



Quarterly Statement January to September 2020
SMA Solar Technology AG

Integrated. Connected.

Sustainably shaping the
energy supply of the future.

SMA SOLAR TECHNOLOGY AG AT A GLANCE

SMA Group		Jan – Sep (Q1 – Q3) 2020	Jan – Sep (Q1 – Q3) 2019	Change	Full Year 2019
Sales	€ million	773.6	630.8	22.6%	915.1
Export ratio	%	77.6	74.6		76.1
Inverter output sold	MW	10,651	7,494	42.1%	11,409
Capital expenditure	€ million	24.2	19.9	21.6%	27.6
Depreciation and amortization	€ million	31.9	34.5	-7.5%	46.0
EBITDA	€ million	41.4	25.7	61.1%	34.2
EBITDA margin	%	5.4	4.1		3.7
Net income	€ million	9.2	-10.5	n.a. ¹	-8.6
Earnings per share ²	€	0.27	-0.30		-0.25
Employees ³		3,254	3,066	6.1%	3,124
in Germany		2,252	2,145	5.0%	2,186
abroad		1,002	921	8.8%	938

SMA Group		2020/09/30	2019/12/31	Change
Total assets	€ million	986.6	1,107.3	-11%
Equity	€ million	421.9	416.9	1%
Equity ratio	%	42.8	37.6	
Net working capital ⁴	€ million	259.8	159.5	63%
Net working capital ratio ⁵	%	24.6	17.4	
Net cash ⁶	€ million	193.5	303.0	-36%

¹ Not applicable

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 GOOD THIRD QUARTER WITH POSITIVE OPERATING RESULT

From January to September 2020, the SMA group sold PV inverters with accumulated power of 10,651 MW (Q1-Q3 2019: 7,494 MW). In the reporting period, sales increased by 22.6% to €773.6 million (Q1-Q3 2019: €630.8 million). This year-on-year sales growth was attributable in particular to the good development of project business. In the period from January to September 2020, sales in all segments were up significantly on the previous year's figures.

SMA is well positioned internationally and generates contributions to sales in all relevant regions. In the reporting period, SMA generated 49.2% of external sales in European countries, the Middle East and Africa (EMEA), 31.6% in the North and South American (Americas) region and 19.2% in the Asia-Pacific (APAC) region calculated before sales deductions (Q1-Q3 2019: 54.2% EMEA, 25.8% APAC, 20.0% Americas).

The Large Scale & Project Solutions segment made the largest contribution to sales in the reporting period, accounting for 44.6% (Q1-Q3 2019: 39.1%). The Business Solutions segment generated 29.1% of the group's sales, while the Home Solutions segment contributed 26.3% (Q1-Q3 2019: 33.1% Business Solutions, 27.8% Home Solutions).

As of September 30, 2020, SMA had a large order backlog of €791.7 million (September 30, 2019: €797.0 million). Of this amount, €331.5 million is attributable to product business (September 30, 2019: €428.7 million). The product-related order backlog has thus decreased by 16.1% compared to December 31, 2019 (€395.0 million). After the decline in orders in the second quarter, which had been predicted by the Managing Board, incoming orders slightly recovered again in the third quarter. In total, €460.2 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 61.1% to €41.4 million (EBITDA margin: 5.4%; Q1-Q3 2019: €25.7 million; 4.1%). Earnings before interest and taxes (EBIT) came to €9.5 million (Q1-Q3 2019: -€8.8 million). This equates to an EBIT margin of 1.2% (Q1-Q3 2019: -1.4%). Net income amounted to €9.2 million (Q1-Q3 2019: -€10.5 million). Earnings per share thus amounted to €0.27 (Q1-Q3 2019: -€0.30).

Sales and earnings per segment

HOME SOLUTIONS SEGMENT SIGNIFICANTLY INCREASES SALES AND OPERATING PROFIT

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 10 kW, integrated services, energy management solutions, storage systems of the Sunny Island and Sunny Boy Storage product families, 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 16.2% to €203.5 million in the first nine months of 2020 (Q1-Q3 2019: €175.1 million). Its share of the SMA group's total sales was 26.3% (Q1-Q3 2019: 27.8%). The EMEA region accounted for 77.3% (Q1-Q3 2019: 74.3%) of gross sales, the Americas region for 9.7% (Q1-Q3 2019: 15.1%) and the APAC region for 13.0% (Q1-Q3 2019: 10.6%).

