



Quarterly Statement

January to September 2023 | SMA Solar Technology AG

SMA Solar Technology AG

at a glance

SMA Group		Q1 – Q3 2023	Q1 – Q3 2022	Change	Full year 2022
Sales	€ million	1,337.4	724.1	84.7%	1,065.9
Export ratio	%	60.9	70.4		68.8
Inverter output sold	MW	12,890	8,730	47.7%	12,225
Capital expenditure ¹	€ million	58.0	44.3	30.9%	65.8
Depreciation	€ million	29.6	28.4	4.2%	38.1
EBITDA	€ million	231.2	50.2	>100%	70.0
EBITDA margin	%	17.3	6.9		6.6
Net income	€ million	180.4	11.0	>100%	55.8
Earnings per share ²	€	5.20	0.32	>100%	1.61
Employees ³		4,168	3,574	16.6%	3,635
in Germany		2,926	2,554	14.6%	2,610
abroad		1,242	1,020	21.8%	1,025

SMA Group		2023/09/30	2022/12/31	Change
Total assets	€ million	1,562.5	1,110.0	40.8%
Equity	€ million	641.9	463.5	38.5%
Equity ratio	%	41.1	41.8	
Net working capital ⁴	€ million	352.9	238.5	48.0%
Net working capital ratio ⁵	%	21.0	22.4	
Net cash ⁶	€ million	302.8	220.1	37.6%
Adjusted free cash flow	€ million	78.6	-33.2	n/a

¹ Investments including additions of rights of use in accordance with IFRS 16

² Converted to 34,700,000 shares

³ Reporting date; including trainees and learners; excluding temporary employees

⁴ Inventories and trade receivables minus trade payables and liabilities from advanced payments received for orders

⁵ Relating to the last twelve months (LTM)

⁶ Total cash minus interest-bearing financial liabilities to banks

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ECONOMIC REPORT

Results of operations

Sales and earnings

SIGNIFICANT INCREASE IN SALES AND PROFITABILITY

From January to September 2023, the SMA Group sold PV inverters with accumulated power of 12,890 MW (Q1–Q3 2022: 8,730 MW). Sales increased by 84.7% to €1,337.4 million in the reporting period (Q1–Q3 2022: €724.1 million). The significant year-on-year increase in sales reflects the strong demand for SMA products and the improved delivery situation since the beginning of the year. Accordingly, all three segments increased sales, which also resulted in positive EBIT¹ in each case.

The SMA Group is well positioned internationally and generates sales in all relevant regions. In the reporting period, SMA generated 71.9% of external sales calculated before sales deductions in Europe, the Middle East and Africa (EMEA), 21.9% in the North and South America (Americas) region and 6.2% in the Asia-Pacific (APAC) region (Q1–Q3 2022: 60.8% EMEA, 25.6% Americas, 13.6% APAC).

The Large Scale & Project Solutions segment made the largest contribution to sales in the reporting period, accounting for 38.6% (Q1–Q3 2022: 41.9%). The Home Solutions segment generated 36.4% of the SMA Group's sales, while the Commercial & Industrial Solutions segment generated 25.0% (Q1–Q3 2022: 31.7% Home Solutions, 26.4% Commercial & Industrial Solutions).

As of September 30, 2023, the SMA Group still had a large order backlog of €2,020.7 million (September 30, 2022: €1,712.8 million). Of this amount, €1,647.0 million is attributable to product business (September 30, 2022: €1,288.9 million). As a result, the product-related order backlog has decreased only marginally compared with December 31, 2022 (€1,700.7 million), despite the strong increase in sales. €373.7 million of the order backlog is attributable to service business (September 30, 2022: €423.9 million). 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 (EBITDA¹) could be increased by 360.6% year on year to €231.2 million (EBITDA margin: 17.3%; Q1–Q3 2022: €50.2 million; 6.9%). Earnings before interest and taxes (EBIT) came to €201.6 million (Q1–Q3 2022: €21.8 million). This equates to an EBIT margin of 15.1% (Q1–Q3 2022: 3.0%). Net income amounted to €180.4 million (Q1–Q3 2022: €11.0 million). Earnings per share thus came to €5.20 (Q1–Q3 2022: €0.32).

Sales and earnings per segment

HOME SOLUTIONS SEGMENT DOUBLES SALES WITH SIGNIFICANT INCREASE IN PROFITABILITY

In the Home Solutions segment, the SMA Group caters to global markets for private PV systems with and without battery storage systems and connections to a smart home solution. SMA Group's SMA Energy System Home provides an end-to-end, single-source system package featuring all the hardware, software and service components required for an independent and cost-effective household energy management. It comprises single- and three-phase string inverters in the output range of up to 12 kW, integrated services, energy management solutions, storage systems and charging solutions for electric vehicles. They form a comprehensive smart home solution. Communication products and accessories, services, such as extended warranties, spare parts and modernization of PV systems (Repowering) to enhance performance, as well as digital energy services complete the offering.

External sales in the Home Solutions segment increased by 112.0% to €486.2 million in the first nine months of 2023 (Q1–Q3 2022: €229.3 million). Its share of the SMA Group's total sales was 36.4% (Q1–Q3 2022: 31.7%). The EMEA region made up 96.4% (Q1–Q3 2022: 85.0%) of gross sales, the Americas region 2.3% (Q1–Q3 2022: 9.4%) and the APAC region 1.2% (Q1–Q3 2022: 5.6%).

¹ For the definition of the above mentioned key figure, please refer to the financial glossary included in the 2022 Annual Report.

