



Half-Yearly Financial Report January to June 2020  
SMA Solar Technology AG

# Integrated. Connected.

Sustainably shaping the  
energy supply of the future.

## SMA SOLAR TECHNOLOGY AG AT A GLANCE

SMA Group		H1 2020	H1 2019	Change	Full Year 2019
Sales	€ million	514.2	362.7	41.8%	915.1
Export ratio	%	77.3	71.6		76.1
Inverter output sold	MW	7,105	3,973	78.8%	11,409
Capital expenditure	€ million	14.7	12.8	14.8%	27.6
Depreciation and amortization	€ million	21.3	22.9	-7.0%	46.0
EBITDA	€ million	24.0	8.5	182.4%	34.2
EBITDA margin	%	4.7	2.3		3.7
Net income	€ million	2.7	-14.2	n.a. <sup>1</sup>	-8.6
Earnings per share <sup>2</sup>	€	0.08	-0.41		-0.25
Employees <sup>3</sup>		3,199	3,052	4.8%	3,124
in Germany		2,215	2,143	3.4%	2,186
abroad		984	909	8.3%	938

SMA Group		2020/06/30	2019/12/31	Change
Total assets	€ million	991.8	1,107.3	-10%
Equity	€ million	418.0	416.9	
Equity ratio	%	42.1	37.6	
Net working capital <sup>4</sup>	€ million	251.8	159.5	58%
Net working capital ratio <sup>5</sup>	%	23.6	17.4	
Net cash <sup>6</sup>	€ million	200.8	303.0	-34%

<sup>1</sup> Not applicable

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

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

<sup>4</sup> Inventories and trade receivables minus trade payables and liabilities from advanced payments received for orders

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

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

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# BASIC INFORMATION ABOUT THE GROUP

## BUSINESS ACTIVITY AND ORGANIZATION

SMA Solar Technology AG (SMA) and its subsidiaries (SMA group) develop, produce and sell solar and battery inverters, monitoring systems for PV systems, medium-voltage technology, transformers and chokes. In addition, the company offers intelligent energy management solutions and services, including operation and maintenance services for photovoltaic power plants (O&M business). Another business segment is digital services for the future energy supply.

### Organizational Structure

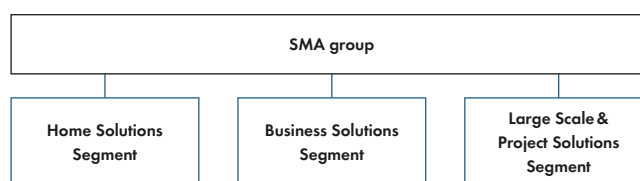
#### LEGAL STRUCTURE OF THE GROUP

As the parent company of the SMA group, SMA AG, headquartered in Niestetal near Kassel, Germany, provides all of the functions required for its operative business. The parent company holds, either directly or indirectly, 100% of the shares of all the operating companies that belong to the SMA group. The Annual Report includes information regarding the parent company and all 28 group companies (H1 2019: 30), including seven domestic companies and 21 companies based abroad. In addition, SMA Solar Technology AG has a 28.27% stake in Tigo Energy, Inc. Tigo Energy, Inc. is recognized as an associate in the Consolidated Financial Statements according to the equity method. elexon GmbH is also accounted for as an associate. The company was newly established in the year under review. The company was newly founded in 2019. It is a joint venture in the field of charging infrastructure facilities, in which the group holds a 33.34% stake.

#### ORGANIZATIONAL AND REPORTING STRUCTURE

The SMA group operates under a functional organization. In this organization, the Home & Business Solutions and Large Scale & Project Solutions business units take on overall responsibility and manage development, operational service and sales, as well as production and procurement/logistics. The Home Solutions and Business Solutions segments are presented separately in the reporting structure.

#### REPORTING STRUCTURE



#### MANAGEMENT AND CONTROL

In accordance with the German Stock Corporation Act, 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 October 15, 2018, the Managing Board of SMA Solar Technology AG has comprised the following members: Dr.-Ing. Jürgen Reinert (Chief Executive Officer, Board Member for Strategy, Sales and Service, Operations and Technology) and Ulrich Hadding (Board Member for Finance, Human Resources and Legal).

#### COMPOSITION OF THE SUPERVISORY BOARD

Since the election of the shareholder representatives at the Annual General Meeting on June 4, 2020, the SMA Supervisory Board, which represents shareholders and employees in equal measure, has consisted of Roland Bent, Kim Fausing (Deputy Chairman), Alexa Hergenröther, Uwe Kleinkauf (Chairman), Ilonka Nussbaumer, and Jan-Henrik Supady as shareholder representatives. Following the scheduled election on May 14, 2020, the employees are represented on the Supervisory Board by Martin Breul, Oliver Dietzel, Johannes Häde, Yvonne Siebert, Romy Siegert, and Dr. Matthias Victor.

## RESEARCH AND DEVELOPMENT

SMA uses its high systems expertise to develop holistic solutions for different photovoltaic applications and for comprehensive energy management across all segments and sectors (power generators, household appliances, storage systems, heating, ventilation and air-conditioning, e-mobility). To offer our customers technically mature and economic system solutions in all market segments and regions, 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 decrease the complexity in the new, decentralized and digital energy world, thus making a significant contribution to a successful global energy transition.<sup>1</sup>

### Forward-Looking Development Approach

Thorough understanding of different market requirements and 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 costs of PV electricity, system integration and 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.<sup>1</sup>

In product development, we are pursuing a platform strategy aimed at systematically reducing product costs and being able to quickly react to market changes. By standardizing the core inverter, we are capable of increasing the proportion of identical components across the entire portfolio. Customization in line with different markets and customer needs is implemented partly through the connection area and software, as well as through different power classes based on the platform.<sup>1</sup>

SMA was granted 1,580 patents and utility models worldwide by the end of the reporting period. In addition, more than 500 other patent applications were still pending as of June 30, 2020. Furthermore, SMA holds the rights to 1,220 trademarks.

## Integrated Solutions for the Global Energy Transition<sup>2</sup>

### RESIDENTIAL SYSTEMS: NEW APPS AND CHARGING SOLUTIONS FOR THE WORLD OF DIGITAL ENERGY

In the Home Solutions segment, the focus in the reporting period was on digital energy solutions. SMA thus began to introduce a series of energy apps for installers and system operators. New charging solutions for electric vehicles are soon to be launched on the market.

The SMA 360° app for solar power professionals has been available since May. With this innovative app, SMA supports installers in all areas of their day-to-day business and in all phases of the planning and operation of PV systems. None of our competitors has combined so many functions in one app to date. With the SMA 360° app, solar power professionals always have all system data to hand immediately. All steps – from simulation and commissioning of photovoltaic systems, to mobile monitoring of all systems in the portfolio, through to servicing at the customer site – can be performed directly on a cell phone or tablet. The SMA 360° app is regularly enhanced with new functions. In the future, this will also include automatic notifications when servicing is required.

For private system operators, the SMA Energy app will be available in app stores from the third quarter. This will enable them to digitally monitor and in some cases control all energy generators and loads in their own four walls, including storage systems and electric vehicles, thereby identifying potential to save energy and reduce costs.

The market launch of the SMA EV Charger Home is also imminent. With this flexible charging solution, consumers in private households can charge their electric vehicles intelligently and cost-effectively with self-generated solar power or with electricity from the grid, depending on the preferences they have set. The intelligent system always takes account of all loads while charging, automatically adjusts the charging power when several loads are in operation at the same time, and prevents the home connection from becoming overloaded. Users therefore always charge with the maximum available power permitted by the home connection and the vehicle.

<sup>1</sup> This paragraph is not a subject of the financial audit.

<sup>2</sup> This section is not a subject of the financial audit.

#### COMMERCIAL APPLICATIONS: FLEXIBLE SOLUTION FOR ROOFTOP AND GROUND-BASED PV SYSTEMS AND NEW CHARGING SOLUTION FOR ELECTRIC VEHICLES

In the Business Solutions segment, SMA closed a gap in its portfolio in the reporting period with the launch of the new Sunny Tripower CORE2 inverter. With 12 MPP trackers and 24 strings, the Sunny Tripower CORE2 offers maximum flexibility when it comes to designing and installing PV systems. The particularly cost-effective inverter is suitable for rooftop and ground-based PV systems with DC voltage of up to 1,100 volts. The integrated service SMA Smart Connected ensures automatic notification in the event of a fault, thereby reducing the costs of servicing and maintenance work. The Sunny Tripower CORE2 is also suitable for bifacial PV modules and has met with a very positive response from the market. Delivery is scheduled to begin in August 2020.