As a result of the strong growth in sales year on year, the Home Solutions segment's EBIT significantly increased to €18.7 million (Q1-Q3 2019: €1.0 million). In relation to external sales, the EBIT margin was 9.2% (Q1-Q3 2019: 0.6%).

BUSINESS SOLUTIONS SEGMENT RECORDS DECLINE IN EARNINGS DUE TO PRICE DECREASES AND UNFAVORABLE PRODUCT MIX

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 product families Sunny Tripower with outputs of 12 kW or more and Sunny Highpower. Storage solutions and holistic energy management solutions for medium-sized PV systems based on the ennexOS platform, medium-voltage technology and other accessories round off the offering 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 rose by 7.7% to €225.3 million in the first nine months of 2020 (Q1–Q3 2019: €209.1 million). The segment's share of the SMA group's total sales was 29.1% (Q1–Q3 2019: 33.1%). 61.4% of gross sales were attributable to the EMEA region, 24.4% to the APAC region and 14.2% to the Americas region (Q1–Q3 2019: 59.5% EMEA, 28.0% APAC, 12.5% Americas).

In the first nine months of the fiscal year, the Business Solutions segment's EBIT amounted to –€3.8 million (Q1–Q3 2019: –€0.3 million). The negative earnings were chiefly due to price decreases, a high share of expiring products with low margins and lower sales in the third quarter. In relation to external sales, the EBIT margin was –1.7% (Q1–Q3 2019: –0.1%).

LARGE SCALE & PROJECT SOLUTIONS SEGMENT POSTS SIGNIFICANT SALES GROWTH

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).

External sales in the Large Scale & Project Solutions segment significantly increased by 39.8% to €344.8 million in the first nine months of 2020 (Q1–Q3 2019: €246.6 million). In the third quarter in particular, the segment posted a very good sales performance. Its share of the SMA group's total sales was 44.6% (Q1–Q3 2019: 39.1%). The Large Scale & Project Solutions segment thus accounted for the largest share of the SMA group's total sales. The Americas region accounted for 56.6% (Q1–Q3 2019: 29.9%) of the segment's gross sales, the EMEA region for 23.9% (Q1–Q3 2019: 35.3%) and the APAC region for 19.6% (Q1–Q3 2019: 34.8%).

In the first nine months of 2020, the Large Scale & Project Solutions segment's EBIT amounted to –€2.6 million (Q1–Q3 2019: –€8.9 million). Although its operating earnings were negative in the reporting period as a whole, the segment generated positive EBIT of €3.0 million in the third quarter. In relation to external sales, the EBIT margin was –0.8% from January to September 2020 (Q1–Q3 2019: –3.6%).

Development of significant income statement items

GROSS MARGIN UP YEAR ON YEAR

The cost of sales amounted to €624.6 million in the reporting period (Q1–Q3 2019: €512.5 million). The gross margin was 19.3% (Q1–Q3 2019: 18.8%). The improvement in the gross margin was driven by a positive overall development in the product mix and by stable prices in the Home Solutions and Large Scale & Project Solutions segments.

Personnel expenses included in cost of sales increased by 8.1% to €85.5 million in the reporting period (Q1–Q3 2019: €79.1 million) due to the considerably higher sales volume. Due to increased output sold, material expenses also rose to €474.4 million (Q1–Q3 2019: €377.2 million). SMA is continuously working on its product portfolio in all segments to tackle price pressure by optimizing the cost of existing products and introducing new and more cost-efficient products.

From January to September 2020, depreciation and amortization included in the cost of sales amounted to €28.5 million (Q1–Q3 2019: €30.9 million). This entails scheduled depreciation on capitalized development costs of €6.5 million (Q1–Q3 2019: €6.6 million). Due to the higher sales volume, other costs rose to €36.2 million (Q1–Q3 2019: €25.3 million).

