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Half-Yearly Financial Report
January to June 2017
SMA Solar Technology AG

SMA SOLAR TECHNOLOGY AG

AT A GLANCE

SMA Group		H1 2017	H1 2016 ⁶	Change	Full Year 2016
Sales	€ million	381.1	482.3	-21%	946.7
Export ratio	%	82.4	91.3		87.9
Inverter output sold	MW	3,830	3,876	-1%	8,231
Capital expenditure	€ million	14.8	11.6	28%	29.0
Depreciation and amortization	€ million	26.5	32.9	-20%	76.7
EBITDA	€ million	29.0	71.2	-59%	141.5
EBITDA margin	%	7.6	14.8	-49%	14.9
Net income	€ million	8.8	19.4	-55%	29.6
Earnings per share ¹	€	0.25	0.56		0.85
Employees ²		3,130	3,339	-6%	3,345
in Germany		2,049	2,077	-1%	2,093
abroad		1,081	1,262	-14%	1,252

SMA Group		2017/06/30	2016/12/31	Change
Total assets	€ million	1,190.0	1,210.7	-2%
Equity	€ million	592.0	585.1	1%
Equity ratio	%	49.7	48.3	
Net working capital ³	€ million	203.3	225.4	-10%
Net working capital ratio ⁴	%	24.0	23.8	
Net cash ⁵	€ million	401.6	362.0	11%

¹ Converted to 34,700,000 shares

² Reporting date; without temporary employees

³ Inventories and trade receivables minus trade payables

⁴ Relating to the last twelve months (LTM)

⁵ Total cash minus interest-bearing financial liabilities

⁶ The figures for the previous year in the income statement and the statement of cash flows as well as the number of employees were adjusted retrospectively for sale of the Railway Technology business division.

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BASIC INFORMATION ABOUT THE GROUP

BUSINESS ACTIVITIES AND ORGANIZATION

SMA Solar Technology AG (SMA) and its subsidiaries (SMA Group) develop, produce and distribute PV inverters, transformers, choke coils and monitoring systems for PV systems and intelligent energy management solutions for future energy supplies. Another area of business is operation and maintenance services for photovoltaic power plants (O&M business), in addition to other services. The production and sale of power electronics components for railway technology are no longer part of SMA's core business since the sale of SMA Railway Technology GmbH on March 29, 2017.

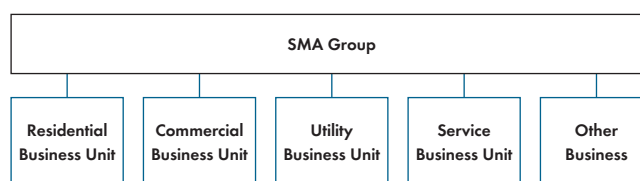
Organizational Structure

LEGAL STRUCTURE OF THE GROUP

As the parent company of the SMA Group, SMA, headquartered in Niestetal near Kassel, Germany, provides all of the functions required for its operative business. SMA holds, either directly or indirectly, 100% of the shares of all the operating companies that belong to the SMA Group. The Half-Yearly Financial Report includes information regarding the parent company and all 33 Group companies (H1 2016: 35), including seven domestic companies and 26 companies based abroad. In addition, as part of a capital increase of USD 20 million, SMA acquired interests of 28.27% in Tigo Energy, Inc. in 2016. Tigo Energy, Inc. is recognized as an associate in the Consolidated Financial Statements according to the equity method.

ORGANIZATIONAL STRUCTURE

The SMA Group operates under a functional organization. In this organization, the Residential, Commercial, Utility and Service business units assume responsibility for operations and manage development, operational services, sales, production and the supply chain. In the organizational structure, SMA Sunbelt Energy and the Off-Grid & Storage business unit have been combined under Other Business. This compact organization allows for fast decisions and a lean management structure.



MANAGEMENT AND CONTROL

As required by the German Stock Corporation Act (Aktiengesetz), the executive bodies consist of the Annual General Meeting, the Managing Board and the Supervisory Board. The Managing Board manages the Company; the Supervisory Board appoints, supervises and advises the Managing Board. The Annual General Meeting elects shareholder representatives to the Supervisory Board and grants or refuses discharge to the Managing Board and the Supervisory Board.

COMPOSITION OF THE MANAGING BOARD

Since January 1, 2017, the Managing Board of SMA Solar Technology AG has comprised the following members: Ulrich Hadding (board member for finance, human resources and legal), Dr.-Ing. Jürgen Reinert (deputy chief executive officer, board member for operations and technology) and Pierre-Pascal Urbon (chief executive officer, board member for strategy, sales and service).

COMPOSITION OF THE SUPERVISORY BOARD

The SMA Supervisory Board, which represents shareholders and employees in equal measure, consists of Roland Bent, Peter Drews, Dr. Erik Ehrentraut (chairman), Kim Fausing (deputy chairman), Alexa Hergenröther and Reiner Wetzlauffer as shareholder representatives. Employees are represented on the Supervisory Board by Oliver Dietzel, Johannes Häde, Heike Haigis, Yvonne Siebert, Dr. Matthias Victor and Hans-Dieter Werner.

RESEARCH AND DEVELOPMENT

As the global market leader in photovoltaics, SMA has set trends in the global photovoltaics industry for many years. In the last five years alone, we have invested over €500 million in the development of new products and solutions. We use our comprehensive systems expertise to develop complete solutions for different photovoltaic applications. To offer our customers in all market segments and regions the best complete solutions in terms of both technology and economic efficiency, we selectively collaborate with strong partners. With our continuous research and our market- and customer-focused development, we can further reduce the consumer cost of PV electricity and thus make a significant contribution to a successful global energy transition. SMA was granted 968 patents and utility models worldwide by the end of the reporting period. In addition, more than 600 other patent applications were still pending as of June 30, 2017. Furthermore, SMA holds the rights to 855 trademarks. Our innovations have won numerous awards, most recently at the end of May 2017 at Intersolar Europe in Munich.

Forward-Looking Development Approach and High Capacity for Innovation

Our excellent understanding of the different market requirements and our close proximity to our customers enable us to anticipate future system technology demands. Customers used to be concerned primarily with energy yield, service life and design flexibility. Now, however, consumer PV electricity costs, system integration as well as connectivity are the key factors in making a purchasing decision. With the increasing integration of PV systems into comprehensive systems, cyber security is also playing an ever more important role. In this context, the PV inverter is classified as a system-critical component, so customers place higher demands on the transparency of companies.

In product development, we are pursuing a platform strategy aimed at systematically cutting the cost of PV inverters and being able to react quickly to market changes. By standardizing the core inverter, we are capable of increasing the proportion of uniform components across the entire portfolio. Customization in line with different markets and customer needs is implemented through the connection area and software. Thanks to our high capacity for innovation, we are able to launch new solutions and product enhancements within a very short space of time. In doing so, our international development teams work together closely and thus allow for optimal use of development capacity.

Complete Solutions to Lower Energy Costs

PRIVATE SYSTEMS: MORE SELF-CONSUMPTION AND INTEGRATED SERVICES

In the period under review, SMA launched additional solutions in the market segment for smaller residential PV systems (Residential) to make better use of self-generated solar power and reduce the energy costs of households. As a central control unit of SMA Smart Home, the new Sunny Home Manager 2.0 plans and manages the use of electrical devices in households and efficiently controls the charging and discharging of battery-storage systems while optimizing the consumption of self-generated solar power. This compact solution has “power measurement” and “energy management” features, for which two devices were previously necessary. As a result, it not only saves installation expenses but also reduces complexity and system costs. Electrical devices can also be easily integrated into SMA’s intelligent energy management thanks to cost-effective WLAN standard radio-controlled sockets.

In the first quarter of 2017, the SMA Power+ Solution was launched in key sales markets. This holistic system solution combines new Sunny Boy inverters in various power classes (3.0/3.6/4.0/5.0 kW), which are particularly easy to install and come with the integrated SMA Smart Connected service, with the smart module technology of Tigo Energy, Inc. As a result, small PV system operators now have a complete solution that includes automated inverter monitoring while optimizing power generation at the modular level. With the integrated SMA Smart Connected service, SMA is the first manufacturer to offer automatic inverter monitoring free of charge. SMA checks the inverter around the clock to detect any anomalies during operations and promptly informs the installer and the PV system operator in the event of a fault. This ensures minimal

downtime and reduces the amount of additional work and costs. In the U.S., the SMA Power+ Solution was one of the first solutions to be certified by Underwriter Laboratories (UL) for compliance with mandatory rapid shutdown requirements ensuring safe and rapid emergency shutdown of the PV generator.

COMMERCIAL APPLICATIONS: NEW INVERTER CONCEPT AND REVOLUTIONARY ENERGY MANAGEMENT PLATFORM

In the medium-sized inverter segment for commercial applications (Commercial), SMA successfully launched the new Sunny Tripower CORE1 in the second quarter of 2017. The 50 kW string inverter is suitable for global use in decentralized, commercial rooftop and ground-based PV systems and covered parking spaces. Its innovative mounting concept makes Sunny Tripower CORE1 the first free-standing inverter for commercial solar projects. With installation times reduced by up to 60% and an innovative integration concept, this allows for significant cost savings and a considerable increase in installation safety for all those involved in a project. At the end of May, Intersolar Europe's expert panel presented the Sunny Tripower CORE1 with the Intersolar AWARD for outstanding products in the photovoltaics category. In the key sales market of the U.S., the inverter was certified for complying with the UL 1741 standard.

SMA also developed the more powerful Sunny Highpower PEAK1 as a follow-up to the Sunny Tripower 60 inverter, which was a success worldwide. The device has a power output of 75 kW and was specially designed for use in large industrial and ground-based PV systems in a decentralized architecture. The Sunny Highpower PEAK1 combines maximum system design flexibility with significant cost savings. Its market launch is planned for the fourth quarter of 2017.

At Intersolar Europe, SMA presented ennexOS, a completely new platform for an intelligent energy management that effectively reduces energy costs across all sectors and segments. At the end of 2017, SMA will launch the new solution for small commercial applications initially and will later on expand to private residential PV systems and into the segments of larger commercial systems and PV power plants. The modular functionality of the platform can be adjusted based on the user's individual requirements. This ranges from monitoring energy flows to automatically optimizing total energy costs and involving companies in the energy market of the future.

The partnership with the Mannheim-based energy company MVV Energie AG, which was announced at the end of May, is aimed at the direct distribution of solar power and represents another key milestone in the digitization of the energy industry. The aim is to jointly develop a solution that will allow German installers and operators of PV systems with an output of more than 100 kWp to integrate these systems directly into energy trading simply and cost-effectively as early as in the commissioning stages. Additional technologies and processes were required for this purpose in the past and were associated with considerable investment costs for PV system operators. There are also plans to offer this service in other regions in the future.

PV POWER PLANTS: HIGH-PERFORMANCE AND COST-EFFECTIVE COMPLETE SOLUTIONS

In the segment of large-scale PV power plants, the Medium Voltage Power Station 5000SC-EV was launched in the period under review. Equipped with two Sunny Central 2500-EV inverters and a medium-voltage transformer and switchgear in a standard container, the turnkey container solution for 1,500 V power plants has a power output of 5.0 MW. SMA also provides a version with power of 4.4 MW for 1,000 V power plants. Due to its unique power density and compactness, the Medium Voltage Power Station considerably lowers transport, installation and operating costs. The complete solution can be used worldwide in large-scale PV power plants and can be erected outdoors in all ambient conditions.

At the same time, SMA is enhancing its Medium Voltage Power Station to allow for even greater power density and cost savings. The Medium Voltage Power Station 5500SC-EV with two Sunny Central 2750-EV inverters and an output of 5.5 MW is a fully integrated turnkey solution in an ideal block size for large 1,500 V PV plants with power going up to the gigawatt range. It will be available by the end of 2017.

OTHER BUSINESS: FLEXIBLE STORAGE INTEGRATION FOR ALL SYSTEM SIZES

In the Other Business segment, the integration of battery-storage systems for all system sizes is of significant importance. SMA is supplementing Sunny Boy Storage, which was successfully launched last year, with higher power classes in order to integrate high-voltage batteries for smaller residential PV systems. The AC-coupled storage system solution will also be available in various power classes (3.7/5.0/6.0 kW) at the end of 2017. With Sunny Boy Storage, it is possible to easily and cost-effectively integrate battery storage systems into new and existing PV installations while also flexibly enhancing the storage system, as it is not necessary to touch the PV system. With this solution, SMA has also reduced system costs, allowing households to save up to 80% on their electricity costs.

SMA has also enhanced the Sunny Island 4.4M/6.0H/8.0H battery inverter for on- and off-grid applications with low-voltage batteries. Thanks to an integrated web interface and standard WLAN and Ethernet interfaces, it can be configured and monitored quickly and easily using a smartphone or tablet.

