SMARTER USE OF ENERGY

QUARTERLY FINANCIAL REPORT JANUARY TO SEPTEMBER 2014

SMA SOLAR TECHNOLOGY AG

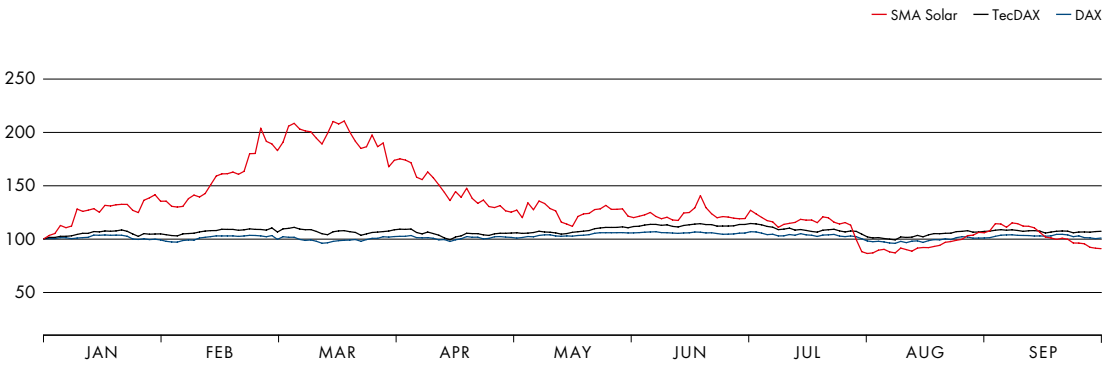
SMA AT A GLANCE

SMA Group		Jan.–Sept. (Q1–Q3) 2014	Jan.–Sept. (Q1–Q3) 2013	Change	Year 2013
Sales	in € million	549.3	709.3	–23%	932.5
International share	in %	72.1	69.3		71.0
Inverter output sold	MW	3,311	3,959	–16%	5,361
Capital expenditure	in € million	55.1	45.3	22%	53.2
Depreciation and amortization	in € million	64.5	57.0	13%	83.6
EBITDA	in € million	–8.2	26.9	–130%	–5.5
EBITDA margin	in %	–1.5	3.8	–139%	–0.6
Consolidated net result	in € million	–54.1	–22.0	146%	–66.9
Earnings per share[1]	€	–1.55	–0.56	177%	–1.92
Employees[2]		5,028	5,645	–11%	5,141
in Germany		3,530	4,364	–19%	3,736
Abroad		1,498	1,281	17%	1,405

SMA Group		09/30/2014	12/31/13	Change
Total assets	in € million	1,232.7	1,259.9	–2%
Equity	in € million	674.8	724.4	–7%
Equity ratio	in %	54.7	57.5	
Net working capital[3]	in € million	267.0	247.6	8%
Net working capital ratio[4]	in %	34.6	26.6	
Net cash[5]	in € million	224.8	308.1	–27%

[1] Converted to 34,700,000 shares
[2] Average during the period; without temporary employees
[3] Inventories and trade receivables minus trade payables
[4] Relating to the last twelve months (LTM)
[5] Liquid funds and securities contained within net working capital less interest-bearing financial liabilities

SMA SHARE PERFORMANCE Q1–Q3 2014 in %



Contents

The Share

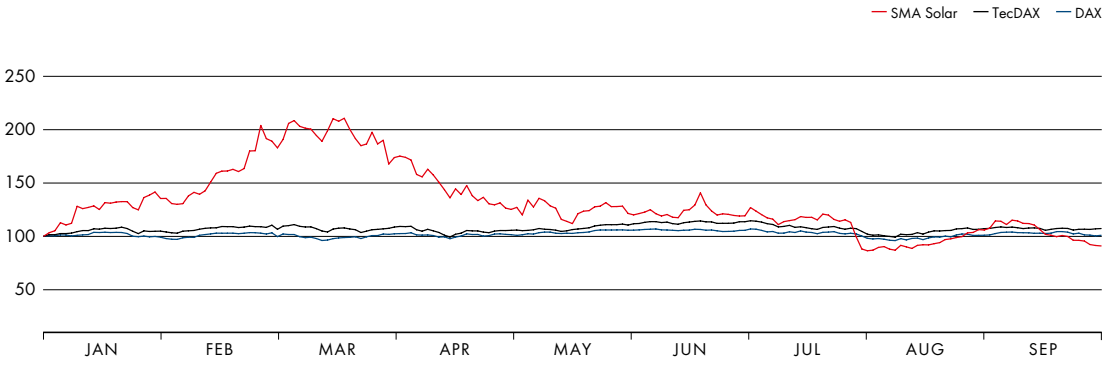
Capital Market Environment

The atmosphere on the stock markets in the first nine months of 2014 was characterized as highly volatile. Many stock indices reached new all-time highs but also experienced several sharp downward revisions. After a rather restrained first quarter, positive economic data from industrialized countries and the central banks' expansive monetary policy led to price increases starting mid-April. As of spring, the conflict between Russia and Ukraine over the Crimean peninsula had a dampening effect. As of the middle of the year, factors such as the Iraq crisis, the Middle East conflict being rekindled through armed conflicts, fears of a rapid turnaround in interest rates in the U.S., high budget deficits in Italy and France and stagnating economic development in Europe as a whole also had a negative impact on financial markets. At the end of the third quarter, most stock indices were quoting almost at the level of the start of the year.

In the second quarter, the DAX, the leading German index, exceeded the 10,000-point mark for the first time and achieved a new all-time high of 10,050.98 on June 20, 2014. One of the most important drivers for the new record high was the base rate cut by the European Central Bank (ECB) from 0.25% to 0.15%. The DAX hit its current annual low at 8,903.49 points on August 8, 2014. This stock market slide was mainly due to geopolitical crises such as the Gaza conflict. At the end of September 2014, following another cut to the base rate by the ECB (to 0.05% on September 4, 2014), the DAX was quoting at 9,474.30 points (closing price). This means the leading index lost about 0.8% from the start of the year over the reporting period (closing price on December 30, 2013: 9,552.16 points).

The German technology index TecDAX started the stock market year at 1,166.82 points (closing price on December 30, 2013). It performed slightly better than the DAX. By the end of the reporting period, the index moved up slightly overall – interrupted by strong setbacks in the first half of April and the beginning of August – to a level of 1,249.36 points on September 30, 2014. This is a price increase of just under 7.1% since the beginning of the year. The TecDAX reached its all-time highest level to date on the basis of closing prices on July 3, 2014 at 1,334.30 points.

SMA SHARE PERFORMANCE Q1–Q3 2014 in %



SMA Share Performance

The SMA share started the 2014 stock market year at a price of €22.96 (closing price on December 30, Xetra trading platform) and performed very positively for long periods in the first quarter. This was attributable to an improved outlook on the global economy and to company-specific developments such as the announced cooperation with Danfoss.

The SMA share price reached its highest level in the first half of 2014 at €49.11 temporarily on March 18 (Xetra trading platform). The SMA share was thus quoting at above its issue price. In February alone, the SMA share price climbed by more than 50%. The highest daily gain was achieved on February 26, 2014, when the share price rose by about 13.5%. This was the day SMA announced that it would establish a strategic partnership with Danfoss.

At the press conference on financial statements on March 27, 2014, SMA announced the business figures for 2013 and confirmed the sales and earnings forecast for 2014 as a whole, which had been published in November 2013. SMA also published its sales and earnings forecast for the first quarter of 2014 for the first time. In the weeks following the announcement of the figures, the SMA share price fell significantly. Besides profit-taking following the recent sharp price rise, a particular negative influence was the months of discussion of the reform of the Renewable Energy Sources Act (EEG), which the Bundestag ultimately passed on June 27, 2014.

On May 15, 2014, SMA published the business figures for the first quarter of 2014, meeting its sales and earnings forecast. SMA announced a new, significantly reduced sales and earnings forecast via an ad hoc statement on July 30, 2014. The adjustment of the forecast first published in November 2013 was required as a result of significant changes in the market conditions. Thereupon, the share price continued to drop off, quoting at €19.87 on August 1, 2014, shortly before the business figures for the first half of the year were published on August 7, 2014. This marked the lowest closing price level (Xetra trading platform) over the first nine months of the year.

The share closed the reporting period at €20.90 (closing price on September 30, 2014, Xetra trading platform). This is a decrease of about 0.5% in comparison with the price at the start of the year. The SMA share was one of the most actively traded shares in the TecDAX in the first nine months of 2014 (14th place), and the average trading volume was 121,775 shares per day in the first half of the year.

BASIC DATA

Security code number	A0DJ6J9
ISIN	DE000A0DJ6J9
Stock market symbol	S92
Reuters	S92G.DE
Bloomberg	S92 GR
Listing	Prime Standard of Frankfurt Stock Exchange
Initial public offering	June 27, 2008
Share class	No-par-value ordinary bearer shares
Share capital	€34.7 million
Total number of shares	34.7 million
Index	TecDAX, ÖkoDAX, CDAX, Prime All Share

RESEARCH COVERAGE

Institution	Name
Citi	Jason Channell
Commerzbank	Georg Remshagen
Deutsche Bank	Alexander Karnick
Equinet Bank	Stefan Freudenreich
HSBC Trinkaus & Burkhardt	Christian Rath
Independent Research	Sven Diermeier
Kempen & Co	Sebastiaan Masselink
Landesbank Baden-Württemberg	Erkan Aycicek
Main First	Andreas Thielen
MATELAN Research	Peter Wirtz
NATUREO FINANCE	Ingo Queiser
Warburg Research	Christopher Rodler

SMA Share Coverage

As a worldwide leading PV inverter manufacturer, SMA operates in a challenging market. In recent years, listed solar stocks posted significant falls with regard to their market capitalization worldwide. Many investment banks adjusted their research activities for the solar sector accordingly. Despite difficult conditions, the number of banks and securities firms producing regular reports was 12 in the reporting period.

Shareholder Structure

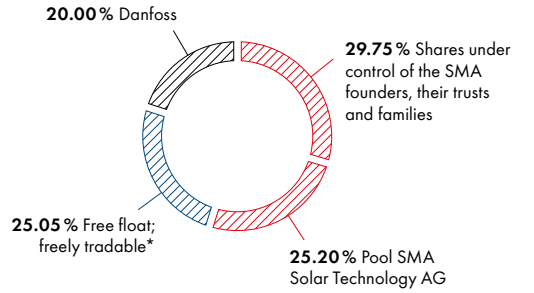
The shareholder structure changed in the reporting period. 25.05% of the shares are in free float and 25.20% are bundled in a pooling agreement. The founders of SMA Solar Technology AG, their foundations and families hold 29.75% of the shares. With a shareholding of 20%, SMA has gained an important anchor investor in Danfoss A/S. Danfoss has also been represented on the Supervisory Board since September 2014.

March 27, 2014, Press Conference on Financial Statements

At the press conference on financial statements in Frankfurt/Main, Pierre-Pascal Urbon, Chief Executive Officer, and Lydia Sommer, Board Member for Finance & HR, announced the business figures for 2013 and confirmed the sales and earnings forecast for 2014 as a whole, which was first published in November 2013. At that time, this forecast anticipated sales of €1.0 billion to €1.3 billion and, in the best case scenario, an operating profit of up to €20 million.

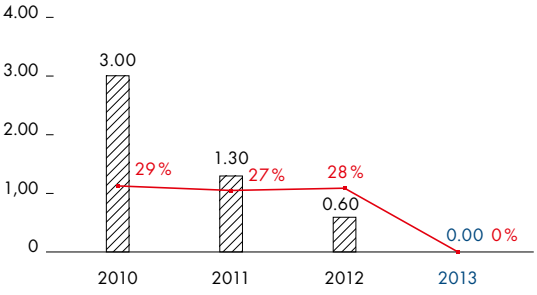
During the press conference on financial statements, Pierre-Pascal Urbon, Chief Executive Officer, and Lydia Sommer, Board Member for Finance & HR, also explained the measures SMA has taken to adapt to the changed market environment and how the strategic partnership with Danfoss is expected to help further improve SMA's competitiveness in the medium term. Another topic was SMA's new brand identity, which stands for a direct approach to end customers. After the press conference, Pierre-Pascal Urbon and Lydia Sommer were interviewed by the financial and business press and held talks with analysts and investors.

SHAREHOLDER STRUCTURE in %



*Free Float calculated according to guidelines for stock indices of Deutsche Börse

DIVIDEND in €



Pay out ratio of consolidated earnings
dividend

Annual General Meeting

The SMA Annual General Meeting was held at Kongress Palais in Kassel on May 27, 2014. More than 260 shareholders attended. The shareholders granted discharge to the Managing Board and Supervisory Board for the 2013 fiscal year by a large majority of over 99%. Furthermore, the Annual General Meeting followed the Managing and Supervisory Boards' proposal not to distribute a dividend due to the persistently volatile market environment (2012: €0.60 per share).

See website www.SMA.de/AnnualGeneralMeeting

All relevant information and documents regarding the 2014 Annual General Meeting as well as the speech of Pierre-Pascal Urbon, CEO, are available on the website at www.SMA.de/AnnualGeneralMeeting.

The next SMA Solar Technology AG Annual General Meeting will be held at Kongress Palais in Kassel on May 21, 2015.

Investor Relations

Credibility, transparency and up-to-dateness characterize SMA's communication culture and investor-oriented information policy. The company maintains regular dialogue with the capital market. The Investor Relations website www.IR.SMA.de provides comprehensive and current information about the Company. The website also contains all financial publications, a financial calendar and an interactive share chart. This enables comparisons between SMA share prices and select stock market indices.

See website www.IR.SMA.de

On January 20, 2014, SMA held its 6th Capital Markets Day in Kassel. At this event, SMA presented its current corporate strategy, which includes further internationalization, cost reductions and new product launches. Chief Executive Officer Pierre-Pascal Urbon emphasized that SMA's research and development area will not be affected by cost-saving measures. Next year, SMA will hold a Capital Markets Day at its site in Kassel on January 30, 2015.

SMA also presented itself to investors and analysts at the Intersolar Europe trade fair and at road shows in Frankfurt, Munich and London in the reporting period. The topics discussed included the new partnership with Danfoss, the shift in demand from Europe to Asia and America in the photovoltaic market and SMA's growth opportunities in international markets.

€224.8

MILLION IN NET CASH

WITH EXCELLENT LIQUIDITY RESERVES OF MORE THAN €200 MILLION, SMA HAS SUFFICIENT FINANCIAL STRENGTH TO ABSORB SHORT-TERM MARKET CHANGES AND ACHIEVE ITS STRATEGIC GOALS UNDER ITS OWN POWER.

Interim Management Report

January to September 2014

Basic Information About the Group

Business Activity and Organization

SMA Solar Technology AG (SMA) and its subsidiaries (SMA Group) develop, produce and distribute PV inverters, transformers, choke coils, monitoring and energy management systems for PV systems and power electronic components for railway technology.

As a leading global specialist for photovoltaic system technology, SMA is today laying the foundation for the decentralized and renewable energy supply of tomorrow. With innovative technology solutions for all photovoltaic applications and comprehensive service, SMA affords private and commercial customers worldwide more efficiency and independence in the use of energy.

Legal Structure of the Group

As the parent company of the SMA Group, SMA Solar Technology AG (SMA) with its headquarters in Niestetal, near Kassel, Germany, provides all of the functions required for the operative business. With the exception of Jiangsu Zeversolar New Energy Co., Ltd., the parent company holds, either directly or indirectly, 100% of the shares of all the operating companies that belong to the SMA Group. As of September 30, 2014, SMA has a 98.81% majority shareholding in Jiangsu Zeversolar New Energy Co., Ltd.

The Quarterly Financial Report includes the parent company and, directly or indirectly, all 37 Group companies, including 8 domestic companies and 29 companies based abroad.

Strategic Alliance With Danfoss A/S

On May 28, 2014, SMA concluded an agreement regarding a close strategic partnership with Danfoss A/S. The goal of the strategic cooperation is to sustainably improve the cost situation and competitiveness of both companies through economies of scale and the use of shared development experience. Danfoss acquired a 20% shareholding in SMA and is represented on the SMA Supervisory Board by Kim Fausing (Chief Operating Officer). In addition, SMA acquired the entire solar inverter segment from Danfoss.

