



# TRANSFORMATION

ENERGY FOR CHANGE



SMA SOLAR TECHNOLOGY AG  
QUARTERLY STATEMENT JANUARY TO MARCH 2016

## SMA AT A GLANCE

SMA Group		Q1 2016	Q1 2015	Change	Year 2015
Sales	€ million	253.8	226.3	12%	999.6
International share	%	92.4	88.0		87.3
Inverter output sold	MW	2,075	1,710	21%	7,260
Capital expenditure	€ million	7.3	19.4	-62%	50.6
Depreciation and amortization	€ million	16.8	18.8	-11%	79.0
EBITDA	€ million	42.1	13.4	214%	113.3
EBITDA margin	%	16.6	5.9	181%	11.3
Consolidated net result	€ million	18.8	-7.9	n.m. <sup>1</sup>	14.3
Earnings per share <sup>2</sup>	€	0.54	-0.23		0.41
Employees <sup>3</sup>		3,471	4,682	-26%	3,510
in Germany		2,229	3,283	-32%	2,253
abroad		1,242	1,399	-11%	1,257

SMA Group		2016/03/31	2015/12/31	Change
Total assets	€ million	1,172.7	1,160.5	1%
Equity	€ million	585.0	570.2	3%
Equity ratio	%	49.9	49.1	
Net working capital <sup>4</sup>	€ million	211.4	223.0	-5%
Net working capital ratio <sup>5</sup>	%	20.6	22.3	
Net cash <sup>6</sup>	€ million	323.4	285.6	13%

<sup>1</sup> Not meaningful

<sup>2</sup> Converted to 34,700,000 shares

<sup>3</sup> Reporting date; without temporary employees

<sup>4</sup> Inventories and trade receivables minus trade payables

<sup>5</sup> Relating to the last twelve months (LTM)

<sup>6</sup> Total cash minus interest-bearing financial liabilities

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## ECONOMIC REPORT

### Results of Operations

#### Sales and Earnings

##### SMA SIGNIFICANTLY INCREASES SALES AND EARNINGS

In the first quarter of 2016, SMA Group increased its sold PV inverter output by 21.3% to 2,075 MW (Q1 2015: 1,710 MW). This growth was greater than the increase in sales because of a trend toward more powerful inverters in all areas of business. SMA Group's sales increased by 12.2% to €253.8 million in the reporting period (Q1 2015: €226.3 million).

Thanks to its excellent positioning internationally, SMA continues to benefit from the positive development seen in foreign photovoltaic markets. In the first three months of 2016, the international share of sales was 92.4% (Q1 2015: 88.0%). In recent years, SMA has consistently invested in establishing its global infrastructure and has reduced its dependency on individual photovoltaic markets. In the first quarter of 2016, North and South America (Americas) contributed 46.1%, European countries, the Middle East and Africa (EMEA) 34.4% and the Asia-Pacific (APAC) region 19.5% of external sales before sales deductions (Q1 2015: 36.2% Americas, 44.6% EMEA, 19.2% APAC). Compared with the same period of the previous year, gross sales in the Americas region grew considerably by approximately 43% to €119.0 million (Q1 2015: €83.3 million), due, in particular, to the Commercial and Utility segments. In total, the Utility segment generated 45.4%, the Commercial segment 23.6%, the Residential segment 18.2% and Service business 5.0% of SMA Group's sales in the first quarter of 2016 (Q1 2015: 50.2% Utility, 17.3% Commercial, 21.3% Residential, 4.9% Service).

As of March 31, 2016, SMA still had a large order backlog of €691.6 million. Of this amount, €396.5 million is attributable to Service business. This part of the order backlog will be mainly realized over the next 5 to 10 years. Product business made up €295.1 million of the order backlog. Amounting to €161.1 million, 54.6% of the product-related order backlog is attributable to the Utility segment. The Commercial and Residential segments account for €41.4 million or 14.0% and €23.8 million or 8.1% of the product-related order backlog respectively. The remaining order backlog of €68.8 million is related to Other Business.

SMA successfully continued on the path to more growth and sustainable profitability in the first three months of 2016. As a result of increased sales volumes and fixed cost reduction, EBITDA improved considerably in the first quarter of the fiscal year to €42.1 million (EBITDA margin: 16.6%; Q1 2015: €13.4 million, 5.9%). EBIT increased to €25.3 million (Q1 2015: €-5.4 million). This equates to an EBIT margin of 10.0% (Q1 2015: -2.4%). Consolidated earnings amounted to €18.8 million (Q1 2015: €-7.9 million). Earnings per share thus amounted to €0.54 (Q1 2015: €-0.23).

#### Sales and Earnings per Segment

##### RESIDENTIAL BUSINESS UNIT GENERATES POSITIVE RESULT

The Residential business unit serves the attractive long-term market of small PV systems for private applications with micro inverters and single-phase string inverters with the brand name Sunny Boy; three-phase inverters in the lower output range up to 12 kW with the brand name Sunny Tripower; energy management solutions; storage systems; and communication products and accessories. With this portfolio of products and services, SMA offers a suitable technical solution for private PV systems in all major photovoltaic markets.

In the first quarter of 2016, external sales in the Residential business unit of €46.1 million were slightly lower than in the same period of 2015 (Q1 2015: €48.2 million). Its share of SMA Group's total sales was 18.2% (Q1 2015: 21.3%). The Americas region made up 48.5% (Q1 2015: 48.6%) of the gross sales of the Residential business unit, the EMEA region 41.9% (Q1 2015: 36.4%) and the APAC region 9.6% (Q1 2015: 15.0%). In the reporting period, the major sales drivers were the Sunny Boy 5000TL to 7700TL inverters.