In the fast-growing market for commercial electric vehicle charging solutions, SMA is positioning itself with its EV Charger Business. The solution to be launched on the market in the third quarter of 2020 meets all requirements for charging infrastructure for electric vehicle fleets at commercial enterprises. The SMA EV Charger Business forms part of the SMA Energy System Business. This provides a complete solution comprising hardware, software, monitoring and control for the generation, storage and intelligent consumption of solar power in commercial applications. As another important component, in collaboration with the subsidiary coneva, SMA has developed an innovative charging management system based on the SMA energy management platform ennexOS. In addition to the control and management of charging parks in commercial applications, it particularly enables drivers of all-electric company cars or hybrid vehicles to charge their vehicles both at the company and at public charging stations or at home and to bill the charging costs via a system.

#### PV POWER PLANTS: OPTIMAL GRID INTEGRATION FOR RENEWABLE ENERGY

In the Large Scale & Project Solutions segment, development in the reporting period focused on the integration of large quantities of renewable energy into utility grids.

With the SMA Power Plant Manager, launched worldwide in March, renewable power plants are optimally prepared for the requirements for decentralized energy generation and flexible energy marketing. It implements the complete power and energy management and displays all of the system's current and past energy flows at power plant and device level. System-wide access to operating data and parameters also saves time when it comes to commissioning and maintenance. Based on the SMA energy management platform ennexOS, the SMA Power Plant Manager not only monitors, optimizes, controls, and displays grid-compliant energy generation, it also facilitates the integration of large battery-storage systems and other decentralized energy generators into the overall system. Together with grid-forming battery inverters from SMA, conventional power plant functions such as black start, automatic grid synchronization and a back-up power supply can also be provided. These functions become much more important in grids with high penetration of renewable generators, and their application is under discussion all around the world. A project at the utility company Versorgungsbetriebe Bordesholm (VBB) convincingly demonstrated their practicability. This was the first time in Germany that an entire small town was successfully disconnected from the utility grid, supplied with renewable energy only for an hour, and then reconnected to the grid equally unobtrusively.

# ECONOMIC REPORT

## GENERAL ECONOMIC CONDITIONS AND ECONOMIC CONDITIONS IN THE SECTOR

### General Economic Conditions

In the first half of 2020, the global economy was firmly under the grip of the coronavirus crisis. The negative impact on global economic output proved to be even stronger than the experts at the International Monetary Fund (IMF) had initially expected. The economy contracted both in industrialized countries and in developing and newly industrialized countries. In the first quarter already, global trade declined by almost 3.5% year on year. This was attributable to weak demand, the collapse in international tourism, and disruptions in supply chains as a result of lockdowns and shutdowns in many countries around the globe. Financial and economic policy measures by governments and some unconventional responses by major central banks prevented an even sharper drop in economic output.

### 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 electricity. For example, large-scale solar projects in the Middle East are already generating solar power at less than \$0.02 per kWh in some cases. 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: NEW INSTALLATIONS IN FIRST HALF OF YEAR DOWN SLIGHTLY ON PREVIOUS YEAR DUE TO CORONAVIRUS CRISIS

Based on newly installed power of approximately 43 GW (H1 2019: approx. 45 GW), the global photovoltaic market was slightly below the previous year's level in the first half of 2020, according to SMA's estimates (these installation figures do not include retrofitting of existing PV systems with new inverters or battery inverter technology). SMA estimates that global PV inverter technology sales, including inverter retrofitting and battery inverter technology, remained on a par with the previous year at €2.1 billion (H1 2019: €2.1 billion).

In the photovoltaic markets in Europe, the Middle East and Africa (EMEA), inverter technology sales were up slightly on the previous year at around €650 million (H1 2019: €630 million). The share of the EMEA region in global sales rose to around 31% (H1 2019: 29%). System technology for storage applications and the retrofitting of existing PV systems accounted for a significant portion of sales in the EMEA region at around 23%. Investments in North and South America (Americas) grew to almost €550 million (H1 2019: €460 million). The region thus accounted for around 26% of global inverter technology sales (H1 2019: 22%). The Chinese PV market recorded a decrease again. With an investment volume of approximately €300 million, China accounted for around 14% of global sales in the reporting period (H1 2019: €350 million; 16%). The Asia-Pacific photovoltaic markets (excluding China) were down year on year with sales of around €620 million, accounting for around 29% of the global market (H1 2019: €700 million; 33%).

## EMEA: GERMANY IS MOST IMPORTANT MARKET AGAIN

In the Europe, Middle East and Africa (EMEA) region, newly installed PV power increased significantly to 12.3 GW in the first half of the year (H1 2019: 9.3 GW). At 2.4 GW (H1 2019: 2.1 GW), Germany was again the most significant market in Europe in terms of newly registered PV power in the reporting period. As in the same period of the previous year, commercial PV systems in particular accounted for a large share of total installations.

Development in other European countries was mixed. This was mainly due to the uncertain situation arising from the prevailing coronavirus crisis and to the lockdown measures of varying stringency, which impacted installation activity.

## AMERICAS: INVESTMENTS IN THE U.S. MARKET INCREASE

The U.S. market was still dominated by large-scale solar projects in the reporting period. The SMA Managing Board estimates PV installation in the first half of 2020 at more than 6 GW (H1 2019: 4.8 GW). In the first quarter of 2020 in particular, the coronavirus crisis did not yet show any impact. However, the SMA Managing Board expects that the market for private residential PV systems in particular will have declined in the second quarter. The investment volume for inverter technology increased in the U.S. by around 22% to approximately €360 million (H1 2019: approx. €300 million). Newly installed PV power in the Americas region came to 10.7 GW in the reporting period (H1 2019: 8.5 GW).

## APAC: REGION SIGNIFICANTLY FALLS SHORT OF PREVIOUS YEAR

According to SMA estimates, around 10 GW of new PV power was installed in China in the first half of 2020. The installation volume was down by around 13% on the previous year's level. The decline is particularly due to the coronavirus pandemic, which significantly impacted the Chinese economy.

New PV installation in Japan came to an estimated 2.5 GW in the first half of 2020 (H1 2019: 3.4 GW). Inverter technology investments amounted to approximately €240 million in the reporting period (H1 2019: €340 million). The driving segments here were commercial systems and large-scale PV power plants, as well as retrofitting of existing PV systems.

In India, there are various incentive programs and a fundamental effort on the part of the government to supply the entire country with renewable power. By 2022, 100 GW of PV power is to be installed – three times the total power installed to date. PV systems with a total capacity of only approximately 1.5 GW were newly installed in India in the reporting period (H1 2019: 4.3 GW). This was attributable to the lockdown imposed due to the coronavirus crisis, which brought the economy to almost a complete standstill. The price level in India is still extremely low. As a result of the decline in installation, inverter technology sales were significantly below the previous year's level at only €30 million (H1 2019: €100 million).

## RESULTS OF OPERATIONS

### Sales and Earnings

#### SMA POSTS POSITIVE EARNINGS AND STARTS SECOND HALF OF YEAR WITH LARGE ORDER BACKLOG

From January to June 2020, the SMA group sold PV inverters with accumulated power of 7,105 MW (H1 2019: 3,973 MW). In the reporting period, sales increased by 41.8% to €514.2 million (H1 2019: €362.7 million). This sales growth is mainly the result of the strong project business in the U.S. and the ongoing positive development of trade business in EMEA. Despite the coronavirus crisis, SMA largely maintained its production and supply chains. The impact from decreased incoming orders in the reporting period was moderate.

SMA is well positioned internationally and generates contributions to sales in all relevant regions. In the reporting period, SMA generated 47.9% of external sales in European countries, the Middle East and Africa (EMEA), 33.6% in the North and South American (Americas) region and 18.5% in the Asia-Pacific (APAC) region calculated before sales deductions (H1 2019: 57.6% EMEA, 16.1% Americas, 26.3% APAC).

The Large Scale & Project Solutions segment made the largest contribution to sales in the first half of 2020, accounting for 42.3% (H1 2019: 34.6%). The Business Solutions segment generated 30.6% of the SMA group's sales (H1 2019: 37.2%), while the Home Solutions segment contributed 27.1% (H1 2019: 28.2%).