The cooperation allows SMA to accelerate innovation cycles in development and to systematically lower product costs. SMA benefits from the years of experience that Danfoss boasts in the automated drive sector. This market is dominated by cutthroat competition, to which the Danfoss Group has already successfully responded by continuously reducing costs through innovation and use of global procurement opportunities. Together with Danfoss, SMA will transfer this extensive experience to the PV inverter market, lower costs and increase the rate of innovation.

Acquisition of European O&M Business From Phoenix Solar

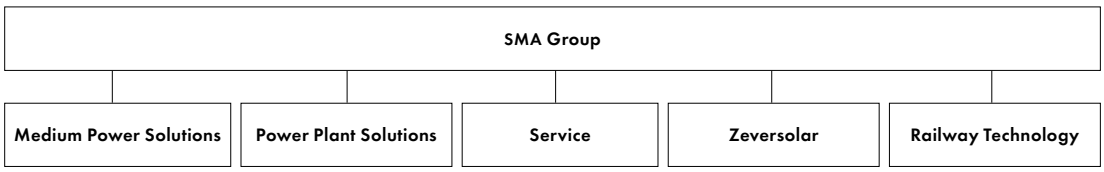
At the beginning of August 2014, SMA and Phoenix Solar AG signed an agreement regarding the sale of Phoenix Solar's European operations and maintenance service activities (O&M business) to SMA. Completing the acquisition of O&M business from Phoenix Solar will allow SMA to gain entry to the high-volume European market.

SMA intends to take over Phoenix Solar's customer contracts in Germany, France, Spain and Italy, the infrastructure at its Ulm location and the 18 employees based there. The transaction is expected to be completed in the fourth quarter of 2014.

Current Organizational Structure

SMA's structure includes the Medium Power Solutions, Power Plant Solutions, Service and Zeversolar divisions. The Railway Technology business area also belongs to the SMA Group. The divisions are endowed with the functions required for operational business and are also responsible for international business. SMA has specifically bundled Finance, Human Resources, Legal and Compliance, Internal Auditing, Corporate Communication, Information Technology, Technology Predevelopment and Facility Management in Corporate Functions. The divisions report directly to the Managing Board. For reporting purposes, the operations of Zeversolar and Railway Technology are reported under the same segment names.

ORGANIZATIONAL STRUCTURE



Management and Control

As required by the German Stock Corporation Act (AktG), 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 the shareholder representatives to the Supervisory Board and grants or refuses discharge to the Managing Board and the Supervisory Board.

Composition of the Supervisory Board

The SMA Supervisory Board, which represents shareholders and employees equally, consists of Dr.-Ing. h. c. Günther Cramer (Chairman), Peter Drews, Dr. Erik Ehrentraut (Deputy Chairman), Kim Fausing, Dr.-Ing. Winfried Hoffmann and Reiner Wettlaufer. Employees are represented on the Supervisory Board by Oliver Dietzel, Dr. Günther Häckl, Johannes Häde, Alexander Naujoks (until September 30, 2014), Joachim Schlosser and Mirko Zeidler.

In August 2014, Prof. (em.) Dr.-Ing. Werner Kleinkauf resigned from the Supervisory Board. He has been with SMA from the very beginning, supporting the company as a source of ideas, a mentor and an adviser. Kim Fausing was appointed as his successor. Kim Fausing is Chief Operations Officer at Danfoss and is responsible for the Climate & Energy and Power Solutions business segments as well as Global Procurement. Alexander Naujoks also stepped down from his office with effect September 30, 2014. As his successor, Heike Haigis will take his place (starting September 30, 2014) as employee representative on the Supervisory Board. Ms. Haigis holds the position of Trade Union Secretary at IG Metall.

Research and Development

We attach a great deal of importance to forward-looking research and development work. This is the foundation of our innovative and competitive product portfolio, which is adapted to suit the diversity of international requirements. As the leader in photovoltaic system technology, we want to respond optimally to our customers' needs, reduce costs through developments in the medium and long term and set new standards with progressive technologies for a sustainable energy supply.

On average, more than 1,000 employees work in SMA's R&D area. In the current fiscal year, we are expecting to invest about €120 million in our research and development work. Over the first nine months of the year we have already presented numerous innovative solutions that offer users more independence in the use of energy. A focal point was complete system solutions – from the SMA Smart Home that efficiently increases self-consumption of solar power in households and commercial enterprises to the SMA Utility Power System for large-scale PV power plants.

In addition, we have made significant progress with developments for our new inverters in the Sunny Boy and Sunny Tripower families. In total, we will add two new Sunny Boy and five new Sunny Tripower inverters to our product portfolio in the current fiscal year. Many of these products have already been launched onto the market. All new inverters are distinguished by a greater energy yield with considerably reduced specific costs. Further advances are already in sight, with the first products of a brand-new SMA inverter generation being launched onto the market according to schedule in the first quarter of 2015.

R&D On-Site: "US Technology Center" in Denver and Test Facility in Niestetal

In order to adapt our product portfolio more quickly and efficiently to the needs of our North American customers, we have expanded our research and development (R&D) commitments in the U.S. At the SMA inverter production site in Denver in the U.S. state of Colorado, we are developing new products for the U.S. market directly on-site at our "US Technology Center."

In Germany, the ground-based PV system commissioned in July 2014 at the Sandershäuser Berg industrial park near Niestetal, in close proximity to our location there, has enabled us to test new system solutions for large-scale PV power plants in real-life conditions and present them to our customers.

Internationally Renowned R&D Partner

We are a distinguished partner in different expert committees, associations and research projects. In Germany, we work closely with the Competence Network Decentralized Energy Technologies, Fraunhofer Institute for Wind Energy and Energy System Technology, Center of Competence for Distributed Electric Power Technology and the Institute for Decentralized Energy Technologies. SMA also has a broad international network of research and development partnerships. The Company is currently involved in a total of 19 different collaborative research projects on new photovoltaic technologies.

Solution for Optimized Self-Consumption: Sunny Boy Smart Energy

In the last nine months, a focal point of our research and development work has been further development of intelligent energy management systems in households with a PV system. The SMA Smart Home increases self-consumption of solar power, for example, by managing household appliances. By increasing self-consumption, the innovative system concept makes PV system operators more independent from rising electricity prices. The heart of the SMA Smart Home is the Sunny Boy Smart Energy, which was launched in the German market at the end of April. The PV inverter, which was introduced and acclaimed at Intersolar Europe 2013, features a battery that temporarily stores solar power with a capacity of approximately 2 kWh. This makes it possible for PV system operators to increase their self-consumption share by up to 50% year-round.

Safety was the number one priority when developing the Sunny Boy Smart Energy. The lithium-ion cells used for the wall-mountable inverter's battery pack meet the high quality standards of the automotive industry that apply for use in marketable hybrid and electric vehicles. In addition, the battery pack has a multi-level, redundant safety concept to prevent short circuiting and overcharging.

SMA Smart Home Undergoes Practical Test: Energy Saver Plus Houses in Kassel and Munich

In order to demonstrate the potential of the SMA Smart Home, we have developed an innovative single-family home in cooperation with Dynahaus, a subsidiary of the construction company Krieger and Schramm, which exceeds the standards of the most modern energy-saving houses and will be fully self-sufficient when it comes to supplying heat and electric current. In Lohfelden near Kassel and in Munich, the construction of two model houses began in spring. A family will move into each of these houses on a trial basis for one year starting in late December 2014 to subject the buildings' energy concept to a scientifically monitored real-world test.

We are also using the model house in Munich to research the integration of eMobility, which we believe offers considerable potential for private households with their own photovoltaic system. The family living in the Energy Saver Plus house will be loaned an electric car as well as an electric bike. Both vehicles draw their energy from charging stations that are connected to the SMA Smart Home's intelligent energy management system. The one-year practical test aims to prove that the combination of intelligent energy management and optimal charging infrastructure will significantly increase self-consumption and thereby reduce energy costs.

Integration of eMobility Into the SMA Smart Home

The Energy Saver Plus house in Munich uses a DC rapid-charging station, which we developed as part of the INEES[1] research project. The new charging station allows solar electricity from electric vehicles to be fed back into the utility grid. Thanks to this technology, electric vehicles can act as additional electricity storage units in the SMA Smart Home. If there is a lot of solar electricity and a low demand, the electric vehicle stores the surplus energy. Likewise, the solar electricity flows back to operate electrical appliances if the PV system cannot cover high electricity demand.

1 INEES stands for the German "intelligent grid connection of electric vehicles to perform grid management services."

In the long term, the integration of electric vehicles into the electricity market could help make reserve energy available on demand and thereby offset fluctuations in the utility grid. Before the end of this year, we expect further findings on the technology's potential from a fleet test started in Berlin in April. For this test, Volkswagen provided a total of 20 electric vehicles to test customers for whom we installed our Sunny Wallbox as a bi-directional charging station.

More Innovations, Lower Costs: Cooperation With Danfoss

Thanks to the strategic cooperation with Danfoss, we optimally supplemented our inverter product portfolio with the FLX and MLX series devices developed by Danfoss. What is more, we have already formed joint development teams to execute specific technology projects with a focus on new technologies. In these projects, we would like to benefit from our respective development experience, cut costs and increase the rate of innovation.

Improved After-Sales and Monitoring Services

It is important to us that our products and system solutions achieve the yields our customers expect. The objective of our comprehensive after-sales services is therefore to maintain the value of the system as well as ensure reliable, optimum operation. In the current fiscal year, we have enhanced our service portfolio and adapted it to our customers' needs.

We presented the new, modular service concept "Service Select" for the first time at Intersolar Europe 2014. It combines familiar service products, for example, extended warranty and remote service with new services, such as commissioning, system modernization, regular maintenance and a unique system check by SMA experts. "Service Select" provides PV system operators with the opportunity to flexibly compile their own individual safety package tailored to their specific PV system.

SMA Operations & Maintenance (O&M) offers PV system operators optional full service with our comprehensive package. Here, SMA takes on complete technical management of a PV system. The all-around service not only covers the inverters, but also the medium-voltage components, modules, racks, all cabling and the vegetation and enclosure of the system. The services include repair, device replacement, visual inspections and maintenance. SMA thus guarantees the PV system operator smooth system operation at all times and with the highest performance and planning security. We achieved the first successes with our all-around service in North America, where we are not only supplying the inverters but also taking on the operational management of one 130 MW plant and one 140 MW plant in Ontario, two of Canada's largest PV power plants, each for a period of ten years.

The new Sunny Portal Professional Package, which we likewise introduced at Intersolar Europe 2014, is also used for comprehensive monitoring and administration of different PV systems for secure yields. Compared with the Sunny Portal, the SMA online platform that has been around for some 10 years now, the Sunny Portal Professional Package offers additional functions and more power with simultaneous monitoring of multiple PV systems. The most important innovations include an optimized status display and faster processing of more data with better analysis options. With this enhancement, we have purposefully considered the needs of installers and PV system operators in our product.

Successful FRT Certification for the Japanese Market

With the Sunny Tripower 10000TLEE-JP, as early as June 2014, we had already met the new FRT[1] licensing requirements, which become obligatory at the end of the year. This makes us the first inverter manufacturer in the world to comply with these guidelines. As a result, we expect increased acceptance in the Japanese market from the different regional energy operators, as we can already provide optimal support for the local utility grids with our innovative technology, even in the event of short-term voltage dips. This functionality is also of central importance in the current debate on integrating photovoltaics into Japan's national grid on a larger scale.

PV Diesel Hybrid Systems: Award for the SMA Fuel Save Controller

In the world's sunny regions, diesel generators are often used to supply electricity to off-grid regions or to supplement unstable grids. With SMA's intelligent system technology, photovoltaics can be stably integrated into diesel-powered grids. The integrated solution not only saves on expensive fuel, but also lowers the operating and maintenance costs of the energy supply system over the long term.

Aside from the PV inverters, the main component of this system technology solution is the SMA Fuel Save Controller, which controls the solar feed-in at the interface between diesel generator, PV and load, as needed. The SMA Fuel Save Controller detects the energy flows in the stand-alone grid and uses this to calculate the maximum permissible PV power. This permanently guarantees system stability and ensures smooth control of diesel generators.

At the industry trade fair Intersolar Europe 2014 in Munich in June, we won the Intersolar Award in the "Photovoltaics" category for the SMA Fuel Save Controller. SMA has now received this award for its technological innovations in the field of photovoltaics four times.

World's Largest PV Diesel Hybrid Power Plant Built in Bolivia

In the Bolivian province of Pando, the world's largest PV diesel hybrid power plant is currently being built with a battery storage system. In addition to the inverters, SMA is also supplying the SMA Fuel Save Controller to manage the feed-in of solar power in line with demand as well as four newly developed inverters for large-scale battery storage systems using lithium-ion technology. Boasting around 5 MW of installed power, the PV diesel hybrid plant is expected to produce solar power to cover roughly half of the energy demand for the province capital of Cobija (which is home to about 42,850 people) as well as neighboring communities. Up to now, power for the local electricity grid has been generated exclusively using diesel generators since the region is not connected to the public utility grid. Increasing the share of solar power will help operators to considerably reduce operating costs, CO_2 emissions and dependency on diesel fuel.

1 FRT stands for "fault ride-through" and describes the reaction of the inverter to short-term voltage dips on the utility grid (dynamic grid stabilization).

Independent Energy Supply: PV Off-Grid Systems

In many sunny regions, photovoltaics is the most sustainable and cost-efficient energy source. With the Sunny Island product family, we have developed system solutions known as off-grid systems to ensure a completely independent energy supply for remote houses and villages. One of the world's largest PV off-grid systems commenced operations in Afghanistan January 2014. The off-grid system includes one Sunny Island inverter for control, several Sunny Tripower inverters and a variety of charge controllers (Sunny Island Chargers). With an output of 1 MW, the PV off-grid system supplies energy to approximately 2,500 residential, commercial and government buildings in Bamyan Province.

Compact Large-Scale PV Power Plants: Solutions for International Markets

In the large-scale PV power plant segment, we use turnkey medium-voltage solutions that can be deployed internationally to allow simple and direct connection to local medium-voltage grids. The main goal here is to meet the connection conditions of the relevant countries. SMA's solutions for large-scale PV power plants include SMA inverters, transformers, communication products and a PV farm control.

In spring, our new SMA Medium Voltage Power Station (MVPS) was used for the first time in the world in a new PV power plant in Portugal. The development prioritized a reduction of system costs, high profit ratio and compact design. We also managed to significantly reduce transportation costs and maintenance and commissioning outlay.

We have now improved the Medium Voltage Power Station (MVPS) by adding a few new product characteristics. For example, we extended the spectrum of permissible grid voltages and added a new medium-voltage control unit for higher voltage levels to our component portfolio. Furthermore, customers are now able to use their own components, such as communication modules or grid protection technology. We now also offer earthquake-resistant stations.

At Intersolar Europe 2014 in early June, we also introduced a complete DC/AC system[1] for the first time. The optimized system covers the DC voltage ranges of 1,000 V at 2,200 kVA and 1,500 V at 2,500 kVA. Thanks to the higher voltages and compact design in particular, our customers are able to cut their system costs considerably using the new solution. The turnkey system solution is suited for outdoor installation.

Large-Scale Battery Storage System: Research Project in Aachen

In cooperation with the E.ON Energy Research Center at RWTH Aachen University, the electric utility company E.ON and the battery manufacturers Exide and Beta Motion, we are building the world's first modular large-scale 5-MW battery storage system in Aachen, Germany, which is to enter operation in 2015. The German Federal Ministry for Economic Affairs and Energy's "Energy Storage Funding Initiative" is supporting the project coordinated by RWTH Aachen University with €6.5 million in total. SMA's primary goal for the research project is to obtain data on how large-scale battery inverters can be used in the utility grid in the future. The project results will flow directly into further development of future-proof energy storage solutions.