The Sunny Tripower Storage, a three-phase battery inverter, was specifically designed for commercial and industrial PV plants with an output ranging from 60 kWp to the megawatt range. With this system for the integration of high-voltage batteries, customers can benefit from maximum flexibility and comprehensive energy management features. The Sunny Tripower Storage will be made available at the beginning of 2018.

In the period under review, SMA launched the new Sunny Central Storage 2200/2500-EV onto the market as a key element of SMA's solution for large storage systems. The battery inverter for global use has a high power density and is compatible with virtually all battery technologies thanks to its wide battery voltage range. It is available as a turnkey container solution in combination with medium-voltage transformers and switchgears.

The business division SMA Sunbelt Energy GmbH focuses on PV projects in off-grid areas and PV diesel hybrid projects in sunbelt areas around the world. The subsidiary has also been involved in major battery-storage projects in selected markets since last year. In the period under review, SMA Sunbelt Energy GmbH won major storage projects in the United Kingdom and in the Caribbean with a total volume of over 50 MW. These will be implemented by the end of the year.

ECONOMIC REPORT

Relevant Changes to Reporting

Pursuant to IFRS 5, the figures for the previous year in the income statement and the statement of cash flows were adjusted retrospectively for the sale of the Railway Technology business division, which was concluded on March 29, 2017.

MACROECONOMIC CONDITIONS AND ECONOMIC CONDITIONS IN THE SECTOR

Macroeconomic Conditions

In the first half of 2017, the global economy continued its recovery, which started in the final months of the previous year. Global business activity picked up, and trade and industrial production in particular significantly exceeded the level achieved over the last two years. Growth was driven by major developing and newly industrialized countries as well as by key industrialized countries. Oil prices declined due to high inventories in the U.S. and increased supply on the market. Inflation decreased and remains well below the level targeted by central banks in most industrialized countries.

With respect to industrialized countries, the Eurozone surprisingly exceeded expectations as a result of increased business activity. In addition to the European countries of France, Germany, Italy and Spain, Canada also achieved a positive performance thanks to vigorous domestic demand. In Japan, growth was underpinned by private consumption, solid investment activities and exports. However, the U.S. and UK economies developed only moderately in the first half of the year.

Growth in developing and newly industrialized countries was driven mainly by commodity importers. However, major commodity exporters, which experienced a recession over the last two years, saw a gradual improvement in conditions according to experts at the International Monetary Fund (IMF). Major newly industrialized countries developed positively in the first half of 2017, especially China, Brazil and Mexico.

Economic Conditions in the Sector

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 conventionally generated energy. For example, large-scale solar projects in the Middle East are already generating solar power at costs of less than \$0.03 per kWh. This points the way to an environment in which the industry will grow in the medium and long term even without subsidization. In the wake of the transformation of global energy supply structures, current and future objectives include intelligently linking different technologies and providing intermediate storage solutions for generated energy, thereby ensuring a reliable and cost-effective electricity supply based on renewable energies.

GLOBAL PV MARKET GROWS – PRICE PRESSURE REMAINS HIGH

Based on newly installed PV power of approximately 45 GW (H1 2016: approximately 39 GW), the global photovoltaic market posted considerable year-on-year growth in the first half of 2017 according to SMA's estimates. (These installation figures do not include inverter retrofitting in the case of existing PV systems or battery inverter technology.) Price pressure remained particularly high in all segments and regions. As a result, global PV inverter technology sales, including inverter retrofitting and battery inverter technology, remained at the previous year's level at €2.5 billion (H1 2016: €2.5 billion) according to SMA's estimates.

The regional distribution of demand changed only slightly in the reporting period. In the photovoltaic markets in Europe, the Middle East and Africa (EMEA), inverter technology sales were roughly on a par with the previous year at approximately €600 million (H1 2016: €570 million). The share of the EMEA region in global sales rose slightly to around 24% (H1 2016: 23%). System technology for storage applications and the retrofitting of existing PV systems account for a significant share of sales in the EMEA region. The North and South American regions (Americas) developed positively as a result of growth in South American markets. At approximately €500 million, this region accounted for 20% of global sales (H1 2016: €450 million; 18%). According to the Chinese PV industry association, the Chinese market posted around 24 GW in new installations. This corresponds to installation volume growth of 24% year on year. Measured in euro, China represented approximately 26% of global sales at around €650 million in the first half of 2017 (H1 2016: €600 million; 24%). The Asia-Pacific (APAC) photovoltaic markets (excluding China) accounted for 30% of the global market with sales of around €750 million, representing a year-on-year decrease (H1 2016: €900 million; 35%).

EMEA: GERMANY REGAINS SIGNIFICANCE

Business in the EMEA region continues to be characterized by significant adjustments to solar electricity tariffs in key European markets and delays in tendering procedures in Africa and the Middle East. Newly installed PV power slightly dropped to 4.9 GW (H1 2016: 5 GW).

At 0.9 GW (H1 2016: 0.5 GW), Germany was the most significant market in Europe in terms of newly registered PV power in the period under review. All segments grew year on year. If this trend continues during the rest of the year, new installations could reach around 2 GW over the year as a whole. However, this would remain below the government's expansion target of 2.5 GW per year.

Development in other European countries is mixed. While Spain and Greece saw next to no new installations and the United Kingdom's significance declined as a result of radical subsidy cuts, installations in Italy, Portugal and Turkey increased year on year.

NON-EUROPEAN MARKETS: DOWNTURN IN U.S. MARKET

The SMA Managing Board has estimated PV installation in the U.S. at around 4 GW for the first half of 2017. PV inverter sales fell by 10% from roughly €390 million to approximately €350 million. While demand in the Utility segment saw a substantial decline, the Residential and Commercial segments saw an increase. The petition filed by bankrupt module manufacturer Suniva with the U.S. International Trade Commission (USITC) at the end of April has a major impact on the development of the U.S. market. This petition is calling for high minimum import prices for solar cells and modules in the U.S. Market demand in the U.S. is expected to rise until the first decision on the petition is reached in November. However, further developments in the U.S. are affected by uncertainty.

JAPAN AND CHINA DOMINATE THE MARKET IN ASIA

According to estimates, inverter technology investments in Japan amounted to approximately €400 million in the reporting period. Commercial systems and large-scale PV power plants are driving segments here. According to SMA estimates, PV systems with an output totaling around 4 GW were connected to the electricity grid in the first six months of the year. Japan will remain one of the most significant PV markets in Asia and around the world in 2017. There are many planned and approved projects here.

In China, the market grew again year on year. According to the Chinese PV industry association, PV power of over 24 GW was installed in the first half of 2017. The first half of the year was strong once again, because systems that were approved in 2016 but not installed were connected to the grid within a grace period until June 30, 2017. In addition, the reduction of the feed-in tariff as of June 30, 2017, resulted in a strong second quarter, as PV system operators wanted to secure the higher tariffs. The Chinese market is dominated by central large-scale PV power plants, although distributed PV plants saw significant growth in the first half of the year. The Chinese photovoltaic market continues to be dominated by tendering procedures that lack transparency. Significant market shares are only awarded to Chinese providers, some of which are state owned.

India now also plays an important role; the market is developing extremely positively. There are various incentive programs and a fundamental effort on the part of the government to supply the entire country with power. The Indian government has therefore set an ambitious target for PV expansion. 100 GW of PV power is to be installed in the country by 2020. At present, India only has an installed capacity of 13 GW overall. In the period under review, the country increased its newly installed PV capacity by almost 50% year on year to around 4 GW (H1 2016: 2.7 GW). More than 90% of the new installations were large-scale projects. Medium-sized commercial and small private systems are still not very relevant in India at present. The price level in the Indian market is only slightly above that in China. The market structures, however, allow for fair competition.

RESULTS OF OPERATIONS

Sales and Earnings

WEAK U.S. PROJECT BUSINESS HAS NEGATIVE IMPACT

In the first half of 2017, the SMA Group sold PV inverters with accumulated power of 3,830 MW (H1 2016: 3,876 MW). The SMA Group's sales declined at a greater rate of 21.0% to €381.1 million (H1 2016: €482.3 million) in relation to an only minor decrease in inverter power sold. This was mainly because price pressure remained high in all segments and regions and because of the steadily growing share of sales attributable to more powerful (lower-margin) inverters in the commercial and utility segments.

Thanks to its international positioning, SMA is still benefiting from the generally positive development seen in German and foreign photovoltaic markets. In recent years, SMA has been continuously investing in its global infrastructure and in doing so has reduced its dependency on individual photovoltaic markets. In the first half of 2017, the EMEA region made a contribution of 39.7% to external sales before deductions, while the APAC region contributed 35.5% and the Americas contributed 24.8% (H1 2016: 32.6% EMEA, 18.1% APAC, 49.4% Americas). In particular, gross sales in the Americas considerably decreased by around 60% to €96.8 million year on year (H1 2016: €241.6 million). This is first attributable to an important benchmark: In 2016, there were an extraordinarily high number of projects due to the anticipated expiration of the Solar Investment Tax Credit (ITC) in the U.S. Many projects were scheduled for completion in 2016. As a result, a significantly lower number of major PV projects are being implemented in 2017. SMA expects business to pick up again from 2018 to 2020. Second, the drop in sales in the Americas is due to an amendment to U.S. safety standards (NEC). As a result, SMA was unable to serve the entire North American market until the launch of Tigo Energy, Inc.'s smart module technology at the end of the first quarter. By contrast, sales in the APAC region significantly increased by around 57% to €138.6 million, which was mainly due to positive development in the Residential and Utility segments. The main markets in the region were Australia, India and Japan.

In total, the Commercial segment generated 32.4% of the SMA Group's sales while the Utility segment contributed 28.3% in the first half of 2017. In addition, the Residential segment generated 24.5% of the Group's sales while the Service business contributed 7.5% in the period under review (H1 2016: 26.5% Commercial, 42.4% Utility, 22.2% Residential, 5.1% Service).

As of June 30, 2017, SMA still had a large order backlog of €673.3 million (June 30, 2016: €581.1 million). Of this amount, €393.5 million is attributable to Service business. Most of this part of the order backlog will be implemented over the next five to ten years. Product business made up €279.8 million of the order backlog. At €95.3 million, the Utility segment accounts for 34.1% of the product-related order backlog. The Residential and Commercial segments account for €70.1 million (25.1%) and €57.8 million (20.6%) of the product-related order backlog. The remaining order backlog of €56.6 million relates to Other Business. The sum of SMA's sales and order backlog in the first six months corresponds to roughly 75% of the amount forecasted for annual sales in 2017. The book-to-bill ratio was 1.4 in the first half of 2017. This positive ratio was sustained in July.

Although fixed costs were successfully reduced in 2016, EBITDA dropped to €29.0 million in the first half of 2017 (EBITDA margin: 7.6%; H1 2016: €71.2 million, 14.8%). This was primarily due to lower sales. EBIT was €2.7 million (H1 2016: €38.3 million). Net income amounted to €8.8 million (H1 2016: €19.4 million) and was positively affected by the predominantly tax-free sales proceeds from SMA Railway Technology GmbH and the use of loss carryforwards in China for which no deferred tax assets could be recognized. Earnings per share thus amounted to €0.25 (H1 2016: €0.56).

Sales and Earnings per Segment

DECLINING U.S. BUSINESS BURDENS RESIDENTIAL BUSINESS UNIT

The Residential business unit serves the attractive long-term market of small PV systems for private applications with 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; string inverters of the Zeversolar brand; energy management solutions; storage systems; and communication products and accessories. In the first quarter of 2017, additional solutions using Tigo Energy, Inc.'s smart module technology were launched in key markets in the U.S., Europe and Australia. They will also be available in Japan and India in the future. As a result of changes in market conditions in the U.S., SMA also changed its sales strategy here and reorganized and expanded its sales resources. In the second quarter, incoming orders in the U.S. already developed positively.

In the first half of 2017, external sales in the Residential business unit amounted to €93.6 million, representing a decrease of around 13% compared with the same period in 2016 (H1 2016: €107.0 million). Its share of the SMA Group's total sales was 24.5% (H1 2016: 22.2%). The EMEA region accounted for 57.7% (H1 2016: 46.3%) of the Residential business unit's gross sales while the APAC region accounted for 31.0% (H1 2016: 15.4%) and the Americas accounted for 11.4% (H1 2016: 38.3%). In the reporting period, the major sales drivers were the Sunny Boy 2500TL to 5000TL inverters.

EBIT in the Residential business unit amounted to –€6.0 million in the first half of 2017 (H1 2016: –€1.2 million). This was mainly due to the substantial decline in sales in the Americas and a low level of utilization. In relation to external sales, the EBIT margin was –6.4% (H1 2016: –1.1%).