As of June 30, 2020, SMA had a large order backlog of €760.0 million (June 30, 2019: €818.7 million). Of this amount, €321.0 million is attributable to product business (June 30, 2019: €453.1 million). The product-related order backlog has thus decreased significantly by 19% compared to December 31, 2019 (€395.0 million). This is due in particular to reluctance to invest, as forecasted by the SMA Managing Board, as a result of the coronavirus crisis in the second quarter. In total, €439.0 million of the order backlog is attributable to Service business. Most of this share will be implemented over the next five to ten years.

In the reporting period, earnings before interest, taxes, depreciation and amortization (EBITDA) almost tripled year on year to €24.0 million (EBITDA margin: 4.7%; H1 2019: €8.5 million; 2.3%). Earnings before interest and taxes (EBIT) came to €2.6 million (2019: -€14.4 million). This equates to an EBIT margin of 0.5% (H1 2019: -4.0%). Net income amounted to €2.7 million (H1 2019: -€14.2 million). Earnings per share thus amounted to €0.08 (H1 2019: -€0.41). The tax income arose chiefly from deferred taxes due to the use of loss carryforwards and eliminations of intercompany profit and loss at group level.

## Sales and Earnings per Segment

### HOME SOLUTIONS SEGMENT POSTS STRONG INCREASE IN SALES AND EARNINGS

In the Home Solutions segment, SMA caters to global markets for small PV systems with and without connection to a smart home solution. The portfolio comprises single- and three-phase string inverters of the Sunny Boy and Sunny Tripower product families in the lower output range of up to 10 kW, integrated services, energy management solutions, storage systems of the Sunny Island and Sunny Boy Storage product families, communication products and accessories. SMA's Home Solutions segment also offers services, such as extended warranties, spare parts and modernization of PV systems (Repowering), to enhance performance as well as digital energy services.<sup>1</sup>

External sales in the Home Solutions segment rose by a considerable 36.4% to €139.4 million in the first half of 2020 (H1 2019: €102.2 million). Its share of the SMA group's total sales was 27.1% (H1 2019: 28.2%). The EMEA region accounted for the largest share of gross sales at 78.7% (H1 2019: 75.8%), while the APAC region contributed 12.5% (H1 2019: 10.9%) and the Americas region 8.8% (H1 2019: 13.3%).

As a result of the strong growth in sales year on year, the Home Solutions segment's EBIT significantly increased to €11.5 million (H1 2019: -€3.5 million). In relation to external sales, the EBIT margin was 8.2% (H1 2019: -3.4%).

### BUSINESS SOLUTIONS SEGMENT POSTS SALES GROWTH

In the Business Solutions segment, the focus is on global markets for medium-sized PV systems with and without an energy management solution. The product portfolio comprises the three-phase inverters of the product families Sunny Tripower with outputs of 12 kW or more and Sunny Highpower. Storage solutions and holistic energy management solutions for medium-sized PV systems based on the ennexOS platform, medium-voltage technology and other accessories round off the offering in this segment. In addition, SMA offers services up to and including system modernization and operational management of commercial PV systems (O&M business) as well as digital services.<sup>1</sup>

External sales in the Business Solutions segment increased to €157.5 million in the first half of 2020 (H1 2019: €135.0 million). Its share of the SMA group's total sales was 30.6% (H1 2019: 37.2%). Here, too, a large share of gross sales were attributable to the EMEA region at 60.4%. The APAC region contributed 25.0% and the Americas region 14.6% (H1 2019: 61.9% EMEA, 27.7% APAC, 10.4% Americas).

In the first half of the year, the Business Solutions segment's EBIT amounted to €0.4 million (H1 2019: €0.7 million) and was impacted by an unfavorable product mix and slight price declines. In relation to external sales, the EBIT margin was 0.3% (H1 2019: 0.5%).

<sup>1</sup> This paragraph is not a subject of the financial audit.

## LARGE SCALE & PROJECT SOLUTIONS SEGMENT IMPROVES SALES AND EARNINGS SIGNIFICANTLY

The Large Scale & Project Solutions segment focuses on international PV power plant markets with its powerful string inverters in the Sunny Highpower product family and the central inverters in the Sunny Central product family. The outputs of inverters in this segment range from 150 kW to the megawatts. In addition, the SMA portfolio of this segment includes complete solutions comprising central inverters with their grid service and monitoring functions as well as all medium- and high-voltage technology and accessories. The portfolio is supplemented by services, such as for the modernization and functional enhancement of PV power plants (Repowering), and operation and maintenance services (O&M business).<sup>1</sup>

Driven mainly by strong project business in the U.S., external sales in the Large Scale & Project Solutions segment increased by 73.1% to €217.3 million in the first half of 2020 (H1 2019: €125.5 million). The share of the SMA group's total sales attributable to the Large Scale & Project Solutions segment came to 42.3% in the reporting period (H1 2019: 34.6%). The EMEA region accounted for 18.1% (H1 2019: 38.1%) of the segment's gross sales, the APAC region for 17.8% (H1 2019: 37.3%) and the Americas region for 64.1% (H1 2019: 24.6%).

EBIT in the Large Scale & Project Solutions segment amounted to -€5.6 million (H1 2019: -€11.1 million). Despite the increase in sales, EBIT was negative, partly due to high price pressure and increased transportation costs due to lower capacity as a result of the coronavirus crisis. In relation to external sales, the EBIT margin was -2.6% (H1 2019: -8.8%).

## Development of Significant Income Statement Items

### GROSS MARGIN DOWN SLIGHTLY YEAR ON YEAR IN THE LARGE SCALE & PROJECT SOLUTIONS SEGMENT DUE TO PRICE PRESSURE

Cost of sales increased by 43.3% year on year to €416.5 million (H1 2019: €290.6 million). The gross margin was negatively affected by the high price pressure in the Large Scale & Project Solutions segment and thus amounted to 19.0% in the reporting period (H1 2019: 19.9%).

Personnel expenses included in cost of sales increased by 8.6% to €57.3 million in the reporting period (H1 2019: €52.8 million). Material costs, including changes in inventories, amounted to €313.6 million (H1 2019: €208.2 million). SMA is continuously working on its product portfolio in all segments to tackle price pressure by optimizing the cost of existing products and introducing new and less expensive products.

From January to June 2020, depreciation and amortization included in the cost of sales amounted to €19.1 million (H1 2019: €20.4 million). This covers scheduled depreciation on capitalized development costs of €4.2 million (H1 2019: €5.3 million). Due to the higher sales volume, other costs rose to €26.5 million (H1 2019: €9.2 million), particularly in the areas of transportation costs and warranty obligations.

Selling expenses rose to €42.6 million (H1 2019: €36.5 million). This includes €5.6 million for the continued expansion of the digital business units coneve GmbH and emerge GmbH. The cost of sales ratio was 8.3% in the reporting period (H1 2019: 10.1%).

Research and development expenses, excluding capitalized development projects, amounted to €26.9 million in the first half of 2020 (H1 2019: €26.0 million). This put the research and development cost ratio at 5.2% (H1 2019: 7.2%). Total research and development expenses, including capitalized development projects, amounted to €32.9 million (H1 2019: €31.5 million). Development projects were capitalized in the amount of €6.0 million (H1 2019: €5.5 million).

General administrative expenses remained constant in the first half of 2020 at €24.5 million (H1 2019: €24.3 million). The ratio of administrative expenses amounted to 4.8% in the reporting period (H1 2019: 6.7%).

The balance of other operating income and expenses resulted in a negative effect on earnings of -€1.1 million in the reporting period (H1 2019: €0.3 million). This includes foreign currency valuation effects as well as expenses and income from renting the group's own buildings.

<sup>1</sup> This paragraph is not a subject of the financial audit.

## EMPLOYEE HEADCOUNT INCREASES DUE TO EXPANSION IN MAJOR FUTURE FIELDS

SMA had 3,199 employees worldwide as of June 30, 2020, representing a year-on-year increase of 147 (June 30, 2019: 3,052 employees; figures excluding temporary employees). This increase was due to the creation of jobs in strategically important future fields and for the implementation of major orders such as operation and maintenance services for PV power plants in the U.S. As of the reporting date, SMA had 2,215 employees in Germany (June 30, 2019: 2,143 employees) and 984 employees abroad (June 30, 2019: 909 employees).

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 478 temporary employees worldwide, 79 more than in the previous year (June 30, 2019: 399 temporary employees) and 36 more than at the end of 2019 (December 31, 2019: 442 temporary employees).