1 The system automatically converts direct current (DC) into alternating current (AC).

Employees

Accompany Change With Open Communication and Appreciation

The solar sector remains in a period of profound structural transformation. The constantly changing legal conditions and the considerable price pressure on the markets call for an extremely high degree of flexibility from our employees. We are well aware of this. At the same time, we are certain that we have set a strategic course for positive long-term international growth of SMA. We are supporting our employees through the current transformation process with an open communication policy, cooperative Company management and a corporate culture that values its employees. We consider the cornerstones of our culture and the Company's diversity to be essential factors for our future success.

Employee Headcount

Compared with the 2013 reporting date, the headcount in the first nine months of 2014 continued to decline. In Germany, our employee numbers fell by 16.1%, or 665 people, to a total of 3,469 employees (September 30, 2013: 4,134, figures exclude temporary employees). The personnel adjustment program that started in the second half of 2013 had a particular effect here. By contrast, the number of employees abroad rose by 14.5%, or 202 people, to a total of 1,596 employees (September 30, 2013: 1,394 employees, figures exclude temporary employees). This was driven by the upturn in international business.

EMPLOYEES

Reporting date	09/30/2014	09/30/2013	09/30/2012	09/30/2011	09/30/2010
Employees (excl. temporary employees)	5,065	5,528	5,688	5,396	4,096
of which domestic	3,469	4,134	4,760	4,574	3,721
of which abroad	1,596	1,394	928	822	375
Temporary employees	547	700	973	1,747	2,178
Total employees (incl. temporary employees)	**5,612**	**6,228**	**6,661**	**7,143**	**6,274**

At the end of the reporting period, the SMA Group had a total of 5,065 employees (September 30, 2013: 5,528 employees, figures exclude temporary employees). This equates to a decrease of 8.4% compared with the previous year.

SMA uses temporary employees to meet short-term fluctuations in demand. Their hourly rate of pay is in line with that of SMA employees and, if the Company performs well, we also give temporary employees a share in the Company's success by way of a bonus payment. As of the reporting date (September 30, 2014), SMA employs a total of 547 temporary employees worldwide. This figure fell by 153 people year on year (September 30, 2013: 700 temporary employees).

Award: SMA Is a Top Employer for Engineers

In times of demographic change and a shortage of qualified staff, internationally successful companies like SMA are in competition for young talent and highly qualified skilled employees and executives. This is particularly true of engineers as an occupational group. Being acclaimed by the Top Employers Institute as a "top employer for engineers" gives us a leading edge over our competitors worldwide and allows us to continue to build on our reputation as an attractive employer. Every year, the independent certification company Top Employers Institute based in Düsseldorf and Amsterdam honors companies that are distinguished by excellent working conditions and thus contribute to the personal and professional development of their employees. 2014 marked the third time that SMA has received this award following on from 2010 and 2011.

Diversity Management and the Share of Women at SMA

SMA unites many cultures, moral values and talents. At the headquarters in Germany alone, employees come from more than 70 different nations. We use this diversity as a basis for our creativity and flexibility. It is a prerequisite for innovation and customer focus and makes our Company even more open and flexible.

Back in 2011, we signed the "Diversity Charter" in order to demonstrate our appreciation for all employees – regardless of gender, nationality, religion or ideology, disability, age or sexual orientation.

Since the start of 2014, a diversity management specialist has worked full time toward central management, communication and development of the entire spectrum of diversity at SMA. At present, one of the focal points of our diversity management is the issue of women in management positions, which is closely linked with the goal of achieving a higher proportion of women at all levels of the Company. At the end of the reporting period, the share of female employees Company-wide was 25.6%. Our aim in the medium term is that the percentage of women at specific levels of management corresponds to the proportion of female employees in that area.

One of the many steps we are taking in pursuit of this aim is the mentor program "one4her." SMA wants to use this to support women in their professional development, to make them more visible in the Company and to improve their connections to each other in a targeted manner. The program was given the go-ahead during the reporting period on September 29, 2014. In the coming months, the nominated mentees will compare notes with their mentors and receive insight, experience and assistance in their career progression at SMA.

Outside the Company, SMA has also been sponsoring the "MentorinnenNetzwerk für Frauen in Naturwissenschaft und Technik" (Mentor Network for Women in Science and Technology) for a number of years as one of its cooperation partners. Our involvement includes appointing mentors to this network that consists of 10 universities in Hesse, which supports female students and doctoral candidates in the STEM fields of study (science, technology, engineering and mathematics). At the same time, networking undertaken as part of this initiative benefits us in our search for talented young female employees.

In research carried out by the German Federal Ministry for Family Affairs' Women's Career Index in 2014, we were ranked fifth out of 130 participating companies. This ranking shows that the German Federal Ministry for Family Affairs highly values the numerous family-conscious policies in place at SMA. Whether it takes the form of holiday activities for kids on Company premises, workshop series, providing Company daycare centers or emergency or interim care – it is important to us that our employees are able to achieve a successful work-life balance beyond just flexible working hours.

Further measures in pursuit of an increased share of women at the Company in the medium to long term are aimed at future generations of employees. In the reporting period, for example, we set up a "STEM Girls Camp" for girls aged 14 to 16. The program, which was developed in collaboration with Sportjugend Hessen (Hesse Youth Sports) and another external partner, offered participants career advice and job application training as well as a number of practical exercises. Every year, SMA is also involved in Girls' Day, an event that takes place throughout Germany aimed at girls in grades five and up.

On the reporting date, the gender breakdown across SMA was*):

GENDER DIVERSITY: SMA EMPLOYEES

in % on the reporting date	09/30/2014	12/31/2013
Female	26	26
Male	74	74

The picture is as follows in the different management levels*):

GENDER DIVERSITY: SMA EXECUTIVES

	09/30/2014		12/31/2013	
in % on the reporting date	Female	Male	Female	Male
Domestic executives	11	89	12	88
of which Managing Board	25	75	25	75
of which General Managers and Vice Presidents	8	92	13	87
of which Directors	15	85	15	85
of which Senior Managers and Managers	10	90	10	90
Executives abroad	22	78	22	78

*) Appropriate diversity figures were not recorded at all SMA sites on the comparative date of September 30, 2013. We have therefore used the data as of December 31, 2013, here.

The targeted aim to increase the share of women at the two uppermost management levels (Managing Board and General Managers/Vice Presidents) to 25% in the medium term was achieved at the Managing Board level as of the reporting date (December 31, 2013: 25%). By contrast, at the General Managers/Vice Presidents level, female employees represent a share of 8.2% (December 31, 2013: 12.5%). There is a slight decline in the ratio here due to the significant reduction in employees compared with the previous year. We are therefore still faced with the challenge of increasing the proportion of women at nearly all management levels.

At SMA, diversity is also demonstrated not least by the large number of employees with foreign passports who work with us in Germany. This number decreased slightly in connection with the adjustment measures of the previous year. At present, SMA employs 176 employees with foreign passports. This equates to 5.1% of the workforce in Germany (September 30, 2013: 4.9%).

As of the reporting date, the proportion of employees with disabilities as a ratio of the total workforce was at 4.9% (September 30, 2013: 5.0%).

Acquisition and Vocational Training of Young Professionals at SMA

Vocational training for young people is particularly important at SMA. In the future, vocational training will remain a central element in qualifying new skilled staff for our Company.

As of the reporting period, a total of 179 young people were in vocational training at SMA (September 30, 2013: 229 people). Just under 40 trainees completed their vocational training during the reporting period, some achieving outstanding results. We were able to give the best graduates a permanent position at the Company. In tandem with this, 49 trainees commenced their vocational training at SMA in early September in the three vocational training areas of mechatronics, device and system electronics and industrial business management.

Our internships, which are advertised as a priority in the area of research and development, theses and student trainee contracts reflect a significant degree of internationalization. About 80% of applicants are enrolled either at foreign universities or as foreign students at German universities. We very much welcome this trend, and applications in English are expressly encouraged at SMA. Limited knowledge of German is no obstacle in applying for a student traineeship at SMA given that, especially in the development departments, employees communicate mainly in English.

Economic Report

General Economic Conditions and Economic Conditions in the Sector

General Economic Conditions

After the global financial and economic crisis, the recovery of the world economy continued at a moderate rate despite intervening setbacks over the past nine months. According to the International Monetary Fund (IMF), industrialized countries such as the U.S. and Great Britain in particular are benefiting from rising economic growth. By contrast, economic development in the euro zone, especially from the second half of the year onward, fell short of expectations. Growth momentum even decreased slightly year on year in newly industrialized countries.

In its "World Economic Outlook" dated October 7, 2014, the International Monetary Fund (IMF) forecasts global economic growth of 3.3% in 2014 (2013: 3.3%). Economic output is set to grow by an estimated 1.8% (2013: 1.4%) in advanced industrialized countries and by 4.4% (2013: 4.7%) in newly industrialized countries. Although the euro zone is expected to emerge from the recession of the past two years with marginal growth of 0.8% (2013: –0.4%), the risk of economic stagnation is still expected to be present – and this risk is believed to be greater than presumed a few months ago. The IMF cites geopolitical crises, such as in Ukraine and the Middle East, as well as the ailing economies of Italy, France and Germany as potential risks.

The IMF forecasts an increase of 3.8% (2013: 3.0%) for international trade in 2014 as a whole. As a result of the sanctions against Russia, next to no positive growth impetus has come from foreign trade as of late. In Germany, exports fell by 5.8% in August 2014 compared with the previous month. This marked the sharpest decline since the beginning of 2009 when international trade slowed down on account of the global economic crisis.

Overall economic development in Germany has also dampened considerably in the third quarter of 2014. According to the IMF, Germany's gross domestic product (GDP) will increase by only an estimated 1.4% in the current calendar year. In July 2014, the International Monetary Fund had forecaste growth in the region of 1.9%. As reasons for the downturn, economists are citing the fact that demand in Germany and in the euro zone has increased only moderately and companies were being hesitant with their investments. According to the fall report for the German Federal Government, the leading German economic research institutes are estimating domestic growth of 1.2% for 2014.

Economic Conditions in the Sector

The global solar industry is registering no notable growth stimuli in 2014. The Managing Board estimates the volume of newly installed power in 2014 at approximately 38 GW to 42 GW. China accounts for approximately 25% of the global market with up to 13 GW. However, measured in euros, the global market is in decline. In light of the regional shift in demand toward North America and Asia, this trend is hitting Europe particularly hard.

EUROPE
In Europe, demand for photovoltaics was a long way off the level of previous years in the first nine months of 2014. The 2013 fiscal year was shaped by significant adjustments to solar power tariffs in key European markets. Demand fell sharply. This trend continued in the first three quarters of 2014.

For the year as a whole, we expect the European share of the overall global PV market to fall below 25% despite positive impetus from Great Britain.

Great Britain has become an extremely important photovoltaic market. From October 2014 to March 2015, market researchers are anticipating additionally installed photovoltaic capacity in Great Britain of between 2 GW and 3 GW. This can be explained by changes in legislation, which will come into effect on April 1, 2015. From this date on, ground-based PV systems with an output starting at 5 MW will receive significantly reduced subsidies. Instead, the British Government would like to place emphasis on large roof-based systems (over 250 kW) in future incentive programs. However, these projects have a longer planning process. The increase in demand for large-scale solar projects originally expected in the third quarter of 2014 did not transpire. A large number of projects will be delayed until the fourth quarter of 2014 and the first quarter of 2015.

In Germany, the ongoing degression of the feed-in tariff led to further decline in new PV installations in the first nine months of 2014. According to the Federal Network Agency, the total installation of additional PV systems subsidized by the Renewable Energy Sources Act (EEG) stood at 1,610 MWp as of September 30, 2014. That equates to a decrease of almost 60% compared with the previous year, which was already weak. The amendment to the Renewable Energy Sources Act (EEG), which was previously adopted by the German Federal Government in June, came into force at the beginning of August 2014. The federal government will use it to progressively introduce mandatory direct marketing of solar energy.

France posted stable growth in demand compared with the same period of the previous year. By contrast, the market contracted by about two thirds in Italy, Spain and Greece. In the Benelux and Eastern European countries, demand fell by about 40% in the first nine months of 2014. The fall in demand is partly due to legal changes in subsidy conditions taking effect. After a subsidy cut in 2012 and the introduction of an energy tax, the Spanish government completely withdrew the feed-in tariff for solar power in July 2013.

In Italy, the solar power subsidy expired in early July 2013, when the ceiling for the feed-in tariff of €6.7 billion was reached. The market for photovoltaics subsequently plummeted. Self-consumption and net metering[1] have not been able to bridge the gap so far. At the beginning of August 2014, the Italian senate also adopted a legislative decree outlining significant retroactive reductions in the guaranteed photovoltaic feed-in tariff and new fees for the self-consumption of solar power starting on January 1, 2015. Owners of PV systems who had been guaranteed a feed-in tariff for 20 years under the "Conto Energia" incentive program now have three options to choose from, all of which involve a curtailment of the solar power feed-in tariff. In addition, with effect from January 1, 2015, self-consumption of solar power will be charged with a 5% "general system fee."

The decline in demand in Greece, Bulgaria and Romania is also due to either expiring incentive programs or tax increases.

NON-EUROPEAN MARKET

The U.S. market for photovoltaics is continuing to grow strongly. The portfolio standards were a key growth driver in the Industrial segment in the first three quarters of 2014. Electric utility companies must include a share of renewable energy into their portfolios. Tax incentive programs, the net metering tariff model and solar leasing offered by a number of companies supported demand for PV systems.

The PV market in Japan also continued to develop positively. According to the International Energy Agency (IEA), PV systems with an output totaling more than 2.7 GW were connected to the grid in the first nine months of 2014

[1] Offsetting power generation and power consumption: Net metering allows PV system operators to offset their own power consumption by producing solar power. This means that they can reduce the amount of electricity they have taken from the utility grid 1:1 by feeding in solar electricity.

alone. Grid operators are currently testing the compatibility of grid stability with respect to the installation of PV systems. This is causing a great deal of uncertainty among market operators. However, as a result of the unique grid infrastructure and strict certification requirements, the Japanese market has high entry barriers.

In China, currently the world's largest PV market, the government plans to achieve cumulative installed capacity of more than 40 GW by 2015 and has produced exact guidelines listing the provinces in which PV power is to be installed. Furthermore, the government determines on an annual basis the number of residential and commercial PV systems as well as industrial ground-based PV systems that are allowed to be built. In China, strict certification requirements apply to foreign companies. The award of large-scale project orders is also determined by state tendering procedures. SMA still anticipates that newly installed capacity of up to 13 GW will be achieved this year.

Energy requirements and thus demand for photovoltaics are growing in newly industrialized and developing countries. In many countries, photovoltaics is in some cases already an economically attractive alternative to other methods of generating energy. Key growth regions include South and Latin America, Southeast Asia and the Middle East.

In many countries located in what is known as the Sunbelt, high diesel prices and high transportation and storage costs act as an incentive for the expansion of photovoltaics. In these sunny regions, photovoltaics is already the more financially attractive alternative. With good solar irradiation, a photovoltaic diesel system will pay for itself within a few years.

Impact of General Conditions on Business Development

In the first nine months of 2014, the negative trend in Europe continued and demand for PV inverters fell. The SMA Group posted another decline and sold PV inverters with a total output of 3,311 MW in the reporting period. This equated to a decrease of 16.4% compared with the same period of the previous year (Q1–Q3 2013: 3,959 MW). Sales fell by 22.6% to €549.3 million (Q1–Q3 2013: €709.3 million). This decline is chiefly due to weaker global project business in the first nine months of the year. Especially in the first half of the year, project business in North America was down significantly on the previous year. The upturn in the third quarter of 2014 was not enough to bring the figures into line with the previous year's results. In the first half of the year, commercial business was also down on the previous year. Factoring in the output sold in the third quarter, this brought commercial business into line with the same quarter of the previous year. In the first nine months of 2014, EBIT declined to €–72.7 million (Q1–Q3 2013: €–30.1 million). The international share based on sales climbed from 69.3% to 72.1% year on year. With gross sales of €157.4 million (Q1–Q3 2013: €223.7 million), Germany was the market with the strongest sales in the first three quarters of 2014. Important foreign markets were the U.S., Canada, Australia, Japan and Great Britain.