COMMERCIAL BUSINESS UNIT INCREASES BUSINESS IN ASIA

The Commercial business unit focuses on the growing market of medium-sized PV systems for commercial applications and on large-scale PV power plants using string inverters. The portfolio includes three-phase Sunny Tripower inverters that are compatible with the smart module technology of Tigo Energy, Inc., with outputs of more than 12 kW, as well as holistic energy management solutions for medium-sized solar power systems, medium-voltage technology and other accessories.

As a result of continued price pressure, external sales in the Commercial business unit amounted to €123.3 million in the first half of 2017, which was slightly below the level of the previous year (H1 2016: €127.7 million). At 32.4%, the Commercial business unit accounted for the highest share of the SMA Group's total sales (H1 2016: 26.5%). This business unit generated 41.0% of gross sales in the APAC region, 40.0% in the EMEA region and 18.9% in the Americas (H1 2016: 35.1% APAC, 38.5% EMEA, 26.4% Americas).

Due to low utilization, EBIT amounted to €0.4 million in the period under review, representing a year-on-year decrease (H1 2016: €6.5 million). In relation to external sales, the EBIT margin was 0.3% (H1 2016: 5.1%).

UTILITY BUSINESS UNIT INFLUENCED BY WEAK U.S. MARKET

The Utility business unit serves the growing market for large-scale PV power plants with central inverters from the Sunny Central brand. The outputs of Sunny Central inverters range from 500 kW to the megawatts. In addition, its portfolio includes complete solutions comprising central inverters with their grid service and monitoring functions as well as all medium- and high-voltage technology and accessories.

In the first half of 2017, external sales in this business unit decreased by 47% to €107.8 million (H1 2016: €204.5 million). Its share of the SMA Group's total sales was 28.3% (H1 2016: 42.4%). The Americas made up 43.5% (H1 2016: 74.5%) of the gross sales of the Utility business unit, the APAC region 43.2% (H1 2016: 8.6%) and the EMEA region 13.3% (H1 2016: 16.9%). Therefore, U.S. business posted another sluggish performance in the second quarter and had a negative impact on the results of the business unit. The most successful products included the new Sunny Central series inverters, which were launched in 2016.

In the Utility business unit, EBIT fell to –€2.2 million (H1 2016: €32.0 million) due to the slump in sales in the U.S. In relation to external sales, the EBIT margin was –2.0% (H1 2016: 15.6%).

SERVICE BUSINESS UNIT ACHIEVES STABLE YIELDS

SMA has its own service companies in all important photovoltaic markets. With an installed capacity of around 55 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 half of 2017, external service sales increased to €28.4 million (H1 2016: €24.7 million). Its share of the SMA Group's sales was 7.5% (H1 2016: 5.1%). 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 €5.5 million (H1 2016: €5.6 million). In relation to internal and external sales, the EBIT margin was 19.3% (H1 2016: 9.9%).

OTHER BUSINESS IS PROFITABLE

The Other Business segment comprises SMA Sunbelt Energy GmbH and the Off-Grid & Storage business unit. In the first half of 2017, external sales increased by around 52% year on year to €28.0 million (H1 2016: €18.4 million). Its share of the SMA Group's sales was 7.3% (H1 2016: 3.8%). The Other Business segment generated EBIT of €0.7 million (H1 2016: –€1.1 million). In relation to external sales, the EBIT margin of the Other Business segment was 2.5% (H1 2016: –6.0%).

Development of Significant Income Statement Items

HIGH PRICE PRESSURE BURDENS GROSS MARGIN

The cost of sales fell by 15.1% to €308.1 million in the period under review (H1 2016: €362.9 million). The decrease is particularly attributable to lower sales. High price pressure could only be partially offset by productivity increases and savings in the cost of materials within such a short period of time. The gross margin thus amounted to 19.2% (H1 2016: 24.8%).

Personnel expenses included in cost of sales amounted to €54.8 million in the reporting period (H1 2016: €63.4 million). This year-on-year decrease resulted primarily from a decline in production volume and the consolidation of production sites at the end of 2016. Due to high price pressure, material costs fell at a slower rate than sales and amounted to €212.2 million (H1 2016: €239.4 million). SMA is continuously working on its product portfolio in all segments to tackle price pressure by introducing new and less expensive products.

Depreciation and amortization included in the cost of sales fell by 20.2% to €22.5 million in the first half of 2017 (H1 2016: €28.2 million). This included scheduled depreciation on capitalized development costs of €8.6 million (H1 2016: €10.2 million).

Other costs declined by €13.3 million to €18.6 million (H1 2016: €31.9 million). This was mainly due to the consolidation of production sites and the year-on-year decrease in sales.

Selling expenses rose slightly by 3.3% to €24.8 million in the first half of 2017 (H1 2016: €24.0 million). This increase was mainly due to the expansion of the sales organization in the U.S. and increased sales activities. The cost of sales ratio climbed to 6.5% (H1 2016: 5.0%). This was mainly due to the significant decline in sales.

Research and development expenses not including capitalized development projects amounted to €31.0 million in the reporting period (H1 2016: €32.0 million). The research and development cost ratio amounted to 8.1% (H1 2016: 6.6%). Total research and development expenses including capitalized development projects rose slightly to €39.1 million (H1 2016: €38.5 million). Development projects were capitalized in the amount of €8.1 million (H1 2016: €6.5 million).

General administrative expenses totaled €26.5 million in the first half of 2017 (H1 2016: €25.4 million). This increase was mainly due to higher personnel expenses and internal cost reclassifications from other function areas. Due to the decline in sales, the ratio of administrative expenses increased to 7.0% in the reporting period (H1 2016: 5.3%).

The balance of other operating income and expenses amounted to €12.1 million in the first half of 2017 (H1 2016: €0.3 million). This includes foreign currency valuation effects, expenses for assets measured at fair value through profit or loss, and gains (in the high single-digit million range) from the disposal of SMA Railway Technology GmbH.

CONSOLIDATION OF PRODUCTION SITES REFLECTED IN STAFF NUMBERS

SMA had 3,130 employees worldwide as of June 30, 2017, representing a year-on-year decrease of 209 employees (June 30, 2016: 3,339 employees; figures do not include temporary employees). The decrease is attributable to the closure of the production site in Denver (U.S.) in particular. SMA employed 2,049 people in Germany (June 30, 2016: 2,077 employees; figures do not include temporary employees) and 1,081 people abroad (June 30, 2016: 1,262 employees; figures do not include temporary employees). We will invest in our global sales infrastructure to gain market share in the months to come.

SMA still uses temporary employees to absorb order fluctuations. Their hourly rate of pay is in line with that of SMA employees. In addition, temporary employees working at SMA also participate financially in the Company's success. As of the reporting date, SMA had 613 temporary employees worldwide, representing a decrease of 47 people as against the previous year (June 30, 2016: 660 temporary employees).

Employees

Reporting date	2017/ 06/30 ¹	2016/ 06/30 comparable ¹	2016/ 06/30	2015/ 06/30	2014/ 06/30	2013/ 06/30
Employees (excl. temporary employees)	3,130	3,339	3,503	4,134	5,018	5,694
of which domestic	2,049	2,077	2,241	2,823	3,485	4,297
of which abroad	1,081	1,262	1,262	1,311	1,533	1,397
Temporary employees	613	660	682	597	713	740
Total employees (incl. temporary employees)	3,743	3,999	4,185	4,731	5,731	6,434

¹ Excluding employees in the Railway Technology business division, which was sold on March 29, 2017

Full-time equivalents

Reporting date	2017/ 06/30 ¹	2016/ 06/30 comparable ¹	2016/ 06/30	2015/ 06/30	2014/ 12/31
Full-time equivalents (excl. trainees and temporary employees)	2,946	3,126	3,277	3,880	4,667
of which domestic	1,878	1,883	2,034	2,583	3,094
of which abroad	1,068	1,243	1,243	1,297	1,573

¹ Excluding employees in the Railway Technology business division, which was sold on March 29, 2017

FINANCIAL POSITION

SMA Generates High Net Cash Flow

In the first half of 2017, gross cash flow amounted to €21.9 million (H1 2016: €59.6 million). It shows operating income prior to commitment of funds.

As a result of active working capital management, net cash flow from operating activities of continuing operations amounted to €38.8 million in the reporting period (H1 2016: €55.3 million).

Inventories increased by 8.2% to €183.0 million (December 31, 2016: €169.2 million). This was particularly due to the supply of finished goods for the third quarter and higher safety stock following the closure of the U.S. production site. Despite this increase, net working capital decreased by 9.8% to €203.3 million (December 31, 2016: €225.4 million) as a result of the decline in trade receivables by €35.1 million. At 24.0%, the net working capital ratio in relation to sales over the past 12 months was just above the level achieved on December 31, 2016 (23.8%). This was due to weaker sales performance. Despite the temporary effect relating to finished goods, the net working capital ratio was within the range of 22% to 25% targeted by the management.

Net cash flow from investing activities of continuing operations amounted to –€46.4 million in the reporting period (H1 2016: –€29.5 million). The majority of this amount was attributable to cash inflows and outflows from financial investments totaling –€49.6 million (H1 2016: €0.9 million). In addition, this includes net cash inflows from the sale of the Railway Technology business division. The outflow of funds for investments in fixed assets and intangible assets amounted to €14.8 million in the period under review (H1 2016: €11.6 million). With €8.1 million (H1 2016: €6.5 million), an essential part of the investments was attributable to capitalized development projects.

As of June 30, 2017, cash and cash equivalents amounting to €205.5 million (December 31, 2016: €216.1 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. With time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities, liquid assets pledged as collateral and after deducting interest-bearing financial liabilities, this resulted in net cash of €401.6 million (December 31, 2016: €362.0 million). SMA further increased its high liquidity reserve in the reporting period. As a result, it is capable of implementing its strategy using its own resources.

NET ASSETS

Equity Ratio Stable at 49.7%

As of June 30, 2017, total assets decreased to €1,190.0 million (December 31, 2016: €1,210.7 million). At €390.6 million, the value of non-current assets was lower than at the end of 2016 (December 31, 2016: €426.2 million) due to the reclassification of buildings held for sale.

As of June 30, 2017, net working capital amounted to €203.3 million (December 31, 2016: €225.4 million), corresponding to 24.0% of sales over the past 12 months. Trade receivables decreased by 21.3% to €130.0 million on the reporting date (December 31, 2016: €165.1 million). Days sales outstanding improved slightly to 63.7 days due to a decrease in the international share (December 31, 2016: 66.5 days). Inventories increased to €183.0 million (December 31, 2016: €169.2 million). Trade payables amounted to €109.7 million and were slightly above the level at the end of the previous year (December 31, 2016: €108.9 million). At 9.2%, the share of trade credit in total assets was at the level reported at the end of the 2016 fiscal year (December 31, 2016: 9.0%).

The Group's equity resources amounted to €592.0 million as of June 30, 2017, and were therefore slightly above the level achieved at the end of the previous year (December 31, 2016: €585.1 million). With an equity ratio of 49.7%, SMA has a comfortable equity capital base and therefore an extremely solid balance sheet structure.

CAPITAL EXPENDITURE

SMA's Business Model Is Not Capital Intensive

The SMA Group is planning to make investments in fixed assets and intangible assets of up to €50 million in the 2017 fiscal year (2016: €29.0 million). The increase is mainly attributable to test equipment for new product generations, higher capitalization of development costs and measures to modernize the IT infrastructure.

In the first half of the 2017 fiscal year, investments in fixed assets and intangible assets totaled €14.8 million and were thus above the comparative figure for the previous year (H1 2016: €11.6 million). €5.9 million was invested in fixed assets (H1 2016: €4.9 million). The investment ratio for fixed assets was 1.5% in the reporting period (H1 2016: 1.0%). Investments in intangible assets amounted to €8.9 million (H1 2016: €6.6 million) and were predominantly attributable to capitalized development projects.

SUPPLEMENTARY REPORT

Significant Events After the End of the Reporting Period

On August 1, 2017, the Managing Board of SMA Solar Technology AG raised its sales and earnings forecast via an ad hoc statement. For further details, please refer to the forecast report starting on page 14.

RISKS AND OPPORTUNITIES REPORT

RISK AND OPPORTUNITY MANAGEMENT

The 2016 Annual Report details risk and opportunity management, individual risks with a potentially significant negative impact on our business, results of operation, financial position and net assets and information on the Company's reputation. Our key opportunities are also outlined. Using our Risk Management System, we assess the overall risk situation to be manageable. The statements made in the 2016 Annual Report generally continue to apply. In the first six months of the 2017 fiscal year, we did not identify any additional significant risks or opportunities aside from those presented in the section on business activity and organization and in the additional information on the results of operation, financial position and net assets.