### Employees

Reporting date	2020/ 06/30	2019/ 06/30	2018/ 06/30	2017/ 06/30	2016/ 06/30
Employees (excl. temporary employees)	3,199	3,052	3,408	3,130	3,339
of which domestic	2,215	2,143	2,190	2,049	2,077
of which abroad	984	909	1,218	1,081	1,262
Temporary employees	478	399	597	613	660
Total employees (incl. temporary employees)	3,677	3,451	4,005	3,743	3,999

### Full-Time Equivalents

Reporting date	2020/ 06/30	2019/ 06/30	2018/ 06/30	2017/ 06/30	2016/ 06/30
Full-time equivalents (excl. trainees and temporary employees)	3,038	2,897	3,238	2,946	3,126
of which domestic	2,074	2,004	2,039	1,878	1,883
of which abroad	964	893	1,199	1,068	1,243

## FINANCIAL POSITION

### Gross Cash Flow at High Level

Gross cash flow reflects operating income prior to commitment of funds. Due to a significant improvement in consolidated earnings, it amounted to €28.4 million in the first half of the 2020 fiscal year (H1 2019: €4.8 million).

Net cash flow from operating activities amounted to –€85.7 million in the first six months of the reporting year (H1 2019: –€54.5 million), influenced mainly by a significant increase in net working capital.

Compared to the end of the previous year, inventories increased by 2.0% to €285.4 million (December 31, 2019: €279.9 million) in order to support delivery capacity in the coronavirus crisis. Combined with the changes in trade payables and trade receivables and the decrease in liabilities from advanced payments received, this resulted in a considerable rise in net working capital to €251.8 million (December 31, 2019: €159.5 million). The net working capital ratio in relation to sales over the past 12 months climbed to 23.6% (December 31, 2019: 17.4%). The net working capital ratio therefore was above the range of 18% to 22% targeted by management.

In the first half of 2020, net cash flow from investing activities amounted to €12.8 million after €53.3 million in the previous year. The balance of cash inflows and outflows from financial investments was €27.0 million (H1 2019: €66.0 million). The outflow of funds for investments in fixed assets and intangible assets amounted to €14.7 million in the period under review (H1 2019: €12.8 million). With €6.0 million (H1 2019: €5.5 million), a large part of the investments was attributable to capitalized development projects.

As of June 30, 2020, cash and cash equivalents totaling €135.6 million (December 31, 2019: €214.8 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. Together with time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities, liquid assets pledged as collateral, and after deducting interest-bearing financial liabilities, this resulted in net cash of €200.8 million (December 31, 2019: €303.0 million).

## Investment Analysis

In the first half of 2020, investments in fixed assets and intangible assets that affected the statement of cash flows amounted to €14.7 million and were thus above the previous year's figure of €12.8 million. This equates to an investment ratio in relation to sales of 2.9% compared with 3.5% in the first half of 2019. Including additions of rights of use under leases, investments amounted to €23.3 million.

In total €8.4 million was invested in fixed assets (H1 2019: €6.9 million), predominantly for conversions and extensions of existing buildings and for machinery and equipment. The investment ratio for fixed assets was 1.6% in the first half of 2020 (H1 2019: 1.9%). Depreciation of fixed assets, including depreciation of rights of use under leases, amounted to €16.2 million (H1 2019: €13.7 million).

Investments in intangible assets amounted to €6.3 million (H1 2019: €5.9 million). These largely related to capitalized development projects. Amortization of intangible assets amounted to €5.1 million and was thus on a par with the previous year's figure of €5.3 million.

## NET ASSETS

### Sound Balance Sheet Structure

Total assets decreased by 10.4% to €991.8 million as of June 30, 2020 (December 31, 2019: €1,107.3 million). Due to the capitalization of additional rights of use under leases, non-current assets were above their level at the end of 2019 at €304.8 million (December 31, 2019: €298.8 million).

Net working capital went up significantly to €251.8 million (December 31, 2019: €159.5 million). This put the net working capital ratio in relation to sales over the past 12 months at 23.6%. Trade receivables decreased by 22.8% compared to December 31, 2019, to €112.3 million as of the end of the first half of 2020 (December 31, 2019: €145.5 million). Days sales outstanding came to 44.1 days and were considerably lower than at the end of the previous year (December 31, 2019: 50.8 days). Inventories remained at a high level at €285.4 million (December 31, 2019: €279.9 million). Trade payables amounted to €122.2 million and were significantly below the level reported at the end of 2019 (December 31, 2019: €174.7 million). The share of trade credit in total assets came to 12.3%, lower than the comparative figure as at the end of the previous year (December 31, 2019: 15.8%).

Due to the development of earnings, the group's equity capital base increased slightly to €418.0 million (December 31, 2019: €416.9 million). With an equity ratio of 42.1%, SMA still has a solid equity capital base.

# RISKS AND OPPORTUNITIES REPORT

## RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The 2019 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 2019 Annual Report generally continue to apply with the exception that in the first six months of the 2020 fiscal year, the risk of a significant decline in business emerged as a result of the global coronavirus crisis. SMA responded to this risk immediately by setting up a task force and taking extensive measures in all relevant areas. Further information can be found in the Forecast Report on page 12. We also 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

## PREAMBLE

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

## THE GENERAL ECONOMIC SITUATION

### Coronavirus Crisis Makes a Significant Mark

In its update to the World Economic Outlook (WEO) from June, 2020, the International Monetary Fund (IMF) once again scaled back its forecast for global economic development in the current year. The experts now expect a decline in global economic output of 4.9% in 2020 (2019: growth of 2.9%). This is due to the negative effects of the coronavirus pandemic, which were more severe in the first half of the year than had been anticipated in the last forecast from April. In addition, the IMF expects the recovery to take place only gradually, with the global economy growing by 5.4% in 2021. However, it stresses that the forecast is subject to a high degree of uncertainty and risk.

For industrialized countries, the economists anticipate a decline of 8.0% in 2020 (2019: growth of 1.7%). The economic output of developing and newly industrialized countries is expected to fall by 3.0% (2019: growth of 3.7%).

Large industrialized countries in the West will be particularly hard hit by the effects of the coronavirus pandemic. According to the IMF, the U.S. economy will contract by 8.0% in 2020 (2019: growth of 2.3%). For the eurozone, the experts even anticipate a decline of 10.2% (2019: growth of 1.3%). While China is expected to record slight growth of 1.0% in spite of the coronavirus pandemic, the IMF forecasts a decline in economic output for all other newly industrialized countries in all regions.

## FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

### Renewable Energies Are the Key to Combating Climate Change

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

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

Other factors driving the projected rapid growth of solar and wind energy, as described in more detail below, include a disproportionately increasing demand for electricity in connection with the electrification of additional sectors and further decreases in the cost of solar and wind energy, which are already considered some of the most cost-effective energy sources in many parts of the world.

In its World Energy Outlook 2019, the International Energy Agency (IEA) estimates that photovoltaics will become the leading source of energy worldwide. The experts from Bloomberg New Energy Finance (BNEF) confirm this. In their New Energy Outlook 2019, they forecast that by 2050, photovoltaic and wind turbine systems will account for around 50% of global power generation. The share of photovoltaics will increase from 2% now to 22%. According to the BNEF experts, wind and photovoltaics are already the most cost-effective energy sources in more than two-thirds of all countries and will also beat the production costs of existing coal and gas power stations almost everywhere by 2030.

In addition to the ever-decreasing consumer cost of electricity from PV systems thanks to technological advancements, the generation of solar power in the vicinity of the consumer makes photovoltaics particularly appealing. The increasingly affordable storage systems and modern communication technologies combined with services for cross-sector energy management will harmonize energy production and demand. The SMA Managing Board is therefore convinced of the market appeal and has thus positioned SMA to ensure it benefits from future developments in the field of photovoltaics, storage technologies and digital energy services.

## Global New PV Installations Fall to 101 GW due to Coronavirus Crisis

The SMA Managing Board anticipates a decrease in newly installed PV power worldwide of around 8% to approximately 101 GW in 2020 (2019: 110 GW). This is due to the uncertain situation in all regions as a result of the coronavirus crisis. Global investments in system technology for traditional photovoltaic applications will decrease to around €3.8 billion. Investments in system technology for storage applications (excluding investments in batteries) will grow to approximately €700 million (2019: €600 million). Overall, the SMA Managing Board therefore expects investments in PV system technology (including system technology for storage systems) of around €4.5 billion in 2020 (2019: €5.2 billion). Despite the decline in 2020, the Managing Board rates the medium-term prospects for the PV industry as positive. This is due to the lower costs of photovoltaics and the accelerating transformation of the energy sector toward decentralized, digital and connected energy generation.