Selling expenses increased to €62.6 million (Q1–Q3 2019: €55.4 million). This includes €5.6 million for the continued expansion of the digital business units coneva GmbH and emerge GmbH. The cost of sales ratio was 8.1% in the reporting period (Q1–Q3 2019: 8.8%).

Research and development expenses, excluding capitalized development projects, amounted to €39.8 million in the first nine months of 2020 (Q1–Q3 2019: €37.9 million). This put the research and development cost ratio at 5.1% (Q1–Q3 2019: 6.0%). Total research and development expenses, including capitalized development projects, amounted to €50.2 million (Q1–Q3 2019: €46.4 million). In the reporting period, development projects were capitalized in the amount of €10.4 million (Q1–Q3 2019: €8.5 million).

General administrative expenses remained constant in the first nine months of 2020 at €37.0 million (Q1–Q3 2019: €36.9 million). The ratio of administrative expenses amounted to 4.8% (Q1–Q3 2019: 5.8%).

The balance of other operating income and expenses resulted in a slightly negative effect on earnings of –€0.1 million in the reporting period (Q1–Q3 2019: €3.3 million). This includes foreign currency valuation effects as well as expenses and income from renting the group's own buildings.

FINANCIAL POSITION

SMA maintains good liquidity

Gross cash flow reflects operating income prior to commitment of funds. From January to September 2020, it amounted to €43.4 million (Q1–Q3 2019: €19.1 million) as a result of the significant improvement in the consolidated net income.

Net cash flow from operating activities amounted to –€82.9 million in the first nine months of the reporting year (Q1–Q3 2019: –€59.6 million), influenced mainly by a significant increase in net working capital.

Compared to the end of the previous year, inventories slightly increased by €2.3 million to €282.2 million (December 31, 2019: €279.9 million) in order to support delivery capacity in the coronavirus crisis. Together with considerably lower trade payables, decreasing trade receivables and a decline in liabilities from prepayments received, this resulted in net working capital of €259.8 million. Net working capital was thus well above the level at the end of the previous year (December 31, 2019: €159.5 million). The net working capital ratio in relation to sales over the past 12 months climbed to 24.6% (December 31, 2019: 17.4%). The net working capital ratio therefore continued to be above the range of 18% to 22% targeted by management.

In the reporting period, net cash flow from investing activities amounted to €23.0 million after €55.3 million in the previous year. The balance of cash inflows and outflows from financial investments was €45.0 million (Q1–Q3 2019: €74.9 million). The outflow of funds for investments in fixed assets and intangible assets amounted to €24.2 million in the reporting period (Q1–Q3 2019: €19.9 million). With €10.4 million (Q1–Q3 2019: €8.5 million), an essential part of the investments was attributable to capitalized development projects.

As of September 30, 2020, cash and cash equivalents totaling €139.2 million (December 31, 2019: €214.8 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 €193.5 million (December 31, 2019: €303.0 million).

Investment analysis

From January to September 2020, investments in fixed assets and intangible assets that affected the statement of cash flows increased to €24.2 million (Q1-Q3 2019: €19.9 million). This equates to an investment ratio in relation to sales of 3.1% compared to 3.2% in the first nine months of 2019. Including additions of rights of use under leases, investments amounted to €34.3 million.

In total €13.5 million was invested in fixed assets (Q1-Q3 2019: €10.6 million), predominantly for conversions and extension of buildings and for machinery and equipment. The investment ratio for fixed assets was 1.7% in the first nine months of the 2020 fiscal year (Q1-Q3 2019: 1.7%). Depreciation of fixed assets, including depreciation of rights of use under leases, amounted to €24.1 million (Q1-Q3 2019: €26.2 million).

Investments in intangible assets amounted to €10.7 million (Q1-Q3 2019: €9.3 million). These largely related to capitalized development projects. Amortization of intangible assets amounted to €7.7 million compared to €8.3 million in the same period of the previous year.

NET ASSETS

Sound balance sheet structure

Total assets decreased by 10.9% to €986.6 million as of September 30, 2020 (December 31, 2019: €1,107.3 million). Due to the capitalization of additional rights of use under leases, non-current assets were above their level at the end of 2019 at €306.9 million (December 31, 2019: €298.8 million).