SMA has already responded to the changes in conditions and introduced countermeasures. A product campaign, increasing internationalization, the cooperation with Danfoss A/S, expansion of the service portfolio and of the global sales and service structure, significant process and cost improvements will help secure the Company's strong competitive position. A sustained high innovation rate will underpin SMA's position as technology leader.

Results of Operations

Group Sales and Earnings

SIGNIFICANT UPTURN IN BUSINESS IN THE THIRD QUARTER

In the third quarter, the SMA Group posted a significant increase in volumes compared with the previous quarters of the current fiscal year and sold PV inverters with a total output of 1,321 MW (Q1 2014: 956 MW; Q2 2014: 1,034 MW). This put SMA at almost the same level as the third quarter of 2013. Unfortunately, this did not offset the lower volume registered in the first half of 2014. The SMA Group's volumes amounted to 3,311 MW in the first nine months of 2014. This equates to a decline in volumes of 16.4% on the same period of the previous year (Q1–Q3 2013: 3,959 MW). As a result of this and also the high level of pricing pressure, sales fell by 22.6% year on year to €549.3 million (Q1–Q3 2013: €709.3 million).

The decline in sales compared to the same period of the previous year is mainly due to the sharp drop in demand in Europe as a result of reduced or expiring subsidies, particularly in Germany, Spain, Italy and Greece. Demand in Thailand also decreased as a result of subsidy cuts and political unrest. The weak demand in Europe and Thailand was not completely offset by increases in North and South America and Japan.

The international share climbed from 69.3% to 72.1% year on year. The SMA Group's most important foreign markets in the first nine months of 2014 were the U.S., Canada, Japan, Great Britain and Australia.

SMA achieved positive EBITDA of €8.8 million in the third quarter of 2014. EBITDA for the entire reporting period amounted to €–8.2 million (Q1–Q3 2013: €26.9 million). This improved result compared with the first half of the year can be attributed to increased sales, reduction in product costs and material cost savings. In relation to the first nine months of the year, earnings before interest and taxes (EBIT) fell to €–72.7 million. In the same period of the previous year, it had amounted to €–30.1 million due to better sales performance. The EBIT margin declined from –4.2% to –13.2% year on year. The consolidated earnings amounted to €–54.1 million (Q1–Q3 2013: €–22.0 million). Earnings per share amounted to €–1.55 (Q1–Q3 2013: €–0.56).

Sales and Earnings per Segment

DECLINING COMMERCIAL BUSINESS IN EUROPE NEGATIVELY AFFECTS MEDIUM POWER SOLUTIONS DIVISION

The Medium Power Solutions division covers the Sunny Boy, Sunny Mini Central, Sunny Tripower and Sunny Island product families. The division also develops products used for monitoring PV systems and energy management. The product families comprise 69 inverters and 20 communication products in total. SMA offers single-phase and three-phase inverters with outputs ranging from 240 watts to 60 kilowatts (kW). SMA products feature a particularly high efficiency rate of up to 99%, easy installation and a service life of over 20 years. SMA has concluded cooperation agreements with Miele, Vaillant and Stiebel Eltron to jointly develop system solutions for energy management with the goal of using solar power more effectively.

In the first nine months of 2014, external sales of the Medium Power Solutions division fell by 18.8% to €303.3 million (Q1–Q3 2013: €373.6 million). Medium Power Solutions remains the strongest-selling division in the SMA Group. Its share of SMA Group's total sales was 55.2% (Q1–Q3 2013: 52.7%). The sharp sales declines in Europe primarily resulted from subsidy changes. The amendment of the Renewable Energy Sources Act (EEG) is also negatively affecting demand in Germany. Sales increases resulting from the introduction of new products in North America

and Japan as well as the strong demand observed in Great Britain only partially compensated for the decline in continental Europe. The most important foreign markets were the U.S., Australia, Great Britain and Japan. In the nine months of 2014, the major sales drivers were the Sunny Tripower 12000TL to 20000TL and Sunny Boy 3000TL to 5000TL inverters.

Low sales levels following the market shift from Europe to Asia and the Americas are having a negative effect on earnings in the Medium Power Solutions division. In the first nine months of 2014, EBIT was thus €–49.1 million (Q1–Q3 2013: €–32.7 million). In relation to internal and external sales, the EBIT margin was –14.1% (Q1–Q3 2013: –7.6%).

WEAK PROJECT BUSINESS IN NORTH AMERICA NEGATIVELY IMPACTS PPS

The Power Plant Solutions division serves the growing market for large-scale PV power plants with outputs ranging from 500 kW to the three-digit megawatt range with Sunny Central type central inverters. The product family contains central inverters with numerous variants providing optimal technical solutions for any large-scale project. As the market leader in this segment, SMA also produces central inverters that feed directly into the medium-voltage grid of electric utility companies, thus contributing to a greater energy yield of the overall system. The exceptional efficiencies of these devices reach up to 99%.

In the first nine months of the year, project business developed at a weaker rate than in the comparable period of the previous year, especially in North America. However, a considerable upturn in demand could already be seen in North America in the third quarter. Project business in other countries was weaker than in the previous year because of geopolitical crises and the deterioration of subsidies.

Weaker demand and increased pricing pressure resulted in sales declining year on year by 35.6% to €183.9 million (Q1–Q3 2013: €285.5 million).

The Power Plant Solutions division's share in SMA Group's total sales fell to 33.5% (Q1–Q3 2013: 40.3%). The most important foreign markets were Canada, the U.S., Australia and Great Britain. The most successful products included the Sunny Central Compact Power series of inverters.

Despite the same high level of investment in research and development, the Power Plant Solutions division was unable to compensate for volume decline and price reductions on the previous year by cutting the cost of materials and through advances in productivity. In the first nine months of 2014, EBIT was €–13.8 million and thus much lower than in the previous year (Q1–Q3 2013: €30.8 million). In relation to internal and external sales, the EBIT margin was –6.8% (Q1–Q3 2013: 10.3%).

SERVICE DIVISION INCREASES SALES

Alongside a broad product portfolio, excellent service is an important distinguishing feature of the SMA Group, and one that is going to become even more important in competing for business.

SMA is represented with its own service companies in all important photovoltaic markets. With an installed capacity of more than 35 GW worldwide, SMA leverages economies of scale to take its service business to profitability over the medium term. Services offered include warranty extensions, service and maintenance contracts, operational management, remote system monitoring and spare parts business.

In the first nine months of 2014, external service sales amounted to €29.5 million (Q1–Q3 2013: €20.3 million). Notable sales drivers were maintenance and service contracts subject to charge, 50.2-Hz modifications and chargeable repairs. In the first nine months of 2014, EBIT was €–1.1 million (Q1–Q3 2013: €–1.2 million).

ZEVERSOLAR INCREASES ITS SALES

The Zeversolar division comprises Jiangsu Zeversolar New Energy Co., Ltd. – which was acquired in March 2013 – and its subsidiary companies, and serves the Chinese photovoltaic market, which is characterized by strong growth, with its central inverters. String inverters are offered in select foreign markets.

External sales in the first nine months of 2014 improved significantly to €10.4 million compared with the previous year's figure of €6.3 million (after closing on March 12, 2013). This was mainly attributable to the successfully implemented restructuring and an optimized sales strategy. As a result of the high pricing pressure, EBIT was negative at €–11.8 million (Q1–Q3 2013: €–10.3 million after closing on March 12, 2013).

NEGATIVE IMPACT ON RAILWAY TECHNOLOGY FROM LOWER SERVICE BUSINESS

The SMA Railway Technology GmbH with its Brazilian and Chinese subsidiaries manufacture converters as individual devices and complete energy supply systems for railway coaches and multiple-unit trains for short- and long-distance railway traffic.

As a result of the mild winter and summer, sales in the service and spare parts business were considerably lower than planned. The division's external sales therefore remained at the previous year's level, amounting to €22.2 million (Q1–Q3 2013: €23.6 million). EBIT declined to €–2.5 million (Q1–Q3 2013: €1.3 million) as a result of the lower volume of high-margin service and spare parts sales. This equates to an EBIT margin in relation to internal and external sales of –11.2% (Q1–Q3 2013: 5.4%).

Development of Significant Income Statement Items

SALES DECLINE AND PRICE SLUMP NEGATIVELY AFFECT GROSS MARGIN

In the third quarter of 2014, SMA achieved a gross margin of 20.6%, representing a considerable improvement compared with the previous quarters (Q1–Q2 2014: 14.1%).

As of the third quarter of 2014, cost of sales amounted to €458.4 million (Q1–Q3 2013: €566.6 million). Cost of sales fell by 19.1% compared with the first three quarters of the previous year. This is more than the decline in volume of 16.4% but less than the drop in sales of 22.6%. Despite the positive performance in the third quarter, the gross margin decreased from 20.1% in the previous year to 16.5%.

In the reporting period, 63.4% of the cost of sales could be attributed to material costs, 22.1% to personnel expenses and 14.5% to other expenses, depreciation and amortization.

Material costs fell by 23.6% to €290.8 million (Q1–Q3 2013: €380.8 million). The material cost ratio declined slightly from 53.7% to 52.9%. Despite a higher share of string inverters, average material costs per watt decreased by 8.3%, amounting to 8.8 euro cents per watt (Q1–Q3 2013: 9.6 euro cents per watt). The reduction in material costs is due to the success of the cost-out measures and new product launches, which will increasingly show results, particularly in the second half of the year. Material costs adjusted for impairment and scrapping fell to €284.1 million (Q1–Q3 2013: €366.8 million).

Personnel expenses fell from €106.2 million in the first nine months of 2013 to €101.1 million. SMA reduced its workforce at its site in Germany in 2013 and 2014 as part of a voluntary personnel adjustment program. However, the savings generated in personnel costs are partially offset by collectively agreed upon salary increases and the recognition of provisions for Christmas and vacation pay and through the expansion of the foreign sites in China and the U.S.

Depreciation and amortization increased by 15.4% to €58.1 million (Q1–Q3 2013: €50.3 million). In addition to scheduled depreciation of development projects, they included unscheduled depreciation of capitalized development projects and intangible assets in progress of €7.0 million (Q1–Q3 2013: €1.2 million). The €20.9 million decline in other expenses from €29.3 million to €8.4 million resulted primarily from lower recognition of provisions for statutory warranties based on sales, the reversal of provisions to income and from lower costs for packaging material and outgoing freight.

Selling expenses rose slightly year on year to €47.0 million in the first nine months of 2014 (Q1–Q3 2013: €44.6 million). The effects of the personnel adjustments in Germany are offset by collectively agreed upon salary increases, the recognition of provisions for Christmas and vacation bonuses, expansion of the sales organization in Asia, the U.S. and Australia and the full consolidation of Zeversolar for the first time (2013: as of March 2013). Due to considerably lower sales in the reporting period, the cost of sales ratio was 8.6% (Q1–Q3 2013: 6.3%).

Development expertise is a major and unique selling proposition for SMA. In the first nine months of 2014, research and development expenses not including capitalized development projects amounted to €65.2 million (Q1–Q3 2013: €58.0 million). Total research and development expenses including capitalized development projects amounted to €93.3 million (Q1–Q3 2013: €75.6 million). Development projects were capitalized in the amount of €28.1 million in the reporting period (Q1–Q3 2013: €17.6 million).

Administrative expenses as of the third quarter of 2014 totaled €58.3 million (Q1–Q3 2013: €54.0 million). The personnel cost savings generated by the voluntary severance program in 2013 are more than offset by the first-time full consolidation of Zeversolar in the reporting period (2013: as of March 2013) and by collectively agreed upon salary increases and the recognition of provisions for Christmas and vacation pay. In relation to the considerably lower sales, the ratio of administrative expenses increased to 10.6% as of the third quarter of 2014 (Q1–Q3 2013: 7.6%).

In the same period of the previous year, other operating income declined by €5.5 million to €20.8 million (Q1–Q3 2013: €26.3 million). This was chiefly due to reduced income from the disposal of non-current assets and a lower level of assets measured at fair value through profit or loss.

Other operating expenses totaled €13.9 million in the first nine months (Q1–Q3 2013: €42.5 million). The main decreases resulted from lower expenses from foreign currency valuation, from impairment losses on receivables and expenses from the disposal of non-current assets and from assets measured at fair value through profit or loss. In addition, in the previous year, this item had included expenses for the recognition of provisions relating to the voluntary severance program.

Financial Position

Significant Improvement in Operating Cash Flow in Third Quarter

In the third quarter, the SMA Group's gross cash flow of €–4.4 million was a considerable improvement on the previous quarters of the current fiscal year (Q1 2014: €–9.4 million; Q2 2014: €–32.3 million). In relation to the first nine months of 2014, gross cash flow decreased to €–46.1 million. In the same period of the previous year, this figure was €23.9 million. The decrease is due to the sales decline and the weaker earnings situation.

As a result of strong sales growth in the second half of 2014, payments for inventory, particularly of finished goods, increased by €46.8 million from the end of 2013. In the same period, trade payables increased by €28.1 million due to the extension of payment terms on the supplier side.

Trade receivables remained unchanged against December 31, 2013, amounting to €124.3 million.

Net working capital increased by 7.8% to € 267.0 million (December 31, 2013: €247.6 million) and amounted to 34.6% in relation to sales over the past 12 months.

Overall, net cash flow from operating activities amounted to €–32.6 million as of the third quarter of 2014 due to the negative operating result and net working capital increase (Q1–Q3 2013: €–31,6 million).

Net cash flow from investing activities amounted to €7.4 million in the reporting period (Q1–Q3 2013: €44.3 million). The volume of investment in fixed and intangible assets totaled €55.1 million, up €9.8 million on the same period of the previous year. A major portion of the investments went to capitalized development projects at €28.1 million (Q1–Q3 2013: €17.6 million).

Cash and cash equivalents amounting to €162.0 million (December 31, 2013: €192.4 million) include cash in hand, bank balances and short-term deposits with an original term to maturity of less than three months. With time deposits with a term to maturity of more than three months and fixed-interest-bearing securities, and after deducting interest-bearing financial liabilities, this resulted in net cash of €244.8 million (December 31, 2013: €308.1 million). The decline in net liquidity of €83.3 million resulted from negative operating results, the increase in net working capital resulting from increased inventory and investments in fixed assets and intangible assets.

Net Assets

High Equity Ratio of Almost 55%

As of September 30, 2014, the balance sheet total decreased to €1,232.7 million (December 31, 2013: €1,259.9 million).

Net working capital increased to €267.0 million as of September 30, 2014 (December 31, 2013: €247.6 million), and thus amounted to 34.6% of sales of the past 12 months. This means that the corridor of 23% to 26% targeted by management has not been achieved. The increase in net working capital is mainly attributable to the increased level of finished goods as a result of the anticipated rise in sales in the fourth quarter of 2014.

Trade receivables amounted to €124.3 million at the end of the third quarter of 2014 and were unchanged against December 31, 2013 (December 31, 2013: €124.3 million). Days sales outstanding increased to 59, mainly due to the higher international share (December 31, 2013: 48). Inventory increased by 25.8% to €231.6 million (December 31, 2013: €184.1 million). Trade payables increased by €28.1 million to €88.9 million (December 31, 2013: €60.8 million). The share of trade credit in total assets increased to 7.2% (December 31, 2013: 4.8%).

The Group's equity capital base fell by 6.8% to €674.8 million as of September 30, 2014 (December 31, 2013: €724.4 million). With an equity ratio of 54.7%, SMA has a very comfortable equity capital base and therefore boasts a very solid balance sheet structure.

Capital Expenditure

SMA Continues to Invest in Research and Development

SMA has adapted investment to changes in the market. Exceptions to this included development projects as well as the ground-based PV system at Sandershäuser Berg, which temporarily led to an increase in the investment volume. For the 2014 fiscal year, the SMA Group is planning investments in land and buildings of up to €10 million.

In the first nine months of the 2014 fiscal year, investments in fixed assets and intangible assets totaled €55.1 million (Q1–Q3 2013: €45.3 million). €23.6 million (Q1–Q3 2013: €23.5 million) was invested in fixed assets, primarily for machinery and equipment and the construction of a ground-based PV system at Sandershäuser Berg. Investments in intangible assets of €31.5 million (Q1–Q3 2013: €21.8 million) were mainly for capitalized projects such as new product development and existing product enhancements.