## Slight Increase in Demand in EMEA

The SMA Managing Board anticipates a slight increase in newly installed PV power to around 27 GW in the Europe, Middle East and Africa (EMEA) region in 2020 (2019: 26 GW). This subdued development is attributable in particular to the restrictions and uncertainties in connection with the coronavirus crisis. According to SMA estimates, investments in PV and storage system technology will be on a par with the previous year at an expected €1.5 billion as a result of price development. Battery-storage systems continue to gain importance in European countries, especially in Germany, the UK and Italy. In addition to business involving new systems for consumption of self-generated energy, retrofitting of existing systems with new inverters and storage systems will yield high potential in the medium term. For many PV systems, government subsidization will end in the years to come. Self-consumption of solar power is a particularly attractive option for the operators of these systems.

## Investments in the Americas Region below Previous Year's Level

For the Americas region, the SMA Managing Board anticipates a decline in newly installed PV power of around 12% to 19 GW. Roughly 11 GW of this amount is attributable to the U.S. market. The volume of investment in inverter technology will be lower than in the previous year at an expected €900 million (2019: €1.1 billion). Here the residential and commercial segments are currently influenced by strict regulations set forth in the National Electrical Code (NEC). Medium-term prospects are positive for manufacturers that can offer products that comply with the new standard.

## The Asia-Pacific Region most Affected by Decline

The most important markets in the APAC region include China, India, Japan and Australia. In Japan and Australia, the installation of PV systems combined with battery-storage systems to supply energy independently of fossil energy carriers offers additional growth potential. The SMA Managing Board estimates that new PV installations in China will remain at the previous year's level at around 30 GW in 2020. Investments in inverter technology are expected to fall to €800 million (2019: €900 million). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to decrease by approximately 22% to around 25 GW in 2020 (2019: 32 GW). This decline will be driven in particular by the effects of coronavirus crisis on the Indian market. In addition to the decrease in new installations, there is also continuing price pressure on the Asian market, with the effect that the SMA Managing Board anticipates lower investments in inverter technology of approximately €1.3 billion for the region (2019: €1.7 billion).

## Growth Markets: Storage Technology, Digital Energy Services and Operational Management

The trend to regionalize power supplies is gaining momentum. More and more households, cities and companies are becoming less dependent on energy fuel imports and rising energy costs by having their own PV systems. This will lead to a rise in demand for energy storage solutions in the residential, commercial and industrial sectors. In addition, energy will be increasingly distributed via smart grids to manage electricity demand, avoid consumption peaks and take the strain off utility grids. E-mobility is also expected to become an important pillar of these new energy supply structures a few years from now. Integration of electric vehicles will help increase self-consumption of renewable energies and offset fluctuations in the utility grid. Using artificial intelligence, the behavior of decentralized energy consumers and storage systems can be adapted to the fluctuating production of electricity from renewable energies, thus enabling the overall system to be optimized.<sup>1</sup>

In this context, the SMA Managing Board holds that innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer worthwhile business opportunities. Rising prices for conventional domestic power and many private households and companies wanting to drive forward the energy transition by making their contribution to a sustainable and decentralized energy supply are the basis for new business models. Demand for solutions that increase self-consumption of solar power is likely to rise, particularly in European markets, the U.S., Australia and Japan. In these markets, renewable energies are already taking on a greater share in the electricity supply. In addition, power supply companies are increasingly using battery-storage systems to avoid expensive grid expansions, stabilize grid frequency and balance fluctuations in the power feed-in from renewable energy sources. The SMA Managing Board expects the volume of the still fairly new storage market to be around €700 million in 2020 (for storage system technology, excluding investments in batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market.

In addition to storage technology, digital energy services aimed at optimizing household and commercial enterprises' energy costs and their connection to the energy market are becoming increasingly significant. The SMA Managing Board expects this area to represent an addressable market of approximately €400 million in 2020. The market will then grow exponentially in subsequent years.

Technical management of commercial systems and large-scale PV plants is another growth segment. This includes a range of services, such as repairs, device replacements as well as visual inspections and maintenance of entire systems. The market in these segments had an accumulated installed capacity of over 530 GW at the end of 2019 and is expected to have over 600 GW by the end of 2020. The SMA Managing Board estimates the addressable market share, which is not yet or no longer under contract, at 150 GW in 2020, which corresponds to a potential of at least €1.1 billion. Prices are calculated yearly per MW and vary significantly depending on the regions and services included.

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

### Managing Board still Anticipates Sales and Earnings Growth despite Coronavirus Crisis

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

<sup>1</sup> This paragraph is not a subject of the financial audit.



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

SMA's business model is not capital-intensive. With approximately €50 million, in 2020, capital expenditure (including capitalized development costs and lease investments) will roughly be on a par with the previous year (2019: €27.6 million plus lease investments amounting to €26.8 million).

For details regarding risks, please refer to the Risks and Opportunities Report on page 11 and the Risks and Opportunities Report in the SMA Annual Report 2019 starting on page 59.

#### SMA Group guidance for 2020 at a glance

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

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

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

#### Segment guidance for 2020 at a glance

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

## SMA Will Continue on its Path to Greater Sales and Profitability

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

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

## SMA Will Reap the Benefits of Megatrends<sup>1</sup>

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

SMA is well positioned to benefit from these trends in all market segments and regions. No other competitor has similar international presence combined with similar extensive technical expertise that encompasses all PV applications. In addition, our total installed inverter output of over 85 GW worldwide is a particularly good foundation for data-based business models, as inverters are the most suitable sensors for compiling valuable energy data. Our extensive knowledge of managing complex battery-storage systems and linking solar power systems to other energy sectors, such as heating, ventilation and cooling technology, and e-mobility, is an excellent basis for developing future growth potential for digital energy solutions.

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

Through the elaxon joint venture founded in the 2019 fiscal year, SMA is also strengthening its positioning in the future field of e-mobility. elaxon is a single-source supplier of turnkey solutions for planning, installing and servicing efficient e-vehicle charging parks. Based on their production capacities and experience, the joint venture partners are also focusing on industrial solutions for charging parks and large fleets.

## SMA Will Take Advantage of the Opportunities Posed by Digitalization<sup>1</sup>

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

Niestetal, August 3, 2020

SMA Solar Technology AG  
The Managing Board

<sup>1</sup> This section is not a subject of the financial audit.



# HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

## INCOME STATEMENT SMA GROUP

in €'000	Notes	April – June (Q2) 2020	April – June (Q2) 2019	Jan. – June (H1) 2020	Jan. – June (H1) 2019
<b>Sales</b>	5	<b>226,232</b>	<b>194,834</b>	<b>514,154</b>	<b>362,653</b>
Cost of sales		176,605	154,823	416,454	290,605
<b>Gross profit</b>		<b>49,627</b>	<b>40,011</b>	<b>97,700</b>	<b>72,048</b>
Selling expenses		21,233	19,138	42,639	36,501
Research and development expenses		13,604	12,656	26,854	25,992
General administrative expenses		12,789	11,679	24,461	24,336
Other operating income		6,843	3,681	15,291	16,036
Other operating expenses		7,826	3,891	16,397	15,665
<b>Operating profit (EBIT)</b>		<b>1,018</b>	<b>-3,672</b>	<b>2,640</b>	<b>-14,410</b>
Financial income		121	589	266	1,507
Financial expenses		142	282	829	602
<b>Financial result</b>	8	<b>-21</b>	<b>307</b>	<b>-563</b>	<b>905</b>
<b>Profit before income taxes</b>		<b>997</b>	<b>-3,365</b>	<b>2,077</b>	<b>-13,505</b>
Income taxes		-2,027	263	-634	699
<b>Net income</b>		<b>3,024</b>	<b>-3,628</b>	<b>2,711</b>	<b>-14,204</b>
of which attributable to shareholders of SMA AG		3,024	-3,628	2,711	-14,204
Earnings per share, basic/diluted (in €)		0.09	-0.10	0.08	-0.41
thereof from continuing operations (in €)		0.09	-0.10	0.08	-0.41
Number of ordinary shares (in thousands)		34,700	34,700	34,700	34,700

## STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

in €'000	April – June (Q2) 2020	April – June (Q2) 2019	Jan. – June (H1) 2020	Jan. – June (H1) 2019
<b>Net income</b>	<b>3,024</b>	<b>-3,628</b>	<b>2,711</b>	<b>-14,204</b>
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	-389	-678	-1,618	585
<b>Changes recognized outside profit or loss (currency translation differences)</b>	<b>-389</b>	<b>-678</b>	<b>-1,618</b>	<b>585</b>
<b>Overall result<sup>1</sup></b>	<b>2,635</b>	<b>-4,306</b>	<b>1,093</b>	<b>-13,619</b>
of which attributable to shareholders of SMA AG	2,635	-4,306	1,093	-13,619

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

## BALANCE SHEET SMA GROUP

in €'000	Notes	2020/06/30	2019/12/31
<b>ASSETS</b>			
Intangible assets	9	38,270	37,227
Fixed assets	10	207,200	208,172
Investment property		13,900	14,274
Other financial investments		3	3
Investments in associates		8	8
Deferred taxes		45,447	39,091
<b>Non-current assets</b>		<b>304,828</b>	<b>298,775</b>
Inventories	11	285,408	279,883
Trade receivables		112,316	145,530
Other financial assets (total)	12	89,811	112,292
Cash equivalents with a duration of more than 3 months and asset management		44,977	72,059
Rent deposits and cash on hand pledged as collaterals		33,278	30,995
Remaining other financial assets		11,556	9,239
Receivables from tax authorities (total)		48,096	45,568
Income taxes		23,468	23,567
Claims for VAT refunds		24,628	22,001
Other receivables		15,704	9,977
Cash and cash equivalents	14	135,594	214,793
		<b>686,929</b>	<b>808,043</b>
Assets classified as held for sale	13	0	500
<b>Current assets</b>		<b>686,929</b>	<b>808,543</b>
<b>Total assets</b>		<b>991,757</b>	<b>1,107,318</b>

in €'000	Notes	2020/06/30	2019/12/31
<b>LIABILITIES</b>			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		264,086	262,993
<b>SMA Solar Technology AG shareholders' equity</b>	15	<b>417,986</b>	<b>416,893</b>
Provisions <sup>1</sup>	16	78,128	75,287
Financial liabilities <sup>2</sup>	17	21,972	23,462
Other liabilities (total)		158,438	160,557
Contract liabilities	19	154,979	157,468
Remaining other liabilities	19	3,459	3,089
Deferred taxes		8	9
<b>Non-current liabilities</b>		<b>258,546</b>	<b>259,315</b>
Provisions <sup>1</sup>	16	74,721	77,946
Financial liabilities <sup>2</sup>	17	16,153	11,051
Trade payables		122,163	174,742
Income tax liabilities		6,554	3,135
Other liabilities <sup>1</sup> (total)		95,634	164,236
Human Resources department	19	19,905	14,121
Contract liabilities (prepayments received)	19	23,728	91,143
Contract liabilities (other)		43,003	49,403
Other financial liabilities (current)	18	690	1,241
Remaining other liabilities	19	8,308	8,328
<b>Current liabilities</b>		<b>315,225</b>	<b>431,110</b>
<b>Total equity and liabilities</b>		<b>991,757</b>	<b>1,107,318</b>
Total cash (in € million)			
Cash and cash equivalents + cash equivalents with a duration of more than 3 months and asset management + rent deposits and cash on hand pledged as collaterals		214	318
Net cash (in € million)			
Total cash – current and non-current financial liabilities		201	303

<sup>1</sup> Not interest-bearing

<sup>2</sup> Includes not-interest-bearing current and non-current derivatives amounting to €0.1 million (2019: €0.3 million)

## STATEMENT OF CASH FLOWS SMA GROUP

in €'000	Jan. – June (H1) 2020	Jan. – June (H1) 2019
Net income	2,711	-14,204
Income taxes	-634	699
Financial result	563	-905
Depreciation and amortization of fixed assets and intangible assets	21,311	22,935
Change in provisions	-384	-10,960
Result from the disposal of assets	2,003	716
Change in non-cash expenses / revenue	5,210	4,883
Interest received	170	5
Interest paid	-492	-429
Income tax paid	-2,108	2,017
<b>Gross cash flow</b>	<b>28,350</b>	<b>4,757</b>
Change in inventories	-7,105	-52,147
Change in trade receivables	31,823	11,301
Change in trade payables	-52,579	18,339
Change in other net assets / other non-cash transaction	-86,150	-36,796
<b>Net cash flow from operating activities</b>	<b>-85,661</b>	<b>-54,546</b>
Payments for investments in fixed assets	-8,435	-6,883
Proceeds from the disposal of fixed assets	17	69
Payments for investments in intangible assets	-6,271	-5,928
Proceeds from the disposal of available for sale assets net of cash	500	127
Proceeds from the disposal of securities and other financial assets	45,096	128,968
Payments for the acquisition of securities and other financial assets	-18,096	-63,047
<b>Net cash flow from investing activities</b>	<b>12,811</b>	<b>53,306</b>
Redemption of financial liabilities	-1,756	-1,559
Payments for lease liabilities	-3,117	-3,725
<b>Net cash flow from financing activities</b>	<b>-4,873</b>	<b>-5,284</b>
Net increase / decrease in cash and cash equivalents	-77,723	-6,524
Changes due to exchange rate effects	-1,476	736
Cash and cash equivalents as of January 1	214,793	142,637
<b>Cash and cash equivalents as of June 30</b>	<b>135,594</b>	<b>136,849</b>



## STATEMENT OF CHANGES IN EQUITY SMA GROUP

in €'000	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
<b>Shareholders' equity as of January 1, 2019</b>	<b>34,700</b>	<b>119,200</b>	<b>4,277</b>	<b>266,304</b>	<b>424,481</b>
Net income				-14,204	-14,204
Other comprehensive income after tax			585	0	585
Overall result					-13,619
Change in the scope of consolidation				-4,145	-4,145
<b>Shareholders' equity as of June 30, 2019</b>	<b>34,700</b>	<b>119,200</b>	<b>4,862</b>	<b>247,955</b>	<b>406,717</b>
<b>Shareholders' equity as of January 1, 2020</b>	<b>34,700</b>	<b>119,200</b>	<b>5,315</b>	<b>257,678</b>	<b>416,893</b>
Net income				2,711	2,711
Other comprehensive income after tax			-1,618	0	-1,618
Overall result					1,093
<b>Shareholders' equity as of June 30, 2020</b>	<b>34,700</b>	<b>119,200</b>	<b>3,697</b>	<b>260,389</b>	<b>417,986</b>

# CONDENSED NOTES AS OF JUNE 30, 2020

## GENERAL INFORMATION

### 1. Basics

The Condensed Half-Year Consolidated Financial Statements of SMA Solar Technology AG as of June 30, 2020, were prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In the 2020 fiscal year, the half-year financial statements of SMA Solar Technology AG are therefore prepared in accordance with IAS 34, "Interim Financial Reporting." Pursuant to the provisions of IAS 34, a condensed scope of reporting was chosen in comparison with the Consolidated Financial Statements as of December 31, 2019. 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, 2019.

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

The Consolidated Financial Statements are prepared using 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 3, 2020, 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. The company has been listed in the SDAX since September 24, 2018.

SMA Solar Technology AG (SMA) and its subsidiaries (SMA group) develop, produce and sell solar and battery inverters, monitoring systems for PV systems, medium-voltage technology, transformers and chokes. In addition, the company offers intelligent energy management solutions and services, including operation and maintenance services for photovoltaic power plants (O&M business). Another business segment is digital services for the future energy supply. More detailed information on the segments is provided in Section 5.

### 2. Scope of Consolidation and Consolidation Principles

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 as specified in the Consolidated Financial Statements as of December 31, 2019 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 subsidiaries 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, 2019.

The scope of consolidation as of June 30, 2020 changed in comparison with December 31, 2019, as a result of the merger of Zeversolar GmbH to emerge GmbH.

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

#### ACCOUNTING AND VALUATION POLICIES

In the present Half-Year Consolidated Financial Statements as of June 30, 2020, there were no changes in the accounting and valuation principles compared to the Consolidated Financial Statements of SMA Solar Technology AG as of December 31, 2019.

#### ADOPTION OF NEW ACCOUNTING STANDARDS

The SMA group has not yet applied the new standards, interpretations or changes to the standards published that were not yet mandatory as of the balance sheet date. The standards that have to be applied in the future can be found in the 2019 Notes under 2. Accounting Principles and Amendments to Accounting Standards.