Operating earnings before interest and taxes (EBIT) in the Home Solutions segment significantly rose to €136.9 million due to the increase in sales (Q1–Q3 2022: €35.4 million). As in the previous year, segment earnings include a positive effect in a low, single-digit million amount from the recognition of updated quality parameters as part of the remeasurement of warranty provisions for products already sold, which is a regularly occurring practice at the end of the reporting period. In total, this provision is growing due to the increased sales volume. In relation to external sales, the EBIT margin was 28.2% (Q1–Q3 2022: 15.4%).

COMMERCIAL & INDUSTRIAL SOLUTIONS SEGMENT CONTINUES POSITIVE TREND IN SALES AND EARNINGS

In the Commercial & Industrial Solutions segment, the focus is on global markets for commercial PV systems with and without energy management, battery storage and electric vehicle charging solutions. SMA Energy System Business, featuring ideally matched hardware, software, tools and services, gives commercial enterprises and the real estate industry the option of producing, storing and selling solar power themselves, organizing their companies' energy flows in a transparent and cost-efficient way as well as charging and managing electric vehicle fleets efficiently and sustainably. The solutions comprise three-phase string inverters with outputs of more than 12 kW and up to 110 kW, storage solutions for the commercial sector as well as holistic energy management solutions for commercial integrated energy. Solutions for charging management and billing of electric vehicle fleets complete the offering. The SMA Group also offers services and digital services for operational system management up to and including system repowering and expansion in this segment.

External sales in the Commercial & Industrial Solutions segment increased by 74.4% to €333.7 million in the first nine months of 2023 (Q1–Q3 2022: €191.3 million). The segment's share of the SMA Group's total sales was 25.0% (Q1–Q3 2022: 26.4%). 81.0% of gross sales were attributable to the EMEA region, 11.3% to the Americas region and 7.7% to the APAC region (Q1–Q3 2022: 79.6% EMEA, 10.8% Americas, 9.6% APAC).

Earnings before interest and taxes (EBIT) in the Commercial & Industrial Solutions segment improved to €15.8 million in the first nine months of the fiscal year (Q1–Q3 2022: –€16.5 million) as a result of higher sales and the resulting improvement in production capacity utilization. In relation to external sales, the EBIT margin was 4.7% (Q1–Q3 2022: –8.6%). Segment earnings include a positive effect in a low, single-digit million amount from the recognition of updated quality parameters as part of the remeasurement of warranty provisions for products already sold, which is a regularly occurring practice at the end of the reporting period. In total, this provision has risen due to the increased sales volume.

LARGE SCALE & PROJECT SOLUTIONS SEGMENT SIGNIFICANTLY INCREASES SALES AND EARNINGS

The Large Scale & Project Solutions segment focuses on international PV power plant markets with complete solutions that perform optimal grid service and monitoring functions on the basis of central and string inverters and system controllers. The outputs of string and central inverters in this segment range from 100 kW to the multimewatts. Another focus is on storage solutions for large-scale PV and storage power plants and on solutions for the hydrogen production. The portfolio is supplemented by services, for example, for the modernization and functional enhancement of PV power plants (Repowering), and operation and maintenance services (O&M business). In addition, the SMA Group implements large-scale storage projects in this segment worldwide.

External sales in the Large Scale & Project Solutions segment increased by 70.5% to €517.5 million in the first nine months of 2023 (Q1–Q3 2022: €303.5 million). Its share of the SMA Group's total sales was 38.6% (Q1–Q3 2022: 41.9%). The Large Scale & Project Solutions segment thus accounted for the largest share of the SMA Group's total sales. The Americas region accounted for 48.7% (Q1–Q3 2022: 48.6%) of the segment's gross sales, the EMEA region for 41.0% (Q1–Q3 2022: 28.6%) and the APAC region for 10.3% (Q1–Q3 2022: 22.8%).

Earnings before interest and taxes (EBIT) of the Large Scale & Project Solutions segment amounted to €47.3 million in the first nine months of 2023 (Q1–Q3 2022: –€15.3 million). The significant increase in sales led to improved production capacity utilization with associated fixed cost degression. In addition, the receipt of compensation payments in the mid single-digit million range as a result of customer contract cancellations contributed to the increased profitability. The balance in this segment included an increase of the provision in a low, single-digit million amount as a result of the recognition of updated quality parameters and increased sales volume as part of the remeasurement of warranty provisions for products already sold, which is a regularly occurring practice at the end of the reporting period. A provision for anticipated losses in the low single-digit million range was also recognized for the exit from the O&M business in North America. This is offset by a reversal of the provision for anticipated losses from the termination of a long-term contract for operation and maintenance (O&M) services for PV power plants. The net effect of these two factors is not significant. In relation to external sales, the EBIT margin was 9.1% from January to September 2023 (Q1–Q3 2022: –5.0%).

Development of significant income statement items

SALES INCREASE ENABLES GROWTH IN ALL AREAS WITH DISPROPORTIONATELY LOW COST INCREASE

At €935.1 million, cost of sales was well above the previous year's level (Q1–Q3 2022: €569.7 million) due to the significant increase in sales. The gross margin improved significantly to 30.1% (Q1–Q3 2022: 21.3%) as a result of strong sales growth in all segments, positive production capacity utilization effects and improved fixed cost coverage in all areas.

Personnel expenses included in cost of sales increased by 35.9% to €125.4 million in the reporting period (Q1–Q3 2022: €92.3 million). The reasons for this are the increase in personnel driven by greater production volumes and the recognition of provisions for performance-related variable remuneration. Material costs, including changes in inventories, amounted to €738.5 million (Q1–Q3 2022: €437.5 million).