Net working capital increased significantly to €259.8 million (December 31, 2019: €159.5 million), particularly due to the reduction of liabilities from prepayments received for orders. This put the net working capital ratio in relation to sales over the past 12 months at 24.6%. As of the end of the reporting period, trade receivables decreased by 16.8% compared to December 31, 2019, to €121.0 million (December 31, 2019: €145.5 million). Days sales outstanding came to 46.0 days and were considerably lower than at the end of the previous year (December 31, 2019: 50.8 days). Inventories remained at a high level of €282.2 million (December 31, 2019: €279.9 million) in order to support delivery capacity. Trade payables amounted to €122.7 million and were considerably below the level reported at the end of 2019 (December 31, 2019: €174.7 million). The share of trade credit in total assets fell to 12.4% as against the end of the previous year (December 31, 2019: 15.8%).

Due to the positive development of earnings, the group's equity capital base increased to €421.9 million (December 31, 2019: €416.9 million). With an equity ratio of 42.8%, SMA has an improved equity capital base as compared to the end of the previous year and 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

Coronavirus crisis makes a significant mark

In its World Economic Outlook (WEO) published in October, the International Monetary Fund (IMF) forecasts a slightly less severe global recession for 2020 than it had anticipated in June. It states that gross domestic product in major industrialized countries developed better than initially expected in the second quarter, that China has returned to growth, and that there are signs of a stronger recovery in the third quarter. Against this background, the experts now expect a decline in global economic output of 4.4% in 2020 (2019: growth of 2.8%). Next year, they expect the global economy to grow again by 5.2%. According to the IMF, the recovery in the wake of the coronavirus crisis will take a long time, will develop unevenly and is subject to uncertainty.

For industrialized countries, the economists anticipate a decline of 5.8% in 2020 (2019: growth of 1.7%). The economic output of developing and newly industrialized countries is expected to fall by 3.3% (2019: growth of 3.7%).

The effects of the coronavirus pandemic will have a particularly heavy impact on large industrialized countries in the West and especially on many developing and newly industrialized countries (excluding China) where the virus is spreading fast. According to the IMF, the U.S. economy will contract by 4.3% in 2020 (2019: growth of 2.2%). For the eurozone, the experts even anticipate a decline of 8.3% (2019: growth of 1.3%). While China is expected to record slight growth of 1.9% in spite of the coronavirus pandemic, the IMF forecasts a decline in economic output for all other large newly industrialized countries in all regions.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

Photovoltaics to become "new king of the world's electricity markets"

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

Greater efforts to expand renewable energies are widely regarded as the central pillar in the response to climate change. These attitudes will drive forward their expansion over the coming years and decades at an ever-greater pace. To meet international climate protection targets, the International Renewable Energy Agency (IRENA) is pushing for globally installed renewable power capacity to be tripled from its current level to 7.7 TW between now and 2030.

Other factors driving the projected rapid growth of solar and wind energy, as described in more detail below, include a disproportionately increasing demand for electricity in connection with the electrification of additional sectors and further decreases in the cost of solar and wind energy, which are already considered some of the most cost-effective energy sources in most countries of the world. According to the experts at the International Energy Agency (IEA), some solar projects can already provide the lowest electricity costs that there have ever been.

In the IEA's World Energy Outlook 2020, Executive Director Fatih Birol describes photovoltaics as the "new king of the world's electricity markets." The experts forecast that renewable energy will cover 80% of growth in global demand for electricity by 2030, with photovoltaics representing the largest growth driver. The IEA anticipates new installation records for photovoltaics each year after 2022. By 2030, annual global PV installations are expected to have almost tripled.

In addition to the ever-decreasing consumer cost of electricity from PV systems thanks to technological advancements, the generation of solar power in the vicinity of the consumer makes photovoltaics particularly appealing. 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 in the field of photovoltaics, storage technologies and digital energy services.

