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SMA SOLAR TECHNOLOGY AG

SMA AT A GLANCE

SMA Group		Q1-Q3 2013	Q1-Q3 2012	Change	Year 2012
Sales	€ million	709.3	1,196.4	-41 %	1,463.4
International share	%	69.3	53.4		56.3
Inverter output sold	MW	3,959	5,870	-33 %	7,188
Capital expenditure	€ million	45.3	80.6	-44 %	100.2
Depreciation and amortization	€ million	57.0	48.4	18 %	69.9
EBITDA	€ million	26.9	164.4	-84 %	171.9
EBITDA margin	%	3.8	13.7	-72 %	11.9
Consolidated net loss/profit	€ million	-22.0	81.0	-127 %	75.1
Earnings per share ¹	€	-0.56	2.33	-1.24	2.16
Employees ²		5,645	5,668	0 %	5,663
in Germany		4,364	4,720	-8 %	4,725
abroad		1,281	948	35 %	938

SMA Group		09/30/2013	12/31/2012	Change
Total assets	€ million	1,327.5	1,328.7	0 %
Shareholders' equity	€ million	766.0	820.7	-7 %
Equity ratio	%	57.7	61.8	
Net working capital ³	€ million	316.0	268.0	18 %
Net working capital ratio ⁴	%	32.4 %	18.3 %	
Net cash ⁵	€ million	300.3	446.3	-33 %

¹ Converted to 34,700,000 shares

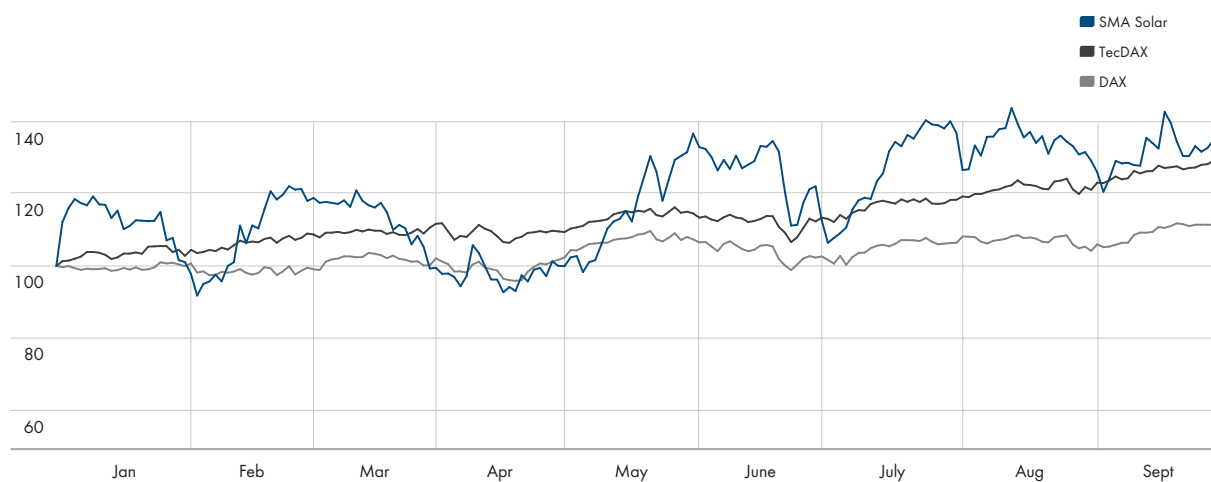
² Average during the period: without temporary employees

³ Inventories and trade receivables minus trade payables

⁴ Relating to the last twelve months (LTM)

⁵ Cash holdings + time deposits + asset management - loan liabilities (interest-bearing; not including derivatives!)

Performance of the SMA Share Q1-Q3 2013 in %, rebased to 100 points



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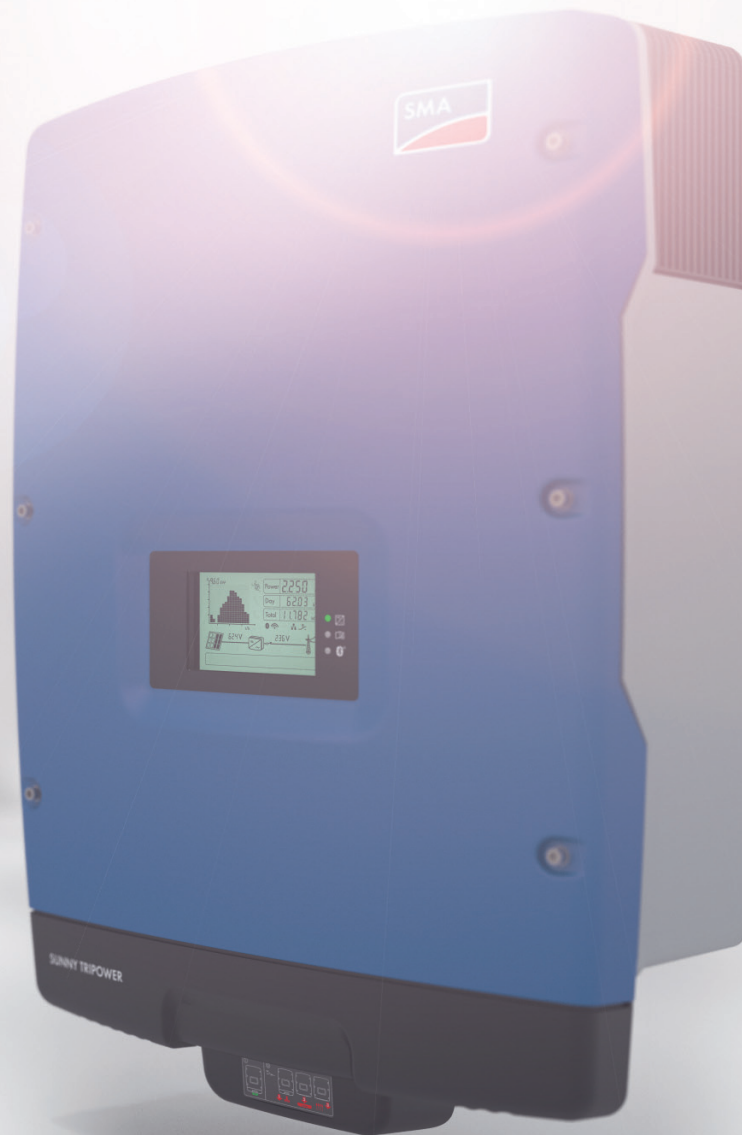
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THE SHARE

QUARTERLY FINANCIAL REPORT
JANUARY TO SEPTEMBER 2013 – FACTS TO OUR SHARE

29%
FREE FLOAT

28%
PAYOUT RATIO



€879

MILLION

MARKET CAPITALIZATION*

*As of September 30, 2013

THE SHARE

DESPITE EURO CRISIS – GERMAN STOCK INDICES AT RECORD HIGH

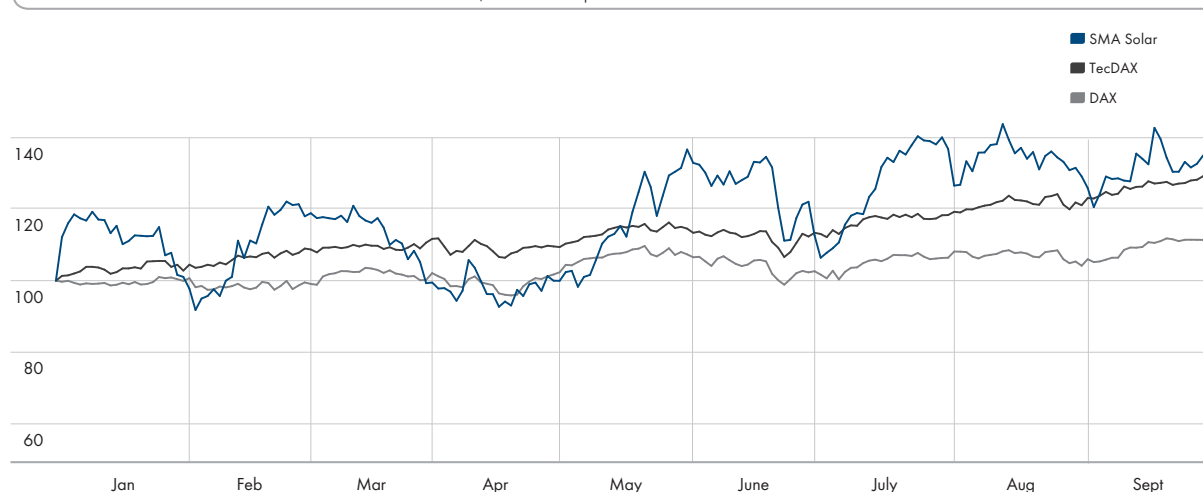
In the period from January to September 2013, the German stock indices posted significant price gains and marked new record highs on several occasions, despite considerable fluctuations. The main factors influencing the stock markets during the reporting period included positive economic data from the world's major economic regions, the still unresolved EU debt crisis, the promise of low interest by the European Central Bank (ECB) and the expansive monetary policy of the U.S. Federal Reserve (Fed).