Depreciation and amortization included in the cost of sales amounted to €25.6 million from January to September 2023 (Q1–Q3 2022: €24.1 million). This includes scheduled depreciation on capitalized development projects of €7.1 million (Q1–Q3 2022: €5.1 million). Other costs increased to €45.6 million (Q1–Q3 2022: €15.8 million). The year-on-year increase resulted mainly from the increase in warranty provisions. These have not increased in proportion to sales, because quality parameters have improved. In the same period of the previous year, this provision was partly reversed. In addition, costs for external operational services increased.

Selling expenses increased to €89.1 million (Q1–Q3 2022: €71.9 million). This was predominantly due to the increase in personnel resulting from the business expansion and the recognition of provisions for performance-related variable remuneration. The cost of sales ratio thus was 6.7% in the reporting period (Q1–Q3 2022: 9.9%).

Research and development expenses, excluding capitalized development projects, amounted to €54.7 million in the first nine months of 2023 (Q1–Q3 2022: €33.9 million). This was chiefly due to higher personnel costs resulting from an increase in personnel and the recognition of provisions for performance-related variable remuneration. This put the research and development cost ratio at 4.1% (Q1–Q3 2022: 4.7%). Total research and development expenses, including capitalized development projects, amounted to €84.3 million (Q1–Q3 2022: €61.6 million). Development projects were capitalized in the amount of €29.6 million in the reporting period (Q1–Q3 2022: €27.7 million). The increase in capitalizations can be attributed to several projects that are at an advanced stage of development.

General administrative expenses increased to €56.5 million from January to September 2023 (Q1–Q3 2022: €44.5 million). This rise was chiefly due to an increase in the headcount and the recognition of provisions for performance-related variable remuneration. The ratio of administrative expenses amounted to 4.2% (Q1–Q3 2022: 6.1%).

The balance of other operating income and expenses resulted in an effect on earnings of –€0.4 million in the reporting period (Q1–Q3 2022: €17.7 million). As in the previous year, the receipt of compensation payments in the mid single-digit million range as a result of contract terminations by customers had a positive effect. In the same period of the previous year, the disposal of previously rented buildings resulted in a gain on disposal after deduction of all costs of €23.2 million. Expenses of €20.6 million (Q1–Q3 2022: €39.3 million) and revenue of €18.7 million (Q1–Q3 2022: €31.6 million) from foreign currency valuation and foreign currency hedging are also included. This also comprises expenses and revenue from the rental of own buildings as well as expenses from the recognition and income from the reversal of specific valuation allowances on receivables.

Financial position

Gross cash flow multiplied year on year

Gross cash flow reflects operating income prior to commitment of funds. It amounted to €252.9 million in the period from January to September 2023 (Q1–Q3 2022: €20.5 million), in particular due to the positive sales and earnings performance.

Cash flow from operating activities significantly increased to €129.5 million in the first nine months of the reporting year (Q1–Q3 2022: €10.3 million).

Against the background of the positive sales development forecast and the improved availability of components, the SMA Group is consistently pursuing its strategy of increasing stockpiling. As a result, stockpiling of €527.9 million was higher than at the end of the previous year (December 31, 2022: €308.7 million). Together with the corresponding rise in trade payables, an increase in trade receivables relevant to statements of cash flows, and higher liabilities from prepayments received, net working capital¹ amounted to €352.9 million (December 31, 2022: €238.5 million). Net working capital thus corresponded to 21.0% in relation to sales over the past 12 months (December 31, 2022: 22.4%) and was within the range of 19% to 23% forecasted by management at the end of the year.

In the reporting period, net cash flow from investing activities amounted to –€52.6 million after €57.0 million in the previous year. In the same period of the previous year, it included the cash inflows from the disposal of previously rented buildings. The balance of cash inflows and outflows from financial investments was –€1.8 million (Q1–Q3 2022: €61.7 million). The outflow of funds for investments in fixed assets and intangible assets amounted to €50.9 million in the reporting period (Q1–Q3 2022: €42.3 million). With €29.6 million (Q1–Q3 2022: €27.7 million), an essential part of the investments was attributable to capitalized development projects.

As of September 30, 2023, cash and cash equivalents totaling €242.1 million (December 31, 2022: €165.4 million) included cash in 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 €302.8 million (December 31, 2022: €220.1 million). Total cash also came to €302.8 million (December 31, 2022: €220.1 million).

In June 2023, the SMA Group successfully concluded talks regarding a new revolving syndicated credit line with various banks. It replaces the previous syndicated credit line of €100.0 million. Following the conclusion of the new agreement, the SMA Group has a credit volume of €380.0 million. This additional operational financial margin at considerably improved conditions will allow for further growth of the SMA Group.

Investment analysis

Investments in fixed assets (including additions of rights of use under IFRS 16) and intangible assets amounted to €58.0 million from January to September 2023 (Q1–Q3 2022: €44.3 million). This equates to an investment ratio in relation to sales of 4.3% compared with 6.1% in the first nine months of the previous year.

In total, €20.5 million was invested in fixed assets (Q1–Q3 2022: €14.2 million), primarily for technical equipment and machinery. The investment ratio for fixed assets was 1.5% in the first nine months of the 2023 fiscal year (Q1–Q3 2022: 2.0%). Additions of rights of use under leases amounted to €7.1 million (Q1–Q3 2022: €2.0 million). Depreciation of fixed assets, including depreciation of rights of use under leases, came to €21.5 million (Q1–Q3 2022: €21.5 million).

Investments in intangible assets amounted to €30.4 million (Q1–Q3 2022: €28.1 million). These largely related to capitalized development projects. Amortization of intangible assets totaled €8.2 million after €7.0 million in the same period of the previous year.

¹ For the definition of the above mentioned key figure, please refer to the financial glossary included in the 2022 Annual Report.