Global new PV installations fall to 101 GW due to coronavirus crisis

The SMA Managing Board anticipates a decrease in newly installed PV power worldwide of around 10% to approximately 101 GW in 2020 (2019: 112 GW). This is due to the uncertain situation in all regions as a result of the coronavirus crisis. Global investments in system technology for traditional photovoltaic applications will decrease to around €4.0 billion. Investments in system technology for storage applications (excluding investments in batteries) will grow to approximately €700 million (2019: €600 million). Overall, the SMA Managing Board therefore expects investments in PV system technology (including system technology for storage systems) of around €4.7 billion in 2020 (2019: €5.5 billion). Despite the decline in 2020, 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.

Slight decline in demand in EMEA

The SMA Managing Board anticipates a slight decrease in newly installed PV power to around 25 GW in the Europe, Middle East and Africa (EMEA) region in 2020 (2019: 26 GW). This subdued development is attributable in particular to the restrictions and uncertainties in connection with the coronavirus crisis. According to SMA estimates, investments in PV and storage system technology will be slightly lower than in the previous year at an expected €1.5 billion (2019: €1.7 billion). Battery-storage systems continue to gain 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 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.

Investments in the Americas region at previous year's level

In the Americas region, the SMA Managing Board expects new PV installation to remain constant at around 22 GW. Roughly 14 GW of this amount will be attributable to the U.S. market. The volume of investment in inverter technology will also be on a par with the previous year at an expected €1.1 billion. 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.

The Asia-Pacific region most affected by decline

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 remain at the previous year's level at around 30 GW in 2020. Investments in inverter technology are expected to fall to €800 million (2019: €900 million). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to decrease by approximately 29% to around 24 GW in 2020 (2019: 34 GW). This decline will be driven in particular by the effects of the coronavirus crisis on the Indian market. In addition to the decrease in new installations, there is also continuing price pressure on the Asian market, with the effect that the SMA Managing Board anticipates lower investments in inverter technology of approximately €1.3 billion for the region (2019: €1.8 billion).

Growth markets: storage technology, 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.

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 volume of the still fairly new storage market to be around €700 million in 2020 (for storage system technology, 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 €400 million in 2020. 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 530 GW at the end of 2019 and is expected to have over 600 GW by the end of 2020. The SMA Managing Board estimates the addressable market share, which is not yet or no longer under contract, at 150 GW in 2020, 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 still anticipates sales and earnings growth despite coronavirus crisis

On February 7, 2020, the SMA Managing Board published its sales and earnings guidance for the current fiscal year for the first time. It predicts a sales increase to between €1.0 billion and €1.1 billion (2019: €915.1 million). Despite the coronavirus crisis, the Managing Board still expects that SMA can gain market shares by actively working with customers and suppliers. In addition, the SMA Managing Board is implementing further cost reduction measures. 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 SMA's profitability. In this context, the SMA Managing Board continues to expect an increase in earnings. The Managing Board estimates that operating earnings before interest, taxes, depreciation and amortization (EBITDA) will amount to between €50 million and €80 million in 2020 (2019: €34.2 million). Depreciation and amortization are expected to come to approximately €45 million. On this basis, the Managing Board expects an EBIT of between €5 million and €35 million.

The SMA Managing Board currently sees no threat to the guidance due to the impact of the worldwide coronavirus crisis. SMA reacted to the spread of the virus at an early stage already. Thanks to extensive measures, such as process adjustments in production and logistics, as well as close collaboration with suppliers and service providers, production could be maintained throughout the lockdown and there were only minor restrictions in the supply chain. SMA's extremely good IT infrastructure, the strong commitment and flexibility of its employees and established customer relationships enabled it to continue business operations seamlessly. After decreasing in the second quarter as expected, incoming orders slightly recovered again in the third quarter. The SMA Managing Board expects that it will be possible to compensate for the weak development of the second quarter to a slight extent by the end of the year. However, final assessment of the impact of the coronavirus crisis is currently not possible.

With approximately €50 million, in 2020, capital expenditure (including capitalized development costs and lease investments) will roughly be on a par with the previous year (2019: €27.6 million plus lease investments amounting to €26.8 million).

For details regarding risks, please refer to the Risks and Opportunities Report on pages 59 et seq. in the SMA Annual Report 2019.