The Residential business unit's EBIT improved significantly year on year due to reduced fixed costs, productivity increases and the launch of new products, amounting to €0.1 million (Q1 2015: €-6.7 million). In relation to internal and external sales, the EBIT margin was 0.2% (Q1 2015: -13.9%).

##### COMMERCIAL BUSINESS UNIT IS PROFITABLE AGAIN

The Commercial business unit focuses on the growing market of medium-sized PV systems for commercial applications. Its portfolio includes three-phase inverters from the Sunny Tripower brand with outputs of more than 12 kW, as well as complete energy management solutions for medium-sized solar power systems, medium-voltage technology and other accessories.

In the first quarter of 2016, external sales in the Commercial business unit significantly improved by 52.8% year on year to €59.9 million (Q1 2015: €39.2 million). Its share of SMA Group's total sales was 23.6% (Q1 2015: 17.3%). The launch of new products in North America and Japan enabled a balanced regional distribution of sales. The EMEA region generated 41.0% of gross sales, the APAC region 37.9% and the Americas region 21.1% of the business unit's sales (Q1 2015: 59.8% EMEA, 25.4% APAC, 14.8% Americas).

In the first quarter of 2016, EBIT was €1.9 million, much higher than in the previous year (Q1 2015: €-11.6 million). Apart from an increase in external sales, this is primarily attributable to new product launches and a reduction in fixed costs. In relation to internal and external sales, the EBIT margin was 3.2% (Q1 2015: -29.6%).

#### UTILITY BUSINESS UNIT IS THE KEY EARNINGS DRIVER

The Utility business unit serves the growing market for large-scale PV power plants with central inverters from the Sunny Central brand with outputs ranging from 500 kW to the megawatt range. In addition to medium and high-voltage technology, its product and service portfolio also comprises grid service and monitoring functions as well as accessories.

In the first quarter of 2016, the business unit's external sales increased slightly to €115.3 million (Q1 2015: €113.6 million). Thus, the Utility business unit continues to have the strongest sales numbers with a 45.4% share in SMA Group's total sales (Q1 2015: 50.2%). The Americas region made up 64.2% (Q1 2015: 42.0%) of the gross sales of the Utility business unit, the EMEA region 23.0% (Q1 2015: 40.0%) and the APAC region 12.8% (Q1 2015: 18.0%). The most successful products included the new Sunny Central series inverters that were launched in 2015.

The Utility business unit's EBIT doubled year on year due to reduced fixed costs, productivity increases and new product launches, amounting to nearly €24.1 million (Q1 2015: €12.4 million). In relation to internal and external sales, the EBIT margin was 20.9% (Q1 2015: 10.9%).

#### SERVICE BUSINESS UNIT INCREASES EXTERNAL SALES

SMA has its own service companies in all important photovoltaic markets. With an installed capacity of almost 50 GW worldwide, SMA leverages economies of scale to manage its service business profitably. Services offered include commissioning, warranty extensions, service and maintenance contracts, operational management, remote system monitoring and spare parts supply.

In the first quarter of 2016, external Service sales increased to €12.8 million (Q1 2015: €11.0 million), primarily because of higher demand in North America. Its share of SMA Group's total sales was 5.0% (Q1 2015: 4.9%). Notable sales drivers were operational management (O&M business), maintenance and service contracts subject to charge, and chargeable commissioning. In the reporting period, EBIT was €1.4 million (Q1 2015: €1.5 million). In relation to internal and external sales, the EBIT margin was 4.9% (Q1 2015: 5.5%).

#### OTHER BUSINESS WITH SIGNIFICANTLY LOWER LOSS

The Other Business segment comprises Railway Technology and Zegersolar as well as the Off-Grid and Storage business unit. In the first quarter of 2016, external sales increased by 37.8% year on year to a total of €19.7 million (Q1 2015: €14.3 million). Its share of SMA Group's total sales was 7.8% (Q1 2015: 6.3%). With EBIT of €-1.2 million (Q1 2015: €-5.9 million), the Other Business segment reduced its loss considerably. The Railway Technology business division was profitable again in the first quarter of 2016. In relation to internal and external sales, the EBIT margin of the Other Business segment was -6.1% (Q1 2015: -41.3%).

## Development of Significant Income Statement Items

#### GROSS MARGIN IMPROVES SUBSTANTIALLY

The cost of sales slightly increased by 1.3% to €190.3 million (Q1 2015: €187.9 million) and thus at a considerably lower rate than sales. The cost of sales was positively affected by specific material cost reductions, the introduction of new products with lower specific costs of sales, and reduced fixed costs. The gross margin increased to 25.0% (Q1 2015: 17.0%).

Personnel expenses included in cost of sales amounted to €34.2 million in the reporting period (Q1 2015: €32.6 million). The slight year-on-year increase resulted from a greater demand for temporary employees and the recognition of provisions for Christmas and other bonus payments. Due to the successful cost reduction measures and more cost-effective new products, material costs fell to €122.6 million (Q1 2015: €128.9 million) despite the increase in sales.

Depreciation and amortization included in cost of sales decreased by 10.6% to €14.4 million in the first quarter of 2016 (Q1 2015: €16.1 million). This included scheduled depreciation on capitalized development costs of €5.1 million (Q1 2015: €3.6 million).