Net assets

Stable equity capital base

As of September 30, 2023, total assets rose by 40.8% to €1,562.5 million (December 31, 2022: €1,110.0 million). At €426.2 million, non-current assets were significantly above the level observed at the end of 2022 (December 31, 2022: €386.6 million). This increase was primarily influenced by additions to capitalized development projects.

Net working capital¹ rose to €352.9 million (December 31, 2022: €238.5 million) in connection with the expected positive sales development. This put the net working capital ratio in relation to sales over the past twelve months at 21.0%. Due to the development of sales, trade receivables amounted to €235.6 million in the third quarter and increased by 53.5% compared to December 31, 2022 (December 31, 2022: €153.5 million). Days sales outstanding came to 42.3 days and were lower than at the end of the previous year (December 31, 2022: 50.7 days). Inventories increased significantly to €527.9 million (December 31, 2022: €308.7 million) in order to ensure the forecasted dynamic development of sales. As a consequence, trade payables of €270.0 million were higher than at the end of 2022 (December 31, 2022: €133.4 million). The share of trade credit in total assets of 17.3% was higher than at the end of the previous year (December 31, 2022: 12.0%).

The Group's equity capital increased to €641.9 million (December 31, 2022: €463.5 million). With an equity ratio of 41.1% (December 31, 2022: 41.8%), SMA has a stable equity capital base.

¹ For the definition of the above mentioned key figure, we refer to the financial glossary included in the 2022 Annual 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

Weak economic growth and high inflation dampen economic recovery

According to the International Monetary Fund (IMF), the economic outlook for 2023 and 2024 remains subdued. In newly industrialized and developing countries in particular, economic activity remains below prepandemic levels. Moreover, the slowdown is increasingly uneven across countries and more pronounced in industrialized countries than in others. According to the experts, a full recovery of growth rates to a prepandemic level is becoming increasingly out of reach. Although the global economy is proving resilient despite the various crises, there are still some obstacles that make earlier growth rates impossible (average growth 2000–2019: 3.8%). In addition to the long-term consequences of the pandemic and the Ukraine war, economic development is also being held back by tight monetary policy to curb inflation, the withdrawal of fiscal policy support in view of high sovereign debt, and extreme weather events. Against this background, in its World Economic Outlook (October 2023) the IMF assumes global growth of 3.0% this year (2022: 3.5%). For 2024, the IMF expects another slight decline to 2.9%.

At 0.7%, growth in the euro zone in 2023 will be weaker than assumed in July (2022: 3.3%). The German economy remains at the bottom of the list. The IMF expects an even deeper recession this year, forecasting a 0.5% decline in GDP in 2023 (2022: 1.8%). In addition to the weak development of interest-rate-sensitive sectors, this was due to lower demand from commercial partners and consequently a decline in industrial production. In the coming year, the German economy is expected to grow again slightly by 0.9%.

In contrast, the IMF expects the U.S. economy to remain stable with GDP growth of 2.1% (2022: 2.1%). The main drivers of this are robust consumption and sustained investment. By contrast, the U.S. economy is expected to grow by only 1.5% in 2024.

China is forecasted to grow by 5.0% year on year (2022: 3.0%). However, the IMF sees considerable risks from the crisis in the Chinese real estate sector, which could also become a problem for the global economy. Weaker growth of 4.2% is expected in 2024.

Global inflation is anticipated to fall from 8.7% in the previous year to 6.9% in 2023 and 5.8% in 2024. However, according to IMF experts, this does not mean that inflation has been overcome, and in most countries the target values will not be reached again until 2025. Central banks must therefore continue to do everything in their power to bring down high consumer prices on a sustained basis.

Future general economic conditions in the photovoltaics sector

Solar energy becomes the most important source of energy¹

Greater efforts to expand renewable energies are widely regarded by the public, politicians and businesses as the central pillar in the response to climate change. Politicians are taking account of this with action plans such as the "European Green Deal" to achieve climate neutrality within the EU by 2050 and by appointing top-class expert teams to tackle climate change, like the U.S. government is doing. These attitudes will expedite expansion of renewable energies over the coming years and decades. The experts at the analysis company Wood Mackenzie describe the solar industry as "highly investable" because it is increasingly able to meet both economic and political targets.²

¹ Source: McKinsey "Global Energy Perspective 2022"

² Source: Wood Mackenzie "Total eclipse: How falling costs will secure solar's dominance in power 2021"

The experts at the International Energy Agency (IEA) emphasize the major role of solar energy in combating the climate crisis: In their “Net Zero by 2050 – A Roadmap for the Global Energy Sector” study, they explain that by 2050 the global energy supply will need to be based largely on renewables, with solar energy as the single largest source of supply. The experts at the Potsdam Institute for Climate Impact Research (PIK) forecast that green electricity could cover three-quarters of global energy use in the long term, given a consistent climate policy.

In this context, the electrification of other sectors, such as mobility and heat, and the production of green hydrogen will additionally drive electricity demand as further important elements in achieving climate protection targets. In their Energy Transition Outlook 2023, the experts of the consulting company DNV predict that electricity's share in global total energy demand will increase from 19% in 2022 to 35% in 2050. The share of renewable energies in global power generation will also rise from about 31% currently to more than 80%. Solar energy will account for half of this. Connectivity and fast demand response through flexible storage will become crucial success factors for a decarbonized power system with a high share of fluctuating renewable energies.

According to Bloomberg New Energy Finance's New Energy Outlook 2022, global CO₂ emissions will need to drop by an average of 6% per year to realize the goal of global climate neutrality by 2050. Decarbonizing the power sector will require such actions as trebling the current level of new PV capacity installations. Global investment in climate-friendly technologies for power generation and storage would need to increase to a total of about \$35 trillion to achieve the goal of climate neutrality by 2050.

