product sales		External services sales		Total sales	
in € million	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Segments						
Home Solutions	61.9	60.2	3.6	3.9	65.5	64.1
Business Solutions	59.7	67.6	0.3	0.2	60.0	67.8
Large Scale & Project Solutions	115.9	114.1	15.2	13.4	131.1	127.5
Total segments	237.5	241.9	19.1	17.5	256.6	259.4
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	**237.5**	**241.9**	**19.1**	**17.5**	**256.6**	**259.4**

	Depreciation and amortization		Operating profit (EBIT)	
in € million	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Segments				
Home Solutions	0.9	0.9	8.9	7.2
Business Solutions	1.1	1.1	–4.5	–4.2
Large Scale & Project Solutions	1.2	1.2	0.4	3.0
Total segments	3.2	3.2	4.8	6.0
Reconciliation	7.6	7.4	–0.8	0.8
Continuing operations	**10.8**	**10.6**	**4.0**	**6.8**

Sales by regions (target market of the product)

in € million	Q3 2021	Q3 2020
EMEA	134.9	138.8
Americas	78.8	73.8
APAC	51.9	55.0
Sales deductions	–9.0	–8.2
External sales	**256.6**	**259.4**
thereof Germany	70.4	59.5

The segment information in accordance with IFRS 8 for the first nine months of 2021 and 2020 is as follows:

	External product sales		External services sales		Total sales	
in € million	Q1 – Q3 2021	Q1 – Q3 2020	Q1 – Q3 2021	Q1 – Q3 2020	Q1 – Q3 2021	Q1 – Q3 2020
Segments						
Home Solutions	202.1	194.7	11.3	8.8	213.4	203.5
Business Solutions	175.1	223.7	1.2	1.6	176.3	225.3
Large Scale & Project Solutions	311.4	306.3	43.8	38.5	355.2	344.8
Total segments	688.6	724.7	56.3	48.9	744.9	773.6
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	**688.6**	**724.7**	**56.3**	**48.9**	**744.9**	**773.6**

	Depreciation and amortization		Operating profit (EBIT)	
in € million	Q1 – Q3 2021	Q1 – Q3 2020	Q1 – Q3 2021	Q1 – Q3 2020
Segments				
Home Solutions	2.7	2.4	38.5	18.7
Business Solutions	3.2	3.1	–16.0	–3.8
Large Scale & Project Solutions	3.6	3.8	–4.7	–2.6
Total segments	9.5	9.3	17.8	12.3
Reconciliation	22.3	22.6	3.3	–2.8
Continuing operations	**31.8**	**31.9**	**21.1**	**9.5**

Sales by regions (target market of the product)

in € million	Q1 – Q3 2021	Q1 – Q3 2020
EMEA	386.0	392.3
Americas	257.5	251.7
APAC	122.9	153.1
Sales deductions	–21.5	–23.5
External sales	**744.9**	**773.6**
thereof Germany	199.8	178.7

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

in € million	Q3 2021	Q3 2020	Q1 – Q3 2021	Q1 – Q3 2020
Total segment earnings (EBIT)	4.8	6.0	17.8	12.3
Elimination	–0.8	0.8	3.3	–2.8
Consolidated EBIT	4.0	6.8	21.1	9.5
Financial result	–0.4	0.4	–0.6	–0.2
Earnings before income taxes	**3.6**	**7.2**	**20.5**	**9.3**

Circumstances are shown in the reconciliation, which by definition are not part of the segments. In particular, this comprises unallocated parts of group head offices, including centrally managed cash and cash equivalents, financial instruments, financial liabilities and buildings, the expenses of which are allocated to the segments. Business relationships between the segments are eliminated in the reconciliation.

FINANCIAL CALENDAR

2022/03/31	Publication of Annual Report 2021 Analyst Conference Call: 13:30 a. m. (CEST)
2022/05/11	Publication of Quarterly Statement: January to March 2022 Analyst Conference Call: 13:30 a. m. (CEST)
2022/05/31	Annual General Meeting 2022
2022/08/11	Publication of Quarterly Statement: January to June 2022 Analyst Conference Call: 13:30 a. m. (CEST)
2022/11/10	Publication of Quarterly Statement: January to September 2022 Analyst Conference Call: 13:30 a. m. (CET)

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The Quarterly Statement, in particular the Forecast Report included in the Management Report, 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 Statement.

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