The following amendments to the IFRS Standards are effective as of the beginning of the current fiscal year: amendments to IFRS 3 Business Combinations; amendments to IAS 1 and IAS 8 Definition of Material; amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform; and amendments to the references in the conceptual framework of the IFRS Standards (published on March 29, 2018). For further details, see our 2019 Annual Report. The amendments did not have any effect on the group's accounting.

### 4. Significant Judgments, Estimates and Assumptions

With regard to the economic and market impacts associated with the coronavirus pandemic, SMA examined whether there could currently be an impact that should be taken into account.

All items within the SMA group were considered. As of the reporting date, at the moment we do not see any current or future negative developments in the business and market environment of the SMA group that could have negative effects. This review is ongoing due to the rapidly changing situation and could lead to adjustments due to the risk assessment changes.

Further estimates arise from the valuation of the earn out provision – see more explanations under 20. Financial Instruments.

### 5. Segment Reporting

The segments of the SMA group are described in the organizational and reporting structure on page 2 as well as individually explained in the Results of Operations in the Economic Report on page 6 et seq. SMA's segment structure has not changed in comparison with the previous year.

## FINANCIAL RATIOS BY SEGMENTS AND REGIONS

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

in € million	Product sales		Services sales		Total sales	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
<b>Segments</b>						
Home Solutions	65.5	54.0	2.6	2.8	68.1	56.8
Business Solutions	77.9	68.5	1.0	1.6	78.9	70.1
Large Scale & Project Solutions	65.9	54.2	13.4	13.8	79.3	68.0
Total segments	209.3	176.7	17.0	18.2	226.3	194.9
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
<b>Continuing operations</b>	<b>209.3</b>	<b>176.7</b>	<b>17.0</b>	<b>18.2</b>	<b>226.3</b>	<b>194.9</b>

in € million	Depreciation and amortization		Operating profit (EBIT)	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
<b>Segments</b>				
Home Solutions	0.8	0.9	6.3	1.7
Business Solutions	1.0	0.9	-0.4	1.4
Large Scale & Project Solutions	1.3	1.4	-1.5	-5.5
Total segments	3.1	3.2	4.4	-2.4
Reconciliation	7.5	8.4	-3.4	-1.3
<b>Continuing operations</b>	<b>10.6</b>	<b>11.6</b>	<b>1.0</b>	<b>-3.7</b>

### Sales by regions (target market of the product)

in € million	Q2 2020	Q2 2019
EMEA	128.4	118.4
Americas	51.4	37.2
APAC	54.0	43.1
Sales deductions	-7.5	-3.8
<b>External sales</b>	<b>226.3</b>	<b>194.9</b>
thereof Germany	59.5	57.9

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

in € million	Product sales		Services sales		Total sales	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
<b>Segments</b>						
Home Solutions	134.5	97.2	4.9	5.0	139.4	102.2
Business Solutions	156.1	132.1	1.4	2.9	157.5	135.0
Large Scale & Project Solutions	192.2	101.1	25.1	24.4	217.3	125.5
Total segments	482.8	330.4	31.4	32.3	514.2	362.7
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
<b>Continuing operations</b>	<b>482.8</b>	<b>330.4</b>	<b>31.4</b>	<b>32.3</b>	<b>514.2</b>	<b>362.7</b>

in € million	Depreciation and amortization		Operating profit (EBIT)	
	H1 2020	H1 2019	H1 2020	H1 2019
<b>Segments</b>				
Home Solutions	1.5	1.8	11.5	-3.5
Business Solutions	2.0	1.7	0.4	0.7
Large Scale & Project Solutions	2.6	2.3	-5.6	-11.1
Total segments	6.1	5.8	6.3	-13.9
Reconciliation	15.2	17.1	-3.7	-0.5
<b>Continuing operations</b>	<b>21.3</b>	<b>22.9</b>	<b>2.6</b>	<b>-14.4</b>

#### Sales by regions (target market of the product)

in € million	H1 2020	H1 2019
EMEA	253.5	212.6
Americas	177.8	59.3
APAC	98.2	96.9
Sales deductions	-15.3	-6.1
<b>External sales</b>	<b>514.2</b>	<b>362.7</b>
thereof Germany	119.2	104.7

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

in € million	Q2 2020	Q2 2019	H1 2020	H1 2019
Total segment earnings (EBIT)	4.4	-2.4	6.3	-13.9
Elimination	-3.4	-1.3	-3.7	-0.5
Consolidated EBIT	1.0	-3.7	2.6	-14.4
Financial result	0.0	0.3	-0.6	0.9
<b>Earnings before income taxes</b>	<b>1.0</b>	<b>-3.4</b>	<b>2.0</b>	<b>-13.5</b>

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

## SELECTED NOTES TO THE SMA GROUP INCOME STATEMENT

### 6. Notes to the Income Statement

The Notes to the Income Statement are presented in the Results of Operations in the Economic Report.

### 7. Employee and Temporary Employee Benefits

in €'000	H1 2020	H1 2019
Wages and salaries	92,547	86,746
Expenses for temporary employees	8,613	4,674
Social security contribution and welfare payments	14,651	14,503
	<b>115,811</b>	<b>105,923</b>

## 8. Financial Result

in €'000	H1 2020	H1 2019
Interest income	205	684
Other financial income	35	786
Income from interest derivatives	26	37
<b>Financial income</b>	<b>266</b>	<b>1,507</b>
Interest expenses	492	430
Other financial expenses	129	0
Interest expenses and lease liabilities	208	172
<b>Financial expenses</b>	<b>829</b>	<b>602</b>
<b>Financial result</b>	<b>-563</b>	<b>905</b>

## SELECTED NOTES TO THE SMA GROUP BALANCE SHEET

### 9. Goodwill and Other Intangible Assets

in €'000	2020/06/30	2019/12/31
Goodwill	482	482
Software	1,955	2,258
Patents/licenses/other rights	3,265	3,397
Development projects	22,393	25,187
Intangible assets in progress	10,158	5,897
Prepayments	17	6
	<b>38,270</b>	<b>37,227</b>

The intangible assets in progress reflect development activities undertaken by the SMA group.

## 10. Fixed Assets

in €'000	2020/06/30	2019/12/31
Land and buildings	128,860	132,861
Rights of use for buildings	21,156	17,487
Technical equipment and machinery	23,972	24,206
Other equipment, plant and office equipment	24,885	26,025
Rights of use for vehicle fleet	2,631	1,875
Prepayments	5,696	5,718
	<b>207,200</b>	<b>208,172</b>

## 11. Inventories

in €'000	2020/06/30	2019/12/31
Raw materials, consumables and supplies	104,545	92,951
Unfinished goods, work in progress	8,329	12,241
Finished goods and goods for resale	156,735	152,341
Prepayments	15,799	22,350
	<b>285,408</b>	<b>279,883</b>

Inventories are measured at the lower value of the cost of acquisition or sales and net realizable value. In total, impairment as of June 30, 2020 amounted to €23.5 million (December 31, 2019: €29.1 million). The addition to impairment on inventories, included under expenses as cost of sales, amounted to €1.6 million (H1 2019: €9.4 million).

## 12. Other Financial Assets

As of June 30, 2020, other current financial assets included in particular financial assets and time deposits with a term to maturity of over three months and accrued interest totaling €45.0 million (December 31, 2019: €72.1 million).

## 13. Assets Held for Sale

The sale of real property amounting to €0.5 million was concluded in the first quarter of the current fiscal year.

in €'000	2020/06/30	2019/12/31
Land classified as held for sale	0	500

SMA intended to sell the investment held at equity in Tigo Energy, Inc. on the reporting date. Negotiations for this sale were concluded with a buyer. As at the reporting date, the fair value of the investment was equal to the book value which amounts to €0. For the results of the negotiations, we refer to the remarks under 21. Events after the Balance Sheet Date.

## 14. Cash and Cash Equivalents

Cash and cash equivalents amounting to €135.6 million (June 30, 2019: €136.8 million) include cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months.

Cash and cash equivalents, as presented in the Consolidated Statement of Cash Flows as at June 30, 2020, include cash on hand and bank balances of €134.6 million and short-term deposits with a maturity of less than three months of €1.0 million.

## 15. Shareholders' Equity

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

On June 4, 2020, the Annual General Meeting of SMA Solar Technology AG resolved not to distribute a dividend for the 2019 fiscal year (2018: €0.00 per qualifying bearer share).

## 16. Provisions

in €'000	2020/06/30	2019/12/31
Warranties	137,928	138,862
Personnel	4,556	4,221
Other	10,365	10,150
	<b>152,849</b>	<b>153,233</b>

Warranty provisions consist of general warranty obligations (periods of between five and ten years) for the various product areas within the 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.

