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DRIVING THE ENERGY FUTURE

Quarterly Statement January to March 2019

SMA Solar Technology AG

SMA SOLAR TECHNOLOGY AG AT A GLANCE

SMA Group		Q1 2019	Q1 2018	Change	Full Year 2018
Sales	€ million	167.8	182.5	–8.1%	760.9
Export ratio	%	72.5	83.1		80.6
Inverter output sold	MW	1,803	1,843	–2.2%	8,449
Capital expenditure	€ million	6.3	7.5	–16.0%	40.3
Depreciation and amortization	€ million	11.3	13.2	–14.4%	82.6
EBITDA	€ million	0.6	17.5	–96.6%	–69.1
EBITDA margin	%	0.4	9.6		–9.1
Consolidated net result	€ million	–10.6	2.8	n. m. [1]	–175.5
Earnings per share [2]	€	–0.30	0.08		–5.06
Employees [3]		3,097	3,419	–9.4%	3,353
in Germany		2,197	2,184	0.6%	2,212
abroad		900	1,235	–27.1%	1,141

SMA Group		2019/03/31	2018/03/31	Change
Total assets	€ million	975.4	989.3	–1%
Equity	€ million	411.2	424.5	–3%
Equity ratio	%	42.2	42.9	
Net working capital [4]	€ million	181.4	177.4	2%
Net working capital ratio [5]	%	24.3	23.3	
Net cash [6]	€ million	290.3	305.5	–5%

1 Not meaningful
2 Converted to 34,700,000 shares
3 Reporting date; without temporary employees
4 Inventories and trade receivables minus trade payables and liabilities from advanced payments received for orders
5 Relating to the last twelve months (LTM)
6 Total cash minus interest-bearing financial liabilities to banks

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ECONOMIC REPORT

RESULTS OF OPERATIONS

Sales and Earnings

SMA POSTS LOSS IN FIRST QUARTER

From January to March 2019, the SMA Group sold PV inverters with accumulated power of 1,803 MW (Q1 2018: 1,843 MW). In the reporting period, sales decreased by 8.1% to €167.8 million (Q1 2018: €182.5 million). The decline in sales is attributable primarily to weaker project business in the target market of Australia so far as well as to weak demand in the trading business in the U.S.

SMA is well positioned internationally and generates contributions to sales in all relevant regions. In the reporting period, the company generated 55.4% of external sales in European countries, the Middle East and Africa (EMEA), 31.6% in the Asia-Pacific (APAC) region and 13.0% in the North and South American (Americas) region, calculated before sales deductions (Q1 2018: 39.7% EMEA, 41.3% APAC, 19.0% Americas). The main markets for SMA in the reporting period were Germany, the U.S. and Vietnam.

The Business Solutions segment made the largest contribution to sales in the first quarter of 2019, accounting for 38.6% (Q1 2018: 39.0%). The Large Scale & Project Solutions segment generated 34.3% of the SMA Group's sales, while the Home Solutions segment contributed 27.1% in the reporting period (Q1 2018: 39.4% Large Scale & Project Solutions, 21.6% Home Solutions).

As of March 31, 2019, SMA had a large order backlog of €619.8 million (March 31, 2018: €647.3 million). Of this amount, €233.2 million is attributable to product business (March 31, 2018: €256.3 million). The product-related order backlog has risen significantly by 33 percent compared with December 31, 2018 due to the good order intake in recent months. The most significant share of the order backlog (€386.6 million) continues to be attributable to the service business. Most of this share will be implemented over the next five to 10 years.

In the reporting period, earnings before interest, taxes, depreciation and amortization (EBITDA) fell to €0.6 million (EBITDA margin: 0.4%; Q1 2018: €17.5 million; 9.6%). Earnings before interest and taxes (EBIT) was –€10.7 million (Q1 2018: €4.3 million). This equates to an EBIT margin of –6.4% (Q1 2018: 2.4%). Net income amounted to –€10.6 million (Q1 2018: €2.8 million). Earnings per share thus amounted to –€0.30 (Q1 2018: €0.08).