There are currently no discernible risks that, either alone or combined with other risks, could seriously jeopardize the livelihood of the Company or significantly impair business performance. For more information, please refer to the forward-looking statements in the Forecast Report.

FORECAST REPORT

MACROECONOMIC SITUATION: GLOBAL ECONOMY CONTINUES TO GROW

The International Monetary Fund (IMF) expects the global economy to develop positively in the second half of the year as well. In its World Economic Outlook (WEO) update in July, the IMF confirmed its April 2017 growth forecast. According to this forecast, the global economy will grow by 3.5% this year (2016: 3.2%). The IMF's experts still anticipate growth of 2.0% for industrialized countries. Developing and newly industrialized countries will grow by 4.6% according to their analyses. While growth projections for the U.S. have been revised down due to uncertainty surrounding the pursuit of an expansionary fiscal policy, the IMF predicts stronger momentum for the Eurozone, China and Japan than originally forecasted in April.

According to the experts, short-term risks are broadly balanced. However, an environment of high political uncertainty raises the likelihood of a correction of the current high market valuations in the medium term. This could dampen growth and confidence in the markets. The IMF sees further risks in the rise in protectionism, which threatens the cooperative global economic order, and the normalization of interest policies in leading economies like the U.S., which could lead to tightened financing conditions around the world.

In industrialized countries, growth prospects have been revised compared to the last IMF forecast. IMF experts now anticipate 1.9% growth in the Eurozone for the current year (2016: 1.8%), up 0.2 percentage points as against April. Positive development in France, Germany, Italy and Spain in the first few months of the year indicates an upturn in domestic demand exceeding expectations. The IMF also revised its forecast up for Canada and Japan. By contrast, growth prospects in the U.S. for 2017 will decrease by 0.2 percentage points as against April to 2.1% (2016: 1.6%) due to a weak first quarter and uncertainty surrounding fiscal policy in the future.

Growth in China is projected at 6.7%, slightly exceeding the April forecast. The IMF still anticipates 7.2% growth for India in 2017.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

Renewable Energy Will Grow Faster Than Conventional Energy Carriers

In its World Energy Outlook 2016, the International Energy Agency (IEA) forecasted that renewable energy will see much faster global growth than conventional energy carriers in the years to come. 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.

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

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

New PV Installations of More Than 80 GW Expected for the First Time

For 2017, the SMA Managing Board anticipates 84 GW of newly installed PV power around the world. This equates to growth of approximately 8%. While new installations in China will rise only slightly, the SMA Managing Board estimates that markets outside China will grow by approximately 12% to 48 GW in total. Global investments in system technology for traditional photovoltaic applications will decline due to high price pressure in the industry overall. The fast-growing segment of storage applications will at best offset the expected decline in investment in traditional photovoltaic applications. Overall, the SMA Managing Board therefore expects unchanged investment in PV system technology (incl. system technology for storage systems) of €5.1 billion in 2017 (2016: €5.1 billion).

Affordable Storage Technology as a Catalyst for Demand in EMEA

The SMA Managing Board anticipates an increase of approximately 8% in newly installed PV power to around 11 GW in the EMEA region for 2017. According to SMA estimates, investments in PV and storage system technology will increase by around 20% year on year to an expected €1.2 billion despite persistently high price pressure. The increase in euros is particularly attributable to the business involving system technologies for storage applications. Battery-storage systems are gaining importance in Europe, especially in Germany and Italy. In addition to the business involving new systems for consumption of self-generated energy, the retrofitting of existing systems with new inverters and storage systems will also yield high potential in the medium term. For many PV systems, government subsidization will end in the years to come. Self-consumption of solar power is a particularly attractive option for the operators of these systems.

Price Pressure Hurts Investment in North and South America

The SMA Managing Board expects an 8% decline in newly installed PV power to 16 GW for the American markets after strong growth in the previous year. Roughly 14 GW of this amount is attributable to the North American markets. Inverter technology investments are expected to fall at a greater rate to €1.2 billion (2016: €1.5 billion). This decrease is particularly due to the temporary weakness of the large-scale PV power plant (Utility) segment in the U.S. In the medium term, the U.S. utility market will benefit from extension of the solar ITC until 2020. As a result, the SMA Managing Board expects demand in the U.S. utility segment to rise by 2020. The Residential and Commercial segments are currently influenced by strict regulations set forth in the National Electrical Code (NEC). However, medium-term prospects are positive here as well. The petition filed by bankrupt module manufacturer Suniva with the U.S. USITC at the end of April has a major impact on the development of the U.S. market. This petition is calling for high minimum import prices for solar cells and modules into the U.S. The USITC has announced that it will examine the petition by November.

Slight Decline in Investment in APAC

The most important markets in the APAC region include China, Japan and India. 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. According to the SMA Managing Board's estimates, PV installation in China will weaken in the months to come after a strong first half of the year due to subsidy cuts announced for mid-2017. SMA expects new PV installations in China to amount to 36 GW over 2017 as a whole (2016: 34 GW). Investments in inverter technology are expected to rise to €1.1 billion (2016: €900 million) as a result of strong growth in the distributed PV system segment. For the APAC region excluding China, the SMA Managing Board also predicts an increase in newly installed PV power to 21 GW in 2017 (2016: 16 GW). The growth will be driven in particular by the Indian market. However, high price pressure will erode volume growth. The SMA Managing Board therefore expects unchanged investment of approximately €1.6 billion in inverter technology (2016: €1.6 billion).

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

The trend to regionalize power supply is gaining momentum. More and more households, cities and companies are becoming less dependent on energy 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 may also help increase self-consumption of renewable energies and offset fluctuations in the utility grid. Interconnection with photovoltaic systems is giving rise to new business models and greater customer benefits.

According to 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. Rising prices for conventional domestic power and many private households and companies wanting to drive forward the energy transition by making their contribution to a sustainable and decentralized energy supply are the basis for new business models. Demand for solutions that increase self-consumption of solar power is likely to rise particularly in the European markets, the U.S., Australia and Japan. In these markets, renewable energies are already taking on a greater share in the electricity supply. In addition, power supply companies are increasingly using battery-storage systems to avoid costly grid expansions, stabilize grid frequency and balance fluctuations in the power feed-in from renewable energy sources. The SMA Managing Board expects the volume of the still fairly new storage market to be around €600 million to €800 million in 2017 (excluding sales with batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market. In the medium term, the Managing Board expects exponential growth in the storage market. It is therefore difficult to predict the market's future size in detail.

The SMA Managing Board also sees good growth prospects in the field of smart module technology to increase the functionality and performance of PV modules (module level power electronics – MLPE). These technologies include micro inverters and DC optimizers, among others. The SMA Managing Board estimates that DC optimizers in particular will gain in importance over the currently dominant string inverter technology without optimizers in the years to come. This trend is emanating from North America because regulatory requirements in the markets there encourage the use of DC optimizers.

The technical management of large-scale PV plants is another growth segment. This includes a range of services, such as repairs, device replacements and visual inspections and maintenance of entire systems. The total addressable market in this segment will have an installed capacity of over 200 GW at the end of 2017. Prices are calculated yearly per MW and vary significantly depending on the regions and services included.

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

The following statements on the future development of the SMA Group are based on estimates drawn up by the SMA Managing Board and the expectations concerning the progression of global photovoltaic markets set out above. The SMA Group operates under a functional organization. The Residential, Commercial, Utility and Service business units assume responsibility for operations and manage development, operational services, sales, production and the supply chain. SMA Sunbelt Energy GmbH and the Off-Grid & Storage business unit have been combined under Other Business. The Forecast Report is based on the described reporting structure.

SMA's sales and earnings situation depends on the development of different global markets, the respective market share, and price dynamics. Factoring in the pronounced demand fluctuations in the solar industry, last year the SMA Managing Board consolidated the global production locations and thus increased SMA's financial and operational flexibility. In addition, more cost-effective products were developed for important sales markets to counter the high price pressure in the industry. By agreeing to a syndicated loan of €100 million, domestic commercial banks have underscored the SMA Group's high credit rating.

Managing Board Raises Sales and Earnings Forecast

The first half of 2017 was shaped by high price pressure in all markets and segments. Incoming orders developed positively in the period under review and the book-to-bill ratio was 1.4. Incoming orders also remained high in July. The order backlog increased by 25% in the first six months of the year and amounted to roughly €673 million as of June 30, 2017. Around €280 million of this amount was attributable to product business. The product-related order backlog climbed by around 94% since the start of the year. As a result, on August 1, 2017, the SMA Managing Board raised its sales and earnings forecast for the current fiscal year. The new forecast predicts sales of €900 million to €950 million (previously: €830 million to €900 million) and earnings before interest, taxes, depreciation and amortization (EBITDA) of €85 million to €100 million (previously: €70 million to €90 million). The amount of depreciation and amortization will remain unchanged in

between €60 million and €70 million. On this basis, the Managing Board still expects EBIT to decline tangibly compared to the previous year. The earnings forecast includes positive earnings effects in the single-digit millions from the sale of SMA Railway Technology GmbH, which was completed on March 29, 2017.

SMA's business model is not capital-intensive. Despite the increase in investments (including capitalized development costs) to up to €50 million in the 2017 fiscal year (2016: €29.0 million), SMA's investment ratio of a maximum of roughly 6% remains low. The increase in capital expenditure is mainly attributable to test equipment for new product generations, higher capitalization of development costs and measures to modernize the IT infrastructure. The SMA Group's net working capital is expected to amount to between 22% and 25% of the sales of the last 12 months (2016: 23.8%). The consolidation of global production sites will increase transport times and thus inventory. This effect on net working capital can be partially offset by longer payment periods with suppliers and optimized debtor management. Overall, the SMA Managing Board anticipates a positive free cash flow. Net cash is expected to increase to more than €450 million (December 31, 2016: €362.0 million).

Price Dynamics and Digitization Determine Business Performance

The drop in prices in the first half of 2017 was in line with the SMA Managing Board's expectations. The Managing Board expects further price decreases in all segments and regions in the second half of the year. These effects are taken into account in the sales and earnings forecast mentioned above. By systematically investing over €500 million in development over the last five years alone, we have a multiple award-winning product portfolio for all output ranges.

We have also presented a range of innovations to our customers at leading trade fairs in the U.S. and Europe in recent months. These will lead to considerable savings in the total costs of PV systems. In addition, we will launch further cost-optimized products and solutions in global photovoltaic markets in the future to increase our competitiveness in the medium term. To further optimize the SMA Group's break-even point and increase flexibility, the SMA Managing Board closed production sites in Denver, U.S., and Cape Town, South Africa, at the end of 2016. The effects generated by product innovations and cost reduction measures are expected to be recognized in earnings in the course of 2017.

Overall, SMA is well-positioned to benefit in all market segments and regions from the trend of decentralized energy supply structures. No other competitor has a similar international presence. In addition, SMA will use its financial strength to benefit from the digitization of the energy industry. For example, we have developed a technical platform that allows for energy flow monitoring across different sectors, such as photovoltaics, heating, cooling, ventilation as well as stationary and mobile storage systems. With an intelligent energy management solution, we will optimize total energy costs at the local level in the future. These new solutions distinguish us further from competitors and allow us to establish new business models. As a specialist in complete solutions in the energy sector, SMA will specifically establish and expand strategic alliances to more quickly tap into the potential offered by digitization.

Well Prepared for Market Changes With Full Product Range

SMA's broad product portfolio in all market segments is a major distinguishing feature. The Company can therefore react quickly to changing markets and benefit from the global development of photovoltaic markets.

The Residential business unit serves global markets for small PV systems with and without connection to a smart home solution. According to Managing Board estimates, in 2017, the Residential business unit will generate sales of €210 million to €220 million, accounting for approximately 25% of SMA Group sales (formerly: €190 million to €210 million; 2016: €175.0 million; 18.5%). The portfolio of the Residential business unit with the SMA and Zenersolar brands comprises smart module technology, single- and three-phase string inverters in the lower output range up to 12 kW, energy management solutions, storage systems, communication products and accessories. The main sales drivers include the Sunny Boy inverters with outputs of up to 5 kW. Europe, North America, Australia and Japan remain the most significant sales markets. Since March 2017, the Residential business unit has been selling a Sunny Boy inverter configured for the solar module optimizers of Tigo Energy, Inc. and will launch other cost-optimized SMA and Zenersolar products onto its core markets over the course of the year. In addition, the Residential business unit aims to access new customers and distribution channels and to increase selling prices in selected markets in the second half of the year 2017 to increase sales. Product innovations and outlined sales measures are only expected to affect earnings in the medium term. The SMA Managing Board therefore expects the Residential business unit to generate negative EBIT in the upper single-digit millions in 2017. In the medium term, other planned product innovations and cost optimization of the existing portfolio will increase the business unit's gross margin.