## 17. Financial Liabilities

in €'000	2020/06/30	2019/12/31
Liabilities due to credit institutions	13,141	14,862
Derivative financial liabilities	110	280
of which liabilities from derivatives outside of hedge accounting	110	280
Lease liabilities	24,874	19,371
	<b>38,125</b>	<b>34,513</b>

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.

Derivative financial liabilities consist of interest derivatives and currency futures and options.

## 18. Other Financial Liabilities

As at June 30, 2020, other current financial liabilities particularly include liabilities for costs in connection with the financial statements and other financial liabilities totaling €0.7 million (December 31, 2019: €1.2 million).

## 19. Other Liabilities<sup>1</sup>

in €'000	2020/06/30	2019/12/31
Contract liabilities	221,710	298,014
Accrual item for extended warranties	171,227	172,831
Liabilities from prepayments received	23,728	91,143
Accruals for service and maintenance contracts	11,324	12,564
Other contract liabilities	15,431	21,476
Liabilities in the Human Resources department	19,905	14,121
Other	11,767	11,417
	<b>253,382</b>	<b>323,552</b>

<sup>1</sup> Other liabilities do not include other financial liabilities.

Contractual liabilities (prepayments received) include prepayments and deliveries of goods. The decline is mainly due to the completion of a major project in the U.S. Other contract liabilities entail accrual items for extended warranties, service and maintenance contracts, and bonus agreements.

Non-current contractual obligations mainly include liabilities from chargeable extended warranties granted for products from the Home Solutions and Business Solutions business units. The fulfillment of the non-current contractual liabilities will extend over a period of 5 to 15 years from the start of the extended warranties. Current contractual obligations mainly include prepayments received, accruals for service and maintenance contracts and bonus agreements. They will mostly be fulfilled within the next 12 months.

Liabilities in the Human Resources department contain obligations to employees regarding performance-based bonuses and positive vacation and flextime balances as well as variable salary components and contributions to the workers' compensation association and to social insurance systems. Other miscellaneous liabilities mainly include liabilities to tax authorities and subsidies received.



## 20. Financial Instruments

in €'000	Assessment category according to IFRS 9	2020/06/30	2019/12/31
		Book value	Book value
<b>Assets</b>			
Cash and cash equivalents	AC	135,594	214,793
Trade receivables	AC	112,316	145,530
Other financial investments	FVOCI	3	3
<b>Other financial assets</b>		<b>89,811</b>	<b>112,292</b>
of which institutional mutual funds (et al.)	FVPL	26,881	27,010
of which time deposits and other assets	AC	59,607	80,590
of which other securities	FVPL	2,600	3,800
of which derivatives that do not qualify for hedge accounting	FVPL	723	892
<b>Liabilities</b>			
Trade payables	AC	122,163	174,742
<b>Financial liabilities</b>		<b>38,125</b>	<b>34,513</b>
of which liabilities due to credit institutions	AC	13,141	14,862
of which liabilities from leases	AC	24,874	19,371
of which derivatives that do not qualify for hedge accounting	FVPL	110	280
<b>Other financial liabilities (current)</b>	AC	<b>690</b>	<b>1,241</b>
<b>Of which aggregated according to valuation categories in accordance with IFRS 9:</b>			
Financial assets measured at amortized cost	AC	307,517	440,913
Financial liabilities measured at amortized cost	AC	135,994	190,845
Financial assets measured at fair value through profit and loss	FVPL	30,204	31,702
Financial liabilities measured at fair value through profit and loss	FVPL	110	280
Fair value through other comprehensive income	FVOCI	3	3

The book values represent reasonable approximations of the fair values of the assets and liabilities, which is why a separate indication of the fair amounts is omitted.

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.

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 are used (level 2).

Derivative financial instruments are used to hedge against currency risks arising from operative business. These include currency futures and options 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 to 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.

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
<b>2020/06/30</b>				
Financial assets, measured at fair value				
Institutional mutual funds	26,881	0	0	26,881
Derivative financial instruments	0	723	0	723
Other securities	0	0	2,600	2,600
Financial liabilities, measured at fair value				
Derivative financial instruments	0	110	0	110
<b>2019/12/31</b>				
Financial assets, measured at fair value				
Institutional mutual funds	27,010	0	0	27,010
Derivative financial instruments	0	892	0	892
Other securities	0	0	3,800	3,800
Financial liabilities, measured at fair value				
Derivative financial instruments	0	280	0	280

Due to the earn out provisions granted in connection with the sale of the Chinese SMA New Energy companies and the Zeversolar companies, the "Other securities" item includes a fair value.

Any change in the fair value of the purchase price claim until the earn out provisions expire in 2029 is generally recognized in the income statement.

The present value of the additional purchase price claim was determined using a discounted cash flow methodology (level 3 of the fair value hierarchy), taking into account the adjusted contractual earn out provisions. Under this arrangement, the additional purchase price claim is calculated as the sum of the contractually guaranteed profit contributions between the actual sale in 2019 and the 2029 fiscal year. The additional purchase price receivable essentially depends on the operating earnings of the Chinese subsidiaries as unobservable inputs and the underlying interest rate used to calculate the present value.

These are derived from the internal planning of the respective companies. A sensitivity analysis shows that a 10% increase in earnings before tax of the companies would result in a change in the present value of the additional purchase price claim of +€300 thousand, as well as a 10% reduction in the result of -€300 thousand. A change in the interest rate +/- 100 basis points also results in a change in the present value of the purchase price receivable of €300 thousand.

## OTHER DISCLOSURES

### 21. Events after the Balance Sheet Date

SMA has sold the investment held at equity in Tigo Energy, Inc. The sale was completed as at July 30, 2020. The selling price amounted to USD 2.0 million and led to a positive effect on earnings in the same amount. As at June 30, 2020, the success of the negotiations was not yet foreseeable.

### 22. Related Party Disclosures

Since October 15, 2018, the Managing Board of SMA Solar Technology AG has comprised Chief Executive Officer Dr.-Ing. Jürgen Reinert, responsible for Strategy, Sales and Service, Operations and Technology, and Ulrich Hadding, responsible for Finance, Human Resources and Legal.

On May 28, 2014, SMA concluded an agreement regarding a close strategic partnership with Danfoss A/S. As part of this partnership, Danfoss acquired a 20% stake in SMA and therefore belongs to the group of related entities. 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.

In addition, SMA had a 28.27% stake in Tigo Energy, Inc. before this investment was sold in July 2020.

# 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 3, 2020

SMA Solar Technology AG  
The Managing Board

Dr.-Ing. Jürgen Reinert

Ulrich Hadding

# AUDITOR’S REPORT

To SMA Solar Technology AG, Niestetal

We have reviewed the Condensed Interim Consolidated Financial Statements – comprising the Condensed Balance Sheet as of June 30, 2020, the Condensed Income Statement and the Condensed Statement of Comprehensive Income, the Condensed Statement of Cash Flows, the 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, 2020, which are part of the Half-Yearly Financial Report in accordance with Section 115 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. 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 3, 2020

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

(Thorsten Schwibinger)

German Public Auditor

(Elmar Meier)

German Public Auditor

## FINANCIAL CALENDAR

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2020/11/12

Publication of Quarterly Statement: January to September 2020  
Analyst Conference Call: 01:30 p. m. (CET)

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## PUBLICATION INFORMATION

### Published by

SMA Solar Technology AG

### Text

SMA Solar Technology AG

### Consulting, Concept & Design

Silvester Group

[www.silvestergroup.com](http://www.silvestergroup.com)

### Photos

iStockphoto/Strandperle

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## REGISTERED TRADEMARKS

The SMA company logo, as well as the names coneva, emerge, Energy that changes, ennexOS, ShadeFix, SMA, SMA Magnetics, SMA Smart Connected, SMA Solar Academy, SMA Solar Technology, SMA Sunbelt, Sunny, Sunny Boy, Sunny Central, Sunny Highpower, Sunny Highpower Peak, Sunny Island, Sunny Portal, Sunny Tripower, Zerversolar are registered trademarks of SMA Solar Technology AG in many countries.

## DISCLAIMER

The Half-Yearly Financial Report, in particular the Forecast Report included in the Management Report, includes various forecasts and expectations as well as statements relating to the future development of the SMA group and SMA Solar Technology AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provisions or fundamental changes in the economic and political environment. SMA does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this Half-Yearly Financial Report.



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