Sales and Earnings per Segment

As of January 1, 2019, the Storage and Digital Energy segments were reclassified to the Home Solutions (formerly Residential), Business Solutions (formerly Commercial), and Large Scale & Project Solutions (formerly Utility) segments, with the effect that there is no longer any separate reporting for the Storage and Digital Energy segments in the fiscal year 2019. The figures for the previous year for the Home Solutions, Business Solutions, and Large Scale & Project Solutions segments were adjusted accordingly.

HOME SOLUTIONS SEGMENT GENERATES SALES GROWTH

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 smart module technology, single- and three-phase string inverters in the lower output range of up to 12 kW, integrated services, energy management solutions, storage systems, 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. With this portfolio of products and services, SMA provides solutions for private PV systems in all major photovoltaic markets worldwide.

External sales in the Home Solutions segment rose by 15.2% to €45.4 million in the first quarter of 2019 (Q1 2018: €39.4 million). Its share of the SMA Group's total sales was 27.1% (Q1 2018: 21.6%). The EMEA region accounted for 74.1%

(Q1 2018: 60.4%) of the Home Solutions segment's gross sales, the APAC region for 14.4% (Q1 2018: 23.2%) and the Americas region for 11.5% (Q1 2018: 16.5%).

The Home Solutions segment's EBIT deteriorated to –€5.2 million (Q1 2018: €0.6 million) due to ongoing price pressure compared with the previous year. Despite the year-on-year increase in sales, the EBIT margin in relation to external sales fell to –11.5% (Q1 2018: 1.5%).

BUSINESS SOLUTIONS SEGMENT WITH BALANCED RESULT

In the Business Solutions segment, the focus is on global markets for medium-sized PV systems with and without an energy management solution. Here SMA offers solutions based on the three-phase Sunny Tripower inverters with outputs of more than 12 kW as well as on inverters from the Sunny Highpower and Solid-Q product families. The Sunny Tripower inverters are compatible with the smart module technology from Tigo Energy, Inc. Holistic energy management solutions for medium-sized PV systems based on the ennexOS platform, medium-voltage technology and other accessories, services up to and including system modernization and operational management of commercial PV systems (O&M business) as well as digital energy services round off SMA's offering.

External sales in the Business Solutions segment decreased to €64.9 million in the first quarter of 2019 (Q1 2018: €71.1 million). Its share of the SMA Group's total sales was 38.6% (Q1 2018: 39.0%). 61.3% of gross sales were attributable to the EMEA region, 29.8% to the APAC region, and 8.9% to the Americas region (Q1 2018: 47.7% EMEA, 34.9% APAC, 17.4% Americas).

In the first quarter of 2019, the Business Solutions segment's EBIT amounted to –€0.2 million (Q1 2018: €4.8 million). In relation to external sales, the EBIT margin was –0.3% (Q1 2018: 6.8%).

LARGE SCALE & PROJECT SOLUTIONS SEGMENT STILL DOWN

The Large Scale & Project Solutions segment focuses on international PV power plant markets with its powerful string inverters in the Sunny Highpower product family and the central inverters in the Sunny Central product family. The outputs of inverters in this segment range from 150 kW to the megawatts. In addition, the SMA portfolio of this segment 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, such as for the modernization and functional enhancement of PV power plants (Repowering), and operation and maintenance services (O&M business).

Because, in particular, of weak demand in Australia, external sales in the Large Scale & Project Solutions segment decreased to €57.5 million in the first quarter of 2019 (Q1 2018: €72.0 million). Its share of the SMA Group's total sales was 34.3% (Q1 2018: 39.4%). The APAC region accounted for 47.3% (Q1 2018: 57.3%) of the Large Scale & Project Solutions segment's gross sales, the EMEA region for 33.7% (Q1 2018: 20.8%) and the Americas region for 19.0% (Q1 2018: 21.9%).

EBIT in the Large Scale & Project Solutions segment amounted to –€5.6 million (Q1 2018: –€6.5 million). In the same period of 2018, individual warranty-related items were included in the mid-single-digit million range. In relation to external sales, the EBIT margin was –9.7% (Q1 2018: –9.0%).

Development of Significant Income Statement Items

GROSS MARGIN DOWN SLIGHTLY YEAR ON YEAR

Cost of sales decreased by 5.5% year-on-year to €135.8 million (Q1 2018: €143.6 million). In the reporting period, the gross margin was 19.1% (Q1 2018: 21.3%).