The leading German index started 2013 successfully with 7,778.78 points. In the first two months, the DAX mostly recorded a horizontal trend. The German stock index then rose significantly by the end of May, following its low in April (7,459.96 points on April 19, 2013) due to the banking crisis in Cyprus. Positive impetus primarily came from potential interest rate cuts by the ECB and strong economic data from the U.S. The DAX had dropped a few points again by the middle of the year, but at the beginning of the third quarter it resumed its upward trend and by mid-September it had increased its all-time high to

8,694.18 points. This sharp rise was driven by the surprise postponement of the U.S. Federal Reserve's change in its monetary policy. The German leading index ended the reporting period at 8,594.40 points on September 30, 2013.

The TecDAX started 2013 at 842.75 (January 2, 2013) and continued its positive performance of the previous year, exceeding the 900 point mark on February 22, 2013. The banking crisis in Cyprus caused the technology index to fall temporarily to 896.63 points (April 18, 2013). On the basis of positive prospects regarding further ECB interest rate cuts and positive economic data from the U.S., the TecDAX climbed to 979.26 points (on May 28, 2013). The index was approaching the 1,000 point mark as of the middle of the year and passed this threshold on August 1, 2013. The Fed's extremely expansive monetary policy in the U.S. provided a further boost. On August 8, the technology index beat its record high from 2007 recording a level of 1,018.82 points. Positive labor market data from the U.S., good economic data from China and progress in resolving the Syria conflict caused the TecDAX to increase further and reach its highest level in the reporting period at 1,087.69 points (September 27, 2013). The index closed at 1,083.51 points on September 30, 2013. This is an increase of just 29% in comparison to the start of the year.

Performance of the SMA Share Q1-Q3 2013 in %, rebased to 100 points



SMA shares defy difficult market development.

Basic Data

Security code number	A0DJ6J
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

SMA SHARES DEFY DIFFICULT MARKET DEVELOPMENT

SMA shares began 2013 at a price of €18.80 (January 2, 2013, closing price Xetra trading platform). On January 4, 2013, the U.S. investor Warren Buffett announced his interest in a Californian solar project and thus boosted German solar stocks. As a consequence, the SMA share climbed to €22.41 (January 10, 2013, closing price Xetra trading platform). On the other hand, the German Federal Minister for the Environment Peter Altmaier's announcement on electricity price protection on January 28, 2013, had a negative influence. Consequently, the SMA share price sank by 14.21% to €17.27 (closing price Xetra trading platform) and reached its lowest point in the reporting period on February 4, 2013.

On March 12, 2013, SMA concluded the acquisition of a majority shareholding of 72.5% in Jiangsu Zevsolar New Energy Co., Ltd., securing access to the rapidly growing Chinese market. At the start of the year, the Chinese government amended its expansion targets to 10 GW a year for the next three years. The SMA share closed the trading day at €22.72 (March 12, 2013, closing price Xetra trading platform).

With the publication of final figures for the 2012 fiscal year, SMA confirmed the forecast for the current fiscal year on March 27, 2013. For 2013, the SMA Managing Board expects sales of between €0.9 billion and €1.3 billion and in the best case scenario to break even before one-off items

from personnel adjustments, but cannot rule out making a loss. The SMA share subsequently dropped to €17.44 (April 17, 2013, closing price Xetra trading platform).

On May 15, 2013, SMA published its first quarterly results for 2013. Sales and earnings were in the range forecast by the SMA Managing Board (€21.25 closing price Xetra trading platform). In addition, the share price continued to rise due to intensive new installation in Japan with newly installed capacity of 1.5 GW within the first three months. On May 31, 2013, the SMA share price was €25.67 (closing price Xetra trading platform).

In the context of the Capital Markets Day on June 20, 2013, the SMA Managing Board released the outlook for the second quarter and for the second half of 2013. Despite renewed confirmation of the forecast for 2013 as a whole, the share price declined in the next few days. The share price fell to €20.26 but managed to stay above the key €20 mark (July 3, 2013, closing price Xetra trading platform).

On August 8, 2013, SMA published its results for the first half of 2013. Sales and earnings were within the forecast range defined by the SMA Managing Board. SMA also achieved a break-even result before one-time items in the second quarter of 2013. As a result of the figures for the first half of 2013 and the continued positive development on the major non-European PV markets of the U.S., Japan, China, Australia and South Africa, the SMA share price had risen to its highest level in the reporting period by mid-August (€27.00, closing price Xetra trading platform on August 13, 2013).

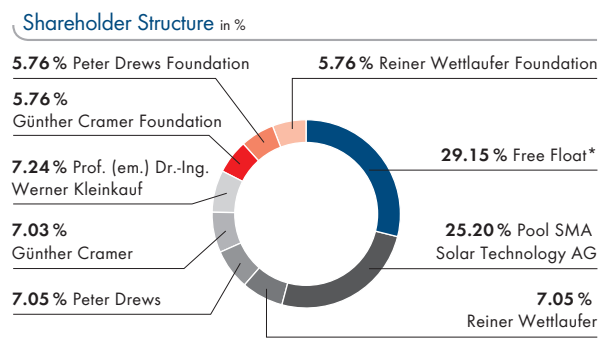
In mid-September, SMA announced further cooperations in the field of electric vehicle charging infrastructure in relation to energy management. On September 17, SMA also announced that it would be able to implement the necessary staff reduction without any involuntary layoffs. The share closed the trading day with an upturn of almost 8% to €26.80.

The statement by the German Engineering Federation (VDMA) on September 27, 2013, that it expected an improved order situation for manufacturers of components, machinery and equipment for photovoltaic production in the coming year, also had a positive effect. Whereas industry experts anticipate a further decline in sales in the current

fiscal year, they expect the following year to attain a turning point for the PV industry. This is chiefly attributable to the MENA region (Middle East, North Africa), South Africa, Turkey and Latin America. The SMA share ended the first nine months of the 2013 fiscal year at €25.33. This is an increase of around 35% in comparison to the price at the start of the year.

STABLE SHAREHOLDER STRUCTURE

The shareholder structure did not change in the first nine months of 2013. 29.15% of the shares are in free float and 25.20% are bundled in a pooling agreement. Approximately 28% of the shares are held by the founders of SMA Solar Technology Günther Cramer, Peter Drews, Reiner Wettlaufer and Prof. (em.) Dr.-Ing. Werner Kleinkauf. The first three of those named hold voting rights as sole Managing Board members for their foundations with a further approximately 17% of the shares.



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

COVERAGE OF THE SMA SHARE

As a PV inverter manufacturer and energy management group, SMA operates in a challenging market.


Last year, 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 increased to 13.

Research Coverage

Institution	Name
Bank of America/Merrill Lynch	Claus Roller
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	Serena Zuidema
Macquarie Group	Robert Schramm-Fuchs
Main First	Andreas Thielen
Metzler	Daniel Seidenspinner
Natureo Finance	Ingo Queiser
Warburg Research	Christopher Rodler

ANNUAL GENERAL MEETING – SHAREHOLDERS APPROVE DIVIDEND PROPOSAL OF €0.60 PER SHARE BY A LARGE MAJORITY

The Annual General Meeting of the SMA Group was held at Kongress Palais Kassel on May 23, 2013, with nearly 500 shareholders attending. The shareholders granted discharge to the Managing Board and Supervisory Board for the 2012 fiscal year by a majority of over 99%. Furthermore, the Annual General Meeting followed the Managing and Supervisory Boards' proposal to distribute €0.60 per qualifying bearer share. With a payout ratio of 27.7% of consolidated net profit, SMA is within its target shareholder participation of between 20% and 40%.

All relevant information and documents regarding the 2013 Annual General Meeting as well as the speech of Pierre-Pascal Urbon, CEO, are available on the Web site at www.SMA.de/AnnualGeneralMeeting. 

The next SMA Solar Technology AG Annual General Meeting will be held on May 27, 2014 at Kongress Palais Kassel.




See also www.SMA.de/AnnualGeneralMeeting

CAPITAL MARKETS DAY – SMA PRESENTS STRATEGY AND NEW PRODUCT SOLUTIONS

The Capital Markets Day 2013 took place during Inter-solar in Munich on June 20, 2013.

Around 30 investors and analysts accepted the invitation and took part in the Capital Markets Day. The event began with a tour of SMA's booth. This allowed the participants to gain an overview of SMA's product innovations in the fields of energy management, intelligent photovoltaic diesel hybrid applications and system solutions for the industrial segment. Subsequently, in the management presentation, CEO Pierre-Pascal Urbon and CFO Lydia Sommer informed the attendees about SMA's strategy and spoke about the most important PV markets this financial year. The Managing Board also addressed SMA's innovation strategy, which covers issues such as energy management, storage solutions and partnerships with leading manufacturers. The Managing Board also discussed SMA's internationalization activities and spoke about the current and planned cost reduction measures. Finally, the Managing Board presented the sales and earnings forecast for the second quarter of 2013, gave an outlook for the second half of 2013 and confirmed the forecast for the 2013 financial year.