The Commercial business unit concentrates on global markets for medium-sized to large PV systems with and without an energy management solution. For the Commercial business unit, the SMA Managing Board forecasts sales of €300 million to €310 million (formerly: €250 million to €270 million; 2016: €263.0 million). The business unit is therefore expected to account for more than 30% of Group sales (2016: 27.8%). The main sales drivers are the Sunny Tripower inverters with an output ranging from 25 kW and above. In the period under review, the portfolio was expanded with a completely new product generation for rooftop applications with a power output of 50 kW. An enhanced three-phase Sunny Tripower inverter for ground-based PV systems will follow in the second half of the year. Additionally, the Commercial business unit will launch ennexOS as a new energy management solution to monitor the energy flows of different sectors and also optimize them at a later date. The SMA Managing Board thus anticipates positive operating earnings (EBIT) in the lower double-digit millions in 2017.

The Utility business unit serves the markets for large-scale PV projects. In addition to central inverters with grid service and monitoring features, the portfolio also comprises holistic solutions with medium- and high-voltage technology as well as accessories. With expected sales of €250 million to €260 million (formerly: €270 million to €290 million; 2016: €396.7 million), the Utility business unit is expected to account for less than 30% of Group sales (2016: 41.9%). The anticipated drop in sales is predominantly attributable to U.S. business. However, the Managing Board expects this to only be a temporary effect. Medium-term prospects in the U.S. are good and sales growth is therefore expected to pick up again from 2018 onwards. The new Sunny Central inverter with an output of 2.5 MW is set to be the main sales driver in this business unit in the current fiscal year. In the period under review, the portfolio was complemented by a compact, complete solution including medium-voltage and switching technology with an output of 5 MW. The integrated solution in a 40-foot container will be sold under the brand name Medium Voltage Power Station 5000. The SMA Managing Board anticipates positive operating earnings (EBIT) in the single-digit millions in 2017.

Our service business will continue to benefit from the number of commissioned projects in the Utility and Commercial business units in 2017. In addition, the SMA Managing Board expects the conclusion of new, long-term service and maintenance contracts for large-scale PV projects and extended warranties for Sunny Boy and Sunny Tripower inverters. With sales of €60 million to €70 million (formerly: €55 million to €60 million; 2016: €44.7 million), the SMA Managing Board anticipates positive operating earnings (EBIT) in the single-digit millions.

The SMA Managing Board anticipates total sales of €80 million to €90 million (formerly: €65 million to €70 million; 2016: €67.3 million) for the areas included in Other Business (SMA Sunbelt Energy and the Off-Grid & Storage business unit). These business areas are expected to generate positive operating earnings (EBIT) in the single-digit millions.

SMA Is a Global Market Leader and Has Set the Course for the Future

With its strategy so far, SMA has successfully defended its global market leadership in a market environment dominated by drastic change. According to its own estimates, SMA accounted for approximately 20% of industry turnover worldwide in 2016. Following the rapidly implemented company transformation, the SMA Managing Board adjusted its strategy to the market developments expected in the future. As the energy supply of the future becomes more and more decentralized and renewable, the requirements for system technology are increasing significantly. Establishing the technical conditions for fully automatic optimization of total energy costs and merging supply and demand are giving rise to attractive business opportunities for SMA. Therefore, SMA's continued development into an energy service provider is one of the most important strategic objectives for the years to come. In our strategy work, we have also defined flexibility concepts enabling us to operate profitably even in sharply fluctuating sales markets.

Thanks to our extensive experience in PV system technology, ability to quickly implement changes and numerous strategic partnerships, SMA is well prepared for the digitization of the energy industry. We will build on our unique strengths and design additional system 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 make a decisive contribution to the Company's long-term success.

Niestetal, August 1, 2017

SMA Solar Technology AG
Managing Board

HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

January to June 2017

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HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT SMA GROUP

In €'000	Note	April – June (Q2) 2017	April – June (Q2) 2016 ¹	Jan. – June (H1) 2017	Jan. – June (H1) 2016 ¹
Sales	4	207,917	234,255	381,072	482,333
Cost of sales	5	167,192	177,139	308,075	362,912
Gross profit		40,725	57,116	72,997	119,421
Selling expenses	6	13,670	12,321	24,753	24,030
Research and development expenses	7	15,710	16,832	31,008	31,967
General administrative expenses	8	13,008	13,622	26,541	25,444
Other operating income	9	13,914	7,184	27,176	14,283
Other operating expenses	9	12,029	8,086	15,118	13,944
Operating profit (EBIT)		222	13,439	2,753	38,319
Result from at equity-accounted investments		-965	0	-965	0
Financial income		1,860	508	2,632	1,160
Financial expenses		331	2,417	695	3,040
Financial result	11	564	-1,909	972	-1,880
Profit before income taxes		786	11,530	3,725	36,439
Income taxes		-2,046	11,364	-5,375	17,662
Profit from continuing operations		2,832	166	9,100	18,777
Profit from discontinued operation		0	496	-289	649
Net income		2,832	662	8,811	19,426
of which attributable to non-controlling interests		0	0	0	0
of which attributable to shareholders of SMA AG		2,832	662	8,811	19,426
Earnings per share, basic/diluted	12	0.08	0.02	0.25	0.56
thereof from continuing operations (in €)		0.08	0.00	0.26	0.54
thereof from discontinued operation (in €)		0.00	0.01	-0.01	0.02
Number of ordinary shares (in thousands)		34,700	34,700	34,700	34,700

¹ Previous year's figures adjusted pursuant IFRS 5.34

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

In €'000	April – June (Q2) 2017	April – June (Q2) 2016	Jan. – June (H1) 2017	Jan. – June (H1) 2016
Net income	2,832	662	8,811	19,426
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	-3,231	511	-3,067	-1,987
Changes recognized outside profit or loss (currency translation differences)	-3,231	511	-3,067	-1,987
Cash flow hedges before taxes	9,954	0	14,704	0
Deferred taxes related to cash flow hedges	-3,027	0	-4,500	0
Cash flow hedges after taxes	6,927	0	10,204	0
Overall comprehensive result¹	6,528	1,173	15,948	17,439
of which attributable to non-controlling interests	0	0	0	0
of which attributable to shareholders of SMA AG	6,528	1,173	15,948	17,439

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

BALANCE SHEET SMA GROUP

In €'000	Note	2017/06/30	2016/12/31
ASSETS			
Intangible assets	13	71,058	73,231
Fixed assets	14	221,557	234,327
Investment property	15	0	15,414
Other investments		5	5
Investments in associates		13,910	14,875
Deferred taxes		84,022	88,323
Non-current assets		390,552	426,175
Inventories	16	182,989	169,219
Trade receivables		129,959	165,098
Other financial assets (total)	17	226,554	177,935
Cash equivalents with a duration of more than 3 months and asset management		209,050	159,419
Rent deposits and cash on hand pledged as collaterals		8,616	9,242
Remaining other financial assets		8,888	9,274
Receivables from tax authorities (total)		22,748	21,407
Claims for income tax refunds		10,955	5,900
Claims for VAT refunds		11,793	15,507
Other receivables		13,519	9,729
Cash and cash equivalents		205,529	216,124
		781,298	759,512
Assets classified as held for sale	18	18,167	25,077
Current assets		799,465	784,589
Total assets		1,190,017	1,210,764

In €'000	Note	2017/06/30	2016/12/31
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		438,138	431,212
SMA Solar Technology AG shareholders' equity		592,038	585,112
Provisions ¹	20	90,431	89,926
Financial liabilities ²	21	19,337	20,658
Other liabilities (total)		163,780	161,269
Accrual item for extended warranties	23	157,611	154,872
Other financial liabilities	22	711	1,015
Remaining other liabilities	23	5,458	5,382
Deferred taxes		23,392	21,022
Non-current liabilities		296,940	292,875
Provisions ¹	20	69,551	87,117
Financial liabilities ²	21	2,867	19,691
Trade payables		109,737	108,902
Income tax liabilities		12,381	14,986
Other liabilities ¹ (total)		106,503	97,920
Human Resources department	23	21,080	17,687
Prepayments received	23	24,046	22,239
Other financial liabilities	22	12,635	13,763
Remaining other liabilities	23	48,742	44,231
		301,039	328,616
Liabilities directly associated with assets classified as held for sale	18	0	4,161
Current liabilities		301,039	332,777
Total equity and liabilities		1,190,017	1,210,764
Total Cash (in € million)		423	385
Cash and cash equivalents + cash equivalents with a duration of more than 3 months and asset management + current rent deposits and cash on hand pledged as collaterals + non-current rent deposits			
Net Cash (in € million)		401	362
Total cash - current and non-current loan liabilities (excluding derivatives)			

¹ Not interest-bearing

² Includes not-interest-bearing current and non-current derivatives amounting to €0.6 million (2016: €17.6 million)

STATEMENT OF CASH FLOWS

SMA GROUP

In €'000	Note	Jan. – June (H1) 2017	Jan. – June (H1) 2016 ¹
Consolidated net result		9,100	18,777
Income taxes		-5,375	17,662
Financial result		-972	1,880
Depreciation and amortization		26,546	32,855
Change in provisions		-17,061	-581
Result from the disposal of assets		-62	-85
Change in non-cash expenses/revenue		5,936	1,799
Interest received		110	196
Interest paid		-655	-1,076
Income tax paid		4,385	-11,855
Gross cash flow		21,952	59,572
Change in inventories		-15,982	-17,055
Change in trade receivables		33,898	-1,858
Change in trade payables		834	11,221
Change in other net assets/other non-cash transactions		-1,845	3,387
Net cash flow from operating activities - continuing operations	25	38,857	55,267
Net cash flow from operating activities - discontinued operations		0	-5,040
Net cash flow from operating activities		38,857	50,227
Payments for investments in fixed assets		-5,911	-4,904
Proceeds from the disposal of fixed assets		1,440	236
Payments for investments in intangible assets		-8,914	-6,647
Payments for investments in associated companies		0	-17,596
Payments for the acquisitions of companies net of cash/ proceeds from the acquisition of business units		0	-1,500
Cash inflow from the disposal of held for sale assets net of cash		16,624	0
Proceeds from the disposal of securities and other financial assets		9,000	56,608
Payments for the acquisition of securities and other financial assets		-58,631	-55,715
Net cash flow from investing activities - continuing operations	26	-46,392	-29,518
Net cash flow from investing activities - discontinued operations		0	-445
Net cash flow from investing activities		-46,392	-29,963
Change in non-controlling interests		0	28
Redemption of financial liabilities		-1,254	-5,763
Dividends paid by SMA Solar Technology AG		-9,022	-4,858
Cash outflows for the acquisition of non-controlling interests in subsidiaries		0	-3,734
Net cash flow from financing activities - continuing operations	27	-10,276	-14,327
Net cash flow from financing activities - discontinued operations		0	0
Net cash flow from financing activities		-10,276	-14,327
Net increase/decrease in cash and cash equivalents		-17,811	5,937
Changes due to exchange rate effects		7,216	548
Cash and cash equivalents as of January 1		216,124	200,180
Less cash and cash equivalents of discontinued operations		0	-2,336
Cash and cash equivalents as of June 30	28	205,529	204,329

¹ Previous year's figures adjusted pursuant IFRS 5.3.4

STATEMENT OF CHANGES IN EQUITY SMA GROUP

In €'000	Share capital	Capital reserves
Shareholders' equity as of January 1, 2016	34,700	119,200
Consolidated net result	0	0
Other comprehensive income after tax	0	0
Overall result		
Proceeds from owners (capital increase Zeversolar)		
Dividend payments of SMA Solar Technology AG		
Shareholders' equity as of June 30, 2016	34,700	119,200
Shareholders' equity as of January 1, 2017	34,700	119,200
Consolidated net result	0	0
Other comprehensive income after tax	0	0
Overall result		
Dividend payments of SMA Solar Technology AG		
Shareholders' equity as of June 30, 2017	34,700	119,200

Equity attributable to the shareholders of the parent company						
	Difference from currency translation	Cash flow hedges	Other retained earnings	Total	Equity attributable to non-controlling interests	Consolidated shareholders' equity
	6,757	0	409,577	570,234	-26	570,208
	0	0	19,426	19,426	0	19,426
	-1,987	0	0	-1,987	0	-1,987
						17,439
		0	-1,506	-1,506	28	-1,478
			-4,858	-4,858		-4,858
	4,770	0	422,639	581,309	2	581,311
	8,750	-10,348	432,810	585,112	0	585,112
	0	0	8,811	8,811	0	8,811
	-3,067	10,204	0	7,137	0	7,137
						15,948
			-9,022	-9,022		-9,022
	5,683	-144	432,599	592,038	0	592,038

CONDENSED NOTES AS OF JUNE 30, 2017

GENERAL INFORMATION

1. Basics

The Condensed Half-Year Consolidated Financial Statements of SMA Solar Technology AG as of June 30, 2017 were prepared – as were the Consolidated Financial Statements as of December 31, 2016 – in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the regulations of Section 315a of the German Commercial Code (HGB). In fiscal year 2017, the Interim Financial Statements for SMA Solar Technology AG are therefore prepared in accordance with IAS 34 “Interim Financial Reporting”. Pursuant to the regulations of IAS 34, a condensed scope of reporting in comparison with the Consolidated Financial Statements as of December 31, 2016 was chosen. The Condensed Financial Statements do not include all the information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the Consolidated Financial Statements as of December 31, 2016.