The €8.8 million increase in other expenses primarily resulted from higher freight costs in the Utility business unit and the addition of sales-based provisions for warranty obligations in comparison with the same period of the previous year.

Due to savings in personnel and material costs in the wake of cost reduction measures, selling expenses fell by 17.6% year on year, amounting to €12.2 million in the first quarter of 2016 (Q1 2015: €14.8 million). The cost of sales ratio was 4.8% in the reporting period (Q1 2015: 6.5%), partly due to the increase in sales.

In the first quarter of 2016, research and development expenses not including capitalized development projects amounted to €15.4 million (Q1 2015: €19.4 million). In the reporting period, the research and development cost ratio amounted to 6.1% (Q1 2015: 8.6%). Total research and development expenses including capitalized development projects therefore fell considerably to €20.0 million (Q1 2015: €32.2 million). Development projects were capitalized in the amount of €4.6 million (Q1 2015: €12.8 million).

General administrative expenses in the first quarter of 2016 totaled €12.1 million (Q1 2015: €15.9 million). The substantial decrease in general administrative expenses of 23.9% is mainly attributable to savings in personnel expenses and material costs. In relation to the considerably higher sales, the ratio of administrative expenses declined to 4.8% in the reporting period (Q1 2015: 7.0%).

The balance of other operating income and expenses amounted to €1.6 million in the first quarter of 2016 (Q1 2015: €6.3 million). This includes effects from foreign currency valuation and expenses for assets measured at fair value through profit or loss.

## Financial Position

### SMA AGAIN INCREASES GROSS CASH FLOW AND NET CASH

In the first quarter of 2016, gross cash flow climbed significantly by €24.5 million to €40.6 million (Q1 2015: €16.1 million). The increase is partly due to improved consolidated earnings as a result of a substantial reduction of functional costs year on year.

Trade receivables declined by €12.3 million to €167.7 million (December 31, 2015: €180.0 million). Trade payables amounted to €107.7 million (December 31, 2015: €103.1 million).

In the first three months of 2016, inventories increased by 3.6% to €151.4 million (December 31, 2015: €146.1 million). The decline in trade receivables at the same time as the increase in trade payables reduced net working capital by 5.2% to €211.4 million (December 31, 2015: €223.0 million). The net working capital ratio in relation to sales over the past 12 months fell to 20.6% (December 31, 2015: 22.3%) and is thus at the lower end of the range of 20% to 23% targeted by the management. Net cash flow from operating activities in the reporting period amounted to €44.6 million (Q1 2015: €11.3 million).

Net cash flow from investing activities amounted to €-26.3 million in the reporting period (Q1 2015: €-21.3 million) and primarily includes the balance of outflows and inflows of funds from investment of €-19.2 million (Q1 2015: €-1.9 million). In addition, this includes investments for fixed assets and intangible assets amounting to €7.3 million (Q1 2015: €19.4 million). At €4.6 million (Q1 2015: €12.8 million), a significant portion of the investments went to capitalized development projects.

As of March 31, 2016, cash and cash equivalents amounting to €216.6 million (December 31, 2015: €200.2 million) include cash in hand, bank balances and short-term deposits with an original term to maturity of less than three months. With time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities, liquid assets pledged as collateral and after deducting interest-bearing financial liabilities, this resulted in an increase in net cash of €37.8 million to €323.4 million (December 31, 2015: €285.6 million).

## Net Assets

### EQUITY RATIO INCREASES TO 49.9%

As of March 31, 2016, the balance sheet increased to €1,172.7 million (December 31, 2015: €1,160.5 million). At €453.4 million, the value of non-current assets was lower than at the end of 2015 (December 31, 2015: €470.7 million).

As of March 31, 2016, net working capital amounted to €211.4 million (December 31, 2015: €223.0 million). The net working capital ratio in relation to sales over the past 12 months was 20.6%. Trade receivables decreased by 6.8% compared to December 31, 2015, to €167.7 million as of March 31, 2016 (December 31, 2015: €180.0 million). Despite the higher international share, days sales outstanding were unchanged at 61.8 days (December 31, 2015: 62.0 days). Inventories increased slightly to €151.4 million (December 31, 2015: €146.1 million). Trade payables rose by €4.6 million to €107.7 million (December 31, 2015: €103.1 million). The share of trade credit in total assets slightly increased to 9.2% (December 31, 2015: 8.9%).

At €585.0 million, the Group's equity capital base increased again as of March 31, 2016 (December 31, 2015: €570.2 million). With an equity ratio of 49.9%, SMA has a comfortable equity capital base and therefore an extremely solid balance-sheet structure.

## Capital Expenditure

### CAPITAL EXPENDITURE SIGNIFICANTLY REDUCED

SMA significantly reduced and adapted investment to changes in the market. For the 2016 fiscal year, SMA Group is planning investments in fixed assets and intangible assets of €35 million to €45 million (2015: €50.6 million).

In the first three months of the 2016 fiscal year, SMA more than halved the investments in fixed assets and intangible assets year on year to a total of €7.3 million (Q1 2015: €19.4 million). €2.7 million thereof was invested in fixed assets (Q1 2015: €6.1 million). The investment ratio for fixed assets was 1.1% in the reporting period (Q1 2015: 2.4%). Investments in intangible assets were primarily for capitalized development projects and were reduced in the reporting period as planned to €4.6 million (Q1 2015: €13.3 million).