COMMUNICATION WITH THE CAPITAL MARKET – GREAT INTEREST AT VARIOUS INVESTOR CONFERENCES

Credibility, transparency and up-to-dateness characterize SMA's communication culture and investor-oriented information policy. SMA therefore maintains regular dialog with the capital market. The Investor Relations Web site www.IR.SMA.de  provides comprehensive and up-to-date information about our Company. This includes, for instance, financial publications and a financial calendar. In addition, an interactive share chart enables comparisons between SMA share prices and selected stock market indices.

In Frankfurt, on March 27, 2013, CEO Pierre-Pascal Urbon and CFO Lydia Sommer held the annual press conference on financial statements for journalists in parallel with the publication of the Consolidated Financial Statement for the previous fiscal year. The conference focused on topics of the future such as the use of PV diesel hybrid systems in sunny off-grid regions and the optimization of self-consumption for private households and commercial enterprises. Following the press conference on financial statements, Lydia Sommer along with Investor Relations held talks with investors at a roadshow in Frankfurt. In June and in September, Pierre-Pascal Urbon took part in investor conferences in London. The conference focused on the current situation and trends in the photovoltaics industry. At the end of the 2013 fiscal year, Lydia Sommer will carry out roadshows in Germany and Switzerland.



INTERIM MANAGEMENT REPORT

QUARTERLY FINANCIAL REPORT
JANUARY TO SEPTEMBER 2013

4^{GW}
INVERTER OUTPUT SOLD

€27 **MILLION**
EBITDA

€709 **MILLION**
SALES



€300 **MILLION**
NET CASH

INTERIM MANAGEMENT REPORT JANUARY TO SEPTEMBER 2013

ECONOMIC CONDITIONS

GENERAL ECONOMIC CONDITIONS

Economy Fails to Pick Up

On October 8, 2013, the International Monetary Fund (IMF) lowered its forecast for the global economy for the fourth time this year. According to the forecast, the IMF now expects global gross domestic product (GDP) to increase by only 2.9% in 2013. This is 0.3 percentage points lower than in its July 2013 study (3.2%). Despite global recovery, there were many risks that resulted in restrained growth. The impediments to growth included high unemployment in Europe and declining demand in newly industrialized and developing countries. The Kiel Institute for the World Economy (IfW) also lowered its expectations for growth of global production by 0.1 percentage points to 3.1%. This is reportedly due in particular to weak growth prospects for newly industrialized countries and the uncertainties surrounding the U.S. fiscal policy.

According to IfW experts, the economy of the euro zone is reviving moderately, and the recession has apparently been overcome for now. In addition, sentiment indicators point to further modest economic recovery in the course of the year. Nevertheless, the euro crisis is not yet over, and the adjustment processes are also likely to continue negatively affecting the economy for some time, especially in the crisis-hit countries of Southern Europe. Against this backdrop, the IfW expects gross domestic product to decline by 0.4%. The IMF has revised its forecast for Europe slightly upward. Instead of the 0.6% decline previously anticipated for economic output, the Monetary Fund now expects a drop of just 0.4%. This is due, firstly, to the major progress made in the consolidation of national budgets and, secondly, to the decline of austerity and the accompanying stimulation of the economy. The persistent unemployment is still seen as a problem.

The IMF is concerned about the U.S. Although the recovery of private demand and the real estate market created good conditions for growth, massive cuts in the budget weakened the economy. Uncertainty about the U.S. budget crisis also had a negative impact on the Monetary Fund's expectations. The IMF lowered its growth forecast by 0.1 percentage points to 1.6%. The IfW estimates GDP growth for 2013 more cautiously and expects a growth rate of 1.5%. This is due in particular to the weakening of the economy caused by the U.S. fiscal dispute and the consequently higher level of uncertainty over economic policy.

The IMF lowered its forecasts most significantly for newly industrialized countries and expects only an economic output of 4.5%. This equates to a decline of 0.5 percentage points in GDP. The main reason for this is said to be slower growth in countries such as India, Mexico and Russia, but also China and Brazil as well as the incipient capital withdrawal in some places.

ECONOMIC CONDITIONS IN THE SECTOR

International solar sector is undergoing radical change

Developments in the photovoltaics industry will continue to be significantly influenced by the terms and conditions of the various national incentive programs. A significant shift in demand towards markets outside Europe is already becoming apparent in 2013. In addition, self-consumption of solar energy is increasingly gaining importance due to the rapidly rising costs of procuring energy in many countries.

Europe

The first nine months of 2013 were affected in particular by notable changes to subsidy conditions in European markets and the still unresolved debt crisis in Europe. Furthermore, the trade dispute between the EU and China with regard to introducing punitive duties on Chinese modules caused great

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uncertainty and led to an additional decline in demand. It was not until July that China and the EU agreed on a minimum price for imports and an annual quantity limit.

In Germany, the ongoing degeneration of the feed-in tariff is resulting in a sharp drop in demand for photovoltaics. At the end of June, the German Federal Government agreed to lessen the cut to solar subsidies, but is still planning for the subsidy to cease at an installed capacity of 52 GW. Due to increased energy costs in Germany, the costs of self-generated power from small and medium-sized PV systems are already cheaper than the costs of electricity. Self-consumption is therefore becoming increasingly important. At around 2.7 GW, newly installed capacity fell by 56.5% year-on-year (Q1–Q3 2012: 6.2 GW).

In Italy, the feed-in tariff as part of the Conto Energie V solar subsidy program expired on July 6, 2013. The upper limit of €6.7 billion was reached. Demand has already declined considerably in the first nine months of 2013 and will be less than half of that of 2012 in 2013.

Positive impetus came from the Benelux countries, Great Britain and Eastern Europe which continued to back stable subsidization of photovoltaics. However, this cannot compensate for the decline in volume in Germany and Italy.

U.S.

The U.S. is continuing to record positive growth stimuli. The factors driving growth include portfolio standards stipulating that American electric utility companies must include a share of renewable energy in their portfolios. In addition to tax incentive programs that support the installation of PV systems, new business models such as solar lease companies increasingly led to higher demand for residential systems. However, demand for photovoltaics was negatively influenced by the shortage of modules that had arisen in the reporting period. This was due to the quota allocation by many Chinese PV module manufacturers.

Japan

Japan is one of the world's most attractive and fastest-growing PV markets measured by market volume in 2013, and IHS estimates that it will also be the photovoltaic market with the strongest sales in 2013. Significant cost reductions, attractive incentive programs, high environmental awareness, low bank interest rates and the high electricity demand due to the shutdown of most of the Japanese nuclear power plants are the main drivers for further, possibly even stronger growth. In addition to the residential market, the segment of large-scale PV power plants is also developing very positively. Medium-sized systems are also becoming increasingly important. Owing to the special grid infrastructure and the strict certification requirements, the Japanese market has high entry barriers.

China

In 2013, China is developing into the largest PV market with growth rates of up to 10 GW. It can offset the impact of the EU's punitive duties with growing domestic demand. By 2015, the government plans cumulative installed capacity of more than 40 GW.

Newly Industrialized and Developing Countries

In newly industrialized and developing countries, energy requirements, and thus demand for photovoltaics, are growing. In South Africa, photovoltaics is in some cases already an economically attractive alternative to other methods of generating energy. Therefore, a market that is not reliant on subsidies is rapidly increasing in importance alongside a subsidized market. In addition to the complex REIPP state incentive program and an increasing requirement for local added value, the South African government is planning a feed-in tariff and the introduction of net metering.

The Thai government has doubled its target for the expansion of solar energy within the country to three GW by 2021. The PV market is developing very positively as a result of the excellent solar irradiation and the existing incentive programs.

Chile offers ideal conditions for generating power from photovoltaics. In addition to strong solar irradiation and high electricity prices, the country has a growing energy demand and low construction costs, meaning that PV systems can already compete with traditional power sources without government support. However, long waiting times for environmental impact assessments and approval procedures on the part of public authorities considerably slow down the implementation of PV system projects.

IMPACT OF GENERAL CONDITIONS ON BUSINESS DEVELOPMENT

Shift in Demand to Non-European Markets and Higher Price Pressure Put a Strain on SMA

In the first nine months of 2013, the negative trend in Europe continued and demand for PV inverters fell. By contrast, strong growth stimuli emanated from China, Japan and the U.S. and partially offset the decline in volume in Europe, measured in GW. However, global investments in PV systems are proving much lower than expected in the previous year due to the palpable price pressure. The shift in demand also led to a change in system size towards more powerful PV plants and is reflected accordingly in SMA's business development.

The SMA Group had a weak start to the 2013 fiscal year and sold PV inverters with a total output of 3,959 MW in the reporting period. This equates to a reduction of 33% compared with the same period of the previous year (Q1–Q3 2012: 5,870 MW). SMA's sales fell by about 41% to €709.3 million (Q1–Q3 2012: €1,196.4 million). In the reporting period, the international share was 69.3%. Earnings before interest and taxes (EBIT) sank to €–30.1 million in the first nine months of 2013 due to the high price pressure, negative volume performance and Zeyversolar's business performance. The operating result includes one-time items for the personnel measures announced in July 2013 amounting to €20 million.