Personnel expenses included in cost of sales decreased by 6.9% to €26.8 million (Q1 2018: €28.8 million). By contrast, material costs, including changes in inventories, increased by 4.0% to €92.6 million (Q1 2018: €89.0 million) due to the product mix. 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 2019, depreciation and amortization included in the cost of sales amounted to €10.1 million (Q1 2018: €11.7 million). This includes scheduled depreciation on capitalized development costs of €1.9 million (Q1 2018: €5.1 million). Other costs decreased by €7.8 million year on year to €6.3 million (Q1 2018: €14.1 million). This was due to individual warranty-related items in the Large Scale & Project Solutions segment and high logistics costs, including for air cargo to reduce delivery times, as a result of the shortage of components in the same period of 2018.

Selling expenses slightly rose to €17.4 million (Q1 2018: €17.0 million). This includes €0.8 million to establish the digital business units coneva GmbH and emerce GmbH. The cost of sales ratio climbed to 10.4% in the reporting period (Q1 2018: 9.3%).

Research and development expenses, not including capitalized development costs, amounted to €13.3 million in the first quarter of 2019 (Q1 2018: €11.7 million). In the first quarter of 2019, the research and development cost ratio amounted to 7.9% (Q1 2018: 6.4%). Total research and development expenses, including capitalized development costs, were slightly above the previous year's level at €16.6 million (Q1 2018: €16.0 million). Development costs were capitalized in the amount of €3.3 million in the reporting period (Q1 2018: €4.3 million).

General administrative expenses totaled €12.7 million in the first quarter of 2019 (Q1 2018: €12.1 million). The ratio of administrative expenses amounted to 7.6% in the reporting period (Q1 2018: 6.6%).

The balance of other operating income and expenses resulted in a positive effect on earnings of €0.6 million in the reporting period (Q1 2018: €6.3 million). This includes foreign currency valuation effects and expenses for assets measured at fair value through profit or loss.

FINANCIAL POSITION

SMA Maintains High Cash Position

Gross cash flow amounted to €1.1 million in the first quarter of 2019 (Q1 2018: €21.1 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 –€10.6 million (Q1 2018: €4.4 million).

Compared to the end of the previous year, inventories increased by 9.2% to €211.6 million (December 31, 2018: €193.8 million). The €11.7 million increase in trade payables, decrease in trade receivables and change in inventories resulted in a slight increase in net working capital to €181.4 million (December 31, 2018: €177.4 million). At 24.3%, the net working capital ratio in relation to sales over the past 12 months was higher than the figure at the end of the previous year (December 31, 2018: 23.3%) and was slightly above the range of 19% to 24% targeted by management.

In the first quarter of 2019, net cash flow from investing activities of continuing operations amounted to €0.2 million after –€28.1 million in the previous year. The outflows of funds for investments in fixed assets and intangible assets amounted to €6.3 million in the reporting period (Q1 2018: €7.6 million). At €3.3 million (Q1 2018: €4.3 million), capitalized development costs accounted for a large part of these investments.

As of March 31, 2019, cash and cash equivalents amounting to €127.0 million (December 31, 2018: €142.6 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. 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 resulted in net cash of €290.3 million (December 31, 2018: €305.5 million).

Investment Analysis

In the first quarter of 2019, investments in fixed assets and intangible assets amounted to €6.3 million and were thus lower than the previous year's figure of €7.6 million. This equates to an investment ratio in relation to sales of 3.8% compared with 4.2% in the first quarter of 2018.

€2.8 million was invested in fixed assets (Q1 2018: €3.2 million), primarily for machinery and equipment. The investment ratio for fixed assets was 1.7% in the first quarter of the fiscal year (Q1 2018: 1.8%). Scheduled depreciation of fixed assets increased to €8.3 million (Q1 2018: €7.4 million).

Investments in intangible assets amounted to €3.5 million (Q1 2018: €4.4 million). These largely related to capitalized development costs. Amortization of intangible assets amounted to €2.4 million and was thus significantly below the previous year's figure of €5.8 million.