## SUPPLEMENTARY REPORT

### Significant Events After the End of the Reporting Period

On April 8, 2016, SMA Solar Technology AG made an ad hoc disclosure announcing its acquisition of a 27% interest in Tigo Energy, Inc. as part of a capital increase. For further details, please see the Forecast Report starting on page 9. In addition, on April 29, 2016, SMA Solar Technology AG concluded a long-term credit agreement worth €100 million with a German banking syndicate to increase its financial flexibility and to benefit from a favorable interest rate level long term.

## FORECAST REPORT

### The General Economic Situation: IMF Skeptical About Global Economic Growth

The International Monetary Fund (IMF) believes the global economy is recovering too slowly. According to the Managing Director of the IMF Christine Lagarde, the current growth is fragile and risks will continue to increase. This development is being exacerbated by China's weak growth and the slump in crude oil prices, among other things. The risk of being trapped in a "new mediocre" has increased.

This is due to the fact that developed national economies are growing only moderately, while newly industrialized countries, which account for 70% of global growth according to the IMF, are not growing as significantly as originally expected. In its update to the World Economic Outlook (WEO) of April 13, 2016, the IMF forecasts global growth of 3.2% for the current year (2015: 3.1%); the January forecast still anticipated growth of 3.4%. The IMF currently considers the greatest risks to be the muted development of the Chinese economy and the tightening of monetary policy in the U.S. coupled with a strong dollar. In addition, this is compounded by low oil prices and the risk of an escalation of existing geopolitical tensions, according to the IMF.

Like the global economy, the euro zone is also developing too slowly. Here, the experts' assessment of the situation is likewise 0.2 percentage points lower than in January. Growth for 2016 is expected to be 1.5%, like in the previous year. Spain is still at the forefront of this development with an anticipated 2.6% (2015: 3.2%), followed by Germany with 1.5% (2015: 1.5%). The IMF is forecasting a continued upward trend for the U.S. economy with growth of 2.4% (2015: 2.5%) but has also adjusted its forecast downward slightly by 0.2 percentage points. According to the IMF, the U.S. is facing challenges due to the relative strength of the dollar, which is having a negative impact on the balance of trade. If this is not successfully managed, "global growth could be derailed." This is one reason the IMF advises caution with regard to further monetary policy steps by the U.S. Federal Reserve.

A stronger dollar also has a negative impact on over-indebted newly industrialized countries as it makes it more expensive for these countries to repay their outstanding U.S. dollar debts. The IMF has therefore revised its growth forecasts for newly industrialized countries downward by 0.2 percentage points compared to the January forecast to 4.1% (2015: 4.0%). The most significant decrease was in the Fund's forecast for Brazil, according to which Latin America's biggest national economy is expected to shrink again by 3.8% in 2016 (2015: -3.8%).

For China, the IMF continues to expect growth to slow in 2016, but slightly less sharply than in January at 0.2 percentage points. According to the latest forecast, China is expected to grow by 6.5% (2015: 6.9%). The IMF had to make a notable reduction in its forecast for Japan, where growth in 2016 is now expected to be only 0.5% (2015: 0.6%) instead of the 1.0% forecasted in January.

## Future General Economic Conditions in the Photovoltaics Sector

### Share of Renewable Energy Will Continue to Grow

In their latest studies, experts at the International Energy Agency (IEA) confirm that the global importance of renewable energies will increase steadily over the next few years despite low oil prices. In addition to industrialized countries, the IEA expects fast-growing newly industrialized countries particularly in South America, Africa and Asia to play an important role.

In its annual World Energy Outlook, the IEA forecasts that by 2040 roughly two-thirds of investments in new power plants will be spent on renewable energies. The expanded use of solar energy, in particular, is clearly illustrated by data from experts at Bloomberg New Energy Finance. According to these data, in 2030 photovoltaics are to account for more than half of the world's newly installed power from renewable energy.

The increased use of renewable energies is driven by various trends, which include regionalization of the electricity supply. More and more households, cities and companies want to become less dependent on energy imports and rising energy costs. In this context, the IEA describes a decentralized energy supply with photovoltaics as a "driver for the transformation of traditional roles in the energy market." This will lead to a rise in demand for energy storage solutions in the residential, commercial and industrial sectors. In addition, energy will be increasingly distributed via smart grids to manage electricity demand, avoid consumption peaks and take the strain off utility grids. eMobility is expected to become an important pillar of these new energy supply structures a few years from now. Integration of electric vehicles may also help increase self-consumption of renewable energies and offset fluctuations in the utility grid.

### Global Photovoltaic Market Grows

Photovoltaics have proven to be increasingly competitive in recent years. In a growing number of regions around the world, solar power is now more cost-efficient than conventional energy. In the medium to long term, this is paving the way for the sector to grow, even without subsidization. Current and future objectives include intelligently linking different technologies, providing intermediate storage solutions for generated energy, thereby ensuring a reliable electricity supply based on renewable energies.

For 2016, the SMA Managing Board anticipates newly installed PV power (here and below not including retrofitting of existing systems and battery inverter technology) of 60 GW globally. This equates to growth of approximately 18% compared with 2015. Price pressure will remain high in all market segments and regions. According to SMA Managing Board estimates, the worldwide volume of investment in PV inverters (here and below including retrofitting of existing systems and battery inverter technology) will increase to €4.9 billion in 2016 (2015: €4.7 billion).

### Mixed Development in EMEA

According to estimates by the SMA Managing Board, the European photovoltaic markets will decline in 2016. This decline in demand will stem in particular from Great Britain. According to SMA Managing Board estimates, market growth in the Middle East and in African countries will more than compensate for the anticipated decline in demand in Europe.