Supplementary Report

Significant Events After the End of the Reporting Period

There were no significant events after the end of the reporting period that affected our net assets, financial position or operational results.

Risk and Opportunities Report

Risks and Opportunities Management

The 2013 Annual Report details risk and opportunities management, individual risks with a potentially significant negative impact on our business, net assets, financial position and operational results and information on the Company's reputation. Our key opportunities are also outlined. Based on our risk management system, and taking into account the probability of occurrence and potential financial impact of each risk, we assess overall risks to be manageable. The statements made on this in the 2013 Annual Report generally continue to apply. In the first nine months of the 2014 fiscal year, we did not identify any additional significant risks or opportunities besides those presented in the section on business activity and organization and in the additional information on the results of operations, financial position and net assets, except for the potential effects of the strategic alliance with Danfoss.

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

The General Economic Situation: Risks for the Global Economy on the Rise

According to the International Monetary Fund (IMF), the global economy is continuing to grow despite intervening setbacks, albeit at a considerably slower pace than anticipated just a few months ago and very unevenly. In the annual outlook from October 7, 2014, economists at the IMF forecast global growth of 3.3% for 2014 and warn of global economic stagnation. They say that not all risks have been averted, particularly in the euro zone. As examples, the IMF cites the persistent low level of inflation and the ongoing low level of investments in some euro zone countries in addition to the impact of geopolitical crises.

With economic growth expected at only 0.8% (2013: –0.4%), the euro zone is said to be falling far short of its economic potential in 2014. The IMF is highly critical of the development in many euro zone countries. In Italy (–0.2%) there is even a threat of continuing recession, and France too is experiencing very weak growth (0.4%). In contrast, the regeneration of the Spanish economy is continuing, and the IMF anticipates growth of 1.3% there (2013: –1.2%). For Germany, the monetary experts originally anticipated extremely robust economic growth but have already revised their optimistic forecast from July 2014 in October by 0.5 percentage points, forecasting German economic growth of about only 1.4% in 2014. In the fall report[1] for the German Federal Government, leading German economic institutes were somewhat more pessimistic for the current year, forecasting German domestic economic growth of 1.2%.

According to the IMF, the British economy is gaining considerable momentum (3.2%). The outlook in the U.S. is said to have improved slightly (2.2%). By contrast, the IMF has lowered its forecast for this year in Japan (0.9%) as well as in some newly industrialized countries. In Brazil the IMF anticipates growth of only 0.3% (2013: 2.5%), and in Russia it has lowered its growth forecast for this year from 1.9% to 0.2% (2013: 1.3%) due to international sanctions in connection with the conflict in Ukraine.

China's growth is expected to amount to 7.4% (2013: 7.7%), while in India the IMF anticipates a 5.6% (2013: 5.0%) increase in the gross domestic product (GDP). In 2014, international trade is expected to increase by 3.8% (2013: 3.0%).

The IMF's outlook for 2015 is somewhat more optimistic on the whole. In the coming year, the global economy is expected to grow at a somewhat stronger pace again with estimated growth of 3.8%. The economic climate is expected to continue to pick up considerably in the U.S. in particular. The IMF anticipates U.S. growth of 3.1% for 2015. For the euro zone, the monetary experts are forecasting growth of 1.3% and in Germany the economy is expected to grow by 1.5%.

[1] The fall report comprises the estimates of four economic research institutes (DIW, Ifo, RWI and IWH). The German Federal Government uses the report as the basis for its own forecast.

Future General Economic Conditions in the Photovoltaics Sector

Key Trends in the Energy Sector

According to the World Energy Outlook 2013 from the International Energy Agency (IEA), renewable energies will equate to about half of the rise in global power generation by 2035. Fluctuating resources such as wind energy and photovoltaics alone will make up a share of 45%. IEA experts expect this development to be driven by certain trends, which include the regionalization of electricity supplies. More and more households, cities and companies want to become less dependent on energy imports and rising fuel costs, which will be accompanied by 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 in order to manage electricity demand, avoid consumption peaks and take the strain off utility grids. eMobility is expected to become an important pillar of these new energy supply structures. Integration of electric vehicles may also help increase self-consumption of renewable energies and offset fluctuations in the utility grid.

Photovoltaic Market Transformation

The global photovoltaic market is still undergoing a process of long-term transformation. Issues such as grid integration and photovoltaics with a power plant function are becoming increasingly important. A fundamental paradigm shift is taking place from an economic perspective as well. Potential operators no longer view the PV system as a mere income-producing asset but rather see photovoltaics as a cost-efficient, environmentally friendly and independent way of supporting their own electricity supply. The use of innovative system technology is a basic prerequisite for the reorganization of energy supply systems along the lines of decentralized structures based on renewable energies. Future objectives include intelligently linking different technologies, providing intermediate storage solutions for generated energy, thereby ensuring a reliable electricity supply based on renewable energies.

Global Market Stagnating

For 2014, the SMA Managing Board anticipates newly installed PV inverter power of between 38 GW and 42 GW. This would bring the number of newly installed PV systems to around the same level as in the previous year. The SMA Managing Board foresees that the market measured in euros will experience a downward trend in all market segments as a result of high price pressure that exists worldwide. Regional shift in demand is also presenting the inverter sector with a number of significant challenges.

China remains the world's largest photovoltaic market with estimated newly installed power of up to 13 GW. The forecast number of installations is all the more remarkable given that up until the end of the first half of the year China's installed power only stood at about 2 GW. This means that almost 85% of the new installations will have been built in the second half of the year.

Europe is expected to account for less than 25% of newly installed power worldwide in 2014. As such, development trends within Europe are varying greatly. Whereas the markets of continental Europe are experiencing plummeting demand, Great Britain is posting a positive demand trend. Negative development in continental Europe is chiefly due to subsidy cuts and the euro zone crisis. For example, subsidies for PV systems were downgraded further as a result of the new amendment to the Renewable Energy Sources Act (EEG) adopted by the German Federal Government on August 1, 2014. The SMA Managing Board estimates that the new regulations and the preceding uncertainty among all market operators will reduce the size of the German photovoltaic market by half again. Demand in Italy and Greece is expected to fall at an even faster rate than in Germany in 2014.

By contrast, positive growth stimuli are coming from North and South America. For 2014, the SMA Managing Board anticipates newly installed power of about 8 GW. This equates to growth of around 60% year on year. The installation of photovoltaics in these regions will be driven primarily by large-scale solar projects. Demand for medium-sized and smaller PV systems also saw extremely positive progression – particularly in North America.

The SMA Managing Board expects demand for PV systems in the Asia-Pacific region (not including China) to be at the same high level as in the previous year. Boasting approximately 10 GW of newly installed power, Asia-Pacific will account for about 25% of global demand. Japan is one of the most important markets in the region with power output of about 7 GW, followed by Australia and India, which each boast power of between 0.8 GW and 1 GW.

Newly industrialized countries and developing countries will also experience positive progression in 2014. For example, photovoltaic diesel hybrid systems are offering attractive business opportunities in the Sunbelt countries. In these regions, energy requirements are growing in line with increasing prosperity. Scalable electricity supply solutions are in demand especially in areas without a grid connection. Intelligent system technology allows photovoltaics to be integrated well into already existing diesel-powered grids. However, business with photovoltaic diesel hybrid systems is developing slower than originally anticipated because of technical complexity and limited financing options. For 2014, the SMA Managing Board expects no significant new installations in this market segment. However, the medium-term prospects are good and continue to improve due to the high level of dependence on fuel imports in the target regions.

Photovoltaics has proven to be increasingly competitive in recent years. In an increasing number of regions, solar power is now cheaper than conventional energy. In the long term, this is paving the way for the sector to grow, even without subsidization. The SMA Managing Board thus estimates that the medium- and long-term global prospects for the photovoltaics sector are good

Overall Statement From the Managing Board on the Expected Development of the SMA Group

The following statements on the future development of the SMA Group are based on the estimates drawn up by the SMA Managing Board and the expectations concerning the progression of global photovoltaic markets set out above.

SMA's sales and earnings situation depends on market share, price dynamics and the progression of the global markets. The global markets are being particularly influenced by the regulatory environment and financing opportunities for subsidized PV systems. In addition, import duties influence market development in individual regions.

For the current fiscal year, the Managing Board has set the objective of expanding its position as market leader. SMA has resolutely focused its strategy on successfully exploiting international growth opportunities in a marketplace characterized by strong competitive and price pressure, responding flexibly to demand fluctuations and reaping the benefits of the transition to a new supply system based on renewable energies.

Sales Forecast Anticipates Strong Growth in Fourth Quarter 2014

On July 30, 2014, the SMA Managing Board lowered its sales and earnings forecast. For the current fiscal year, the SMA Managing Board now expects sales of between €850 million and €950 million. The SMA Managing Board can no longer rule out a loss. A break-even in terms of EBIT is only possible at the upper end of the sales forecast. At the lower end of the sales forecast, the SMA Managing Board expects a loss of up to €45 million. The earnings forecast does not take into account any non-recurring expenses from the staff reduction announced on July 30, 2014.

When the ad hoc communication was published in July, the SMA Managing Board had indicated that the forecast was based on a considerable upturn in demand expected in the second half of 2014. The expected upturn was to come primarily from project business. When it published the forecast, the SMA Managing Board expressly cited the possibility that such projects could be delayed or may no longer be able to go ahead due to the complex approvals processes, financing, unavailability of PV modules or geopolitical conflicts.

Although demand for PV inverters improved in the third quarter of 2014, it still fell short of the SMA Managing Board's expectations. The level of uncertainty among Japanese market operators as a result of current discussions regarding the integration of solar power into the Japanese electricity grid was one explanation for the weaker progression in demand. Negotiations in connection with large-scale solar projects in Great Britain in the third quarter of 2014 were also more drawn-out than originally expected. As a result, a large number of project commissions will be delayed until the fourth quarter of 2014 or the next fiscal year. Commercial business in Europe also posted weaker development than predicted in the third quarter compared with the previous quarters of the current fiscal year. Factoring in sales and earnings over the reporting period, the current order backlog for 2014 and the contracts still expected to be concluded in the next few months, the SMA Managing Board estimates that the Company will be able to meet the lower end of its sales forecast. This requires, however, that the contracts expected to be concluded in the project business can be turned around in the current fiscal year. The SMA Managing Board also expects commercial business to pick up as usual toward the end of the year. SMA has prepared

itself for a strong upturn in demand in the last quarter and is usually able to supply its customers in established photovoltaic markets with system technology for large-scale solar projects within a few weeks. Delivery capacity for commercial business with Sunny Boy and Sunny Tripower inverters is also high. The SMA Managing Board reviews the Company's sales and earnings development on an ongoing basis and will inform the capital market immediately should its assessment change.

Earnings Situation Requires Another Staff Reduction

For 2014 as a whole, the SMA Managing Board expects an operating loss of up to €45 million before one-time items. Given the strong sales growth expected in the fourth quarter, the positive effects from the sale of products optimized in terms of material costs and improvements in productivity with respect to material and personnel costs, the Managing Board forecasts a considerably positive earnings contribution in the fourth quarter.

In July 2014, the SMA Managing Board also announced a staff reduction in Germany and abroad. By the end of 2015, SMA will lay off a total of 600 employees worldwide. The fixed-term contracts that expire and the natural employee turnover are part of the unfortunate but necessary downsizing plan. Measures will be defined for downsizing 400 employees from Sales, Service, Operations and Administration. About 25% of the reduction will take place abroad. The SMA Managing Board will strive to implement the staff reduction in a socially responsible manner. In addition, SMA will systematically reduce the employment of service providers, interim managers and consultants.

Reduction in Development Expenditure Until the End of 2015

SMA is a technology-driven company. Hence, at the heart of SMA's corporate strategy lie long-term expansion of its research and development work and safeguarding its technological leadership in developing new business areas. On September 30, 2014, SMA employed over 1,000 employees worldwide in the area of research and development and set new standards for the photovoltaics industry in all fields of application of PV inverters and energy management systems. The first products of a brand-new SMA inverter generation were already unveiled to trade fair visitors at the Solar Energy event in Birmingham, England. The market launch of the new Sunny Boy inverter with an output of between 1.5 kWp and 2.5 kWp is envisaged for the first quarter of 2015. For the current fiscal year, the Managing Board expects development expenditure, including capitalized development work, to increase to about €120 million. Until the end of 2015, SMA will focus more closely on strategically important development projects and then reduce the annual development budget (including capitalized development work) to €90 million at most.

Two-Brand Strategy to Improve Market Share

With the goal of increasing our market share as a global leader even further, we are pursuing a clearly-defined two-brand strategy. While SMA clearly positions itself worldwide as a technology leader and specialist in system technology, the Chinese inverter manufacturer Zeversolar, which SMA acquired in 2013, operates in what is referred to as the budget market (low-price segment) abroad and in the Chinese market.

Our primary objective is to use technologically unique selling propositions to improve SMA's strong market position. To consolidate our leadership in innovation, we are focusing on the development of system solutions precisely tailored to the regional requirements of photovoltaic markets worldwide and across all power ranges. By contrast, Zeversolar acts as an independent brand with specific unique selling propositions in the budget market (low-price segment).

Development in the Segments

According to Managing Board estimates, the Medium Power Solutions (MPS) division will generate sales of up to €450 million in 2014 (2013: €555.8 million), accounting for approximately 50% of SMA's total sales. SMA's three-phase string inverters from the Sunny Tripower product family account for a large share of MPS sales. The important sales regions for the MPS division include North America, Japan, Australia, Great Britain and Germany. Despite the newly launched products and implementation of the various cost reduction projects, the MPS division is expected to generate a high operating loss as a result of plummeting demand in Europe (2013: –14.0% EBIT margin).

The global demand for solar power systems is mainly characterized by large-scale solar projects. The primary sales regions are North America, Japan and Great Britain. Thanks to its good position in these countries, SMA will benefit from this development in the medium term. For the Power Plant Solutions division (PPS), the SMA Managing Board expects sales of up to €290 million (2013: €390.4 million). The PPS division thus accounts for about 35% of SMA's total sales. The Sunny Central Compact Power is one of the central inverters that generates the greatest sales in this segment in 2014 alongside the complete system solution including medium-voltage technology. Given the considerable decline in sales, particularly as a result of the high price pressure, the SMA Managing Board also expects a loss in this segment (2013: 9.5% EBIT margin).

In 2014, service business will continue to benefit from SMA's comprehensive basis in place and successful conclusion of service and maintenance contracts. Long-term contracts for operational management of large-scale PV power plants in particular form the basis for a profitable service business. After a successful start in North America, SMA is working to acquire additional complete plant service contracts in Europe in 2014. We also intend to develop our service portfolio in the service business in 2014 with additional new services, thus taking advantage of new sales potential. The 50.2-Hz switchover in Germany, in which SMA is acting as a service provider for grid operators, is also likely to considerably revive the German service business in the current year. Overall, the SMA Managing Board estimates a sales forecast of up to €40 million in the service business in 2014 (2013: €29.2 million). The objective is to achieve a break-even result in the current fiscal year.

In the Zeversolar division, the SMA Managing Board is aiming for sales in the region of €20 million to €30 million. The forecast modification is chiefly due to the sharp market decline in Europe and the extraordinarily high price pressure in China. However, Zeversolar saw positive development in the Australian market. The new product portfolio was well received by customers. Despite these elements of market success, Zeversolar is set to close the current fiscal year with a high loss of as much as €15 million (previous forecast: €8 million).

In the Railway Technology business area, the SMA Managing Board continues to estimate sales of between €28 million and €30 million (2013: €35.5 million). The operating result is particularly dependent on further development of business in Brazil and China as well as on the service business. Given that the market launch of the new, high-performance platform for supplying energy to local passenger trains will only begin to have a positive impact in 2015, the SMA Managing Board cannot rule out a small loss for Railway Technology in 2014.