The Condensed Half-Year Consolidated Financial Statements were prepared in euros. Unless indicated otherwise, all amounts are stated in euros and rounded to whole thousands (€'000) or millions (€ million) to improve clarity.

The Consolidated Financial Statements are prepared on the basis of the amortized acquisition cost principle. Exceptions to this are provisions, deferred taxes, leases and derivative financial instruments.

The income statement is classified according to the cost of sales method.

The Managing Board of SMA Solar Technology AG authorized the Half-Year Consolidated Financial Statements on August 1, 2017 for submission to the Supervisory Board.

The registered office of the Company is Sonnenallee 1, 34266 Niestetal, Germany. Shares of SMA Solar Technology AG are traded publicly. They are listed in the Prime Standard of the Frankfurt Stock Exchange. Since September 22, 2008, the Company's shares have been listed on the technology index TecDAX.

The SMA Group develops, produces and distributes PV inverters, transformers, choke coils, monitoring and energy management systems for PV systems and power electronics components for railway technology until March 29, 2017. Another area of business is operation and maintenance services for photovoltaic power plants (O&M business), in addition to other services.

More detailed information on the segments is provided in section 4.

2. Scope of Consolidation and Consolidation Principles

The scope of consolidation as of December 31, 2016, changed in comparison to December 31, 2015 due to the acquisition of a 28.27% interest in Tigo Energy, Inc. and the increase in the shareholding in Jiangsu Zeversolar New Energy Co., Ltd. to 100%. The share in Immo Beteiligungs GmbH was increased to 100% through the acquisition of 6% of the shares from SMA Technologie-Holding GmbH.

With the exception of Tigo Energy, Inc., all companies within the scope of consolidation are fully consolidated. Tigo Energy, Inc. is recognized as an associate in the Consolidated Financial Statements according to the equity method. Those companies entitled to investments in the list of shareholdings are not consolidated due to their subordinate importance.

The Half-Year Consolidated Financial Statements are based on the Financial Statements of SMA Solar Technology AG and the subsidiary companies included in the scope of consolidation, which were prepared using uniform accounting policies throughout the SMA Group.

Further details can be found in the Notes to the Consolidated Financial Statements as of December 31, 2016.

The scope of consolidation as of June 30, 2017, changed in comparison to December 31, 2016, due to the disposal of SMA Railway Technology GmbH. SMA Railway Technology (Guangzhou) Co., Ltd. was dissolved as part of the disposal of SMA Railway Technology GmbH.

3. Accounting and Valuation Policies and Adoption of New Accounting Standards

ACCOUNTING AND VALUATION POLICIES

There were no changes in the accounting and valuation policies in these Half-Year Consolidated Financial Statements as of June 30, 2017, in comparison with the Consolidated Financial Statements of SMA Solar Technology AG as of December 31, 2016.

ADOPTION OF NEW ACCOUNTING STANDARDS

While compiling the Half-Year Consolidated Financial Statements, there were no new accounting standards that became effective in fiscal year 2017 as against December 31, 2016. The SMA Group has not yet applied the new standards, interpretations or changes to the standards published that were not yet mandatory in 2017. The standards that have to be applied in the future can be found in the 2016 Annual Report, Chapter 3, Newly Published Accounting Regulations from IASB.

FUTURE EFFECTS ARISING FROM THE ADOPTION OF NEW STANDARDS

A new revenue recognition standard was published on May 28, 2014. This standard applies to reporting periods beginning on or after January 1, 2018. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principle-based five-step model based on transferring control to the customer for revenue recognition and to be applied to all contracts with customers. The first-time application of the standard is not expected to have a significant impact on the earnings of the existing business. This is because the allocation of the transaction price to the different services in the contract does not result in any material differences from previous accounting methods. There will be no material effects

with regard to the time of revenue recognition – apart from where this concerns contractual ancillary services. Application of the standard will result in more extensive disclosures. New business models are monitored while they are being developed to identify any potential effects arising from IFRS 15 at an early stage.

4. Segment Reporting

The SMA Group operates under a functional organization. In this organization, the Residential, Commercial, Utility and Service business units take on overall responsibility and manage development, operational service and sales as well as operations. The Other Business segment comprises SMA Sunbelt Energy and the Off-Grid & Storage business unit. This compact organization allows for fast decisions and a lean management structure. The sale of the Railway Technology business division was concluded on March 29, 2017. The division was therefore reported as a discontinued operation as per IFRS 5 in the previous year. It was also previously allocated to the Other Business segment.

Sales in the Residential, Commercial und Utility business units are subject to fluctuations because of discontinuous incentive programs.

Segment	Activities
Residential	The Residential business unit serves the attractive long-term market of small PV systems for private applications with the smart module technology from Tigo Energy; 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; string inverters with the Zeversolar brand; energy management solutions; storage systems; and communication products and accessories.
Commercial	The Commercial business unit focuses on the growing market of medium-sized PV systems for commercial applications and on large-scale PV power plants using string inverters. The portfolio includes three-phase Sunny Tripower inverters that are compatible with the smart module technology of Tigo Energy, Inc., with outputs of more than 12 kW, as well as holistic energy management solutions for medium-sized solar power systems, medium-voltage technology and other accessories.
Utility	The Utility business unit serves the growing market for large-scale PV power plants with central inverters from the Sunny Central brand. The outputs of Sunny Central inverters range from 500 kW to the megawatts. In addition, its portfolio includes complete solutions comprising central inverters with their grid service and monitoring functions as well as all medium- and high-voltage technology and accessories.
Service	The Service business unit provides commissioning, warranty extensions, service and maintenance contracts, operational management, remote system monitoring services and spare parts supply. SMA has its own service companies in all important photovoltaic markets. With an installed capacity of around 55 GW worldwide, SMA leverages economies of scale to manage its service business profitably.
Other Business	SMA Sunbelt Energy GmbH and the Off-Grid & Storage business unit are included under Other Business . Here, activities focus on the integration of battery-storage systems into all applications and system sizes. SMA Sunbelt Energy GmbH focuses on PV projects in off-grid areas and PV diesel hybrid projects in sunbelt areas around the world. In addition, the subsidiary has been involved in major battery-storage projects in selected markets since last year.

The operating result of the segments is monitored separately by the Managing Board to make decisions on the allocation of resources and to determine the profitability of the segments. Group financing, currency and interest rate hedging and the income tax burden are controlled at the SMA Group level and are therefore not allocated to the individual operating segments.

Regarding information on geographical segments, sales are assigned to countries using the destination principle. The Company refrains from presenting non-current assets based on this classification. SMA Solar Technology AG develops and manufactures its products mainly in Germany. There are no material non-current assets tied to the production sites outside Germany in China and Poland. Accordingly, an apportionment of assets by regions is likewise not a part of internal management reporting.

The segment information in accordance with IFRS 8 for the second quarter of 2017 and 2016 is as follows:

In € million	Residential		Commercial		Utility	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Segments						
External sales	56.3	57.4	66.1	67.1	59.0	89.1
Internal sales	0.3	0.1	0.3	0.2	0.0	0.0
Total sales	56.6	57.5	66.4	67.3	59.0	89.1
Depreciation and amortization	1.5	2.4	0.5	0.6	2.6	2.6
Operating profit (EBIT)	1.7	-0.8	2.0	4.7	0.5	7.8
Sales by regions						
EMEA	37.8	31.4	31.1	24.7	7.8	8.1
Americas	7.0	19.2	12.7	21.3	28.3	78.2
APAC	16.5	9.1	23.3	21.5	22.9	2.8
Sales deductions	-5.0	-2.3	-1.0	-0.4	0.0	0.0
External sales	56.3	57.4	66.1	67.1	59.0	89.1

In € million	Service		Other Business ¹		Reconciliation		Continuing operations	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Segments								
External sales	13.9	11.8	12.6	8.8	0.0	0.0	207.9	234.2
Internal sales	0.1	16.2	0.4	0.0	-1.1	-16.5	0.0	0.0
Total sales	14.0	28.0	13.0	8.8	-1.1	-16.5	207.9	234.2
Depreciation and amortization	0.0	0.3	0.4	0.6	8.2	10.0	13.2	16.5
Operating profit (EBIT)	3.3	4.2	0.1	-1.0	-7.4	-1.5	0.2	13.4
Sales by regions								
EMEA	8.6	4.7	9.2	5.9	0.0	0.0	94.5	74.8
Americas	2.9	4.8	1.7	0.0	0.0	0.0	52.6	123.5
APAC	2.1	2.3	1.8	2.9	0.0	0.0	66.6	38.6
Sales deductions	0.3	0.0	-0.1	0.0	0.0	0.0	-5.8	-2.7
External sales	13.9	11.8	12.6	8.8	0.0	0.0	207.9	234.2

¹ Due to the disposal of the Railway Technology business division and the reclassification of Zeversolar to the segment Residential the former segment "Other Business" comprises the business activities SMA Sunbelt Energy and the Off-Grid & Storage business unit in the current fiscal year. The previous year's figures were adjusted.

The segment information in accordance with IFRS 8 for the first half of 2017 and 2016 is as follows:

In € million	Residential		Commercial		Utility	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Segments						
External sales	93.6	107.0	123.3	127.7	107.8	204.5
Internal sales	0.3	0.1	0.3	0.2	0.0	0.0
Total sales	93.9	107.1	123.6	127.9	107.8	204.5
Depreciation and amortization	3.2	4.9	0.9	1.3	5.3	4.9
Operating profit (EBIT)	-6.0	-1.2	0.4	6.5	-2.2	32.0
Sales by regions						
EMEA	58.3	52.2	49.9	49.4	14.3	34.7
Americas	11.5	43.3	23.6	34.0	46.9	152.5
APAC	31.3	17.4	51.1	45.0	46.6	17.6
Sales deductions	-7.5	-5.9	-1.3	-0.7	0.0	-0.3
External sales	93.6	107.0	123.3	127.7	107.8	204.5

In € million	Service		Other Business ¹		Reconciliation		Continuing operations	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Segments								
External sales	28.4	24.7	28.0	18.4	0.0	0.0	381.1	482.3
Internal sales	0.1	32.1	0.5	0.0	-1.2	-32.4	0.0	0.0
Total sales	28.5	56.8	28.5	18.4	-1.2	-32.4	381.1	482.3
Depreciation and amortization	0.0	0.7	0.7	1.0	16.5	20.1	26.6	32.9
Operating profit (EBIT)	5.5	5.6	0.7	-1.1	4.3	-3.5	2.7	38.3
Sales by regions								
EMEA	16.1	11.5	16.4	11.6	0.0	0.0	155.0	159.4
Americas	6.1	8.0	8.7	3.8	0.0	0.0	96.8	241.6
APAC	6.2	5.4	3.4	3.0	0.0	0.0	138.6	88.4
Sales deductions	0.0	-0.2	-0.5	0.0	0.0	0.0	-9.3	-7.1
External sales	28.4	24.7	28.0	18.4	0.0	0.0	381.1	482.3

¹ Due to the disposal of the Railway Technology business division and the reclassification of Zeversolar to the segment Residential the former segment "Other Business" comprises the business activities SMA Sunbelt Energy and the Off-Grid & Storage business unit in the current fiscal year. The previous year's figures were adjusted.

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

In € million	Q2 2017	Q2 2016	H1 2017	H1 2016
Total segment earnings (EBIT)	7.6	14.9	-1.6	41.8
Eliminations	-7.4	-1.5	4.3	-3.5
Consolidated EBIT	0.2	13.4	2.7	38.3
Financial result	0.6	-1.9	1.0	-1.9
Earnings before income taxes	0.8	11.5	3.7	36.4

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

Segment assets as of June 30, 2017, did not change significantly in comparison with the reporting date of the last Annual Consolidated Financial Statements (December 31, 2016).