Overall, the SMA Managing Board anticipates newly installed power of approximately 10 GW in the European, Middle East and Africa (EMEA) region, corresponding to year-on-year growth of around 6%. According to SMA estimates, the volume of investment in PV inverter technology will slightly increase to an expected €1.1 billion (2015: €1.0 billion). In this region, demand is dominated by the utility and commercial market segments. Small PV systems (residential) are not expected to regain their level of importance in the European market until storage solutions become more widespread.

### Positive Growth in North and South America and Asia-Pacific

The SMA Managing Board still foresees strong growth stimuli from the North American markets. Demand here is likely to continue developing positively as a result of tax incentive programs being extended in the U.S. The South American photovoltaic markets are still at the beginning of their development, but promise growth potential in the medium term. According to SMA estimates, newly installed power in the overall Americas region will grow by 51% to 14 GW in 2016. The volume invested in inverter technology is expected to total €1.5 billion (2015: €1.2 billion). In the Americas, large-scale PV power plants (utility) account for the major part of demand. In addition, the SMA Managing Board expects attractive growth rates in the commercial and residential market segments.

The most important markets in the Asia-Pacific region include Japan, China and India. The Chinese government increased its target for new PV installations by 2020 from 100 GW to 150 GW. India is pursuing a similarly ambitious installation target of 100 GW by 2022. Given that installed power in both China and India is currently significantly below the target figures, the SMA Managing Board anticipates high growth rates in these regions in the medium term. The price level in India is only slightly above that in China. In contrast to the Chinese market, however, market structures here allow for fair competition. For 2016, the SMA Managing Board anticipates newly installed power of 36 GW in the Asia-Pacific region (2015: 32 GW). Due to the extremely low price level in China and India, the volume of investment in inverter technology in the Asia-Pacific region is expected to amount to approximately €2.4 billion (2015: €2.5 billion). Demand in this region will also be dominated by large-scale PV projects in 2016. Medium-sized and small PV systems will increase in significance in the medium term.

## Energy Management and Smart Module Technology Growth Markets

In the opinion of SMA's Managing Board, innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer attractive business opportunities and will become increasingly important in the future. This is mainly attributable to 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. Demand for solutions that increase self-consumption of solar power is likely to rise particularly in the European markets, the U.S. and Japan. In 2016, the SMA Managing Board expects the still fairly new market to grow by over 30% to approximately €400 million. This figure is already included in the specified estimates for the development of the overall market for inverter technology. Positive growth stimuli are also emanating from eMobility. Interconnection with photovoltaic systems is giving rise to new business models and greater customer benefits.

The SMA Managing Board also sees good growth prospects in the field of smart module technology to increase the functionality and performance of PV modules (Module Level Power Electronics – MLPE). These technologies include micro inverters and DC optimizers. The SMA Managing Board estimates that DC optimizers in particular will gain in importance over the currently dominant string inverter technology in the years to come. This trend is emanating from North America, because regulatory requirements in the markets there encourage the use of DC optimizers.

## PV/Diesel Hybrid Systems Offer Attractive Business Opportunities

There are worthwhile business opportunities for PV/diesel hybrid systems in many countries in Central and South America, the Middle East, Asia-Pacific and Africa. In these regions, energy needs are growing considerably, in line with increasing prosperity. Scalable electricity supply solutions are in demand, especially in areas without a grid connection. Intelligent system technology allows photovoltaics to be integrated well into already existing diesel-powered grids. However, business with photovoltaic/diesel hybrid systems is developing more slowly than in subsidized photovoltaic markets because of technical complexity and limited financing options. In addition, the low price of oil is affecting demand negatively. The medium-term prospects remain good.

## Overall Statement from the Managing Board on the Expected Development of SMA Group

The following statements on the future development of SMA Group are based on the estimates drawn up by the SMA Managing Board and the expectations concerning the progression of global photovoltaic markets set out above. SMA Group operates under a functional organization. The Residential, Commercial, Utility, and Service business units take on overall responsibility and manage Development, Sales and Operations. Railway Technology and Zevsolar as well as the Off-Grid and Storage business unit have been combined under Other Business. The Forecast Report is based on the described reporting structure.

SMA's sales and earnings depend on market share, price dynamics, and global market growth. Factoring in the pronounced demand fluctuations in the solar industry, last year, the Managing Board conducted an extensive company transformation and thus significantly increased SMA's financial and operational flexibility. This enables the Company to react better to the volatile market and generate profits even when sales are lower than they used to be.

## Managing Board Anticipates Significant Increase in Earnings

On January 29, 2016, the SMA Managing Board published its sales and earnings forecast for the 2016 fiscal year. This forecast anticipates sales of €950 million to €1,050 million and a significant increase in operating earnings (EBIT) to between €80 million and €120 million. Based on this, the Managing Board forecasts EBITDA of €150 million to €190 million. For 2016, the Managing Board is planning capital expenditure of between €35 million and €45 million. SMA is ideally positioned to benefit from the continued development of the energy supply sector in all market segments and regions. The growing digitization of the energy industry will give rise to new business models for which the Company has already developed new technological solutions and services. In addition to the provision of data to facilitate better forecasts of solar power generation and consumption, the integration of battery-storage systems is another important topic for the future, where SMA has already positioned itself at an early stage.