Business Development by Division

Business performance of the **Medium Power Solutions** division declined steeply in the first nine months of 2013 because of the subsidy changes in Europe. In addition, the euro crisis and the trade dispute with regard to introducing punitive duties on Chinese modules caused great uncertainty, leading to an additional decline in demand. Business performance in the **Power Plant Solutions** division declined in the first nine months of 2013 compared with the previous year. This is particularly attributable to purchases being brought forward from the first half of 2012. Service is an important distinguishing feature of SMA and will continue to play a major role. Internal and external sales of the **Service** division improved noticeably in the first nine months of 2013 and posted an upturn of 18%. This was mainly due to the commissioning of PV systems, chargeable repairs and chargeable service and maintenance contracts. On March 12, 2013, SMA concluded the acquisition of a majority shareholding in Jiangsu **Zeyversolar** New Energy Co., Ltd. The drop in demand abroad and ongoing restructuring measures caused sales to decline sharply. Since it has been part of the Group, the Zeyversolar division has focused on realigning the sales channels, increasing quality

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and sustainably lowering material costs. The sales target and business performance of the **Railway** division were within the target range. In addition, the Brazilian subsidiary company founded in 2013 performed positively, and initial systems were successfully delivered to customers.

The photovoltaic market is in an extensive process of transformation, which is currently characterized by subsidy cuts, increased price pressure and international trade disputes.

SMA Concludes Another Purchase of Shares in Zeyversolar

On March 12, 2013, SMA concluded the acquisition of a majority shareholding in Jiangsu Zeyversolar New Energy Co., Ltd. (Zeyversolar), a leading inverter manufacturer in China, with retroactive economic effect starting January 1, 2013. At the end of September, SMA made a further share purchase of 16.7% and now holds a total of 89.2% of the shares in Jiangsu Zeyversolar. In 2013, China will become the world's largest photovoltaic market measured in gigawatts. The Chinese government intends to achieve an annual PV installation of 10 GW for the next three years with attractive subsidy conditions and is aiming at an expansion target of more than 40 GW by 2015. The transaction secures SMA access to the growth market of China and certain market segments in other countries. However, the Managing Board estimates that Zeyversolar will make a positive earnings contribution only in the medium term.

SMA Plans Inverter Production in South Africa to Meet Requirements for Local Added Value

South Africa has good economic growth with a corresponding increase in energy demand and is of great strategical importance for SMA. Photovoltaics is already an economically attractive alternative to other methods of generating energy in South Africa. The planned production for central inverters will allow SMA to meet the requirements for local added value and participate in tender processes. At the end of September this year, one of the largest PV power plants in Africa including inverters from SMA commenced operation three months earlier than planned. During the first round of the REIPP program, SMA has already fulfilled all requirements for local added value and will likewise meet increasing requirements by developing the local production. Preparations for setting up the inverter production in South Africa have already begun. The production will be just as flexible as existing SMA inverter productions in Germany and North America. In this way, the company can react quickly to changes in demand. SMA expects the development of the production to be completed in the second quarter of 2014.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

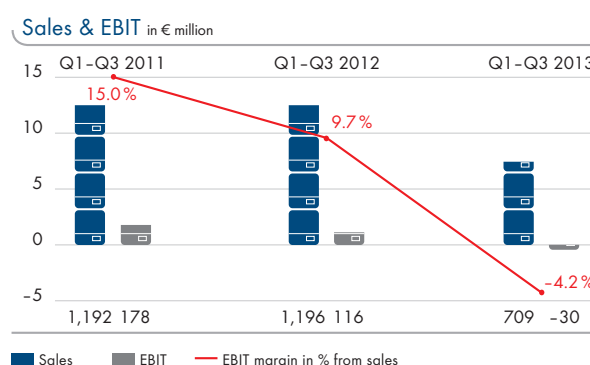
Group Sales and Earnings

Positive Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) Despite Severe Drop in Sales

Due to the collapse of demand in Europe, the SMA Group was not able to follow the success of the previous year in the first nine months of 2013. In total, PV inverters with a capacity of 3,959 MW were sold in the reporting period. This equates to a decline in sales of 32.6% on the same period of the previous year (Q1–Q3 2012: 5,870 MW). In comparison with the previous year, the SMA Group's sales fell by 40.7% to €709.3 million (Q1–Q3 2012: €1,196.4 million).

In the first nine months of 2013, gross foreign sales sank by 23.3% on the same period of the previous year to €505.8 million (Q1–Q3 2012: €659.7 million) due to subsidy cuts in Europe. With an export ratio of 69.3% (Q1–Q3 2012: 53.4%), SMA again emphasized its outstanding international position with its excellent sales and service structures and complete product range. The most important foreign markets for the SMA Group were North America, Japan, Australia, Thailand and Great Britain.

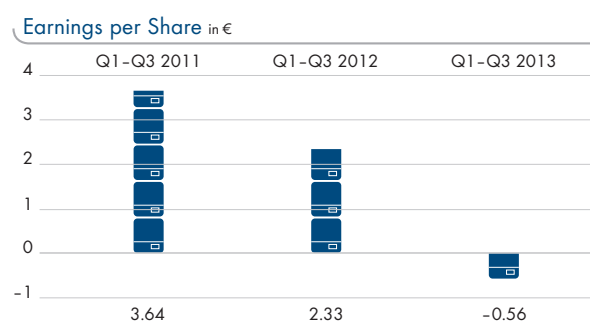
Despite the considerable drop in sales and the price slump, SMA achieved positive earnings before interest, taxes, depreciation and amortization (EBITDA) of €26.9 million (Q1–Q3 2012: €164.4 million).



In the current fiscal year 2013, EBIT amounted to €-30.1 million (Q1–Q3 2012: €116.0 million), which includes expenses for the ongoing personnel adjustments amounting to €20 million. The EBIT margin was -4.2% after 9.7% in the previous year. Although the ongoing efforts to reduce costs and increase productivity had positive effects in the first nine months of 2013 and the material costs per watt were cut by 11.1% year-on-year to 9.6 euro cents per watt (Q1–Q3 2012: 10.8 euro cents per watt), the efforts were not enough to compensate for the drop in earnings and the one-time items resulting from the personnel adjustments. The considerable decline in operating profit compared with the same reporting period of the previous year is attributable in particular to the sharp drop in sales, the decline in prices and the loss-making Zevversolar business. The Group earnings for the period amounted to €-22.0 million (Q1–Q3 2012: €81.0 million). Earnings per share fell to €-0.56 (Q1–Q3 2012: €2.33).

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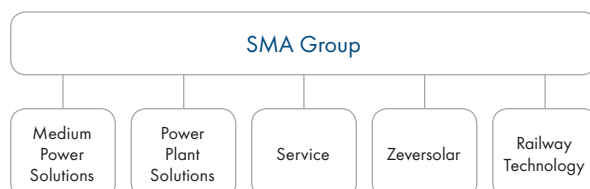
Not including one-time items and the negative earnings contribution from Zeversolar, SMA achieved a break-even operating result despite a 40% drop in sales.



Sales and Earnings per Segment

Adjustment of Reporting by Division as of 2013

To leverage synergies within the organization more effectively, dtw was integrated into the Medium Power Solutions division on January 1, 2013 and transferred from Complementary Divisions. Furthermore, the Off-Grid Solutions business activities were transferred to the Medium Power Solutions division in order to strengthen operations in the fields of energy management, grid integration and storage integration within the division. The majority shareholding of Jiangsu Zeversolar New Energy Co., Ltd. acquired this March is being integrated in the new segment Zeversolar.



The financial figures are reported using the previous year's figures.

Declining Europe Business 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 photovoltaic systems and energy management. The subsidiary company dtw, which is allocated to the Medium Power Solutions division, produces transformers, chokes and coils. The product families comprise 82 inverters and 15 communication products in total. SMA offers single-phase and three-phase inverters with capacities ranging from 240 W to 20 kW. SMA products feature a particularly high efficiency of up to 99%, easy installation and a service life of over 20 years. SMA has extended its unique selling points with innovative solutions for intelligent energy management. In addition to storage solutions, various heat pumps and household appliances can be connected to the intelligent energy management system. To enable seamless integration of various components, SMA works closely with renowned manufacturers such as Miele, Stiebel Eltron and Vaillant. SMA has also entered into research partnerships with VW, BMW, Belectric Drive, Mennekes Elektrotechnik, Phoenix Contact and Schletter in order to take account of the increasingly important issue of electric mobility in the intelligent energy management solutions.

In the first nine months of 2013, external sales revenue of the Medium Power Solutions division fell by 55.7% to €373.6 million (Q1-Q3 2012: €843.7 million). It remains the strongest-selling division in the SMA Group. Its share of SMA Group sales was 52.7% (Q1-Q3 2012: 70.6%). Sales in Europe and Germany declined by 62.7% (Q1-Q3 2013: €265.8 million, Q1-Q3 2012: €713.5 million) as the result of massive cuts in the solar power subsidies.

The U.S., Australia and the Benelux countries were among the most important foreign markets. In the first nine months of 2013, the major sales drivers were inverter types Sunny Tripower 12000TL to 17000TL, Sunny Tripower 5000TL to 9000TL and Sunny Boy 3000TL to 5000TL.