SMA group guidance for 2020 at a glance

Key Figure	Guidance 2020	2019
Sales in € million	1,000 to 1,100	915.1
Inverter output sold in GW	14 to 15	11.4
EBITDA in € million	50 to 80	34.2
Capital expenditure in € million ¹	approx. 50	27.6
Net working capital in % of sales	18 to 22	17.4
Net cash in € million	< 250	303.0
EBIT in € million	5 to 35	-11.8

¹ The actual figure for 2019 only includes investments without leases. The 2020 guidance entails investments, including leases, amounting to approximately €15 million. Starting in 2020, the actual figure will also include leases. The 2019 lease investments amounted to €26.8 million.

SMA's sales and earnings depend on global market growth, market share and price dynamics. Our global presence and our comprehensive portfolio of products and solutions for all segments enable us to respond quickly to changing market conditions, offset fluctuations in demand and take advantage of developments in global photovoltaic markets. Its broad product and solution portfolio in all market segments is a major distinguishing feature for SMA. The SMA Managing Board forecasts the following performance for individual SMA segments in fiscal year 2020:

Segment guidance for 2020 at a glance

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

SMA will continue on its path to greater sales and profitability

The implementation of extensive cost-cutting measures, a greater customer focus and enhanced sales activities allowed SMA to gain market shares in its core business and considerably improve its sales and earnings in the 2019 fiscal year.

We also continued to advance our positioning in major future fields by introducing end-to-end system packages for private and commercial applications into key target markets, establishing the elxon joint venture for electric vehicle fleet charging infrastructure, pooling the sales activities for storage systems, repowering and other services within one in-house sales unit, and refining the digital energy service offering through our subsidiary coneva. We successfully pursued this course of action in 2020 with the development of apps for important customer groups and charging solutions for electric vehicles in the private and commercial sectors. On this basis, SMA will continuously work to transform itself into a systems and solutions provider in the years ahead, with the aim of generating additional sales potential and developing new business models for the future.

SMA will reap the benefits of megatrends

The urgent need for greater efforts in 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 around 95 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 elaxon joint venture founded in the 2019 fiscal year, SMA is also strengthening its positioning in the future field of e-mobility. elaxon 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.

SMA will take advantage of the opportunities posed by digitalization

Thanks to its extensive knowledge and experience in PV system technology, its ability to quickly implement changes, the alignment of its 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, 2020

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT SMA GROUP

in €'000	July – Sep. (Q3) 2020	July – Sep. (Q3) 2019	Jan. – Sep. (Q1 – Q3) 2020	Jan. – Sep. (Q1 – Q3) 2019
Sales	259,412	268,100	773,566	630,753
Cost of sales	208,136	221,942	624,590	512,547
Gross profit	51,276	46,158	148,976	118,206
Selling expenses	19,961	18,900	62,600	55,401
Research and development expenses	12,938	11,930	39,792	37,922
General administrative expenses	12,541	12,592	37,002	36,928
Other operating income	9,886	10,735	25,177	26,771
Other operating expenses	8,902	7,848	25,299	23,513
Operating profit (EBIT)	6,820	5,623	9,460	-8,787
Financial income	689	301	955	1,808
Financial expenses	274	262	1,103	864
Financial result	415	39	-148	944
Profit before income taxes	7,235	5,662	9,312	-7,843
Income taxes	706	1,981	72	2,680
Net Income	6,529	3,681	9,240	-10,523
of which attributable to shareholders of SMA AG	6,529	3,681	9,240	-10,523
Earnings per share, basic/diluted (in €)	0.19	0.11	0.27	-0.30
thereof from continuing operations (in €)	0.19	0.11	0.27	-0.30
Number of ordinary shares (in thousands)	34,700	34,700	34,700	34,700

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

in €'000	July – Sep. (Q3) 2020	July – Sep. (Q3) 2019	Jan. – Sep. (Q1 – Q3) 2020	Jan. – Sep. (Q1 – Q3) 2019
Net income	6,529	3,681	9,240	-10,523
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	-2,570	994	-4,188	1,579
Changes recognized outside profit or loss (currency translation differences)	-2,570	994	-4,188	1,579
Overall comprehensive result¹	3,959	4,675	5,052	-8,944
of which attributable to shareholders of SMA AG	3,959	4,675	5,052	-8,944