NET ASSETS

SMA Has a Stable Equity Ratio of 42.2%

Total assets went down by 1.4% to €975.4 million as of March 31, 2019 (December 31, 2018: €989.3 million). At €302.3 million, non-current assets were above the level observed at the end of 2018 (December 31, 2018: €283.4 million). At €21.1 million, this includes the rights of use of leases to be recognized under IFRS 16 for the first time in the 2019 fiscal year.

At €181.4 million, net working capital was slightly above the level at the end of 2018 (December 31, 2018: €177.4 million), corresponding to 24.3% of sales over the past 12 months. Trade receivables decreased by 1.4% compared to December 31, 2018, to €106.9 million as of the end of the first quarter of 2019 (December 31, 2018: €108.4 million). Days sales outstanding came to 52.6 days and were thus considerably lower than at the end of the previous year (December 31, 2018: 64.4 days). Inventories increased by 9.2% to €211.6 million (December 31, 2018: €193.8 million). Trade payables rose by €11.7 million to €122.6 million (December 31, 2018: €110.9 million). At 12.6%, the share of trade credit in total assets was above the level at the end of the previous year (December 31, 2018: 11.2%).

The Group's equity capital base remained largely stable at €411.2 million (December 31, 2018: €426.4 million). With an equity ratio of 42.2%, SMA continues to have a solid equity capital base.

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

Downturn in Global Growth

In its World Economic Outlook (WEO) from April 2019, the International Monetary Fund (IMF) lowered its growth forecast for 2019 by 0.2 percentage points compared with the estimate from January. The experts now expect an increase in global growth of 3.3% for the current year (2018: 3.6%). This is due to significantly weaker growth in important national economies, including China, Japan and the eurozone, in the second half of 2018. Global demand was adversely affected by the impact of international trade tensions. These increasingly impacted corporate confidence, causing the mood on the financial markets to deteriorate, while the financial environment tightened.

The IMF experts expect global growth to pick up again in the second half of the year following a slowdown in the first half of 2019. The slowdown in growth comes, in particular, from industrialized countries. In 2019, IMF experts are anticipating a growth of 1.8% here. They are expecting a growth of 4.4% in developing and newly industrialized countries.

According to the IMF, the U.S. economy will increase by 2.3% in 2019. The organization is expecting a growth of 1.3% for the eurozone as the prospects for some countries have been revised down, including in Germany, Italy and France. The growth forecast of 1.2% for the UK continues to be subject to uncertainty regarding the country's upcoming exit from the EU. In 2019, experts are forecasting an increase of 6.3% for China.

For 2020, the IMF continues to anticipate slightly higher global economic growth of 3.6%. However, experts warn that further escalation of trade disputes and the associated political uncertainties could weaken growth.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

Renewable Energy Will Supersede Conventional Energy Carriers

Renewable energy is quickly becoming the preferred energy source worldwide. This is the statement made by Deloitte experts in their Global Renewable Energy Trends Report, which was published in September 2018. Solar and wind power are already among the world's most cost-effective energy sources, and their potential is far from exhausted given the continuing decline in production costs, ever better system integration and development of additional new technologies.

Experts at Bloomberg New Energy Finance (BNEF) emphasize good prospects for renewable energy and photovoltaics in the medium term. In their New Energy Outlook 2018, they forecast that by 2050, photovoltaic and wind turbine systems will account for around 50% of global power generation. According to BNEF experts, production costs of photovoltaics (levelized cost of electricity) will decrease again by more than 70% by 2050 and installed photovoltaic capacity will increase seventeen-fold by the same year.

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 and growing demand for electricity, for example due to the ongoing electrification of the transport sector, are growth drivers. This will lead to an accelerated expansion of renewable energies. Photovoltaics will benefit the most from this trend as solar power is generated in the vicinity of the consumer. In its World Energy Outlook 2018, the International Energy Agency (IEA) forecasted that installed PV capacity will exceed that of wind power by 2025 and that more photovoltaic capacity than coal capacity will be installed worldwide by 2040. According to the IEA experts, newly installed photovoltaic plants are competitive with new coal-fired power plants almost everywhere.

Thanks to technological advancements, the consumer cost of PV systems will decrease further, and their appeal will increase as a result. The increasingly 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 market appeal and has thus positioned SMA to ensure it benefits from future developments.