Net Working Capital Increased Substantially Due to Anticipated Year-End Rally

In the current fiscal year, the Managing Board no longer anticipates a strong decline in net working capital compared with September 30, 2014. In relation to sales over the past 12 months, net working capital is expected to be between 30% and 35% (previous forecast: 23% to 26%). In view of the sales growth expected in the fourth quarter, SMA has stockpiled critical supply components and finished products. As a result of projects being delayed until the fourth quarter of 2014 and the weak performance in commercial business, the level of finished goods has increased. The reduction of inventory will make a major contribution to achieving the target at the end of the year. Compared with the year-end 2013, we expect to see an additional increase in receivables, primarily due to stronger foreign and project business. These business areas are generally accompanied by longer payment periods.

Stable Investment

For the 2014 fiscal year, SMA is planning investments (including capitalized development work) of between €70 million and €90 million. Investments in land and buildings will amount to as much as €10 million. SMA expectes to invest between €30 million and €35 million in machinery and equipment. Parts of these investments are scheduled for the start of production of our new product families in 2014 and 2015. Investments in intangible assets primarily concern the capitalization of development projects and amount to between €35 million and €45 million. In the medium term, SMA is planning on total annual investments of up to 8% (2013: 5.7%) of sales. SMA's production capacity of up to 15 GW is sufficient to meet global demand even in times of increased incoming orders.

Laying Foundations for a Return to Profitability

As a specialist for system technology and a global market leader, SMA offers complete system solutions for all markets, module types and power classes. None of our competitors has an innovation rate that even comes close to rivaling SMA's or our solid positioning as a technological leader. In addition to this, our global sales and service structures are also extremely well-positioned to use the opportunities presented by a globally growing photovoltaic market to the best possible advantage. Our flexible business model and solid financial foundation help us exploit new markets. By significantly reducing production costs, optimizing our processing and making extensive structural adjustments across the entire organization, we have also met all the conditions necessary to achieve a return to profitability. The acquisition of Zeversolar will help us take advantage of growth in the Chinese market and improve our market share. Thanks to our strategic alliance with Danfoss, SMA will significantly improve its competitiveness in the medium term. The first positive effects of purchasing synergies will impact SMA's earnings next year. In addition, SMA will be able to serve the important market of medium-sized PV systems better than before due to the additions to the product portfolio from the third quarter of 2014 onward. The synergies in Development and Sales will take effect in the medium term. SMA is characterized by an extraordinary corporate culture and motivated employees, who all make a decisive contribution to the Company's long-term success – even in a challenging marketplace. With an equity ratio of almost 55% and net cash of more than €220 million, SMA is in a financially sound position and will remain a reliable partner for its customers.

Niestetal, October 30, 2014

SMA Solar Technology AG
The Managing Board

% EQUITY RATIO

THE COMPANY'S EQUITY AMOUNTS TO €674.8 MILLION. BASED ON THIS, WE ARE ABLE TO LARGELY FINANCE OUR STRATEGY WITH EQUITY.

Interim Consolidated Financial Statements

January to September 2014

Income Statement SMA Group

in €'000	Note	July–Sept. (Q3) 2014	July–Sept. (Q3) 2013	Jan.–Sept. (Q1–Q3) 2014	Jan.–Sept. (Q1–Q3) 2013
Sales		**208,103**	**247,790**	**549,321**	**709,326**
Cost of sales	5	165,286	195,534	458,440	566,553
Gross profit		**42,817**	**52,256**	**90,881**	**142,773**
Selling expenses	6	15,607	14,084	47,037	44,605
Research and development expenses	7	23,011	20,311	65,152	57,975
General administrative expenses	8	19,086	18,582	58,250	54,011
Other operating income	9	9,986	6,039	20,768	26,265
Other operating expenses	9	5,369	12,140	13,887	42,553
Operating profit (EBIT)		**–10,270**	**–6,822**	**–72,677**	**–30,106**
Financial income		843	973	2,637	3,323
Financial expenses		1,078	1,271	3,488	3,076
Financial result	11	**–235**	**–298**	**–851**	**247**
Profit before income taxes		**–10,505**	**–7,120**	**–73,528**	**–29,859**
Income taxes		–1,340	–1,314	–19,435	–7,847
Consolidated net result		**–9,165**	**–5,806**	**–54,093**	**–22,012**
of which attributable to non-controlling interests		–52	–1,143	–140	–2,429
of which attributable to shareholders of SMA AG		–9,113	–4,663	–53,953	–19,583
Earnings per share, basic (in €)	12	–0.26	–0.13	–1.55	–0.56
Earnings per share, diluted (in €)	12	–0.26	–0.13	–1.55	–0.56
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) 2014	July–Sept. (Q3) 2013	Jan.–Sept. (Q1–Q3) 2014	Jan.–Sept. (Q1–Q3) 2013
Consolidated net result	**–9,165**	**–5,806**	**–54,093**	**–22,012**
Changes in fair values of available-for-sale assets	–24	–91	5	–328
Income taxes	7	27	–1	99
Changes recognized outside profit or loss[1] (available-for-sale financial assets)	**–17**	**–64**	**4**	**–229**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	3,982	–280	4,462	–2,437
Changes recognized outside profit or loss[1] (currency translation differences)	**3,982**	**–280**	**4,462**	**–2,437**
Other comprehensive income	**3,965**	**–344**	**4,466**	**–2,666**
Overall comprehensive result	**–5,200**	**–6,150**	**–49,627**	**–24,678**
of which attributable to non-controlling interests	–47	–1,133	–138	–2,435
of which attributable to shareholders of SMA AG	–5,153	–5,017	–49,489	–22,243

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

Balance Sheet SMA Group

in €'000	Note	09/30/2014	12/31/2013
Non-current assets			
Goodwill	13	13,173	13,173
Other intangible assets	13	92,719	78,974
Fixed assets	14	332,555	348,886
Other financial investments		5	5
Other financial assets	16	52,399	53,451
Deferred taxes		95,720	63,782
		586,571	**558,271**
Current assets			
Inventories	15	231,558	184,131
Trade receivables		124,260	124,259
Other financial assets	16	95,698	169,194
Claims for income tax refunds		8,842	12,996
Other receivables		23,745	18,725
Cash and cash equivalents	26	162,034	192,366
		646,137	**701,671**
Total assets		**1,232,708**	**1,259,942**
Shareholders' equity			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		520,873	570,363
SMA Solar Technology AG shareholders' equity		**674,773**	**724,263**
Equity attributable to non-controlling interests		26	163
	17	**674,799**	**724,426**
Non-current liabilities			
Provisions	18	86,321	101,752
Financial liabilities	19	42,547	46,714
Other financial liabilities[1]	20	1,575	1,598
Other liabilities[1]	21	135,704	113,658
Deferred taxes		26,710	23,320
		292,857	**287,042**
Current liabilities			
Provisions	18	73,708	96,804
Financial liabilities	19	26,206	26,665
Trade payables		88,944	60,806
Other financial liabilities[1]	20	12,838	11,789
Income tax liabilities		6,769	2,267
Other liabilities[1]	21	56,587	50,143
		265,052	**248,474**
Total equity and liabilities		**1,232,708**	**1,259,942**

[1] As of fiscal year 2014, liabilities in the Human Resources area are reported under other liabilities in accordance with IAS 32. This involves adjustment of comparative figures.

Statement of Cash Flows SMA Group

in €'000	Note	Jan.–Sept. (Q1–Q3) 2014	Jan.–Sept. (Q1–Q3) 2013
Consolidated net result		-54,093	-22,012
Income taxes		-19,435	-7,847
Financial result		851	-247
Depreciation and amortization		64,535	56,986
Change in provisions		-38,527	-8,338
Losses from the disposal of assets		2,092	1,785
Other non-cash expenses/revenue		506	14,018
Interest received		1,220	1,405
Interest paid		-2,815	-1,162
Income tax paid		-457	-10,698
Gross cash flow		**-46,123**	**23,890**
Increase in inventories		-46,844	-13,705
Increase/decrease in trade receivables		153	-16,161
Increase/decrease in trade payables		28,137	-9,132
Change in other net assets/other non-cash transactions		32,051	-16,472
Net cash flow from operating activities	23	**-32,626**	**-31,580**
Payments for investments in fixed assets		-23,597	-23,545
Proceeds from the disposal of fixed assets		953	1,751
Payments for investments in intangible assets		-31,536	-21,751
Payments for the acquisition of companies net of cash/proceeds from the acquisition of business units		1,500	-22,125
Proceeds from the disposal of securities and other financial assets		145,097	410,000
Payments for the acquisition of securities and other financial assets		-85,000	-300,000
Net cash flow from investing activities	24	**7,417**	**44,330**
Proceeds of financial liabilities		18,522	21,012
Redemption of financial liabilities		-23,148	-10,567
Dividends paid by SMA Solar Technology AG		0	-20,820
Net cash flow from financing activities	25	**-4,626**	**-10,375**
Net increase/decrease in cash and cash equivalents		-29,835	2,375
Net decrease due to exchange rate effects		-497	-4,487
Cash and cash equivalents as of 01/01		192,366	185,299
Cash and cash equivalents as of 09/30	26	**162,034**	**183,187**

Statement of Changes in Equity SMA Group

in TEUR	Share capital	Capital reserves
Shareholders' equity as of January 1, 2013	**34,700**	**119,200**
Dividend payments of SMA Solar Technology AG	0	0
Consolidated net loss	0	0
Other comprehensive income after tax	0	0
Overall result		
Additions of non-controlling interests	0	0
Put option on non-controlling interests	0	0
Shareholders' equity as of September 30, 2013	**34,700**	**119,200**

[1] Previous year's figure was adjusted based on final purchase price allocation

Shareholders' equity as of January 1, 2014	**34,700**	**119,200**
Consolidated net loss	0	0
Other comprehensive income after tax	0	0
Overall result		
Shareholders' equity as of September 30, 2014	**34,700**	**119,200**

	Equity attributable to the shareholders of the parent company					
	Market valuation of securities	Difference from currency translation	Other retained earnings	Total	Equity attributable to non-controlling interests	Consolidated shareholders' equity
Jan. 1, 2020	**271**	**1,202**	**665,288**	**820,661**	**2**	**820,663**
Dividend payments	0	0	– 20,820	– 20,820	0	– 20,820
Purchase of treasury shares	0	0	– 19,583	– 19,583	– 2,429	– 22,012
Other changes	– 229	– 2,431	0	– 2,660	– 6	– 2,666
Net income						– 24,678
Other comprehensive income	0	0	0	0	3,933[1]	3,933[1]
Total comprehensive income	0	0	– 4,822	– 4,822	0	– 4,822
Sept. 30, 2020	**42**	**– 1,229**	**620,063**	**772,776**	**1,500[1]**	**774,276[1]**
Jan. 1, 2019	**– 56**	**– 2,679**	**573,098**	**724,263**	**163**	**724,426**
Dividend payments	0	0	– 53,953	– 53,953	– 140	– 54,093
Other changes	4	4,459	0	4,463	3	4,466
Net income						– 49,627
Other comprehensive income						
Sept. 30, 2019	**– 52**	**1,780**	**519,145**	**674,773**	**26**	**674,799**

Condensed Notes as of September 30, 2014

Basic Information

1. Basics

The Condensed Interim Consolidated Financial Statements for SMA Solar Technology AG as of September 30, 2014, were prepared – as were the Consolidated Financial Statements as of December 31, 2013 – in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU as well as in compliance with the regulations of Section 315a of the German Commercial Code (HGB). In fiscal year 2014, the Interim Financial Statements for SMA Solar Technology AG are therefore prepared in accordance with IAS 34 Interim Financial Reporting. Pursuant to the regulations of IAS 34, a condensed scope of reporting in comparison to the Consolidated Financial Statements as of December 31, 2013, was chosen. The Condensed Financial Statements do not include all information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the Consolidated Financial Statements as of December 31, 2013.

The Condensed Interim Consolidated Financial Statements were prepared in euros. Unless indicated otherwise, all amounts stated were rounded to full thousands of euros (€'000) or millions of euros (€ million) in order to improve clarity.

The Consolidated Financial Statements are prepared on the basis of the amortized historical cost principle. Exceptions to this are provisions, deferred taxes, leases, derivative financial instruments and available-for-sale securities.

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

The Managing Board of SMA Solar Technology AG authorized the Interim Consolidated Financial Statements on October 30, 2014, for submission to the Supervisory Board.

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

The SMA Group develops, manufactures and distributes PV inverters, transformers, chokes, monitoring and energy management systems for PV systems and power-electronic components for railway technology.

See also Section 4 page 49 et seqq.

More detailed information on segments is provided in Section 4.

2. Scope of Consolidation and Consolidation Principles

The scope of consolidation as of December 31, 2013, was expanded compared with December 31, 2012, to include the newly founded companies SMA New Energy Technology (Shanghai) Co., Ltd. (Shanghai, China) and SMA Sub-Sahara Production Pty. Ltd. (Randburg, South Africa) and the acquisition of the subgroup Jiangsu Zeversolar New Energy Co., Ltd. (Suzhou, China). All companies were fully consolidated. Those companies entitled to investments in the list of shareholdings are not consolidated due to their subordinate importance. Non-controlling interests in equity of the consolidated companies is shown separately in equity.

The subgroup Jiangsu Zeversolar New Energy Co., Ltd. was consolidated for the first time as of March 12, 2013. The consolidation was performed in the Interim Consolidated Financial Statements on September 30, 2013, on the basis of a provisional purchase price allocation. The purchase price allocation was completed at the end of the 2013 fiscal year and the previous year's figures as of September 30, 2013, were adjusted retrospectively to reflect this. With the exception of the statement of changes in equity as of September 30, 2013, there were no material changes in the previous year's figures as presented in the Interim Financial Statements. The final purchase price allocation is presented on page 135 of the 2013 Annual Report.

See Annual Report 2013 page 135 et seqq.

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

Further details can be found in the Notes to the Consolidated Financial Statements as of December 31, 2013.

The scope of consolidation as of September 30, 2014, changed in comparison to December 31, 2013, as a result of the liquidation of Shanghai ZOF New Energy Co., Ltd. (Shanghai, China) as of February 25, 2014. The functions of this company have been assumed by the parent company Jiangsu Zeversolar New Energy Co., Ltd. In addition, the scope of consolidation as of September 30, 2014, was expanded in comparison to December 31, 2013, by the creation of SMA Sunbelt Energy GmbH (Niestetal) and SMA Railway Technology (Guangzhou) Co., Ltd.

On May 28, 2014, as part of the strategic cooperation with Danfoss Power Electronics A/S, Denmark, SMA acquired its inverter segment in an asset deal. Thanks to the acquisition, we optimally supplemented our inverter product portfolio with the FLX and MLX series devices developed by Danfoss.

Essentially, product licenses and patents as well as expertise were transferred at a contractual purchase price of €1.00. Production facilities were not part of the acquisition. Furthermore, agreements were concluded regarding the acquisition of inventories and the utilization of production capacities. The provisions of IFRS 3 Business Combinations apply to this acquisition. Pursuant to this, the acquisition gave rise to total acquisition costs within the meaning of IFRS 3 of €5.0 million.

The allocation of the consideration transferred to acquired assets and liabilities is still provisional as of September 30, 2014, due to the short period of time between the date of the acquisition and the reporting date. The purchase price allocation to be performed as part of the first consolidation has not yet been completed, particularly with regard to the measurement of property, plant and equipment and intangible assets. No goodwill was recognized initially. The provisional values of the assets acquired and liabilities assumed are unchanged in comparison to the reporting as of June 30, 2014, and have been published in the Half-Yearly Financial Report. According to the provisional purchase price allocation, net assets totaling €5.0 million were acquired. The cash holdings acquired amounted to €3.0 million. The provisional net outflow according to the provisional purchase price allocation was €2.0 million. The purchase price allocation will be finalized when all relevant information is available – after a year at the latest.

The consideration to be transferred to Danfoss is to be paid in cash on a pro-rata basis by 2016. Cash totaling €1.5 million had been transferred by September 30, 2014.