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

BALANCE SHEET SMA GROUP

in €'000	2020/09/30	2019/12/31
ASSETS		
Intangible assets	40,108	37,227
Fixed assets	205,747	208,172
Investment property	13,712	14,274
Other financial investments	3	3
Investments in associates	8	8
Deferred taxes	47,296	39,091
Non-current assets	306,874	298,775
Inventories	282,150	279,883
Trade receivables	121,045	145,530
Other financial assets (total)	77,987	112,292
Cash equivalents with a duration of more than 3 months and asset management	27,080	72,059
Rent deposits and cash on hand pledged as collaterals	39,344	30,995
Remaining other financial assets	11,563	9,239
Receivables from tax authorities (total)	48,623	45,568
Income taxes	21,558	23,567
Claims for VAT refunds	27,065	22,001
Other receivables	10,787	9,977
Cash and cash equivalents	139,181	214,793
	679,773	808,043
Assets classified as held for sale	0	500
Current assets	679,773	808,543
Total assets	986,647	1,107,318

in €'000	2020/09/30	2019/12/31
LIABILITIES		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	268,045	262,993
SMA Solar Technology AG shareholders' equity	421,945	416,893
Provisions ¹	78,699	75,287
Financial liabilities ²	25,811	23,462
Other liabilities (total)	154,979	160,557
Contract liabilities	151,551	157,468
Remaining other liabilities	3,428	3,089
Deferred taxes	8	9
Non-current liabilities	259,497	259,315
Provisions ¹	66,481	77,946
Financial liabilities ²	9,830	11,051
Trade payables	122,685	174,742
Income tax liabilities	8,405	3,135
Other liabilities ¹ (total)	97,804	164,236
Human Resources department	19,734	14,121
Contract liabilities (prepayments received)	20,740	91,143
Contract liabilities (other)	48,822	49,403
Other financial liabilities (current)	728	1,241
Remaining other liabilities	7,780	8,328
Current liabilities	305,205	431,110
Total equity and liabilities	986,647	1,107,318
Total cash (in € million)	206	318
Cash and cash equivalents + cash equivalents with a duration of more than 3 months and asset management + rent deposits and cash on hand pledged as collaterals		
Net cash (in € million)		
Total cash – current and non-current financial liabilities	194	303

¹ Not interest-bearing

² Includes not-interest-bearing current and non-current derivatives amounting to €0.4 million (2019: €0.3 million)

STATEMENT OF CASH FLOWS SMA GROUP

in €'000	Jan. – Sep. (Q1 – Q3) 2020	Jan. – Sep. (Q1 – Q3) 2019
Net income	9,240	-10,523
Income taxes	72	2,680
Financial result	148	-944
Depreciation and amortization of fixed assets and intangible assets	31,852	34,474
Change in provisions	-8,054	-7,396
Result from the disposal of assets	2,013	731
Change in non-cash expenses/revenue	10,951	3,600
Interest received	844	174
Interest paid	-761	-622
Income tax paid	-2,902	-3,079
Gross cash flow	43,403	19,095
Change in inventories	-6,798	-65,789
Change in trade receivables	24,671	-28,999
Change in trade payables	-52,057	41,518
Change in other net assets/other non-cash transaction	-92,081	-25,456
Net cash flow from operating activities	-82,862	-59,631
Payments for investments in fixed assets	-13,496	-10,564
Proceeds from the disposal of fixed assets	79	97
Payments for investments in intangible assets	-10,743	-9,280
Payments for the acquisition of shares in associated companies	0	-8
Proceeds from the disposal of available for sale assets net of cash	2,188	127
Proceeds from the disposal of securities and other financial assets	45,000	128,973
Payments for the acquisition of securities and other financial assets	0	-54,052
Net cash flow from investing activities	23,028	55,293
Redemption of financial liabilities	-2,888	-2,430
Payments for lease liabilities	-6,393	-5,591
Net cash flow from financing activities	-9,281	-8,021
Net increase/decrease in cash and cash equivalents	-69,115	-12,359
Changes due to exchange rate effects	-6,497	1,294
Cash and cash equivalents as of January 1	214,793	142,637
Cash and cash equivalents as of September 30	139,181	131,572