Along with climate change targets, further decreases in costs are contributing to the anticipated rapid growth of solar and wind energy. According to the PIK, the cost of solar power generation has fallen by 85% over the past ten years alone and further cost reductions can be expected in the future thanks to rapid technological progress. The experts at Bloomberg New Energy Finance classify newly installed wind or PV power plants to be already the most cost-effective form of electricity generation in almost all major markets. These markets cover two-thirds of the world's population, about 77% of global GDP and 91% of total power generation. Moreover, in a growing number of countries, including China, India and a large part of Europe, it is now more cost-effective to build new renewable energy capacity than to operate existing coal- and gas-fired power plants.

In addition to the gradually decreasing consumer cost electricity from PV systems, their decentralized and local generation can be combined very well with battery storage systems. The combination of photovoltaics and storage systems is therefore particularly attractive for private, commercial and industrial consumers. DNV's experts see photovoltaics combined with battery storage systems as a separate power plant category that can supply electricity reliably and on demand, just like conventional power plants. According to their projections, combined PV and storage power plants will have a storage capacity of more than 20 TWh by 2050, accounting for around two-thirds of the world's electricity storage capacity.

In the energy system of the future, cutting-edge communication technologies and services for cross-sector energy management will represent key building blocks for the modernization and expansion of the power grid infrastructure. In its World Energy Outlook 2022, the IEA states that, in conjunction with the increasing electrification of the transportation and heating sectors through renewable energies, modern utility grids and smart energy management, there is great potential to sustainably reduce both the high electricity costs and CO₂ emissions.

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 fields of photovoltaics and storage technologies as well as in the markets for e-mobility, digital energy services and green hydrogen production, which experts are predicting will experience exponential growth in the future.

Global new PV installations increase to over 327 GW

The SMA Managing Board anticipates growth in newly installed PV power to approximately 327 GW to 335 GW in 2023 (2022: 212 GW) worldwide. The growth is expected to be driven by all regions. The Managing Board estimates that global investments in system technology for traditional photovoltaic applications will increase by around 37%. Investments in system technology for storage applications (excluding investments in batteries) will rise by approximately €700 million to €800 million compared to the previous year. Overall, the SMA Managing Board therefore expects investments in PV system technology (including system technology for storage systems) of around €14.2 billion to €15.8 billion in 2023 (2022: €10.9 billion).

Considerable increase in demand in the EMEA region

The SMA Managing Board anticipates a significant increase in newly installed PV power to around 59 GW to 61 GW in the Europe, Middle East and Africa (EMEA) region in 2023 (2022: 51 GW). In addition to growth in the countries in the Middle East and Africa, this is due to the positive development in European markets, such as Germany, Italy, Sweden as well as in East European countries. According to SMA estimates, investments in PV and storage system technology will grow to approximately €4.3 billion to €4.7 billion (2022: €3.8 billion). Battery storage systems are gaining importance in European countries, especially in Germany, the UK and Italy. In addition to business involving new systems for consumption of self-generated energy, retrofitting of existing systems with new inverters and storage systems will yield high potential in the medium term. For more and more 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.

Americas region grows significantly

For the Americas region, the SMA Managing Board anticipates growth in newly installed PV power to approximately 52 GW to 54 GW (2022: 36 GW). Roughly between 32 GW and 34 GW of this amount is attributable to the North American markets. In the U.S. in particular, the market for PV system technology is currently characterized by strong momentum, driven by positive impetus such as the Inflation Reduction Act (IRA) and the long-term extension of the Investment Tax Credit (ITC) for PV systems. Although it has now eased temporarily, the situation regarding import duties on PV modules from certain Asian countries will remain a factor of uncertainty in the medium term. Inverter technology investments are expected to amount to around €3.8 billion to €4.2 billion in the Americas region (2022: €3.2 billion).

Investments in Asia-Pacific region increase

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 increase to 177 GW to 179 GW in 2023 (2022: 87 GW). Investments in inverter technology are expected to rise to approximately €4.4 billion to €4.8 billion (2022: €2.4 billion). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to grow to around 39 GW to 41 GW in 2023 (2022: 36 GW). This growth is in particular attributable to the positive development in Australia and India. The SMA Managing Board expects slightly increasing investments of approximately €1.7 billion to €2.1 billion in inverter technology for the region as a whole (2022: €1.5 billion).

Growth markets: Energy management, digital energy services and operational management

The trend to decentralize power supplies is progressing. 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. Plus, 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 an essential pillar of these new energy supply structures. Integration of a prospectively large number of electric vehicles will help increase self-consumption of renewable energies and offset fluctuations in the utility grid. Using artificial intelligence, the behavior of decentralized energy consumers and storage systems can be adapted to the fluctuating production of electricity from renewable energies, thus enabling the overall system to be optimized.

In this context, the SMA Managing Board holds that innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer worthwhile business opportunities. Rising prices for conventional domestic and commercial power, greater planning certainty through price stability, and many private households, companies, organizations, and municipalities 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 continue 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. Additionally, electric utility companies are increasingly using battery storage systems to avoid expensive grid expansions, stabilize grid frequency and balance fluctuations in the power feed-in from renewable energy sources. The SMA Managing Board expects the still fairly new storage market to grow to approximately €2.0 billion to €2.2 billion in 2023 (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 €2.0 billion in 2023. The market will record strong growth in the medium and long term.

Technical management of commercial PV systems and large-scale PV power plants is another segment. This includes a range of services, such as repairs and device replacements as well as visual inspections and maintenance of entire systems. The market in these segments had an accumulated installed capacity of over 970 GW at the end of 2022 and will have an expected capacity of more than 1,200 GW by the end of 2023.