As of September 30, 2014, acquired cash and cash equivalents came to €3.0 million, whereas payments made to Danfoss totaled €1.5 million. At the reporting date of September 30, 2014, this resulted in a net cash inflow of €1.5 million under cash flow from investing activities in the Statement of Cash Flows. The transaction costs of €0.3 million were recognized under other operating expenses in the income statement.

As a result of the inclusion of Danfoss products, consolidated sales increased by €4.0 million and earnings after taxes declined by €0.5 million. If the Danfoss products had already been included in the scope of consolidation as of January 1, 2014, consolidated sales would have been €14.2 million higher and earnings after taxes would have been €1.6 million lower.

On August 6, SMA concluded an agreement with Phoenix Solar AG regarding the sale of European operations and maintenance service activities (O&M business) to SMA. SMA intends to take over Phoenix Solar's customer contracts in Germany, France, Spain and Italy, the infrastructure at its Ulm location and the 18 employees based there.

The transaction is expected to be completed in the fourth quarter of 2014.

3. Accounting and Valuation Policies

There were no changes in the accounting and valuation policies in these Interim Consolidated Financial Statements as of September 30, 2014, in comparison to the Consolidated Financial Statements of SMA Solar Technology AG as of December 31, 2013, with the exception of the newly applicable accounting standards shown below.

The following new accounting standards, which are mandatory starting in fiscal year 2014, were to be observed in the preparation of the Interim Consolidated Financial Statements.

Standard/interpretation			Date of compulsory application[1]	Endorsement (until Sept. 30, 2014)[2]
Amendment	IAS 27	Separate Financial Statements (2011)	01/01/2014	yes
Amendment	IAS 28	Investments in Associates and Joint Ventures	01/01/2014	yes
Amendment	IAS 32	Offsetting Financial Assets and Financial Liabilities	01/01/2014	yes
Amendment	IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	01/01/2014	yes
Amendment	IAS 39	Novation of Derivatives and ongoing Hedge Accounting	01/01/2014	yes
New	IFRS 10	Consolidated Financial Statements	01/01/2014	yes
New	IFRS 11	Joint Arrangements	01/01/2014	yes
New	IFRS 12	Disclosure of Interests in Other Entities	01/01/2014	yes
New	IRFIC 21	Levies	01/01/2014	yes

[1] Application to the first reporting period of a fiscal year beginning on or after that date.
[2] Adoption of IFRS standards or interpretations by the EU Commission.

IFRS 10 Consolidated Financial Statements

The newly applicable IFRS 10 supersedes the SIC 12 assessment of opportunities and risks. The sole decisive factor for consolidation is control over the investee. IFRS 10 has to be applied retrospectively. This will not lead to any changes in the presentation of the SMA Group.

IFRS 11 Joint Arrangements

IFRS 11 deals with joint ventures and joint operations and the different ways they are recognized. Joint ventures must be included in the Consolidated Financial Statements at equity; the option to apply proportionate consolidation has been discontinued. At the moment, this standard has no significance for the SMA Group.

IFRS 12 Disclosure of Interests in Other Entities

The new IFRS 12 summarizes the disclosure requirements from IAS 27, 28 and 31 and adds additional ones. It is to be applied from 2014. A more detailed description of the new accounting standards relevant to the SMA Group is included in the Consolidated Financial Statements as of December 31, 2013.

IFRIC 21 Levies

IFRIC 21 provides guidance when a liability for levies imposed by a government has to be recognized. The Interpretation applies both to levies that are recognized in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and to levies for which the date and amount are known.

4. Segment Reporting

The SMA Group's structure includes the Medium Power Solutions, Power Plant Solutions, Service and Zeversolar divisions. The Railway Technology business area also belongs to the SMA Group. The divisions were endowed with the functions required for operating business. They are also responsible for international business. SMA has specifically bundled Finance, Human Resources, Legal and Compliance, Internal Auditing, Corporate Communication, Information Technology, Technology Predevelopment and Facility Management in Corporate Functions. The divisions report directly to the Managing Board. For reporting purposes, the operations of Zeversolar and Railway Technology are reported under the same segment names. In accordance with market requirements, SMA regularly reviews its organizational structure in order to make it as efficient as possible.

The segment information in accordance with IFRS 8 for the third quarter of 2014 and 2013 is as follows:

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segments	Medium Power Solutions		Power Plant Solutions		Service	
in € million	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
External sales	101.8	119.5	82.1	108.4	13.1	7.6
Internal sales	13.5	22.4	9.1	4.8	25.0	26.6
Total sales	115.3	141.9	91.2	113.2	38.1	34.2
Depreciation and amortization	9.8	9.4	1.2	1.1	0.3	0.7
Operating profit (EBIT)	– 12.1	– 11.6	– 0.4	13.1	0.2	1.1
Sales by regions						
Germany	33.8	54.7	11.4	10.7	7.0	1.6
European Union	21.3	24.2	5.9	16.2	4.0	2.2
Third-party countries	51.4	47.3	65.3	81.7	2.1	3.8
Sales deductions	– 4.7	– 6.7	– 0.5	– 0.2	0.0	0.0
External sales	**101.8**	**119.5**	**82.1**	**108.4**	**13.1**	**7.6**

The segment information in accordance with IFRS 8 for the first nine month of 2014 and 2013 is as follows:

FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segments	Medium Power Solutions		Power Plant Solutions		Service	
in € million	Q1 – Q3 2014	Q1 – Q3 2013	Q1 – Q3 2014	Q1 – Q3 2013	Q1 – Q3 2014	Q1 – Q3 2013
External sales	303.3	373.6	183.9	285.5	29.5	20.3
Internal sales	44.9	57.0	18.5	12.1	71.1	76.5
Total sales	348.2	430.6	202.4	297.6	100.6	96.8
Depreciation and amortization	33.6	27.6	4.6	3.3	0.9	2.1
Operating profit (EBIT)	– 49.1	– 32.7	– 13.8	30.8	– 1.1	– 1.2
Sales by regions						
Germany	107.5	177.1	28.7	36.2	14.0	4.4
European Union	61.6	88.7	18.2	50.7	9.8	7.9
Third-party countries	147.9	127.2	137.7	199.2	5.8	8.1
Sales deductions	– 13.7	– 19.4	– 0.7	– 0.6	– 0.1	– 0.1
External sales	**303.3**	**373.6**	**183.9**	**285.5**	**29.5**	**20.3**

	Zeversolar		Railway Technology		Reconciliation		Continuing Operations	
	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
	3.3	3.0	7.8	9.3	0.0	0.0	208.1	247.8
	0.0	0.0	0.0	0.1	– 47.6	– 53.9	0.0	0.0
	3.3	3.0	7.8	9.4	– 47.6	– 53.9	208.1	247.8
	0.3	0.4	0.2	0.1	7.3	7.7	19.1	19.4
	– 3.8	– 5.0	– 0.4	0.8	6.2	– 5.2	– 10.3	– 6.8
	0.0	0.0	2.8	1.8	0.0	0.0	55.0	68.8
	0.0	0.0	2.1	2.4	0.0	0.0	33.3	45.0
	3.3	3.0	3.0	5.2	0.0	0.0	125.1	141.0
	0.0	0.0	– 0.1	– 0.1	0.0	0.0	– 5.3	– 7.0
	3.3	**3.0**	**7.8**	**9.3**	**0.0**	**0.0**	**208.1**	**247.8**

	Zeversolar		Railway Technology		Reconciliation		Continuing Operations	
	Q1 – Q3 2014	Q1 – Q3 2013	Q1 – Q3 2014	Q1 – Q3 2013	Q1 – Q3 2014	Q1 – Q3 2013	Q1 – Q3 2014	Q1 – Q3 2013
	10.4	6.3	22.2	23.6	0.0	0.0	549.3	709.3
	0.0	0.0	0.1	0.6	– 134.6	– 146.2	0.0	0.0
	10.4	6.3	22.3	24.2	– 134.6	– 146.2	549.3	709.3
	0.9	0.9	0.6	0.4	23.9	22.6	64.5	56.9
	– 11.8	– 10.3	– 2.5	1.3	5.6	– 18.0	– 72.7	– 30.1
	0.0	0.0	7.2	6.0	0.0	0.0	157.4	223.7
	0.0	0.0	5.4	8.0	0.0	0.0	95.0	155.3
	10.4	6.3	10.2	9.7	0.0	0.0	312.0	350.5
	0.0	0.0	– 0.6	– 0.1	0.0	0.0	– 15.1	– 20.2
	10.4	**6.3**	**22.2**	**23.6**	**0.0**	**0.0**	**549.3**	**709.3**

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

in € million	Q3 2014	Q3 2013	Q1–Q3 2014	Q1–Q3 2013
Total segment earnings (EBIT)	– 16.5	– 1.6	– 78.3	– 12.1
Eliminations	6.2	– 5.2	5.6	– 18.0
Consolidated EBIT	– 10.3	– 6.8	– 72.7	– 30.1
Financial result	– 0.2	– 0.3	– 0.8	0.2
Earnings before income taxes	– 10.5	– 7.1	– 73.5	– 29.9

Circumstances are shown in the reconciliation which by definition are not part of the segments. In addition, unallocated parts of the Group head office, including cash and cash equivalents and own buildings, are included therein. Business relations between the segments are eliminated in the reconciliation.

Segment assets as of September 30, 2014, did not change significantly in comparison to the reporting date of the last Annual Consolidated Financial Statements (December 31, 2013).

Condensed Notes to the Income Statement SMA Group

5. Cost of Sales

in €'000	Q1–Q3 2014	Q1–Q3 2013
Material expenses	290,763	380,815
Personnel expenses	101,130	106,169
Depreciation and amortization	58,076	50,320
Other	8,471	29,249
	458,440	**566,553**

Cost of sales includes, as direct costs, product-related material expenses as well as all other expenses for the areas of Production, Purchasing, Service, Facility Management and IT. Cost of sales fell by €108.2 million against the same period of the previous year to €458.4 million. This is a decrease of about 19.1%. Sales of inverters declined by 16.4% in the comparative period to 3,311 MW (Q1–Q3 2013: 3,959 MW).

Material expenses fell because of the lower sales. In addition, initiated cost-out measures reduced material costs. Despite a higher share of string inverters, specific material costs in relation to sales decreased by 8.3% to 8.8 cents per watt (Q1–Q3 2013: 9.6 cents per watt).

Personnel expenses decreased by 4.8% to €101.1 million. SMA reduced its workforce at its site in Germany in 2013 and 2014 as part of a voluntary personnel adjustment program. However, the savings generated in personnel costs are partially offset by collectively agreed salary increases and the recognition of provisions for Christmas and vacation pay and through the expansion of the foreign sites in China and the U.S.

Depreciation and amortization climbed by 15.4% to €58.1 million. They include scheduled and unscheduled amortization on development projects and intangible assets in progress of €7.0 million (Q1–Q3 2013: €1.2 million). The decline in other expenses resulted primarily from lower recognition of provisions for statutory warranties, packaging material and outgoing freight based on sales, and from the reversal of additional provisions to income.

6. Selling Expenses

in €'000	Q1–Q3 2014	Q1–Q3 2013
Material expenses	446	317
Personnel expenses	25,433	24,030
Depreciation and amortization	736	713
Other	20,422	19,545
	47,037	**44,605**

Selling expenses include expenditure for global sales activities, internal sales and the marketing department. Selling expenses rose by 5.5% compared with the previous year. The effects of the personnel adjustments in Germany are offset by collectively agreed salary increases and the recognition of provisions for Christmas and vacation bonuses, as well as the expansion of the international sales organization and the full consolidation of Zeversolar for the first time in the comparative period (2013: from March 2013).

7. Research and Development Expenses

in €'000	Q1–Q3 2014	Q1–Q3 2013
Material expenses	5,610	4,112
Personnel expenses	50,246	43,776
Depreciation and amortization	4,996	4,748
Other	32,402	22,940
	93,254	**75,576**
Capitalized development projects	– 28,102	– 17,601
	65,152	**57,975**

Research and development expenses include all costs that may be attributed to the areas of product development, development-related testing and product management. Development expenses increased by 12.4% to €65.2 million. The expansion of development competence abroad, primarily in the U.S. and at Zeversolar, as well as collectively agreed salary increases and the recognition of provisions for Christmas and vacation bonuses resulted in a 14.8% increase in personnel costs to €50.3 million. SMA is focusing increasingly on development partnerships. This saw other expenses rise by €9.5 million.

Capitalized development projects came to €10.5 million more than in the previous year. The rise in capitalized development projects reflects the enormous amount of activity in the development of new devices.

8. General Administrative Expenses

in €'000	Q1–Q3 2014	Q1–Q3 2013
Material expenses	176	23
Personnel expenses	32,076	30,955
Depreciation and amortization	728	1,205
Other	25,270	21,828
	58,250	**54,011**

Administrative expenses include expenses for the Managing Board, division management and the areas of Finance, Human Resources, Legal and Compliance, Corporate Communication and Quality Management. The personnel cost savings generated by the voluntary severance program in 2013 are more than offset by the first-time full consolidation of Zeversolar in the reporting period (2013: from March 2013) and by collectively agreed salary increases and the recognition of provisions for Christmas and vacation bonuses. The change in other expenses resulted primarily from negative internal effects from cost apportionments of other functional areas.

9. Other Operating Income/Other Operating Expenses

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

Other operating expenses specifically include expenses from foreign currency valuation, impairment losses on receivables, and expenses from the disposal of non-current assets and from assets measured at fair value through profit or loss. In the previous year, this item included expenses for the recognition of provisions relating to the voluntary severance program.

10. Employee and Temporary Employee Benefits

in €'000	Q1–Q3 2014	Q1–Q3 2013
Wages and salaries	166,439	182,195
Expenses for temporary employees	14,082	14,304
Social security contribution and welfare payments	28,755	28,447
	209,276	**224,946**

Comparative figures 2013 include personnel expenses for the voluntary severance program recognized in other operating expenses.

The average number of employees in the Group amounted to:

	Q1–Q3 2014	Q1–Q3 2013
Research and Development	1,043	1,024
Production and Service	2,687	3,155
Sales and Administration	1,064	1,127
	4,794	**5,306**
Apprentices and interns	234	340
Temporary employees	669	740
	5,697	**6,386**

11. Financial Result

in €'000	Q1–Q3 2014	Q1–Q3 2013
Interest income	2,220	2,542
Other financial income	417	781
Financial income	**2,637**	**3,323**
Interest expenses	3,000	2,580
Other financial expenses	445	67
Interest portion from valuation of provisions	43	429
Financial expenses	**3,488**	**3,076**
Financial result	**–851**	**247**

Expenses from the revaluation of the put option in connection with minority interests of Zeversolar were recognized in the amount of €0.3 million under other financial expenses. The decreased interest income reflects current interest performance on the financial markets and the volume of investment in time deposits. The rise in interest expenses is attributable to the change in the scope of consolidation (Zeversolar).

12. Earnings per Share

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

The consolidated earnings attributable to the shareholders are the consolidated net profit after tax, excluding the portion attributable to non-controlling interests. Since there are no shares held by the Company on the reporting date or any other special cases, the number of ordinary shares issued equates to the number of shares in circulation.

The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 results in earnings of €–1.55 per share for the period from January 1 to September 30, 2014, on the basis of 34.7 million shares. For the period from January 1 to September 30, 2013, the calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of €–0.56 per share on the basis of 34.7 million shares. There are no options or conversion options as of the reporting date. Therefore, there are no diluting effects and the diluted and basic earnings per share are the same.

Condensed Notes to the Balance Sheet SMA Group

13. Goodwill and Other Intangible Assets

in €'000	09/30/2014	12/31/2013
Goodwill	13,173	13,173
Software	8,791	12,536
Licenses	18,971	13,966
Development projects	24,893	34,101
Intangible assets in progress	40,064	18,359
Prepayments	0	12
	105,892	**92,147**

The goodwill results from the companies Jiangsu Zeversolar New Energy Co., Ltd. (Suzhou, China) and dtw Sp. z o.o.

Amortization of development projects and intangible assets in progress includes an impairment loss of €7.0 million (2013: €8.0 million) due to changed sales forecasts (relating to products of the Medium Power Solutions and Power Plant Solutions segments). The amortization was made to the value in use. A discount rate of 9.9% (2013: 9.9%) was applied. Amortization in relation to development projects is recognized in the Income Statement under Cost of Sales.