CONDENSED NOTES TO THE INCOME STATEMENT SMA GROUP

5. Cost of Sales

In €'000	H1 2017	H1 2016
Material expenses	212,115	239,398
Personnel expenses	54,844	63,352
Depreciation	22,526	28,245
Other	18,590	31,917
	308,075	362,912

Cost of sales include, as direct costs, product-related material expenses as well as all other expenses for Production, Purchasing, Service, Facility Management and IT.

Due to high price pressure, material costs fell at a slower rate than sales and amounted to €212.2 million (H1 2016: €239.4 million). The average material costs per watt fell to 5.5 cents per watt (H1 2016: 6.2 cents per watt) due to specific cost reductions and the introduction of new products with specifically less expensive material costs.

Personnel expenses decreased by 13.6% from €63.4 million in the first half of the previous year to €54.8 million. This year-on-year decrease resulted primarily from a decline in production volume and the consolidation of production sites at the end of 2016.

Depreciation and amortization decreased by 20.2% to €22.5 million (H1 2016: €28.2 million). This included scheduled depreciation on capitalized development costs of €8.6 million (H1 2016: €10.2 million).

Other costs declined by €13.3 million to €18.6 million (H1 2016: €31.9 million). This was mainly due to the consolidation of production sites and the year-on-year decrease in sales.

6. Selling Expenses

In €'000	H1 2017	H1 2016
Material expenses	71	59
Personnel expenses	14,852	15,096
Depreciation	110	197
Other	9,720	8,678
	24,753	24,030

Selling expenses include expenditure for global sales activities, internal sales and marketing. Selling expenses rose slightly by 3.8% to €24.8 million in the first half of 2017 (H1 2016: €24.0 million). This increase was mainly due to other costs that were affected mainly by the establishment of the sales organization in the U.S. and increased sales activities.

7. Research and Development Expenses

In €'000	H1 2017	H1 2016
Material expenses	1,044	2,254
Personnel expenses	24,067	23,526
Depreciation	3,231	3,806
Other	10,791	8,922
	39,133	38,508
Capitalized development projects	-8,125	-6,541
	31,008	31,967

Research and development expenses include all costs that can be attributed to the areas of product development, development-related testing and product management. Total research and development expenses including capitalized development projects rose slightly to €39.1 million (H1 2016: €38.5 million) due to the increased use of external services. Development projects subject to capitalization climbed 24.6% year on year. As a result, research and development expenses excluding capitalized development projects dropped to €31.0 million as against the previous year (H1 2016: €32.0 million).

8. General Administrative Expenses

In €'000	H1 2017	H1 2016
Material expenses	21	21
Personnel expenses	15,388	14,215
Depreciation	399	490
Other	10,733	10,718
	26,541	25,444

Administrative expenses include expenses for the Managing Board and for Finance, Legal and Compliance, Human Resources, Quality Management and Corporate Communication. General administrative expenses totaled €26.5 million in the first half of 2017 (H1 2016: €25.4 million). This increase was mainly due to higher personnel expenses.

9. Other Operating Income/Expenses

Other operating income specifically includes income from foreign currency valuation as well as non-operative income, such as from assets measured at fair value through profit or loss, and reversal of provisions. The proceeds from the disposal of Railway Technology are also included in other operating income.

Other operating expenses specifically include expenses from foreign currency valuation, impairment losses on receivables, and expenses from disposal of non-current assets and from assets measured at fair value through profit and loss.

10. Employee and Temporary Employee Benefits

In €'000	H1 2017	H1 2016
Wages and salaries	87,803	92,641
Expenses for temporary employees	6,853	9,954
Social security contribution and welfare payments	13,964	13,484
	108,620	116,079

The average number of employees in the Group amounted to:

	H1 2017	H1 2016
Research and Development	498	595
Production and Service	1,550	1,844
Sales and Administration	661	731
	2,709	3,170
Apprentices and interns	139	146
Temporary employees	492	664
	3,340	3,980

11. Financial Result

In €'000	H1 2017	H1 2016
Loss from at equity-accounted investments	965	0
Interest income	2,547	935
Other financial income	6	188
Income from interest derivatives	79	37
Financial income	2,632	1,160
Interest expenses	526	3,040
Expenses from interest derivatives	169	0
Financial expenses	695	3,040
Financial result	972	-1,880

Financial income increased compared with the first half of 2016. This was mainly due to the release of interest-bearing provisions.

12. Earnings per Share

Earnings per share are calculated by dividing the net income attributable to the shareholders by the weighted average of ordinary shares in circulation during the period.

Consolidated earnings attributable to shareholders are the consolidated net profit after tax, excluding the portion attributable to non-controlling interests. As there were no shares held by the Company on the reporting date nor any other special cases, the number of ordinary shares issued equated to the number of shares in circulation.

The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 resulted in earnings of €0.25 per share for the period from January 1, 2017 to June 30, 2017, with the number of shares at 34.7 million. For the period from January 1, 2016 to June 30, 2016, the calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 yielded earnings of €0.56 per share on the basis of 34.7 million shares.

There were no options or conversion options as of the reporting date. Therefore, there were no diluting effects and the diluted and basic earnings per share were the same.

SELECTED NOTES TO THE SMA GROUP BALANCE SHEET

13. Goodwill and Other Intangible Assets

In €'000	2017/06/30	2016/12/31
Goodwill	798	798
Software	3,968	5,536
Patents/licenses/other rights	5,423	5,797
Development projects	37,123	45,767
Intangible assets in progress	23,747	15,333
Prepayments	0	0
	71,058	73,231

The goodwill results from dtw Sp. z o.o. and the asset deals with Danfoss Power Electronics A/S and Phoenix Solar AG.

The intangible assets in progress reflect development activities undertaken to ensure the SMA Group's position as a technology leader. In the 2017 fiscal year, a significant amount was reclassified to development projects due to the market launch of new products.

14. Fixed Assets

In €'000	2017/06/30	2016/12/31
Land and buildings incl. buildings on third-party property	156,813	163,953
Technical equipment and machinery	32,685	33,917
Other equipment, plant and office equipment	28,692	31,372
Prepayments	3,367	5,085
	221,557	234,327

Prepayments for the period from January 1 to June 30, 2017, mainly relate to investments in technical equipment, machinery and other equipment, and plant and office equipment.

15. Investment Property

In €'000	2017/06/30	2016/12/31
Level at the beginning of the year	15,414	0
Additions	0	0
Disposals	-15,414	0
Transfers from fixed assets (net book value)	0	15,414
Level at the end of the reporting period	0	15,414
Income and expenses included in the profit and loss account	2017	2016
Rental income	895	82
Attributable expenses	247	117

In the 2016 fiscal year, SMA Solar Technology AG rented two buildings for the first time. These buildings are located on a plot of land that is available for SMA to use for another 82 years as stipulated in the building lease. Investment property is accounted for using the cost model and measured in accordance with IAS 16 (i. e., at historical cost less depreciation and impairment and reversals of impairment). The buildings are depreciated on a straight-line basis over their economic useful life. The underlying useful life of the two buildings is 33 years.

As of June 30, 2017, SMA Solar Technology AG decided to sell both buildings within a 12-month period.

See section 18 for more information.

16. Inventories

In €'000	2017/06/30	2016/12/31
Raw materials, consumables and supplies	57,565	58,385
Unfinished goods, work in progress	17,223	13,112
Finished goods and goods for resale	106,777	97,666
Prepayments	1,424	56
	182,989	169,219

Inventories are measured at the lower value of acquisition or production costs and net realizable value. In total, impairment as of June 30, 2017, amounted to €32,3 million (December 31, 2016: €38.0 million). The addition to impairment on inventories, included under expenses as cost of sales, amounted to €2.2 million (H1 2016: €2.6 million).

17. Other Financial Assets

As of June 30, 2017, other current financial assets in particular include financial assets, time deposits with a term to maturity of over three months and accrued interest totaling €209.1 million (December 31, 2016: €159.4 million). Other non-current financial assets were reclassified as current other financial assets due to their subordinate importance for the net assets, financial position and results of operation. They primarily include a rent deposit for buildings in the U.S. amounting to USD 2.5 million (December 31, 2016: USD 2.5 million).

18. Assets Classified as Held for Sale

SMA intends to dispose of a plot of land it no longer uses. A purchase agreement has already been concluded for nine parts. Negotiations for the other parts are currently ongoing. It is assumed that the fair value of the respective areas of land less costs to sell will be higher than the book value, so no impairment is recognized.

As described in section 15, SMA rented out two buildings for the first time in fiscal year 2016. As of June 30, 2017, SMA Solar Technology AG decided to sell both buildings within a 12-month period. The parking spaces in the garage held as investment property are to be sold together with the two buildings. Due to the intention to sell these assets, these were reclassified to “Non-current assets held for sale and discontinued operations” in accordance with IFRS 5.12. It is assumed that the fair value of the two buildings and the parking spaces held as investment property less costs to sell will be higher than the book value. As a result, no impairment is recognized.

In addition, machinery was also classified as held for sale for the first time as of December 31. This machinery was sold as part of a site closure.

Furthermore SMA sold the Railway Technology business division. The sale was completed as of March 29, 2017. The business division includes SMA Railway Technology GmbH and its subsidiary SMA Railway Technology (Guangzhou) Co., Ltd. The business division develops, produces and distributes power electronics components for railway technology. Railway technology has experienced a strong trend toward consolidation in recent years. To be a successful supplier in the railway industry in the long term, SMA Railway Technology GmbH needs to further internationalize its business and expand its product range. To secure the future of SMA Railway Technology GmbH, SMA therefore decided to look for a strategic partner for this business to allow it to achieve the critical size required for its long-term success.

As of December 31, 2016, it was assumed that the fair value less costs to sell of the division would be higher than the total book value of its associated assets and liabilities. As such, no impairment was recognized at the time of reclassification nor thereafter. Pursuant to IFRS 5, the division is reported as a discontinued operation. As a result, the expenses and income associated with this operation are reported under “Profit from discontinued operation”. The assets and liabilities attributable to the SMA Railway Technology division are reclassified under the items “Assets classified as held for sale” and “Liabilities directly associated with assets classified as held for sale”. The previous year’s disclosure in the income statement has been adjusted accordingly. However, there was no adjustment to the previous year’s balance sheet as prescribed by the provisions of IFRS 5. The division was deconsolidated accordingly as of March 31, 2017. As a result, it is no longer part of the SMA Group.

In €'000	2017/06/30	2016/12/31
Land classified as held for sale	18,167	1,828
Machinery classified as held for sale	0	1,174
Assets attributable to the Railway Technology business division	0	22,075
	18,167	25,077
Liabilities attributable to the Railway Technology business division	0	4,161

19. Equity

The change in equity, including effects not shown in the income statement, is presented in the Statement of Changes in Equity.

On May 23, 2017, the Annual General Meeting of SMA Solar Technology AG passed a resolution to distribute a dividend for the 2016 fiscal year amounting to €0.26 per qualifying bearer share (2015: €0.14). The payout was made on May 29, 2017.

20. Provisions

Provisions account for all discernible risks and contingent liabilities on the balance sheet date and break down as follows:

In €'000	2017/06/30	2016/12/31
Warranties (total)	141,524	153,989
Personnel	2,309	6,057
Other	16,149	16,997
	159,982	177,043

Warranty provisions consist of general warranty obligations (periods of between five and ten years) for the various product areas within the SMA Group. In addition, provisions are set aside for individual cases that are expected to be used in the following year.

Personnel provisions mainly include obligations for long-service anniversaries, death benefits and partial retirement benefits. Personnel provisions affect cash in relation to contractual commitments made.

Other provisions include, in particular, restoration obligations and purchase commitments.

Provisions in the amount of €6,8 million were reversed in the first half-year.

21. Financial Liabilities

In €'000	2017/06/30	2016/12/31
Liabilities due to credit institutions	21,549	22,779
Derivative financial liabilities	655	17,570
of which liabilities from derivatives inside hedge accounting	205	14,910
of which liabilities from derivatives outside of hedge accounting	450	2,660
	22,204	40,349

Liabilities to credit institutions mainly include liabilities for the financing of SMA Immo properties and an SMA AG PV system. They have an average time to maturity of ten years.

The reduction in loan liabilities results primarily from Zeversolar's repayments in connection with the conversion to internal credit financing.

Derivative financial liabilities mainly consist of interest derivatives and currency futures and options, as in the previous year.

22. Other Financial Liabilities

In €'000	2017/06/30	2016/12/31
Sales department liabilities	1,456	3,792
Other	11,890	10,986
	13,346	14,778

The liabilities of the Sales department primarily contain liabilities to customers from overpayments. Liabilities from bonus agreements with customers have been reported in remaining other liabilities since the 2016 fiscal year.