Overall statement from the Managing Board on expected development of the SMA Group

Good operating performance leads to renewed increase in guidance for 2023 as a whole

On October 4, 2023, the Managing Board of SMA Solar Technology AG published an ad hoc announcement on the preliminary figures for the third quarter. The background to this was a sales and earnings performance in the third quarter well above the previous year's quarter and market expectations (consensus) due to a very positive development in the Large Scale & Project Solutions and Commercial & Industrial Solutions segments.

Based on this, the Managing Board also again raised the guidance range for the full year 2023 and now expects Group sales of between €1,800 million and €1,900 million (previously: €1,700 million to €1,850 million; actual 2022: €1,065.9 million) and earnings before interest, taxes, depreciation and amortization (EBITDA) of between €285 million and €325 million (EBITDA margin: 15.8% to 17.1%; previously: €230 million to €270 million; 13.5% to 14.6%; actual 2022: €70.0 million; 6.6%). For earnings before interest and taxes (EBIT), the Managing Board expects a range of €245 million to €285 million (EBIT margin: 13.6% to 15.0%; previously: €190 million to €230 million; 11.2% to 12.4%; actual 2022: €31.9 million, 3.0%). According to the new guidance, net cash is expected to amount to approximately €275 million at the end of the year (previously: approximately €275 million; actual December 31, 2022: €220.1 million).

Overall, the guidance for the year as a whole has been raised three times in the current year.

According to the new Managing Board guidance, capital expenditure (including capitalized development costs and lease investments) will amount to approximately €85 million in 2023 (previously: approximately €85 million; actual 2022: €65.8 million). The SMA Group is investing in the future to benefit from the significant potential arising from the megatrends of decentralization, decarbonization and digitalization of the energy supply worldwide, and is developing highly integrated and digitalized solutions for the resulting requirements. In the current 2023 fiscal year, the company is therefore making particular investments in new products, land and buildings, technical equipment and machinery, and the capitalization of research and development costs.

At 19% to 23% of sales, net working capital at the end of the year will be below or slightly above the level at the end of the previous year (actual 2022: 22.4%).

For details regarding risks, please refer to the Risks and Opportunities Report in the SMA Annual Report 2022.

SMA Group guidance for 2023 at a glance

Key figure	Guidance 2023	Actual 2022
Sales in € million	1,800 to 1,900	1,065.9
Inverter output sold in GW	18 to 19	12.2
EBITDA in € million	285 to 325	70.0
Capital expenditure in € million	approx. 85	65.8
Net working capital in % of sales	19 to 23	22.4
Net cash in € million	approx. 275	220.1
EBIT in € million	245 to 285	31.9

The SMA Group's sales and earnings depend on global market growth, market share, price dynamics and the supply of electronic components. Our global presence and our comprehensive portfolio of products and solutions for all segments (Home Solutions, Commercial & Industrial Solutions and Large Scale & Project Solutions) enable us to respond quickly to changing market conditions, offset fluctuations in demand and take advantage of developments in global photovoltaic and storage markets. Its broad product and solution portfolio in all market segments is a major distinguishing feature for the SMA Group. The Managing Board of SMA Solar Technology AG forecasts the following performance for individual SMA segments in the 2023 fiscal year:

Segment guidance for 2023 at a glance

Segment	Sales	EBIT
Home Solutions	Up significantly	Up significantly
Commercial & Industrial Solutions	Up significantly	Up significantly
Large Scale & Project Solutions	Up significantly	Up significantly

Strategic areas of action strengthen long-term competitiveness

After delivery capacity on the supplier side recovered much faster than expected in the first half of 2023, the Managing Board sees excellent growth prospects for the SMA Group. Significant impetus will be generated by the anticipated growth of the global PV market and the dynamic development of major future fields, such as storage systems, e-mobility, digital energy services and green hydrogen. With its Strategy 2025, its global presence with employees in 20 countries on six continents and products and solutions, the SMA Group is well positioned to benefit from the positive developments and expand its market position. The ongoing development of the portfolio into a system landscape for decentralized energy supply is progressing steadily.

With the SMA Strategy 2025, the SMA Group is systematically pressing ahead with its development into an innovative and sustainable "energy transition company" so that it can offer appropriate solutions for all essential areas of future energy supply. We are leveraging our systems expertise to develop complete, future-proof solutions of significant customer benefit in close collaboration with our strong partners and to tap into new business areas.

Since 2021, the SMA Group has been successfully implementing its Strategy 2025. Strategic areas of action were developed that will strengthen the competitiveness of the SMA Group in the long term. They will be pressed ahead by corresponding business initiatives and address key trends and growth segments with high future potential. These include PV and storage solutions, energy market integration, e-mobility and future business fields. They are implemented with a clear segment focus. Achievement of the objectives within the areas of action is tracked actively in quarterly strategy reviews. Management derives appropriate options and courses of action from the results.

The SMA Group will benefit from the increased change in energy supply

The expansion of renewable energies and battery storage systems and the electrification of other sectors, such as mobility, heating and air-conditioning, will be further accelerated by the increased fight against climate change and the striving for an energy supply that is largely independent from imports of raw materials and rising prices also in the years ahead.