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, 2019	34,700	119,200	4,277	266,304	424,481
Net income				-10,523	-10,523
Other comprehensive income after tax			1,579		1,579
Overall result					-8,944
Change in scope of consolidation				-4,145	-4,145
Shareholders' equity as of September 30, 2019	34,700	119,200	5,856	251,636	411,392
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

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

The segment information in accordance with IFRS 8 for the third quarter of 2020 and 2019 is as follows:

in € million	Product sales		Services sales		Total sales	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Segments						
Home Solutions	60.2	68.3	3.9	4.6	64.1	72.9
Business Solutions	67.6	75.4	0.2	-1.3	67.8	74.1
Large Scale & Project Solutions	114.1	108.4	13.4	12.7	127.5	121.1
Total segments	241.9	252.1	17.5	16.0	259.4	268.1
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	241.9	252.1	17.5	16.0	259.4	268.1

in € million	Depreciation and amortization		Operating profit (EBIT)	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Segments				
Home Solutions	0.9	1.0	7.2	4.5
Business Solutions	1.1	0.9	-4.2	-1.0
Large Scale & Project Solutions	1.2	1.5	3.0	2.2
Total segments	3.2	3.4	6.0	5.7
Reconciliation	7.4	8.2	0.8	-0.1
Continuing operations	10.6	11.6	6.8	5.6

Sales by regions (target market of the product)

in € million	Q3 2020	Q3 2019
EMEA	138.8	136.8
Americas	73.8	69.2
APAC	55.0	69.0
Sales deductions	-8.2	-6.9
External sales	259.4	268.1
thereof Germany	59.5	55.9

The segment information in accordance with IFRS 8 for the first nine months of 2020 and 2019 is as follows:

in € million	Product sales		Services sales		Total sales	
	Q1–Q3 2020	Q1–Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Q1–Q3 2020	Q1–Q3 2019
Segments						
Home Solutions	194.7	165.5	8.8	9.6	203.5	175.1
Business Solutions	223.7	207.5	1.6	1.6	225.3	209.1
Large Scale & Project Solutions	306.3	209.5	38.5	37.1	344.8	246.6
Total segments	724.7	582.5	48.9	48.3	773.6	630.8
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	724.7	582.5	48.9	48.3	773.6	630.8

in € million	Depreciation and amortization		Operating profit (EBIT)	
	Q1–Q3 2020	Q1–Q3 2019	Q1–Q3 2020	Q1–Q3 2019
Segments				
Home Solutions	2.4	2.8	18.7	1.0
Business Solutions	3.1	2.6	-3.8	-0.3
Large Scale & Project Solutions	3.8	3.8	-2.6	-8.9
Total segments	9.3	9.2	12.3	-8.2
Reconciliation	22.6	25.3	-2.8	-0.6
Continuing operations	31.9	34.5	9.5	-8.8

Sales by regions (target market of the product)

in € million	Q1–Q3 2020	Q1–Q3 2019
EMEA	392.3	349.4
Americas	251.7	128.5
APAC	153.1	165.9
Sales deductions	-23.5	-13.0
External sales	773.6	630.8
thereof Germany	178.7	160.6

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

in € million	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019
Total segment earnings (EBIT)	6.0	5.7	12.3	-8.2
Elimination	0.8	-0.1	-2.8	-0.6
Consolidated EBIT	6.8	5.6	9.5	-8.8
Financial result	0.4	0.1	-0.2	1.0
Earnings before income taxes	7.2	5.7	9.3	-7.8

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

2021/03/25	Publication of Annual Report 2020 Analyst Conference Call: 13:30 a.m. (CET)
2021/05/12	Publication of Quarterly Statement: January to March 2021 Analyst Conference Call: 13:30 a.m. (CET)
2021/06/01	Annual General Meeting 2021
2021/08/12	Publication of Half-Yearly Financial Report: January to June 2021 Analyst Conference Call: 13:30 a.m. (CET)
2021/11/10	Publication of Quarterly Statement: January to September 2021 Analyst Conference Call: 13:30 a.m. (CET)

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REGISTERED TRADEMARKS

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DISCLAIMER

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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