Global New PV Installations Increase to 109 GW

The SMA Managing Board anticipates a growth in newly installed PV power worldwide of around 7% to approximately 109 GW in 2019. The growth is being driven by all regions outside China. The Managing Board anticipates a market decline in China. Despite increased installation, global investments in system technology for traditional photovoltaic applications will stagnate due to a decline in price development. In contrast, investments in system technology for storage applications (excluding investments in batteries) will increase by approximately €50 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 €4.9 billion in 2019 (2018: €4.9 billion). The Managing Board rates the medium-term prospects for the PV industry as positive. This is due to the lower costs of photovoltaics and the accelerating transformation of the energy sector toward decentralized, digital and connected energy generation.

Growth Markets in Africa and in the Middle East Drive Demand in EMEA

The SMA Managing Board anticipates an increase in newly installed PV power of approximately 22% to nearly 21 GW in the EMEA region in 2019. This is due, in particular, to increased photovoltaic demand in the countries in the Middle East and Africa. According to SMA estimates, investments in PV and storage system technology will be on a par with the previous year at an expected €1.3 billion as a result of price development. 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 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.

South American Markets Gain Importance in the Americas Region

For the Americas region, the SMA Managing Board anticipates growth in newly installed PV power of around 18% to 20 GW. Roughly 13 GW of this amount is attributable to the North American markets. Inverter technology investments are expected to increase slightly to almost €1.0 billion (2018: €900 million). While the Managing Board anticipates growth in South American markets, it expects marginal downturns in the investments in North American markets as a result of high price pressure. Here the residential and commercial segments are currently influenced by strict regulations set forth in the National Electrical Code (NEC). Medium-term prospects are positive for manufacturers that can offer products that comply with the new standard.

Investments in the APAC Region Roughly at 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 decline by around 9% and reach 40 GW in 2019 (2018: 44 GW). Investments in inverter technology are expected to fall to €1.1 billion (2018: €1.2 billion). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to increase by approximately 16% to around 28 GW in 2019 (2018: 24 GW). The growth will be driven, in particular, by the Indian and Australian markets. However, high price pressure will largely erode volume growth. The SMA Managing Board therefore expects investments of approximately €1.5 billion in inverter technology for this region, as in the previous year (2018: €1.5 billion).

Growth Markets: Energy Management, Digital Energy Services 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 backdrop, SMA's 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, 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 €600 million in 2019 (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. The SMA Managing Board expects this area to represent an addressable market of approximately €800 million in 2019. The market will then grow exponentially in subsequent years.

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 these segments had an accumulated installed capacity of over 440 GW at the end of 2018 and will have an expected 540 GW by the end of 2019. The SMA Managing Board is estimating the addressable market share, which is not yet or no longer under contract, at 140 GW in 2019, which corresponds to a potential of at least €1.1 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, which was published for the first time on January 24, 2019. It predicts a sales increase to between €800 million and €880 million (2018: €760.9 million). In particular for the second half of the year, the Managing Board is expecting a significant increase in sales. Significant impulses are anticipated from the positive market development expected in Europe and America and the revival of the storage market. SMA is well positioned in these areas and will gain additional market shares as a result of an even stronger focus on customers and the launch of new products and system solutions. At the same time, the SMA Managing Board is implementing further cost reduction measures and is thus expecting a significant increase in earnings. The Managing Board estimates that operating earnings before interest, taxes, depreciation and amortization (EBITDA) will amount to between €20 million and €50 million (2018: –€69.1 million). Depreciation and amortization are expected to amount to approximately €50 million. On this basis, the Managing Board expects to break even in terms of EBIT at best.

SMA's business model is not capital-intensive. Capital expenditure (including capitalized development costs) will increase to up to €60 million in 2019 (2018: €40.3 million), of which roughly €10 million will be attributable to capitalized development costs. The increase in capital expenditure is mainly attributable to the rights of use under leases to be applied for the first time from the fiscal year 2019 in accordance with IFRS 16. In 2019, SMA will also invest again in testing and production facilities for new product generations and building maintenance. The SMA Group's net working capital is expected to amount to between 19% and 24% of sales (2018: 23.3% of sales). Net cash is expected to be approximately €300 million (December 31, 2018: €305.5 million).