The SMA Group is strategically positioned to benefit from these trends in all market segments and regions. With our products and solutions, we actively contribute to combating the global climate crisis. In addition, we have an international sales and service organization and decades of experience and technological expertise in all PV and storage applications as well as key future fields for energy supply. Our total installed inverter output of more than 135 GW worldwide provides an excellent starting point for data-based business models, as valuable energy data can be compiled by the inverter. 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 as well as e-mobility, is an excellent basis for developing future growth potential for digital energy solutions. The SMA Group has also already positioned itself in the high-margin and still strongly growing business field of green hydrogen generation. We will continuously expand our range of solutions for optimized hydrogen production. In addition, we will almost double our production capacities for inverter technology at our headquarters in Niestetal/Kassel, Germany, from 21 GW to around 40 GW starting 2025 and create more than 200 additional high-quality, regional jobs. This will increase the company's flexibility in a dynamic market environment and will minimize risks, dependencies and costs.

The SMA Group will take advantage of the opportunities posed by digitalization

Thanks to its extensive knowledge and experience in PV system technology, the ability to quickly implement changes, alignment of the subsidiaries toward future business areas and its numerous strategic partnerships, the SMA Group is well prepared for the digitalization of the energy industry and will take advantage of the opportunities that it yields. As a specialist in holistic solutions in the energy sector, we will help shape the energy supply of the future, launch a number of innovations and establish further strategic partnerships as part of our centralized and focused partner management. In the process, we will build on our 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.

Niestetal, October 31, 2023

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement SMA Group

in €'000	July – Sept. (Q3) 2023	July – Sept. (Q3) 2022	Jan. – Sept. (Q1 – Q3) 2023	Jan. – Sept. (Q1 – Q3) 2022
Sales	558,461	252,264	1,337,371	724,090
Cost of sales	391,302	193,821	935,090	569,670
Gross profit	167,159	58,443	402,281	154,420
Selling expenses	29,922	24,164	89,093	71,928
Research and development expenses	23,329	11,307	54,688	33,896
General administrative expenses	20,194	15,178	56,466	44,497
Other operating income	13,042	40,730	33,872	73,876
Other operating expenses	11,235	23,979	34,324	56,184
Operating profit (EBIT)	95,520	24,545	201,582	21,791
Income from at-equity-accounted investments	149	0	688	560
Financial income	1,854	52	3,890	207
Financial expenses	1,270	1,432	3,416	4,625
Financial result	733	-1,380	1,162	-3,858
Profit before income taxes	96,253	23,165	202,744	17,933
Income taxes	19,311	1,573	22,320	6,941
Net income	76,941	21,592	180,424	10,992
of which attributable to shareholders of SMA AG	76,941	21,592	180,424	10,992
Earnings per share, basic (in €)	2.22	0.62	5.20	0.32
Earnings per share, diluted (in €)	2.22	0.62	5.20	0.32
Number of ordinary shares (in thousands)	34,700	34,700	34,700	34,700

Statement of comprehensive income SMA Group

in €'000	July – Sept. (Q3) 2023	July – Sept. (Q3) 2022	Jan. – Sept. (Q1 – Q3) 2023	Jan. – Sept. (Q1 – Q3) 2022
Net income	76,941	21,592	180,424	10,992
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	-765	113	-2,039	1,622
All items of other comprehensive income may be reclassified to profit or loss in subsequent periods	-765	113	-2,039	1,622
Overall result	76,176	21,705	178,385	12,614
of which attributable to shareholders of SMA AG	76,176	21,705	178,385	12,614

Balance sheet

SMA Group

in €'000	2023/09/30	2022/12/31
ASSETS		
Intangible assets	111,586	88,932
Property, plant and equipment	206,244	191,845
Investment property	4,835	14,274
Other financial assets, non-current	2,172	6,170
Deferred tax assets	101,384	85,427
Non-current assets	426,221	386,648
Inventories	527,926	308,668
Trade receivables	235,618	153,528
Other financial assets, current (total)	67,051	57,688
Cash equivalents with a duration of more than 3 months and asset management	41,032	38,290
Rent deposits and cash on hand pledged as collaterals	19,645	16,436
Remaining other financial assets, current	6,374	2,962
Income tax assets	6,401	11,096
Value added tax receivables	36,630	18,548
Other non-financial assets, current	15,994	8,493
Cash and cash equivalents	242,105	165,355
	1,131,726	723,376
Assets held for sale	4,509	0
Current assets	1,136,235	723,376
Total assets	1,562,456	1,110,024
LIABILITIES		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	488,008	309,623
SMA Solar Technology AG shareholders' equity	641,908	463,523
Provisions, non-current	98,924	92,692
Financial liabilities, non-current	22,268	16,356
Contract liabilities, non-current	148,998	152,926
Other non-financial liabilities, non-current	2,066	1,845
Deferred tax liabilities	1,150	442
Non-current liabilities	273,407	264,261
Provisions, current	88,072	66,454
Financial liabilities, current	9,719	7,307
Trade payables	270,025	133,449
Income tax liabilities	32,872	4,162
Contract liabilities (advances)	140,643	90,219
Other contract liabilities, current	66,409	42,160
Other financial liabilities, current	990	568
Other non-financial liabilities, current	38,411	37,921
Current liabilities	647,141	382,240
Total equity and liabilities	1,562,456	1,110,024