23. Other Liabilities

In €'000	2017/06/30	2016/12/31
Accrual item for extended warranties	170,381	167,643
Liabilities in the Human Resources department	48,713	46,406
Liabilities from prepayments received	22,796	19,531
Liabilities due to tax authorities	4,851	3,861
Liabilities from subsidies received	7,008	3,433
Liabilities from bonus agreements	799	826
Other	2,389	2,710
	256,937	244,410

The accrual item for extended warranties includes liabilities from chargeable extended warranties granted for products from the Residential and Commercial business units. Liabilities in the Human Resources department contain obligations to employees regarding positive vacation and flextime balances as well as variable salary components and contributions to the workers' compensation association and to social insurance systems. The main items included in the liabilities due to tax authorities are tax liabilities from payroll accounting and value-added tax liabilities. The liabilities from subsidies received relate to taxable government grants from funds of the common-task program "Improvement of the Regional Economic Structure" (EU GA), granted as investment subsidies. The total amount of retransfer of government grants is stated under other operating income.

Liabilities from bonus agreements with customers have been reported in remaining other liabilities since the 2016 fiscal year.

24. Financial Instruments

In €'000	Measurement category in accordance with IAS 39	2017/06/30		2016/12/31	
		Market value	Book value	Market value	Book value
Assets					
Cash and cash equivalents	LaR	205,529	205,529	216,124	216,124
Trade receivables	LaR	129,959	129,959	165,098	165,098
Other financial assets	AFS	5	5	5	5
Other financial assets		226,554	226,554	177,935	177,935
of which institutional mutual funds	FAHFT	102,359	102,359	96,406	96,406
of which other (time deposits)	LaR	121,001	121,001	78,489	78,489
of which derivatives that do not qualify for hedge accounting	FAHFT	3,194	3,194	3,040	3,040
Liabilities					
Trade payables	FLAC	109,737	109,737	108,902	108,902
Financial liabilities		22,204	22,204	40,349	40,349
of which liabilities due to credit institutions	FLAC	21,549	21,549	22,779	22,779
of which derivatives that do not qualify for hedge accounting	FLHFT	450	450	2,660	2,660
of which derivatives that qualify for hedge accounting	FLHFT	205	205	14,910	14,910
Other financial liabilities	FLAC	13,346	13,346	14,778	14,778
Of which grouped by categories according to IAS 39:					
Loans and receivables	LaR	456,489	456,489	459,711	459,711
Financial liabilities measured at amortized cost	FLAC	144,632	144,632	146,459	146,459
Financial assets held for trading	FAHFT	105,553	105,553	99,446	99,446
Financial liabilities held for trading	FLHFT	450	450	2,660	2,660
Cash flow hedges	FLHFT	205	205	14,910	14,910
Available-for-sale financial assets	AFS	5	5	5	5

Cash and cash equivalents, trade receivables and time deposits mainly have short terms to maturity. Accordingly, their book values on the reporting date were almost identical to their fair value.

The fair values of other non-current assets correspond to the present values of the payments related to the assets while taking into account current interest parameters, which reflect market- and partner-related changes in conditions and expectations.

Other financial investments relate to investments not included in the scope of consolidation. However, because no active market exists for these investments and a reliable measurement of their fair value was not possible, measurement on the relevant reporting dates was effected at amortized cost of acquisition.

Trade payables and other current financial liabilities normally have short terms to maturity. The recognized values are almost identical to the fair values.

Fair values of other non-current financial liabilities are determined by referring to the present values of the payments associated with the debts. For discounting, term-related commercially available interest rates were used (level 2).

Derivative financial instruments are used to hedge against currency risks arising from operative business. These include currency futures and options inside and outside of hedge accounting. In principle, these instruments are only used for hedging purposes. As is the case with all financial instruments, they are recognized at fair value upon initial recognition. The fair values are also relevant for subsequent measurements. The fair value of traded derivative financial instruments is identical to the market value. This value may be positive or negative. The measurement of forward transactions is based on forward contract rates. Options are measured in line with the Black-Scholes and Heath-Jarrow-Morton option pricing models. The parameters that were used in the valuation models are in line with market data.

Derivative financial liabilities that qualify for hedge accounting include cash flow hedging for certain planned material transactions in a foreign currency.

In the current fiscal year market values in the amount of €5,1 million recognized in equity were reclassified to the income statement. Hedged planned transactions in a foreign currency are recognized fully in profit or loss in the subsequent fiscal year.

The following table shows the allocation of our financial assets and liabilities measured at fair values in the balance sheet using the three levels of the fair value hierarchy:

In €'000

	Level 1	Level 2	Level 3	Total
2017/06/30				
Financial assets, measured at fair value				
Institutional mutual funds	102,359			102,359
Derivative financial instruments		3,194		3,194
Financial liabilities, measured at fair value				
Derivative financial instruments		655		655
outside of hedge accounting		450	0	450
inside hedge accounting		205	0	205
2016/12/31				
Financial assets, measured at fair value				
Institutional mutual funds	96,406			96,406
Derivative financial instruments		3,040		3,040
Financial liabilities, measured at fair value				
Derivative financial instruments		17,570		17,570
outside of hedge accounting		2,660	0	2,660
inside hedge accounting		14,910	0	14,910

NOTES TO THE STATEMENT OF CASH FLOWS SMA GROUP

The liquid funds shown in the Statement of Cash Flows correspond to the balance sheet item “Cash and Cash Equivalents”.

25. Net Cash Flow From Operating Activities

SMA’s flexibility is still reflected in its gross cash flows. Gross cash flows amounted to €21.9 million in the first half of 2017 (H1 2016: €59.6 million) despite a challenging environment shaped by continued price pressure and poor weather conditions in key sales markets. Gross cash flows reflect operating income prior to commitment of funds.

In the first half of 2017, net cash flow from operating activities of continuing operations amounted to €38.8 million (H1 2016: €55.3 million).

Inventories increased by 8.2% to €183.0 million (December 31, 2016: €169.2 million) due to weather-related customer project delays. However, the increase in inventories did not compensate for the decline in trade receivables by €35.1 million. This led to a decrease in net working capital by 9.8% to €203.3 million (December 31, 2016: €225.4 million). The net working capital ratio in relation to sales over the past 12 months was 24.0%. It was thus slightly above the level achieved on December 31, 2016 (23.8%) due to weaker sales performance and was within the range of 22% to 25% targeted by the management.

26. Net Cash Flow From Investing Activities

Net cash flow from investing activities of continuing operations amounted to –€46.4 million in the reporting period (H1 2016: –€29.5 million). The majority of this amount was attributable to cash inflows and outflows from financial investments totaling –€49.6 million (H1 2016: €0.9 million). This also includes net cash inflows from the sale of the Railway Technology business division. The outflow of funds for investments in fixed assets and intangible assets amounted to €14.8 million in the period under review (H1 2016: €11.6 million). With €8.1 million (H1 2016: €6.5 million), an essential part of the investments was attributable to capitalized development projects.

Pursuant to IAS 7.16, monetary investments with a term to maturity of more than three months are allocated to the net cash flow from investing activities.

27. Net Cash Flow From Financing Activities

In the reporting period, net cash flow from financing activities included SMA Immo's and SMA Solar Technology AG's loan repayments and the dividend payment made by SMA Solar Technology AG in the amount of €9.0 million.

28. Cash and Cash Equivalents

Cash and cash equivalents amounting to €205.5 million (June 30, 2016: €204.3 million) include cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months.

OTHER DISCLOSURES

29. Events After the Balance Sheet Date

On August 1, 2017, the Managing Board of SMA Solar Technology AG raised its sales and earnings forecast via ad hoc statement.

30. Related Party Disclosures

As of the reporting date, the Managing Board of SMA Solar Technology AG comprised the following members: SMA Chief Executive Officer Pierre-Pascal Urbon is responsible for Strategy, Sales and Service. Deputy Chief Executive Officer Dr.-Ing. Jürgen Reinert assumes overall responsibility for Operations and Technology. Ulrich Hadding is in charge of Finance, HR and Legal.

Danfoss A/S has a 20% stake in SMA. SMA entered into a strategic partnership with Danfoss in the areas of purchasing, sales and research and development. SMA also performs services on behalf of Danfoss. All agreements were concluded under fair market conditions. The business relationships between SMA and Danfoss in the fiscal year are presented in the table below. There is no material collateralization nor are there guarantees.

SMA has a 28.27% stake in Tigo Energy, Inc. SMA entered into a strategic partnership with Tigo Energy, Inc. in the areas of development, sales and service. Furthermore, for a duration of 30 months, SMA has exclusive rights to the worldwide sale of the new TS4-Retrofit product platform for module optimization developed by Tigo Energy, Inc. SMA has also obtained a seat on Tigo Energy's Board of Directors. No significant transactions were carried out with Tigo Energy, Inc. in the reporting period.

In €'000	H1 2017	H1 2016
Goods acquired from Danfoss	11,797	11,676
Services acquired from Danfoss	2,725	3,165
Services sold to Danfoss	784	1,398
Goods sold to Danfoss	7	59
Outstanding receivables on the reporting date	265	700
Outstanding liabilities on the reporting date	5,171	4,272

In €'000	H1 2017	H1 2016
Goods acquired from Tigo	2,035	0
Services acquired from Tigo	0	0
Outstanding liabilities on the reporting date	427	0

In the reporting period, there were no other significant transactions with other related parties.

Niestetal, August 1, 2017

SMA Solar Technology AG
Managing Board

Ulrich Hadding

Dr.-Ing. Jürgen Reinert

Pierre-Pascal Urbon

RESPONSIBILITY STATEMENT

We assure to the best of our knowledge that, in accordance with the applicable accounting standards for half-year financial reporting, the Half-Year Consolidated Financial Statements give a fair view of the net assets, financial position and results of operations of the SMA Group and that the Consolidated Interim Management Report gives a fair view of the course of business including the results of operations and the SMA Group's position and describes the fundamental opportunities and risks associated with the expected development of the SMA Group for the remaining months of the fiscal year.

Niestetal, August 1, 2017

SMA Solar Technology AG
Managing Board

Ulrich Hadding

Dr.-Ing. Jürgen Reinert

Pierre-Pascal Urbon

AUDITOR'S REPORT

(Translation – the German text is authoritative)

To SMA Solar Technology AG, Niestetal

We have reviewed the Condensed Interim Consolidated Financial Statements – comprising the Condensed Income Statement, Condensed Statement of Comprehensive Income, Condensed Balance Sheet, Condensed Statement of Cash Flows, Condensed Statement of Changes in Equity, and Selected Explanatory Notes – and the Interim Group Management Report of SMA Solar Technology AG, Niestetal, for the period from January 1 to June 30, 2017, which are part of the Half-Yearly Financial Report in accordance with Section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the Condensed Interim Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's Managing Board. Our responsibility is to issue a review report on the Condensed Interim Consolidated Financial Statements and on the Interim Group Management Report based on our review.

We have conducted our review of the Condensed Interim Consolidated Financial Statements and the Interim Group Management Report in accordance with the provisions set forth by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer - IDW) for the auditing of financial statements and in compliance with the International Standard on Review Engagements entitled "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with limited assurance, that the Condensed Interim Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act (WpHG) applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical assessments and therefore does not provide the assurance attainable in a financial statements audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the Condensed Interim Consolidated Financial Statements of SMA Solar Technology AG, Niestetal, have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, August 1, 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Reker	Meier
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REGISTERED TRADEMARKS

Company logos, Energy that Changes, ennexOS, SMA, SMA Solar Technology, SMA Railway Technology, Sunny, Sunny Boy, Sunny Central, Sunny Highpower Peak, Sunny Home Manager, Sunny Island, Sunny Portal, Sunny Tripower, Sunny Tripower Core, Zegersolar are registered trademarks of SMA Solar Technology AG in many countries.

DISCLAIMER

This Half-Yearly Financial 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, 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 Half-Yearly Financial Report.

FINANCIAL CALENDAR

2017/11/09	Publication of Quarterly Statement: January to September 2017 Analyst Conference Call: 09:00 a.m. (CET)
2018/03/29	Publication of the SMA Group 2017 Annual Report and 2017 Individual Financial Statement of SMA Solar Technology AG Analyst Conference Call: 09:00 a.m. (CET)
2018/05/09	Publication of Quarterly Statement: January to March 2018 Analyst Conference Call: 09:00 a.m. (CET)
2018/05/24	Annual General Meeting 2018
2018/08/09	Publication of Half-Yearly Financial Report: January to June 2018 Analyst Conference Call: 09:00 a.m. (CET)
2018/11/08	Publication of Quarterly Statement: January to September 2018 Analyst Conference Call: 09:00 a.m. (CET)

PUBLICATION INFORMATION

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