## Development in the Segments

According to Managing Board estimates, the Residential business unit will generate sales of €190 million to €210 million, accounting for more than 20% of SMA Group sales (2015: €252.7 million; 25.3% of Group sales). In particular, the Residential business unit's portfolio comprises micro inverters and single-phase string inverters with the brand name Sunny Boy; three-phase inverters in the lower output range up to 12 kW with the brand name Sunny Tripower; energy management solutions; storage systems; communication products and accessories. In the future, sales with the Tigo Energy smart module technology will also be allocated to the Residential business unit. The Sunny Boy inverters with an output of 1.5 kW to 5 kW account for a large share of the Residential business unit's sales. Europe, North America, Australia and Japan will remain the most important sales regions. The Residential business unit is expected to generate positive earnings in the single-digit millions as a result of new product launches in key sales markets and significantly reduced fixed costs.



The Commercial business unit's range of solutions includes three-phase inverters from the Sunny Tripower brand with outputs of more than 12 kW, complete energy management solutions for medium-sized solar power systems and other accessories. For the Commercial business unit, the SMA Managing Board forecasts sales of €190 million to €210 million in 2016. The business unit is therefore expected to account for more than 20% of Group sales (2015: €207.4 million; 20.7% of Group sales). The Sunny Tripower with outputs starting at 25 kW is a major sales driver. The primary sales markets include the U.S., Japan, Europe, Australia and India. The Commercial business unit also improved its fixed cost structure. Combined with sales growth from cost-optimized products for key sales regions and in light of the positive business performance in the first quarter of 2016, the SMA Managing Board is anticipating slightly positive operating earnings in the current fiscal year.

With anticipated sales of €430 million to €470 million, the Utility business unit is expected to account for more than 40% of Group sales (2015: €416.0 million; 41.6% of Group sales). In addition to central inverters with grid service and monitoring functions, the Utility business unit's product and service portfolio also comprises medium and high-voltage technology as well as accessories. Sales in 2016 will largely be driven by the new central inverter generation with an output of up to 2.5 MW, which was launched in 2015. North America is by far the most important sales market, followed by Japan, India and Chile. Due to continued sales growth and an improved cost structure, the Utility business unit is expected to generate a significantly positive result in the upper double-digit millions.

Our service business will continue to benefit from the high number of commissioned projects in the Utility and Commercial business units. We also expect to conclude additional long-term service and maintenance contracts. Overall, the SMA Managing Board expects its service business to achieve sales of more than €55 million in 2016. Due to sales growth, the Service business unit is expected to post a positive result in the lower double-digit millions.

For the business areas combined under Other Business – Railway Technology, Zegersolar and the Off-Grid and Storage business unit – the SMA Managing Board anticipates sales of €85 million to €100 million. Considering the rather moderate sales growth, these business areas are expected to generate a break-even result.

### SMA Emerges Stronger From Structural Change in the Industry

SMA will not change its strategy and, as a specialist, will continue to offer complete solutions for all appealing photovoltaic markets, all module types and all power classes. We built on our market position again last year and, according to a study by IHS (September 2015), are still the clear global market leader. We are successfully serving the low-price segment with technologically simple products from our secondary brand Zegersolar. The investment in Tigo Energy in April 2016 complements our product portfolio and allows us to tap into the growing market for smart module technology for the first time. Furthermore, SMA will use this new solution to enhance the data-based business models. In addition to product business, SMA is expanding its service operations. Meanwhile, customers in Europe and North America have assigned management and maintenance of their PV power plants with an output of about 1.4 GW to us. We are systematically tapping into the promising business of PV/diesel hybrid applications and off-grid applications with specialized teams. Through continuous process improvement, our global purchasing and logistics structures and systematic leveraging of synergies with Danfoss, we have effectively increased our competitiveness.

With our deliberate focus on technology, consistent internationalization and rapid implementation of the Company's transformation, SMA is emerging stronger from the years of structural change in the solar industry. We are flexibly positioned, have a low break-even point and a sound financial structure. We will build on these strengths and design product solutions for decentralized energy supplies based on renewable energy. Furthermore, we will systematically take advantage of opportunities that arise from new business models as part of the digitization of the energy industry. SMA is characterized by an extraordinary corporate culture and motivated employees who all make a decisive contribution to the Company's long-term success.

Niestetal, May 2, 2016

SMA Solar Technology AG  
The Managing Board

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Income Statement SMA Group

in €'000	Jan. – March (Q1) 2016	Jan. – March (Q1) 2015
<b>Sales</b>	<b>253,815</b>	<b>226,265</b>
Cost of sales	190,284	187,918
<b>Gross profit</b>	<b>63,531</b>	<b>38,347</b>
Selling expenses	12,161	14,761
Research and development expenses	15,428	19,350
General administrative expenses	12,083	15,878
Other operating income	7,334	18,630
Other operating expenses	5,941	12,383
<b>Operating profit (EBIT)</b>	<b>25,252</b>	<b>-5,395</b>
Financial income	652	478
Financial expenses	624	970
<b>Financial result</b>	<b>28</b>	<b>-492</b>
<b>Profit before income taxes</b>	<b>25,280</b>	<b>-5,887</b>
Income taxes	6,516	2,055
<b>Consolidated net result</b>	<b>18,764</b>	<b>-7,942</b>
of which attributable to non-controlling interests	0	-19
of which attributable to shareholders of SMA AG	18,764	-7,923
Earnings per share, basic (in €)	0.54	-0.23
Earnings per share, diluted (in €)	0.54	-0.23
Number of ordinary shares (in thousands)	34,700	34,700