Ongoing measures to boost productivity and cut the cost of materials in the Medium Power Solutions division failed to compensate for this strong decline in sales over such a short period of time. EBIT was therefore €-32.7 million in the reporting period (Q1-Q3 2012: €111.7 million). In relation to internal and external sales revenue, the EBIT margin was -7.6% (Q1-Q3 2012: 12.1%).

Power Plant Solutions Division Benefits From Strong International Business

With the Sunny Central type central inverters, the Power Plant Solutions division serves the rapidly growing market for large-scale PV power plants with outputs ranging from 500 kW to several megawatts. The product family contains 12 central inverters with numerous variants providing optimal technical solutions for any large-scale project. As the market leader in this segment, SMA also offers 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 98.7%.

Due to the price decline, external sales revenue in the first nine months of 2013 was €285.5 million, down 8.7% on the previous year (Q1-Q3 2012: €312.8 million). Because of the shift in demand from Europe to North America and Asia, the trend toward large-scale solar projects will continue. By cutting the cost of materials and advances in productivity, the Power Plant Solutions division was able to fully compensate for the significant price reductions on the previous year. The operating profit before interest and taxes (EBIT) was €30.8 million in the reporting period and thus higher than in the previous year (Q1-Q3 2012: €28.7 million). In relation to internal and external sales revenue, the EBIT margin was 10.3% (Q1-Q3 2012: 8.6%).

The Power Plant Solutions division's share in total SMA Group sales rose sharply to 40.3% (Q1-Q3 2012: 26.1%). The most important markets included North America, Japan and Thailand. The most successful products were the Sunny Central Compact Power inverters series.

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Service Division Increases Its Profitability

Alongside a broad product portfolio, excellent service is an important distinguishing feature that is going to become even more important in business competition. In order to exploit this potential systematically, SMA has bundled its service activities in one division.

SMA is represented with its own service companies in all important photovoltaic markets. With an installed capacity of more than 30 GW worldwide, SMA leverages economies of scale to take its service business to profitability over the medium term. Services include warranty extensions, service and maintenance contracts, operational management, remote system monitoring and spare parts business.

In the first nine months of 2013, external service revenue amounted to €20.3 million (Q1–Q3 2012: €19.0 million). Notable sales drivers were chargeable repairs, maintenance and service contracts and commissioning. In the third quarter of 2013, the Service division increased its profitability significantly and reduced the operating loss from the first half of the year of €–2.3 million to €–1.2 million in the reporting period (Q1–Q3 2012: €–14.5 million). This marked growth in profitability can be attributed in particular to the productivity measures implemented last year. For example, SMA has concentrated a number of locations in the new service center at Sandershäuser Berg. Following expiry of the standard warranty period for the high-volume years, the SMA Managing Board is expecting the Service division to make a positive profit contribution in one to two years.

Realignment of Zeyersolar Driven Forward

The Zeyersolar division comprises Jiangsu Zeyersolar New Energy Co., Ltd. – which was acquired in March – and its subsidiary companies and serves the Chinese photovoltaic market with its central inverters. String inverters are offered in selected foreign markets.

External sales revenue after closing (March 12, 2013) totaled €6.3 million. The sales were almost exclusively generated in China. However, international business has almost completely collapsed, particularly due to the drop in demand in Europe. Operating income (EBIT) amounted to €–10.3 million.

SMA is currently implementing a large number of restructuring measures at Zeyersolar in order to increase productivity and quality and lower material costs sustainably. In addition, the sales strategy and organization was adjusted in order firstly to benefit from the positive growth trend in China and secondly to serve certain market segments in foreign markets. The Managing Board expects the major restructuring measures to be completed by the end of the year. In the medium term, the Managing Board anticipates considerable sales growth and increases in profitability.

Railway With Positive Development

Railway Technology GmbH and its Brazilian subsidiary company manufactures converters as individual devices and complete energy supply systems for railway coaches and multiple-unit trains for short- and long-distance railway traffic.

In the current fiscal year, the business area's external sales increased by 12.9% to €23.6 million (Q1–Q3 2012: €20.9 million) due to its realignment. The Netherlands, Switzerland and Brazil were among the most important foreign markets.

The management last year realigned the companies toward project business and established a production location in Brazil.

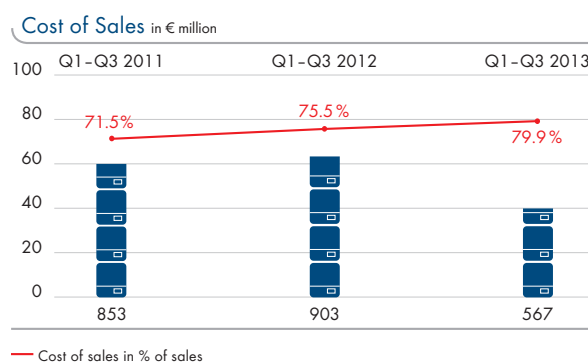
Earnings before interest and taxes (EBIT) were increased significantly to €1.3 million (Q1–Q3 2012: €–1.2 million) and correspond to an EBIT margin in relation to internal and external sales revenue of 5.4% (Q1–Q3 2012: –5.1%).

Development of Significant Income Statement Items

Sales Decline and Price Slump Negatively Affect Gross Margin

In the first nine months of 2013, the cost of sales totaled €566.6 million (Q1–Q3 2012: €903.2 million). SMA's strategy of reducing costs through technical innovations showed initial success in the reporting period. For example, material costs per watt were lowered by 11.1% year-on-year to 9.6 euro cents per watt (Q1–Q3 2012: 10.8 euro cents per watt). Unfortunately, the savings made cannot fully compensate for the price slump. Personnel costs were lowered by 25.5% thanks to the earnings-related decrease in employee bonuses and other saving measures in HR. The lower additions to warranty provisions and the systematic reduction of operating expenses resulted in a decline in other costs of €55.7 million to €29.3 million in the first nine months of 2013.

The decline of the gross margin to 20.1% (Q1–Q3 2012: 24.5%) is primarily attributable to the price slump and sharp drop in sales. In addition, higher depreciation and amortization compared with the previous year (Q1–Q3 2013: €50.3 million, Q1–Q3 2012: €43.7 million) had a negative impact on the gross margin. The cost of sales was attributable as follows: 67.2% to material expenses, 18.7% to personnel expenses and 14.1% to other expenses as well as depreciation and amortization.



Despite the expansion of international sales and marketing structures, selling expenses fell year-on-year to €44.6 million (Q1–Q3 2012: €52.5 million). This is primarily due to the earnings-related decrease of employee bonuses and savings of operating expenses. On the basis of the decline in sales, the cost of sales ratio increased to 6.3% (Q1–Q3 2012: 4.4%).

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Development expertise is a major strategic unique selling proposition of SMA. The research and development department was therefore further expanded with new employees year-on-year. For example, a new development center was founded in Denver, Colorado, U.S. As of September 30, 2013, the number of employees in research and development was 1,035 (September 30, 2012: 929). In the reporting period, research and development expenses excluding capitalized development projects fell to €58.0 million (Q1–Q3 2012: €66.0 million). Total research and development expenses including capitalized development projects were also lower than in the previous year at €75.6 million (Q1–Q3 2012: €81.4 million). The decline is largely the result of the earnings-related reduction of employee bonuses. In total, SMA invested 10.7% of sales revenue in the development of new products in the first nine months of 2013 (Q1–Q3 2012: 6.8%). Scheduled depreciation of capitalized development projects amounted to €10.0 million (Q1–Q3 2012: €7.5 million).

Administrative expenses amounted to a total of €54.0 million from January to September 2013 (Q1–Q3 2012: €57.8 million). The administrative expenses ratio rose to 7.6% as a result of the decline in sales (Q1–Q3 2012: 4.8%).

The balance of other operating income and expenses totaled €16.2 million in the first nine months of 2013 (Q1–Q3 2012: €0.9 million). This includes expenses for the severance program agreed by the Managing Board and Works Council as well as effects of foreign currency valuation and the impairment losses on receivables.

FINANCIAL POSITION

SMA Generates Positive Gross Cash Flow

In the first three quarters of 2013, SMA generated gross cash flow of €23.9 million (Q1–Q3 2012: €149.5 million). The 84.0% year-on-year decline resulted primarily from the considerable decline of consolidated earnings as a result of the price slump, the drop in sales in Europe and the loss-making Zeversolar business.

In view of the changed conditions in important photovoltaic markets, the SMA management has continued to reduce the stockpiling of raw materials, consumables and supplies. However, the inventory of unfinished goods has increased due to numerous large-scale solar projects abroad. The increase in finished goods is largely the result of the targeted increase in delivery capacity and isolated project postponements in individual markets. Overall, this resulted in an increase in inventories (before impairment) of €13.7 million in the first nine months of 2013 (Q1–Q3 2012: €35.8 million).

Longer Payment Terms in International Project Business Increase Receivables

The changed conditions and increasing internationalization have led to an increase in trade receivables. Particularly in China, much longer payment terms are becoming evident as a result of limited financing. In addition, the strong project business increased the level of receivables in the third quarter. In total, a €16.2 million increase in trade receivables relevant to the Statement of Cash Flows occurred in the reporting period. Due to its financial strength, SMA can view these market changes as an opportunity to leverage the resulting sales potential.