For details regarding risks, please refer to the Risks and Opportunities Report on pages 58 et seq. in the SMA Annual Report 2018.

SMA Group Guidance for 2019 at a Glance

Key Figure	Guidance 2019	2018
Sales in € million	800 to 880	760.9
EBITDA in € million	20 to 50	–69.1
Capital expenditure in € million	approx. 60	40.3
Net working capital in % of sales	19 to 24	23.3
Net cash in € million	approx. 300	305.5
EBIT in € million	Break-even at best	–151.7

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 system sizes 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 fiscal year 2019:

Segment Guidance for 2019 at a Glance [1]

Segment	Sales	EBIT
Home Solutions	Constant	Up slightly
Business Solutions	Up significantly	Up significantly
Large Scale & Project Solutions	Up significantly	Up significantly

1 The overview is based on the reporting structure applicable from 2019. The comparison includes future sales and earnings growth in the Home Solutions, Business Solutions and Large Scale & Project Solutions segments from the transfer of sales and earnings from the former Storage and Digital Energy segments.

Extensive Measures to Reduce Costs and Increase Sales Implemented

Due to high price pressure in all markets and segments as well as the postponement of large-scale PV projects as a result of the strong market decline in China and the subsequent internationalization of Chinese suppliers, the shortage of components and bottlenecks in battery production, SMA suffered significant sales and earnings losses last year. The SMA Managing Board also expects accelerated price pressure in 2019. To quickly and sustainably return SMA to profitability under these changes in conditions, the Managing Board at an early stage decided on measures to reduce costs and increase sales, of which implementation started at the beginning of the year.

We were able to execute the unfortunate but necessary reduction of approximately 100 full-time positions at our headquarters in Niestetal/Kassel, Germany in a socially responsible manner with a voluntary severance program. We have concluded the sale of the Chinese subsidiaries to the local management there. This measure will significantly reduce fixed costs and increase capacity utilization at the Niestetal/Kassel headquarters. Other cost-cutting measures include outsourcing activities that are not part of SMA's core competencies, increasing automation and reducing product platforms to shorten development cycles and increase the proportion of components used across the portfolio. Another focus will continue to be on further reducing the sales costs of existing products and introducing new products to markets at significantly lower costs.

As a result of an even closer collaboration between Development, Sales and Service, SMA will focus more closely on meeting customers' needs in the future. We will provide the important customer group of installers with optimal support in their end customer business by means of targeted partner programs and the delivery of complete system packages, which, in addition to solar and battery inverters, include battery storage, energy management and design software as well as customized services. In the first quarter of 2019, the first packages for private residential PV systems and commercial applications were already introduced in the target markets of Germany and Italy. We will continue to expand our range in this area and further develop SMA into a provider of systems and solutions. Our innovative and high-quality PV inverters are the basis for these new system packages, and these will continue to form the core of our development activities and our entire business.

SMA Positions Itself in Key Future Fields

SMA will also continue to drive forward its position as a leading provider in other important future fields, such as energy management, storage integration, PV system repowering and digital business models. As a result of the megatrends of climate change, decentralization and digitalization, these areas will become increasingly important in the years to come.

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 around 75 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 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.

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 simply 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. coneva has already launched and implemented its first successful projects in both segments.

The range of services offered by SMA Energy Data Services was presented at the E-world trade fair in February 2019. Based on real-time data from more than 1.5 million devices registered on the SMA energy data platform, SMA offers customized solutions in the areas of network operation and planning, marketing of solar power and energy management for grid operators, energy traders, direct marketers and forecasting service providers.

We Will Take Advantage of the Opportunities Posed by Digitalization

Thanks to our extensive experience in PV system technology, our ability to quickly implement changes and our numerous strategic partnerships, SMA is well prepared for the digitalization of the energy industry. As a specialist in complete solutions in the energy sector, 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. With the ennexOS energy management platform, we can master the complexity of the energy system of the future and create 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 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, April 30, 2019