The additions to intangible assets in progress reflect development activities undertaken to ensure the SMA Group's position as a technology leader.

14. Fixed Assets

in €'000	09/30/2014	12/31/2013
Land and buildings incl. buildings on third-party property	219,047	227,635
Technical equipment and machinery	42,200	40,872
Other equipment, plant and office equipment	57,075	71,917
Prepayments	14,233	8,462
	332,555	**348,886**

The additions to prepayments for the period from January 1 to September 30, 2014, include investments for the extension or conversion of buildings in the amount of €3.0 million.

15. Inventories

in €'000	09/30/2014	12/31/2013
Raw materials, consumables and supplies	115,420	99,688
Unfinished goods, work in progress	34,209	27,491
Finished goods and goods for resale	81,604	56,292
Prepayments	325	660
	231,558	**184,131**

Inventories are measured at the lower value of acquisition or production costs and net realizable value. The increase in finished goods and goods for resale is largely the result of the targeted increase in delivery capacity in individual markets and customers delaying projects. The change in impairment on inventories, included under expenses as cost of sales, amounted to €1.6 million (Q1–Q3 2013: €9.7 million).

16. Other Financial Assets

As of September 30, 2014, other current financial assets include in particular financial assets, time deposits with a term to maturity of over three months and accrued interest totaling €75.0 million (December 31, 2013: €133.8 million). Other non-current financial assets primarily include financial assets of €49.8 million (December 31, 2013: €51.3 million) and a rent deposit for buildings in the U.S. amounting to USD 2.5 million (December 31, 2013: USD 2.5 million).

17. Shareholders' Equity

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

The Annual General Meeting of SMA Solar Technology AG on May 27, 2014, followed the Managing and Supervisory Boards' proposal not to distribute a dividend for the 2013 fiscal year due to the persistently volatile market environment (2012: €0.60 per dividend-bearing share).

18. Provisions

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

in €'000	09/30/2014	12/31/2013
Warranties	136,765	158,717
Other	23,264	39,839
	160,029	**198,556**

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 the following year. The change in the provision for statutory warranties is primarily attributable to the fact that the provision is dependent on sales.

Other provisions contain obligations for restoration obligations, and obligations for long-service anniversaries, death benefits, partial retirement and service-related benefits. SMA expects that these provisions will in general affect cash within the next 12 months to 20 years. The change in other provisions is predominantly due to the utilization of the provision for the voluntary severance program.

19. Financial Liabilities

in €'000	09/30/2014	12/31/2013
Liabilities towards credit institutions	62,089	69,455
Derivative financial liabilities	6,664	3,924
	68,753	**73,379**

Liabilities to credit institutions mainly include the financial liabilities included in SMA's consolidated financial statements as a result of the first-time consolidation of the subgroup Jiangsu Zeversolar New Energy Co., Ltd. in March 2013. In addition, liabilities to credit institutions were incurred for the financing of SMA Immo properties and a PV system of the SMA AG. They have an average time to maturity of 10 years.

The significant reduction in the level of loan liabilities results from repayments by Zeversolar and SMA Immo in the current fiscal year.

Derivative financial liabilities mainly consist of a written put option of Jiangsu Zeversolar New Energy Co., Ltd. shares. Interest derivatives are also recognized, as in the previous year.

20. Other Financial Liabilities

in €'000	09/30/2014	12/31/2013
Liabilities Sales department	10,034	8,070
Other	4,379	5,317
	14,413	**13,387**

Starting in fiscal year 2014, liabilities in the Human Resources department are reported under other liabilities in accordance with IAS 32. The disclosure involves adjustment of comparative figures from the previous year in the amount of €25.9 million. The liabilities of the Sales area primarily contain liabilities to customers from advance payments received and bonus agreements.

21. Other Liabilities

in €'000	09/30/2014	12/31/2013
Accrual item for extended warranties	125,351	115,392
Liabilities from the Human Resources department	32,820	25,887
Liabilities from prepayments received	20,545	18,120
Liabilities due to tax authorities	1,864	1,997
Liabilities from subsidies received	1,010	1,077
Other	10,701	1,328
	192,291	**163,801**

The accrual item for extended warranties includes liabilities from chargeable extended warranties granted for products in the Medium Power Solutions segment. Starting in fiscal year 2014, liabilities in the Human Resources department are reported under other liabilities in accordance with IAS 32. The disclosure involves adjustment of comparative figures from the previous year. Liabilities in the Human Resources area contain obligations towards employees regarding positive vacation and flextime balances as well as variable salary components and contributions to the workers' compensation association and to social insurance systems. The main items included in the liabilities towards tax authorities are tax liabilities from payroll accounting and sales tax liabilities. The liabilities from subsidies received relate to taxable government grants from funds of the common-task program "Improvement of the Regional Economic Structure" (EU GA), granted as investment subsidies. The total amount of retransfer of government grants is stated under other operating income.

22. Financial Instruments

As of September 30, 2014, there were 17 forward transactions, which are intended to hedge against the currency risks associated with anticipated future sales with customers. The derivatives were still classified as held for trading. They are not part of a hedging relationship as defined by IAS 39. For the interest risks existing for SMA Immo due to financial liabilities, interest derivatives were concluded for a part of these financial liabilities. The derivatives are classified as held for trading. They are not part of a hedging relationship as defined by IAS 39.

		09/30/2014		12/31/2013	
in €'000	Assessment category according to IAS 39	Market value	Book value	Market value	Book value
Assets					
Cash and cash equivalents	LaR	162,034	162,034	192,366	192,366
Trade receivables	LaR	124,260	124,260	124,259	124,259
Other financial investments	AfS	5	5	5	5
Other financial assets		**148,097**	**148,097**	**222,645**	**222,645**
of which debentures	AfS	50,212	50,212	51,725	51,725
of which institutional mutual funds	FAHfT	48,609	48,609	48,276	48,276
of which other	LaR	49,104	49,104	121,177	121,177
of which derivatives that do not qualify for hedge accounting	FAHfT	172	172	1,467	1,467
Liabilities					
Trade payables	FLAC	88,944	88,944	60,806	60,806
Financial liabilities		**68,753**	**68,753**	**73,379**	**73,379**
of which liabilities towards credit institutions	FLAC	62,089	62,089	69,455	69,455
of which derivatives that do not qualify for hedge accounting	FLHfT	6,664	6,664	3,924	3,924
Other financial liabilities	FLAC	14,413	14,413	13,387[1]	13,387[1]
Of which grouped by categories according to IAS 39:					
Loans and receivables	LaR	335,398	335,398	437,802	437,802
Financial liabilities measured at amortized cost	FLAC	165,446	165,446	143,648[1]	143,648[1]
Financial assets held for trading	FAHfT	48,781	48,781	49,743	49,743
Financial liabilities held for trading	FLHfT	6,664	6,664	3,924	3,924
Available for sale financial assets	AfS	50,217	50,217	51,730	51,730

[1] adjusted prior-year figures in accordance with IAS 32

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

The fair values of other non-current receivables 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 to conditions and expectations.

The item ‚other financial investments' relates to investments not included in the scope of consolidation. However, since no active market exists for these investments and a reliable measurement of their fair value was not possible, measurement on the relevant reporting dates was effected at amortized cost.

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

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

Derivative financial instruments are used to hedge against currency risks arising from operative business. These include currency futures and options. In principle, these instruments are only used for hedging purposes. As is the case with all financial instruments, they are recognized at fair value upon initial recognition. The fair values are also relevant for subsequent measurements.

The fair value of traded derivative financial instruments is identical to the market value. This value may be positive or negative. The measurement of forward transactions is based on the market value. 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 requirements.

The put option in the amount of the present value of the redemption amount of shares granted in connection with the acquisition of Zeversolar shares is posted under derivative financial liabilities without a hedge relationship. As of the reporting date, the put option is valued at €3.6 million (December 31, 2013: €3.3 million). There was a change in the present value of the redemption amount recognized in profit and loss between December 31, 2013, and the balance sheet date amounting to €0.3 million. This change results from interest and currency effects.

The present value of the redemption amount was determined using a discounted cash flow methodology (level 3 of the fair value hierarchy), taking account of the adjusted contractual regulation of the put option. This regulation stipulates that the redemption amount lies within a contractually agreed upon corridor of between RMB 27.4 million (September 30, 2014: €3.5 million) and RMB 41.1 million (September 30, 2014: €5.3 million). Within this corridor, the redemption amount varies mainly depending on EBIT as a non-observable input factor. Expected EBIT is derived from Zeversolar's internal planning. A sensitivity analysis shows that a 10% increase in the Zeversolar EBIT, taking into account the corridor, would not result in a substantial change in the present value of the redemption price, and that a 10% reduction in its EBIT also would not have any effects with regard to the range. An increase or decrease in the risk-adjusted discounting interest rate of 100 basis points would result in a change in the present value of the redemption amount of approximately €0.1 million in both directions.

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:

09/30/2014	Level 1	Level 2	Level 3	Total
in €'000				
Financial assets, measured at fair value				
Debentures	50,212	–	–	50,212
Institutional mutual funds	48,609	–	–	48,609
Derivative financial instruments	–	172	–	172
Financial liabilities, measured at fair value				
Derivative financial instruments	–	3,069	3,595	6,664

12/31/2013	Level 1	Level 2	Level 3	Total
in €'000				
Financial assets, measured at fair value				
Debentures	51,725	–	–	51,725
Institutional mutual funds	48,276	–	–	48,276
Derivative financial instruments	–	1,467	–	1,467
Financial liabilities, measured at fair value				
Derivative financial instruments	–	667	3,257	3,924

Notes to the Statement of Cash Flows SMA Group

The liquid funds shown in the Statement of Cash Flows correspond to the balance sheet item "Cash and cash equivalents."

23. Net Cash Flow From Operating Activities

The gross cash flow of €–46.1 million (Q1–Q3 2013: €23.9 million) reflects the operating earnings deficit prior to funds commitment. The decrease is due to the sales decline and the weaker earnings situation.

Net cash flow from operating activities amounted to €–32.6 million in the first three quarters of fiscal year 2014 (Q1–Q3 2013: €–31.6 million).

The change in net working capital recognized in the net cash flow is chiefly due to a €0.2 million decline in trade receivables that affects the Statement of Cash Flows. The increase in inventories was considerably higher than in the first three quarters of the previous year. The cash outflow for the increase of inventories relevant to the Statement of Cash Flows in order to ensure delivery capacity and as a result of customers delaying projects amounted to €–46.8 million. Furthermore, a €28.1 million increase in trade payables relevant to the statement of cash flows occurred.

The changes in other net assets, which amount to €32.1 million, particularly relate to effects from future benefit commitments from extended warranties, liabilities from prepayments received, and security deposits paid.

24. Net Cash Flow From Investing Activities

Net cash flow from investing activities came to €7.4 million in the first three quarters of 2014 after €44.3 million in the first three quarters of the previous year. The outflow of funds for investments in fixed assets and intangible assets amounted to €55.1 million (Q1–Q3 2013: €45.3 million). The cash inflow from the asset deal with Danfoss amounted to €1.5 million. The comparative figures from the previous year include the outflow of funds from the acquisition of 72.5% of the shares carrying voting rights in Jiangsu Zeversolar New Energy Co., Ltd.

Investments with a term to maturity of more than three months are allocated to the net cash flow from investing activities.

25. Net Cash Flow From Financing Activities

In the reporting period, net cash flow from financing activities chiefly consisted of the repayment of loan liabilities relating to Jiangsu Zeversolar New Energy Co., Ltd. and SMA Immo GmbH. The comparative figures for the previous year include the payment of a dividend at SMA AG in the amount of €20.8 million.

26. Cash and Cash Equivalents

Cash and cash equivalents amounting to €162.0 million (September 30, 2013: €183.2 million) include cash in hand, bank balances and short-term deposits with an original term to maturity of less than three months.

Other Disclosures

27. Events After the Balance Sheet Date

There were no significant events on or after the balance sheet date other than those presented in or recognizable from statements in the Notes to the Consolidated Financial Statements.

28. Related Party Disclosures

The group of related parties was extended to include the Board Member for Technical Development, Dr.-Ing. Jürgen Reinert, on April 1, 2014. On June 10, 2014, Marko Werner left the Managing Board and thus also the group of related parties.

In August 2014, Prof. (em.) Dr.-Ing. Werner Kleinkauf resigned from the Supervisory Board. He has been with SMA from the very beginning, supporting the company as a source of ideas, a mentor and an adviser. Kim Fausing was appointed as his successor. Kim Fausing is Chief Operations Officer at Danfoss and is responsible for the Climate & Energy and Power Solutions business segments as well as Global Procurement. Alexander Naujoks also stepped down from his office with effect from September 30, 2014. As his successor, Heike Haigis will take his place as employee representative on the Supervisory Board. Mrs. Haigis holds the position of Trade Union Secretary at IG-Metall.

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 now also belongs to the group of related parties. SMA acquired the entire inverter segment from Danfoss on May 28, 2014. Details on the acquisition of the inverter segment are given in Note 2 Scope of Consolidation and Consolidation Principles. SMA also entered into a strategic cooperation partnership with Danfoss in the areas of Purchasing, Sales and R&D. SMA will also perform services on behalf of Danfoss. All agreements were concluded under fair market conditions.

The value of purchased goods from Danfoss in the current year totaled €4.8 million. There are no material collaterals or guarantees. As of the reporting date, there are outstanding receivables amounting to around €0.3 million and outstanding liabilities amounting to €2.8 million with this related party.

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

Niestetal, October 30, 2014

SMA Solar Technology AG
The Managing Board

Roland Grebe Dr.-Ing. Jürgen Reinert Lydia Sommer Pierre-Pascal Urbon

Auditor's Report

(Translation – the German text is authoritative)

To SMA Solar Technology AG, Niestetal

We have reviewed the Condensed Interim Consolidated Financial Statements – comprising the Condensed Income Statement, the Condensed Statement of Comprehensive Income, Condensed Balance Sheet, Condensed Statement of Changes in Equity, Condensed Statement of Cash Flows and Selected Explanatory Notes – together with the Interim Group Management Report of SMA Solar Technology AG, Niestetal, for the period from January 1, 2014, to September 30, 2014, which are components of the Quarterly Financial Report pursuant to Section 37x (3) of the German Securities Trading Act (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 conducted our review of the Condensed Interim Consolidated Financial Statements and of the Interim Group Management Report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate 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 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, October 30, 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Scharpenberg	Schwibinger
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

DISCLAIMER
The quarterly 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 provision 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 financial report.

FINANCIAL CALENDAR

01/30/2015	Capital Markets Day
03/26/2015	Publication of Annual Report SMA Group 2014 and Individual Financial Statement SMA Solar Technology AG 2014
	Analyst Conference Call: 9:00 a. m. (CET)
05/13/2015	Publication of Quarterly Financial Report: January to March 2015
	Analyst Conference Call: 9:00 a. m. (CET)
05/21/2015	Annual General Meeting 2015
08/13/2015	Publication of Half-Yearly Financial Report: January to June 2015
	Analyst Conference Call: 9:00 a. m. (CET)
11/12/2015	Publication of Quarterly Financial Report: January to September 2015
	Analyst Conference Call: 9:00 a. m. (CET)

Publication Information

Published by
SMA Solar Technology AG

Text
SMA Solar Technology AG

Concept and design (financial report)
3st kommunikation, Mainz

Typesetting (financial report)
Knecht GmbH, Ockenheim

Photos
SMA Solar Technology AG

Contact

SMA Solar Technology AG
Sonnenallee 1
34266 Niestetal
Germany
Phone: +49 561 9522-0
Fax: +49 561 9522-100
e-mail: info@SMA.de
www.SMA.de

Investor Relations
Phone: +49 561 9522-2222
Fax: +49 561 9522-2223
e-mail: IR@SMA.de

ENERGY
THAT
CHANGES

SMA Solar Technology AG
Sonnenallee 1
34266 Niestetal
Germany
Phone: +49 561 9522-0
Fax: +49 561 9522-100
e-mail: info@SMA.de