The reduction in purchasing activity resulted in a €9.1 million reduction in trade payables that is relevant to the cash flow statement. The change in the other net assets results primarily from effects from the payment of variable salary components to employees, future benefit obligations from warranty extensions as well as liabilities from prepayments received.

Net cash flow from operating activities totaled €-31.6 million (Q1-Q3 2012: €93.9 million).

SMA Reduces Investments in Fixed Assets by More Than 60%

In the reporting period, net cash flow from investing activities totaled €44.3 million (Q1-Q3 2012: €-214.8 million). The volume of investment for fixed assets was €23.5 million, considerably below the previous year's €60.6 million. Major individual investments were allocated to establishing the new IT data center and setting up production lines for new products. The proceeds from the disposal of property, plant and equipment amounting to €1.8 million resulted from the sale of land at Sandershäuser Berg. At €21.8 million, investment in intangible assets was above the previous year's level (Q1-Q3 2012: €20.0 million) and primarily included capitalized development projects. The payment for the acquisition of Jiangsu Zeyersolar New Energy Co., Ltd., amounted to €22.1 million. Net changes in securities and other financial assets were €110.0 million (Q1-Q3 2012: €-134.3 million).

In the first three quarters of 2013, net cash flow from financing activities totaled €-10.4 million (Q1-Q3 2012: €-46.6 million) and included the dividend payment of SMA Solar Technology AG totaling €20.8 million and the debt restructuring activities at Jiangsu Zeyersolar New Energy Co., Ltd.

Cash and cash equivalents amounting to €183.2 million (December 31, 2012: €185.3 million) include cash in hand, cash held at banks 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 as well as financial liabilities, this resulted in net cash of €300.3 million (December 31, 2012: €446.3 million). This means that SMA has excellent liquidity reserves.

NET ASSETS

SMA Has an Equity Ratio of 58%

As of September 30, 2013, the balance sheet total amounted to €1,327.6 million, at the same level as the previous year (December 31, 2012: €1,328.7 million).

As of September 30, 2013, net working capital had increased to €316.0 million (December 31, 2012: €268.0 million) and was thus 32.4% of sales in the last 12 months. The ratio was therefore above the range of 22% to 26% expected by management. This is primarily due to the temporarily higher level of receivables from project business at the end of the third quarter.

In order to increase delivery capacity and because of the increasing share of international business with longer payment terms, net working capital, not including Zeyersolar, was not cut back further. The decline in net working capital was more than offset by the integration of Zeyersolar.

Trade receivables amounted to €158.0 million at the end of the third quarter of 2013, 32.4% higher than on December 31, 2012 (December 31, 2012: €119.3 million). The increase was the result of the takeover of Zeyersolar, whose payment period is considerably longer than SMA's payment periods because of the particular market environment in China. At the end of the reporting period, impairment losses on receivables amounted to €15.3 million. Days sales outstanding rose to 52 as a consequence of the integration of Zeyersolar and continued internationalization (December 31, 2012: 33 days).

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On the reporting date, inventories amounted to €234.3 million (December 31, 2012: €221.4 million). In order to increase delivery capacity, the inventory of finished goods was increased. The inventory of unfinished goods likewise increased due to numerous large-scale solar projects abroad. In order to respond to the decline in sales, SMA reduced the inventory of raw materials, consumables and supplies as scheduled, but cannot fully compensate for the increase of finished and unfinished goods.

Trade payables increased by €3.6 million to €76.3 million (December 31, 2012: €72.7 million). The share of supplier credits in total assets climbed slightly to 5.7% (December 31, 2012: 5.5%).



As of September 30, 2013, the Company's equity capital base sank by 6.7% to €766.0 million (December 31, 2012: €820.7 million) as a result of the negative consolidated earnings and the dividend payment of €20.8 million. With an equity ratio of 57.7%, SMA has a very comfortable equity capital base and a very solid balance sheet structure.

CAPITAL EXPENDITURE

SMA STILL WITH REDUCED VOLUME OF INVESTMENT IN FIXED ASSETS

SMA has continued the considerable reduction of investment in fixed assets and adapted it to changed conditions. Total capital expenditure amounted to €45.3 million in the first nine months of the 2013 fiscal year (Q1–Q3 2012: €80.6 million), of which €12.9 million was attributable to the third quarter of 2013 (Q3 2012: €22.0 million). €23.5 million (Q1–Q3 2012: €60.6 million) was invested in fixed assets, of which the largest portion was attributable to machinery and equipment. Investments in land and buildings predominantly related to alterations and improvements of existing and rented buildings. At €21.8 million (Q1–Q3 2013: €20.0 million), nearly half of capital expenditure was attributable to intangible assets, primarily capitalized development projects. This shows that SMA remains highly innovative.

RESEARCH AND DEVELOPMENT

SMA SMART HOME – SYSTEM COMPONENT FOR THE ENERGY TRANSITION

The SMA Smart Home not only makes system operators independent of rising electricity prices, but also eases the burden on the utility grid, as the self-produced solar power is consumed directly on-site. The system kit is comprised of the intelligent and easy to use Sunny Home Manager that uses local and system-specific generation forecasts as well as the SMA Flexible Storage System including the Sunny Island battery inverter. This flexible storage system meets all the requirements of the PV storage incentive program in place since May 1, 2013, and can be integrated in both new and existing systems. At the end of the year, the second SMA storage solution, the Integrated Storage System, will also be available. The central component is the Intersolar-Award-winning Sunny Boy Smart Energy, the first wall-mountable PV inverter that has an integrated battery.

SMA is working closely with renowned manufacturers in other areas to ensure the seamless integration of different components into the intelligent energy management system: with Miele for the direct integration of household appliances and with Stiebel Eltron and Vaillant for the integration of heat pumps.

SMA is forging ahead with the further development of the Smart Home. With the SMA Smart Home, SMA already offers a comprehensive system solution that increases the self-consumption of solar power. On the basis of site- and system-specific PV generation forecasts and the learned individual load profiles of households, the SMA Smart Home delivers the best-possible balance between the usage and storage of self-generated solar electricity. The new version of the Sunny Home Manager, the control center of the intelligent energy management system, offers new options for load control as well as optimized forecasting that can now

be displayed in all countries. In addition, the connection of the Sunny Home Manager to energy meters in all countries has been significantly simplified since the introduction of the SMA Energy Meter. The new measuring unit determines phase-exact and balanced electrical measured values, for example as a grid feed-in and purchased electricity meter. The device is suitable for universal use and can be used independently of the existing energy meter.

ELECTRIC MOBILITY RESEARCH PROJECT

Since the beginning of the year, SMA has been cooperating with the BMW Group, the Center for Sustainable Building and the Chair for Energy Economy and Application Technology at TU Munich in the "e-MOBILie: Self-Powered Electric Mobility" project. The project's goal is to integrate electric mobility intelligently into household energy management. In addition, they are exploring potential system architectures and capabilities for linking photovoltaics and e-mobility. Within the framework of this project, SMA is enhancing the functions of the Sunny Home Manager to integrate electric vehicles as supplementary energy storage into smart energy management at the household level. The project aims to have all PV system operators be able to connect their electric vehicles as soon as possible. In addition, SMA is expanding its commitment to electric mobility. A close partnership is already in place with BMW and Volkswagen for the integration of electric vehicles into energy management and the electricity market. Together with leading companies in the field of charging infrastructure for electric mobility – Belectric Drive, Mennekes Elektrotechnik, Phoenix Contact E-Mobility and Schletter – SMA is developing solutions for the integration of charging stations into domestic energy management systems that will be available in the short term. In addition, our partners will work on the first technical solutions for connecting the charging infrastructure with energy management in a commercial context.

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INITIAL PROJECTS WITH LARGE-SCALE STORAGE DEVICES

Initial projects involving the integration of storage devices into large-scale systems have already been successfully concluded by SMA. At one solar farm in Tucson, Arizona, a system comprising a 500 kW battery inverter from SMA and a large lithium-ion battery balances out fluctuations in power generation. Through the intermediate storage of the solar electricity, the system not only ensures a steady and reliable electricity supply, but it is able to hold reserve power available and can thus take strain off the utility grid. In addition, the system performs a comprehensive range of grid services as well as all of the energy management functions.

SAVE FUEL WITH PHOTOVOLTAIC DIESEL HYBRID SYSTEMS FROM SMA

The intelligence within the system is also important for PV diesel hybrid system applications. In terms of investment costs, diesel generators are still the cheapest method of supplying electricity to the world's sunny regions or supplementing unstable grids. With intelligent system technology from SMA, PV can be integrated simply into such diesel networks. In this way, operators can save expensive fuel and permanently reduce system costs. SMA's system solution centers on the Fuel Save Controller. In conjunction with SMA inverters, it takes on the need-based control of photovoltaic feed-in depending on load profiles and the power output from diesel generators. Thereby, intelligent prognosis algorithms ensure an efficient system operation.