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT SMA GROUP

in €'000	Jan – Mar (Q1) 2019	Jan – Mar (Q1) 2018
Sales	**167,819**	**182,454**
Cost of sales	135,782	143,613
Gross profit	**32,037**	**38,841**
Selling expenses	17,363	17,000 [1]
Research and development expenses	13,336	11,736 [1]
General administrative expenses	12,657	12,134
Other operating income	12,355	12,143
Other operating expenses	11,774	5,830
Operating profit (EBIT)	**–10,738**	**4,284**
Financial income	918	796
Financial expenses	320	311
Financial result	**598**	**19**
Profit before income taxes	**–10,140**	**4,303**
Income taxes	436	1,465
Net income	**–10,576**	**2,838**
of which attributable to shareholders of SMA AG	–10,576	2,838
Earnings per share, basic/diluted (in €)	-0.30	0.08
thereof from continuing operations (in €)	-0.30	0.08
Number of ordinary shares (in thousands)	34,700	34,700

[1] Previous year's figures adjusted

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

in €'000	Jan – Mar (Q1) 2019	Jan – Mar (Q1) 2018
Net income	**–10,576**	**2,838**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	1,263	–972
Changes recognized outside profit or loss (currency translation differences)	**1,263**	**–972**
Overall comprehensive result [1]	**–9,313**	**1,866**
of which attributable to shareholders of SMA AG	–9,313	1,866

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

BALANCE SHEET
SMA GROUP

in €'000	03/31/2019	12/31/2018
ASSETS		
Intangible assets	37,440	36,351
Fixed assets	215,622	198,884
Investment property	16,009	16,212
Other financial investments	2	2
Deferred taxes	33,185	31,928
Non-current assets	**302,258**	**283,377**
Inventories	211,597	193,795
Trade receivables	106,880	108,375
Other financial assets (total)	184,726	185,379
Cash equivalents with a duration of more than 3 months and asset management	171,846	177,509
Rent deposits and cash on hand pledged as collaterals	8,350	3,364
Remaining other financial assets	4,530	4,506
Receivables from tax authorities (total)	32,456	36,285
Claims for income taxes	20,667	20,637
Claims for VAT refunds	11,789	15,648
Other receivables	9,962	7,469
Cash and cash equivalents	127,042	142,637
	672,663	**673,940**
Assets classified as held for sale	500	31,952
Current assets	**673,163**	**705,892**
Total assets	**975,421**	**989,269**

in €'000	03/31/2019	12/31/2018
LIABILITIES		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	257,284	270,582
SMA Solar Technology AG shareholders' equity	**411,184**	**424,482**
Provisions [1]	66,607	65,657
Financial liabilities [2]	35,090	15,013
Other liabilities [1] (total)	165,464	163,835
Contract liabilities	161,971	161,769
Remaining other liabilities	3,493	2,066
Deferred taxes	11	10
Non-current liabilities	**267,172**	**244,515**
Provisions [1]	89,029	91,368
Financial liabilities [2]	7,221	5,402
Trade payables	122,629	110,851
Income tax liabilities	4,572	4,106
Other liabilities [1] (total)	73,614	77,220
Human Resources department	14,562	15,289
Contract liabilities (prepayments received)	14,468	13,928
Contract liabilities (other)	36,123	38,322
Other financial liabilities (current)	715	741
Remaining other liabilities (current)	7,746	8,940
	297,065	**288,947**
Liabilities directly associated with assets classified as held for sale	0	31,325
Current liabilities	**297,065**	**320,272**
Total equity and liabilities	**975,421**	**989,269**
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	307	324
Net cash (in € million)		
Total cash – current and non-current financial liabilities	290	306

1 Not interest-bearing
2 Includes not-interest-bearing current and non-current derivatives amounting to €4.1 million (2018: €2.0 million)