Statement of cash flows

SMA Group

in €'000	Jan. – Sept. (Q1 – Q3) 2023	Jan. – Sept. (Q1 – Q3) 2022
Net income	180,424	10,992
Income taxes	22,320	6,941
Financial result	-1,162	3,858
Depreciation and amortization of property, plant and equipment and intangible assets	29,618	28,433
Change in provisions	27,850	-24,640
Result from the disposal of assets	742	2,304
Change in non-cash expenses/revenue	-3,321	-1,907
Interest received	740	68
Interest paid	-875	-688
Income tax paid	-3,406	-4,859
Gross cash flow	252,930	20,502
Change in inventories	-224,893	-50,457
Change in trade receivables	-84,410	-9,730
Change in trade payables	136,576	24,552
Change in other net assets/other non-cash transaction	49,304	25,411
Cash flow from operating activities	129,507	10,278
Payments for investments in property, plant and equipment	-20,471	-14,180
Proceeds from the disposal of property, plant and equipment	59	88
Payments for investments in intangible assets	-30,355	-28,129
Cash inflow from the disposal of held for sale assets net of cash	0	37,610
Proceeds from the disposal of securities and other financial assets	1,972	61,650
Payments for the acquisition of securities and other financial assets	-3,845	0
Cash flow from investing activities	-52,640	57,039
Proceeds from borrowing of financial liabilities	6,170	0
Redemption of financial liabilities	-6	-8,344
Payments for lease liabilities	-6,656	-6,986
Cash flow from financing activities	-492	-15,330
Net increase/decrease in cash and cash equivalents	76,375	51,987
Changes due to exchange rate effects	375	-2,757
Cash and cash equivalents as of January 1	165,355	113,978
Cash and cash equivalents as of September 30	242,105	163,208

Statement of changes in equity SMA Group

in €'000	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2022	34,700	119,200	4,150	252,359	410,409
Net income				10,992	10,992
Other comprehensive income after tax			1,622		1,622
Overall result					12,614
Shareholders' equity as of September 30, 2022	34,700	119,200	5,772	263,351	423,023
Shareholders' equity as of January 1, 2023	34,700	119,200	3,836	305,787	463,523
Net income				180,424	180,424
Other comprehensive income after tax			-2,039		-2,039
Overall result					178,385
Shareholders' equity as of September 30, 2023	34,700	119,200	1,797	486,211	641,908

Financial ratios by segments and regions

The segment information in accordance with IFRS 8 for the third quarter of 2023 and 2022 is as follows:

in € million	External product sales		External service sales		Total sales	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Segments						
Home Solutions	156.3	89.8	2.6	4.0	158.9	93.8
C&I Solutions	139.0	72.0	0.5	0.9	139.5	72.9
Large Scale & Project Solutions	242.4	68.4	17.7	17.2	260.1	85.6
Total segments	537.7	230.2	20.8	22.1	558.5	252.3
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	537.7	230.2	20.8	22.1	558.5	252.3

in € million	Depreciation and amortization		Operating profit (EBIT)	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Segments				
Home Solutions	0.2	0.4	43.5	18.3
C&I Solutions	2.5	1.6	9.1	-5.4
Large Scale & Project Solutions	0.9	1.0	38.5	-9.0
Total segments	3.6	3.0	91.1	3.9
Reconciliation	6.7	6.8	4.4	20.6
Continuing operations	10.3	9.8	95.5	24.5

Sales by regions (target market of the product)

in € million	Q3 2023	Q3 2022
EMEA	384.5	177.7
Americas	145.5	61.8
APAC	45.0	23.3
Sales deductions	-16.5	-10.5
External sales	558.5	252.3
thereof Germany	213.5	81.4

The segment information in accordance with IFRS 8 for the first nine months of 2023 and 2022 is as follows:

in € million	External product sales		External service sales		Total sales	
	Q1 – Q3 2023	Q1 – Q3 2022	Q1 – Q3 2023	Q1 – Q3 2022	Q1 – Q3 2023	Q1 – Q3 2022
Segments						
Home Solutions	478.9	222.1	7.3	7.2	486.2	229.3
C&I Solutions	329.8	186.2	3.9	5.1	333.7	191.3
Large Scale & Project Solutions	467.7	253.3	49.8	50.2	517.5	303.5
Total segments	1,276.4	661.6	61.0	62.5	1,337.4	724.1
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	1,276.4	661.6	61.0	62.5	1,337.4	724.1

in € million	Depreciation and amortization		Operating profit (EBIT)	
	Q1 – Q3 2023	Q1 – Q3 2022	Q1 – Q3 2023	Q1 – Q3 2022
Segments				
Home Solutions	1.0	0.8	136.9	35.4
C&I Solutions	6.1	3.9	15.8	-16.5
Large Scale & Project Solutions	2.6	3.0	47.3	-15.3
Total segments	9.7	7.7	200.0	3.6
Reconciliation	19.9	20.7	1.6	18.2
Continuing operations	29.6	28.4	201.6	21.8

Sales by regions (target market of the product)

in € million	Q1 – Q3 2023	Q1 – Q3 2022
EMEA	997.3	455.3
Americas	304.7	192.2
APAC	86.6	102.3
Sales deductions	-51.2	-25.7
External sales	1,337.4	724.1
thereof Germany	542.7	222.2

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

in € million	Q3 2023	Q3 2022	Q1 – Q3 2023	Q1 – Q3 2022
Total segment earnings (EBIT)	91.1	3.9	200.0	3.6
Elimination	4.4	20.6	1.6	18.2
Consolidated EBIT	95.5	24.5	201.6	21.8
Financial result	0.8	-1.3	1.2	-3.9
Earnings before income taxes	96.3	23.2	202.7	17.9

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 and buildings, the expenses of which are allocated to the segments.

FINANCIAL CALENDAR

2024/03/27	Publication of Annual Report 2023 Analyst Conference Call: 1:30 p.m. (CET)
2024/05/08	Publication of Quarterly Statement: January to March 2024 Analyst Conference Call: 1:30 p.m. (CEST)
2024/05/28	Annual General Meeting 2024
2024/08/08	Publication of Quarterly Statement: January to June 2024 Analyst Conference Call: 1:30 p.m. (CEST)
2024/11/14	Publication of Quarterly Statement: January to September 2024 Analyst Conference Call: 1:30 p.m. (CET)

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



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