JET CERTIFICATION FOR SUNNY TRIPOWER

The ability to adapt to the variations between the different PV markets around the world is becoming more and more important. As the technology leader, SMA finds itself in a very good position here. In October 2013, the company was the first non-Japanese manufacturer to be awarded JET certification for a three-phase inverter, the Sunny Tripower 10000 TLEE-JP. Already since last year, SMA has been successfully offering JET-certified Sunny Boy inverters for residential PV systems as well as Sunny Central inverters tailored to the local requirements of the Japanese market. With the certification of the Sunny Tripower, SMA can now cover all of the market segments in this important market.

EMPLOYEES

PERSONNEL ADJUSTMENTS – TARGET ACHIEVED WITHOUT INVOLUNTARY LAYOFFS

The changed conditions in the global photovoltaic market and the associated sharp decline in sales unfortunately require SMA to make a significant adjustment to personnel structures.

The Managing Board therefore sees a reduction of full-time positions in Germany by 680 by the end of 2014 in relation to the cutoff date of March 31, 2013 as unavoidable. This corresponds to around 800 employees, as the layoffs affect both full-time positions and part-time jobs. In order to safeguard the company's innovative strength and guarantee the stability of the IT systems, development and IT specialists are exempted from the job cuts.

With the goal of implementing the adjustment of personnel structures as quickly as possible but also in a socially responsible manner, the SMA Managing Board and Works Council have cooperated constructively to put together a package of measures. It comprises a voluntary program for concluding termination agreements and the alternative possibility of transferring employees to a transitional company. In total, more than 400 employees have signed termination agreements during the reporting period. Taking into account the personnel adjustment measures already implemented in past quarters and the temporary contracts still to expire, the Managing Board's downsizing target has already been met.

The adjustments are already apparent in the reporting period's employee figures. With a delay, future reporting periods will also reflect the personnel reduction.

Employees

Reporting date	09/30/ 2013	09/30/ 2012	09/30/ 2011	09/30/ 2010	09/30/ 2009
Employees (excl. temporary employees)	5,528	5,688	5,396	4,096	2,707
of which domestic	4,134	4,760	4,574	3,721	2,523
of which abroad	1,394	928	822	375	184
Temporary employees	700	973	1,747	2,178	1,165
Total employees (incl. temporary employees)	6,228	6,661	7,143	6,274	3,872

At the end of the reporting period, the SMA Group had 5,528 employees (September 30, 2012: 5,688 employees, figures exclude temporary staff). This equates to a decrease of 2.8% year-on-year and a decline of 2.9% quarter-on-quarter (June 30, 2013: 5,694 employees, figures exclude temporary staff).

The initially only slight drop in employee numbers in relation to the personnel adjustment measures described is due to the simultaneous addition of personnel in some SMA subsidiaries. The employees of Jiangsu Zeyersolar New Energy Co., Suzhou, China, are also included in the figures. At the U.S. location in Denver, Colorado, a development team was established.

The number of employees abroad grew by 466 or 50.2% to 1,394 employees within the last 12 months (September 30, 2012: 928 employees, figures exclude temporary staff). Of those, 396 are employed at Zeyersolar.

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In contrast, at the German locations, the figure fell sharply as a result of the structural adjustment measures taken. This is a reduction of 626 employees or 13.2% on the previous year (September 30, 2012: 4,760 employees, figures exclude temporary staff).

SMA will continue to make use of temporary work as required to cover short-term production spikes. At SMA, temporary employees are paid the same hourly rate as SMA employees and participate in the success when the company performs well. Globally, SMA employed 700 temporary employees at the end of the reporting period. This figure fell by 273 temporary employees or 28.1% year-on-year (September 30, 2012: 973 temporary employees).

FOCUS ON CORPORATE CULTURE AND DIVERSITY

Its multiple-award-winning corporate culture is a matter of great importance to SMA, even and especially in difficult times. After taking fourth place in the Great Place to Work® competition 2013, the company is taking part again next year in the employee survey to uncover potential need for action as a result of the adjustment measures.

In close connection with the internationalization and innovation strategy, SMA focuses particularly on diversity in the company. By signing up to the German "Diversity Charter" in 2011, SMA demonstrated its commitment to promoting the diversity of its employees and creating a working environment in which all employees enjoy respect and equal opportunities regardless of gender, nationality, religion or ideology, disability, age and sexual orientation.

The ranking of third place in the "Women's Career Index," compiled by the German Federal Ministry for Families for the first time in 2013, proves that the measures taken at SMA to support women are already effective and visible. As part of the total package of diversity measures, flexible working hours, comprehensive family service and individual solutions make a significant contribution to the improved compatibility of private life and career and thus to fair chances of advancement for women.

SECURING AND PROMOTING THE NEXT GENERATION

At the end of the reporting period, a total of 229 young people were in vocational training at SMA (September 30, 2012: 324 trainees). This equates to 5.5% of the total of 4,134 SMA employees in Germany (September 30, 2012: 6.8%). With this proportion of trainees, SMA remains considerably above the national average, which were recently 4.8% at large companies with more than 5,000 employees.

As part of its regional social responsibility, SMA will continue to train young people in promising careers in Germany, not just for its own needs but also beyond them.

SUPPLEMENTARY REPORT

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the end of the reporting period with effects on net assets, financial position or results of operations.

RISK AND OPPORTUNITIES MANAGEMENT

The Group's risk and opportunities management as well as possible individual risks are described in detail in the Annual Report 2012. The comments made there remain essentially unchanged. At the moment, no risks that could seriously jeopardize the Company's continuing existence or could significantly impair its performance are discernible.

FORECAST REPORT

THE GENERAL ECONOMIC SITUATION

Gloomy Outlook for the Global Economy

The International Monetary Fund (IMF) has again lowered its global economic forecast for 2014. In its World Economic Outlook of October 8, 2013, the IMF expects gross domestic product to grow by 3.6%. In July, the Monetary Fund still forecast 3.8%. The weak growth prospects for newly industrialized countries and the upcoming monetary policy reversal by the U.S. Federal Reserve in particular are dimming the outlook for growth. The Kiel Institute for the World Economy (IfW) also lowered its growth forecast for the global economy and now expects global gross domestic product (GDP) to increase by 3.8%.

According to the IMF, the weak economic development in the euro zone will persist, but in its forecast of October 8, 2013, the Fund revised economic performance in 2014 upward slightly. Next year, experts anticipate GDP in Europe to grow by 1.0% (July 2013: 0.9%). Key factors for the continuing poor development are low domestic demand and the rigorous austerity policies in many countries. Spain and Italy in particular are still languishing in recession this year but will return to slight growth next year. The IMF expects an increase of economic output by 0.2 percentage points in Spain and 0.7% in Italy. The IfW also adjusted its forecast for the euro zone's aggregate production in September and expects an increase of 1.1% for 2014 (June 2013: 0.8%).

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In the view of the IMF and IfW, the economy in the U.S. will continue to recover in 2014. In their latest studies for 2014, the IfW and the IMF expect growth in gross domestic product of 2.3% and 2.6% respectively. However, various factors such as the U.S. budget dispute and the Federal Reserve's planned policy reversal give rise to major risks. In addition, the debt crisis in the euro zone and the economic slowdown in newly industrialized countries are also continuing to impact the U.S. economy.

Due to the difficult situation in the newly industrialized countries, the IMF is lowering its forecast for economic growth by 0.4 percentage points to 5.1%. India's growth prospects look particularly poor. The IMF economists expect growth of only 5.1% in 2014. For Brazil as well, the IMF expects only erratic economic recovery due to high inflation and anticipates moderate growth of economic output of 2.5% in 2014. The World Bank has lowered its forecast for economic growth in China and other newly industrialized countries in Asia such as Thailand and Indonesia to 7.2%. This is due in particular to waning export growth and lower commodity prices.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

Regional Shift in Demand Leads to Greater Market Fragmentation

In the short and medium term, developments in the photovoltaics industry will be determined significantly by the terms and conditions of the various incentive programs. Changes in subsidy conditions can have significant effects on the development of demand within a short period of time. Furthermore, financing terms play a role in many countries, especially for large-scale solar projects. Due to many changes in different incentive programs and the generally high dynamism of global photovoltaic markets, estimating future development is thus fraught with uncertainty.

For 2013, the SMA Managing Board forecasts newly installed capacity of between 29 GW and 34 GW (2013: 31 GW). In the best case, this is volume growth of approximately 10%. In recent years, the solar sector was largely able to prevent a fall in the market – measured in euros – through global growth in volume. Taking into account the price pressure expected by the SMA Managing Board, in 2013 the photovoltaic market for inverter manufacturers is likely to decline in euros for the first time in many years. In the best case, the Managing Board forecasts a market volume of €4.4 billion for 2013 (2012: approx. €5.3 billion). This situation represents a tremendous challenge for the entire sector.

The Managing Board estimates that demand will recover slightly in the next fiscal year. The global growth of newly installed capacity to between 35 GW and 40 GW is mainly due to demand in Asia and North America. The expected volume growth can mostly compensate for the price pressure on PV inverters. In the best case scenario, the Managing Board expects a global market of €4.6 billion in 2014.