STATEMENT OF CASH FLOWS SMA GROUP

in €'000	Jan – Mar (Q1) 2019	Jan – Mar (Q1) 2018
Consolidated net result	–10,576	2,838
Income taxes	436	1,465
Financial result	–598	–19
Depreciation and amortization	11,335	13,247
Change in provisions	–1,389	–183
Result from the disposal of assets	953	–27
Change in non-cash expenses/revenue	1,296	4,892
Interest received	0	103
Interest paid	–251	–430
Income tax paid	–112	–754
Gross cash flow	**1,094**	**21,132**
Change in inventories	–19,275	–44,602
Change in trade receivables	2,207	29,867
Change in trade payables	11,778	6,438
Change in other net assets/other non-cash transaction	–6,391	–8,414
Net cash flow from operating activities	**–10,587**	**4,421**
Payments for investments in fixed assets	–2,836	–3,242
Proceeds from the disposal of fixed assets	44	717
Payments for investments in intangible assets	–3,491	–4,414
Proceeds from the disposal of available for sale assets net of cash	0	0
Proceeds from the disposal of securities and other financial assets	6,500	28,531
Net cash flow from investing activities	**217**	**–28,102**
Redemption of financial liabilities	–707	–758
Payments for finance lease liabailities	–1,861	0
Net cash flow from financing activities	**–2,568**	**–758**
Net increase/decrease in cash and cash equivalents	–12,938	–24,439
Changes due to exchange rate effects	–2,656	–1,668
Cash and cash equivalents as of January 1	142,637	234,853
Cash and cash equivalents as of March 31	**127,043**	**208,746**

STATEMENT OF CHANGES IN EQUITY SMA GROUP

in €'000	Share capital	Capital reserves	Difference from currency translation	Cash flow hedges	Other retained earnings	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2018	**34,700**	**119,200**	**3,680**	**0**	**453,936**	**611,516**
Consolidated net result					2,838	2,838
Other comprehensive income after tax			–972	0	0	–972
Overall result						1,866
Shareholders' equity as of March 31, 2018	**34,700**	**119,200**	**2,708**	**0**	**456,774**	**613,382**
Shareholders' equity as of January 1, 2019	**34,700**	**119,200**	**4,277**	**0**	**266,304**	**424,481**
Consolidated net result					–10,576	–10,576
Other comprehensive income after tax			1,263	0	0	1,233
Overall result						–9,313
Changes in the scope of consolidation					–3,984	–3,984
Shareholders' equity as of March 31, 2019	**34,700**	**119,200**	**5,540**	**0**	**251,744**	**411,184**

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

	External product sales		External services sales		Total sales	
In € million	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Segments						
Home Solutions	43.2	34.5	2.2	4.9	45.4	39.4
Business Solutions	63.6	70.3	1.3	0.8	64.9	71.1
Large Scale & Project Solutions	46.9	62.5	10.6	9.5	57.5	72.0
Total segments	153.7	167.3	14.1	15.2	167.8	182.5
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	153.7	**167.3**	**14.1**	**15.2**	**167.8**	**182.5**

	Depreciation and amortization		Operating Profit (EBIT)	
In € million	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Segments				
Home Solutions	0.9	1.4	–5.2	0.6
Business Solutions	0.8	1.8	–0.2	4.8
Large Scale & Project Solutions	0.9	2.8	–5.6	–6.5
Total segments	2.6	6.0	–11.0	–1.1
Reconciliation	8.7	7.2	0.3	5.4
Continuing operations	**11.3**	**13.2**	**–10.7**	**4.3**

Due to the reclassification of the Storage segments into the segments Home, Business und Large Scale & Project Solutions, the former Storage segment and Digital Energy is no longer valid. The previous year's figures were adjusted.

Sales by regions (target market of the product)

In € million	Q1 2019	Q1 2018
EMEA	94.2	73.8
Americas	22.1	35.3
APAC	53.8	76.8
Sales deductions	–2.3	–3.4
External sales	**167.8**	**182.5**
thereof Germany	46.8	31.4

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

In € million	Q1 2019	Q1 2018
Total segment earnings (EBIT)	–11.0	–1.1
Elimination	0.3	5.4
Consolidated EBIT	–10.7	4.3
Financial result	0.6	0.0
Earnings before income taxes	**–10.1**	**4.3**

Circumstances are shown in the reconciliation, which by definition are not part of the segments. In particular, this includes unallocated parts of the Group head office, including the centrally administered cash and cash equivalents, financial instruments, financial liabilities and buildings, the expenses of which are apportioned 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.

FINANCIAL CALENDAR

2019/05/28	Annual General Meeting 2019
2019/08/08	Publication of Half-Yearly Financial Report: January to June 2019 Analyst Conference Call: 09:00 a. m. (CET)
2019/11/07	Publication of Quarterly Statement: January to September 2019 Analyst Conference Call: 09:00 a. m. (CET)

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