### Statement of Comprehensive Income SMA Group

in €'000	Jan. – March (Q1) 2016	Jan. – March (Q1) 2015
<b>Consolidated net result</b>	<b>18,764</b>	<b>-7,942</b>
Change in fair values of available-for-sale assets	0	0
Income taxes	0	0
<b>Changes recognized outside profit or loss (available-for-sale financial assets)</b>	<b>0</b>	<b>0</b>
Unrealized gains (+) / losses (-) from currency translation of foreign subsidiaries	-2,498	6,601
<b>Changes recognized outside profit or loss (currency translation differences)</b>	<b>-2,498</b>	<b>6,601</b>
<b>Overall comprehensive result<sup>1</sup></b>	<b>16,266</b>	<b>-1,341</b>
of which attributable to non-controlling interests	0	-19
of which attributable to shareholders of SMA AG	16,266	-1,322

<sup>1</sup> All items of other comprehensive income may be reclassified to profit or loss

## Balance Sheet SMA Group

in €'000	2016/3/31	2015/12/31
<b>ASSETS</b>		
Intangible assets	89,373	91,299
Fixed assets	267,826	294,584
Investment property	15,865	0
Deferred taxes	80,306	84,830
<b>Non-current assets</b>	<b>453,370</b>	<b>470,713</b>
Inventories	151,421	146,131
Trade receivables	167,683	180,043
Other financial assets (total)	147,673	127,157
— Cash equivalents with a duration of more than 3 months and Asset Management	118,080	97,655
— Rent deposits and cash on hand pledged as collaterals	26,664	27,048
— Remaining other financial assets	2,929	2,454
Receivables from tax authorities (total)	20,563	24,689
— Claims for income tax refunds	7,476	3,879
— Claims for VAT refunds	13,087	20,810
Other receivables	13,176	11,550
Cash and cash equivalents	216,629	200,180
<b>Subtotal current assets</b>	<b>717,145</b>	<b>689,750</b>
Available for sale assets	2,208	0
<b>Total current assets</b>	<b>719,353</b>	<b>689,750</b>
<b>Total assets</b>	<b>1,172,723</b>	<b>1,160,463</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	431,094	416,334
<b>SMA Solar Technology AG shareholders' equity</b>	<b>584,994</b>	<b>570,234</b>
Equity attributable to non-controlling interests	2	-26
<b>Shareholders' equity</b>	<b>584,996</b>	<b>570,208</b>
Provisions <sup>1</sup>	87,208	86,939
Financial liabilities <sup>2</sup>	22,485	27,135
Other liabilities (total)	148,387	142,587
— Accrual item for extended warranties	139,543	134,763
— Other financial liabilities	1,257	1,412
— Remaining other liabilities	7,587	6,412
Deferred taxes	24,296	24,402
<b>Non-current liabilities</b>	<b>282,376</b>	<b>281,063</b>
Provisions <sup>1</sup>	84,375	83,097
Financial liabilities <sup>2</sup>	16,145	19,788
Trade payables	107,665	103,134
Income tax liabilities	12,542	9,942
Other liabilities <sup>1</sup> (total)	84,624	93,231
— Human Resources department	27,105	23,314
— Prepayments received	18,802	22,961
— Other financial liabilities (customer bonuses etc.)	16,851	21,846
— Remaining other liabilities	21,866	25,110
<b>Current liabilities</b>	<b>305,351</b>	<b>309,192</b>
<b>Total equity and liabilities</b>	<b>1,172,723</b>	<b>1,160,463</b>
Total Cash (in € million)	361	325
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)	323	286
Total cash – current and non-current loan liabilities (excluding derivatives)		

<sup>1</sup> not interest-bearing <sup>2</sup> includes not interest-bearing current and non-current derivatives amounting to €0.6 million (2015: €7.6 million)

## Statement of Cash Flows SMA Group

in €'000	Jan. – March (Q1) 2016	Jan. – March (Q1) 2015
Consolidated net result	18,764	-7,942
Income taxes	6,516	2,055
Financial result	-28	492
Depreciation and amortization	16,799	18,768
Change in provisions	1,547	6,263
Result from the disposal of assets	-63	92
Change in non-cash expenses/revenue	635	2,761
Interest received	41	58
Interest paid	-527	-970
Income tax paid	-3,095	-5,431
<b>Gross cash flow</b>	<b>40,589</b>	<b>16,146</b>
Change in inventories	-5,292	102
Change in trade receivables	12,254	3,668
Change in trade payables	4,531	-8,257
Change in other net assets/other non-cash transaction	-7,469	-406
<b>Net cash flow from operating activities</b>	<b>44,613</b>	<b>11,253</b>
Payments for investments in fixed assets	-2,676	-6,060
Proceeds from the disposal of fixed assets	166	19
Payments for investments in intangible assets	-4,615	-13,323
Proceeds from the disposal of securities and other financial assets	11,733	27,820
Payments for the acquisition of securities and other financial assets	-30,920	-29,731
<b>Net cash flow from investing activities</b>	<b>-26,312</b>	<b>-21,275</b>
Change in non-controlling interests	28	-19
Proceeds of financial liabilities	0	4,794
Redemption of financial liabilities	-743	-736
Cash outflows for the acquisition of non-controlling interests in subsidiaries	-3,734	0
<b>Net cash flow from financing activities</b>	<b>-4,449</b>	<b>4,039</b>
Net increase/decrease in cash and cash equivalents	13,852	-5,983
Changes due to exchange rate effects	2,597	2,859
Cash and cash equivalents as of 01/01	200,180	183,988
<b>Cash and cash equivalents as of 03/31</b>	<b>216,629</b>	<b>180,864</b>

## Statement of Changes in Equity SMA Group

in €'000	Share capital	Capital reserves	Equity attributable to the shareholders of the parent company				Equity attributable to non-controlling interests	Consolidated shareholders' equity
			Difference from currency translation	Other retained earnings	Total			
<b>Shareholders' equity as of January 1, 2015</b>	<b>34,700</b>	<b>119,200</b>	<b>2,658</b>	<b>395,417</b>	<b>551,975</b>	<b>-13</b>	<b>551,962</b>	
Consolidated net result	0	0	0	-7,923	-7,923	-19	-7,942	
Other comprehensive income after tax	0	0	6,601	0	6,601	0	6,601	
Overall result							-1,341	
<b>Shareholders' equity as of March 31, 2015</b>	<b>34,700</b>	<b>119,200</b>	<b>9,259</b>	<b>387,494</b>	<b>550,653</b>	<b>-32</b>	<b>550,621</b>	
<b>Shareholders' equity as of January 1, 2016</b>	<b>34,700</b>	<b>119,200</b>	<b>6,757</b>	<b>409,577</b>	<b>570,234</b>	<b>-26</b>	<b>570,208</b>	
Consolidated net result	0	0	0	18,764	18,764	0	18,764	
Other comprehensive income after tax	0	0	-2,497	0	-2,497	-1	-2,498	
Overall result							16,266	
Proceeds from owners (capital increase Zeversolar)				-1,507	-1,507	29	1,478	
<b>Shareholders' equity as of March 31, 2016</b>	<b>34,700</b>	<b>119,200</b>	<b>4,260</b>	<b>426,834</b>	<b>584,994</b>	<b>2</b>	<b>584,996</b>	

## Financial Ratios by Segments and Regions

Segments	Residential		Commercial		Utility	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
in € million						
External sales	46.1	48.2	59.9	39.2	115.3	113.6
Internal sales	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	46.1	48.2	59.9	39.2	115.3	113.6
Depreciation and amortization	2.2	2.2	0.6	3.1	2.3	0.2
Operating profit (EBIT)	0.1	-6.7	1.9	-11.6	24.1	12.4

Sales by regions						
EMEA	20.8	18.2	24.7	23.8	26.6	45.6
Americas	24.1	24.3	12.7	5.9	74.2	47.9
APAC	4.8	7.5	22.8	10.1	14.8	20.5
Sales deductions	-3.6	-1.8	-0.3	-0.6	-0.3	-0.4
External sales	46.1	48.2	59.9	39.2	115.3	113.6

Segments	Service		Other Business		Reconciliation		Continuing operations	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
in € million								
External sales	12.8	11.0	19.7	14.3	0.0	0.0	253.8	226.3
Internal sales	15.9	16.4	0.0	0.0	-15.9	-16.4	0.0	0.0
Total sales	28.7	27.4	19.7	14.3	-15.9	-16.4	253.8	226.3
Depreciation and amortization	0.4	0.4	1.2	1.0	10.1	11.9	16.8	18.8
Operating profit (EBIT)	1.4	1.5	-1.2	-5.9	-1.0	4.9	25.3	-5.4

Sales by regions								
in € million	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
EMEA	6.8	7.8	10.0	7.3	0.0	0.0	88.9	102.7
Americas	3.2	2.1	4.8	3.1	0.0	0.0	119.0	83.3
APAC	3.0	1.2	4.9	4.9	0.0	0.0	50.3	44.2
Sales deductions	-0.2	-0.1	0.0	-1.0	0.0	0.0	-4.4	-3.9
External sales	12.8	11.0	19.7	14.3	0.0	0.0	253.8	226.3

Germany accounted for €19.5 million in sales to third parties in the reporting period (Q1 2015: €27.7 million).

The reconciliation of total segment earnings (EBIT) in accordance with IFRS 8 with earnings before income taxes is as follows:

in € million	Q1 2016	Q1 2015
Total segment earnings (EBIT)	26.3	-10.3
Eliminations	-1.0	4.9
Consolidated EBIT	25.3	-5.4
Financial result	-2.4	-0.2
<b>Earnings before income taxes</b>	<b>22.9</b>	<b>-5.6</b>

Circumstances are shown in the reconciliation which by definition are not part of the segments. In addition, unallocated parts of the Group head office, including cash and cash equivalents and owned buildings, are included, the expenses of which are assigned to the segments. Business relations between the segments are eliminated in the reconciliation. Currency hedging is controlled centrally for the Group and is therefore not contained in the individual segments, but rather in the eliminations.

**REGISTERED TRADEMARKS**

Company logos, SMA, SMA Solar Technology, SMA Railway Technology, Sunny, Sunny Boy, Sunny Central, Sunny Tripower, Zevercloud, Zevelution and Zeversolar are registered trademarks of SMA Solar Technology AG in many countries.

**DISCLAIMER**

This Quarterly Statement includes various forecasts and expectations as well as statements relating to the future development of 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.

**FINANCIAL CALENDAR**

2016/05/31	Annual General Meeting 2016
2016/08/11	Publication of Half-Yearly Financial Report: January to June 2016 Analyst Conference Call: 09:00 a.m. (CET)
2016/11/10	Publication of Quarterly Statement: January to September 2016 Analyst Conference Call: 09:00 a.m. (CET)

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