Europe

In the opinion of the SMA Managing Board, Europe will account for only around a quarter of global demand in 2013. In addition to the cuts to solar subsidies, the ongoing debt crisis in Europe and the discussions about punitive duties on imports of Chinese modules are influencing the development of demand. High-volume photovoltaic markets like Germany and Italy have drastically cut their feed-in tariff or allowed it to expire completely. Against this backdrop, the SMA Managing Board expects newly installed capacity in Germany and Italy to drop 50% this year.

By contrast, positive stimuli emanate from Great Britain, the Benelux countries and Eastern Europe in 2013. However, the growth in these countries alone cannot compensate for the market decline in Germany and Italy. For 2014, the Managing Board expects demand to decline again in Europe due to further subsidy cuts that can already be foreseen.

Non-European Market

The SMA Managing Board expects the solar markets in China, North America and Japan to account for around half of global demand this year. Especially the Chinese market will provide significant impetus for growth here. Due to state incentive programs, the Chinese photovoltaic market will be dominated by power-station class photovoltaic plants. Due to the specific certification requirements and tendering processes, the Chinese photovoltaic market is not accessible to all international inverter manufacturers. Growth in China will continue in 2014. The Managing Board expects newly installed capacity totaling up to 10 GW and increasing demand in the market segment of medium-sized PV systems.

The Managing Board estimates that newly installed capacity in the American market will also grow in terms of volume in 2013. The driving force behind this development of demand are the current tax incentive programs, which support the installation of photovoltaic systems in the same way as the respectively defined photovoltaic expansion targets at federal and state level. The market in North America mainly relates to medium-sized and large PV power plants. Certification requirements are also an entry barrier to the North American PV market. Next year, the Managing Board expects the growth of newly installed capacity in North America to continue.

Strong growth stimuli are also emanating from the Japanese market. Demand in Japan is driven in particular by attractive subsidy conditions. Around half of the newly installed capacity is attributable to the small PV system market segment in 2013. The other half of the market relates to the rapidly growing segments of medium-sized and large PV power plants. For 2014, the Managing Board forecasts another burst of growth in Japan, which will mainly be driven by medium-sized and large PV power plants. There are considerable barriers to entry to the Japanese market because of certification requirements and market structures.

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Newly Industrialized Countries

Interest in photovoltaics is growing in many newly industrialized countries. For example, the South African government is pushing photovoltaic expansion with the Renewable Energy Independent Power Producers Program (REIPP). A cumulative capacity of 1.5 GW is to be installed by 2014. The Indian market also has attractive conditions, and the Indian government is planning installed photovoltaic capacity totaling 22 GW by 2022. Growth stimuli are also emanating from Thailand. The government wants to install new PV power totaling 3 GW by 2021 with a new incentive program. In 2014 as well, the newly industrialized countries will continue with this dynamic development. The Managing Board estimates that many young photovoltaic markets will tighten requirements for local added value and certification and thus raise entry barriers for international inverter manufacturers.

Growth Stimuli From Increasingly Decentralized Power Supply

The SMA Managing Board believes that the medium- and long-term prospects for global photovoltaics remain good. The increasing cancellation of incentive programs is transforming motivations for demand from pure concern about returns (financial investment) into investment in efficient electricity supply (cost-saving). Especially in view of this process of transformation to largely decentralized electricity supply on the basis of renewable energy, the use of innovative system technology is a necessary condition for successfully realizing the global energy transition. In the future, it will be especially important to link different technologies intelligently, develop solutions for intermediate storage of the energy generated and supply electricity reliably.

In this connection, the SMA Managing Board sees good opportunities for business in countries which have an increasing energy requirement because of their growth and which are looking for economical access to electrical energy. In many countries in the regions of South America, the Middle East, Asia/Pacific and Africa, electricity is supplied via comparatively expensive diesel generators. Diesel prices are rising around the world, while prices for photovoltaic systems are sinking. This means that energy supply systems that combine diesel and photovoltaics are already cost-effective, especially in sunny regions. Intelligent system technology allows photovoltaics to be integrated well in existing diesel networks. The SMA Managing Board estimates that the short amortization periods for supplementing an existing diesel system with a PV plant are less than four years in some countries. This solution is therefore distinctly economically attractive for operators of large industrial plants, such as mines. But installation will pick up again in the medium to long term in European and North American markets if households can cover their electricity requirements almost entirely through photovoltaics. This will become possible when photovoltaic systems store energy temporarily and opportunities for home automation are used consistently.

OVERALL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE SMA GROUP

Regional Shift in Demand

The following statements on the future development of the SMA Group are based on the estimates drawn up by the SMA Managing Board. They result from the expectations presented above regarding the development of global photovoltaic markets. However, major changes to the assumptions can lead to significant deviations from the expected developments.

In general, the SMA Managing Board expects strong fluctuations in demand for the current and the coming fiscal year on the basis of differing growth rates.

Due to the regional shift in demand towards Asia and North America, the high-volume retail business is declining in importance. In most foreign markets, medium-sized PV systems and large-scale PV power plants are being implemented to a greater degree. In addition, the shift in demand is leading to a large number of fragmented markets.

SMA Has Focused its Strategy and Introduced Restructuring Measures

As a specialist for PV system technology, SMA has focused strategically on the challenges of the global energy transition. The offensive strategy aims at tapping into new markets to increase sales, implementing efficiency programs to sustainably increase profitability and introducing a two-brand strategy to safeguard the market share. The strategy attaches particular significance to the development of a completely new, modularly designed product generation and the development of innovative solutions for energy management. The sustainable development of the PV-diesel hybrid market and important foreign markets are also central components of the Group strategy.

In such a short space of time, SMA cannot compensate for the sharp decline in sales – around 50% since 2010 as a result of the market downturn in Europe – with the strategic measures alone. Therefore, the Managing Board is forced to adapt the personnel structure to the changed level of sales. By the end of 2014, the number of full-time equivalents at the locations in Germany will be reduced to around 3,000. The necessary staff reduction will be carried out in a socially responsible manner within the framework of a voluntary program negotiated with the Works Council.

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Shift in Demand Reflected in Divisions' Business Development

Due to the expected sharp decline in sales in Europe, the **Medium Power Solutions (MPS)** division will generate approximately a 40% to 50% share of sales in 2013. The three-phase inverters of the Sunny Tripower series will account for a share of up to 50% in MPS sales. Sunny Tripower inverters are built into mid-size to large PV systems. Alongside the European PV markets, the most important sales regions for the Medium Power Solutions division are the U.S. and Australia. Due to the steep market decline in Europe, the high price pressure and several one-time items, the Managing Board expects a negative EBIT up to €70 million on sales of up to €500 million in this division in 2013.

The **Power Plant Solutions** division (PPS) benefits from the demand for large-scale solar projects in foreign markets. According to the SMA Managing Board, the PPS business is expected to account for 40% to 50% of sales in 2013. The foreign markets of North America, India, South Africa and Japan will make a significant contribution to this. The Sunny Central Compact Power will be one of the bestselling products in 2013. An additional positive contribution is expected from the new medium-voltage technology. Here, SMA has developed turnkey medium-voltage solutions that can be deployed internationally and allow simple and direct connection to local medium-voltage grids. The solutions comprise SMA inverters, transformers, communication and PV farm control. Despite the equally high price pressure in this market segment, the Managing Board expects a clearly positive operating earnings contribution of up to €30 million on sales of up to €400 million in 2013.

Service is an important distinguishing feature of SMA. Decisions are increasingly made on the basis of a consideration of product and service offerings in their entirety. In particular, conclusions of long-term service and maintenance agreements will increase in volume in the future. Moreover, the Service division will benefit from the high level of commissioning in the Power Plant Solutions division. Warranty extensions, commissioning and repair business will remain major sales drivers in 2013. Alongside the European PV markets, the most important sales regions are the U.S. and Thailand. For 2013, the Managing Board expects a negative EBIT of up to €2 million on sales of up to €35 million.

Zeversolar is managed as an independent division in the SMA Group. The Managing Board estimates that Zeversolar will make a positive earnings contribution only in the medium term. For 2013, the Managing Board anticipates a decline in sales to €15 million and a negative result before one-time items of minus €15 million. The restructuring measures required for sustainable profitability will presumably be completed by the end of the year. Alongside China, the most important sales regions for the Zeversolar division are selected market segments in Europe and Australia. The major sales drivers are the central inverters of the ZOF brand. The Evershine and Eversol string inverters are less important in 2013.

For **Railway Technology**, the SMA Managing Board sees growth potential in further internationalization and a focus on project business. Alongside Germany, the most important sales regions for Railway Technology are various European markets and Brazil. The major sales drivers are converters for use in subways with innovative medium-voltage technology. For 2013, the Managing Board expects sales of up to €35 million and a positive earnings contribution.

SMA Is Well Positioned for the Future

In general, the SMA Managing Board expects growth in photovoltaics to occur abroad in future. SMA has therefore been systematically pursuing its internationalization strategy for years. In the years to come, SMA will continue to pursue its strategy of being among the first PV inverter manufacturers to be represented in developing markets outside Europe and continuously expanding the number of sales and service companies worldwide. In addition, SMA will establish local production facilities when this is required in order to meet the requirements for local added value, such as at present in South Africa. With an annual production capacity of around 15 GW, SMA is in a good position and can meet global demand.

In order to keep delivery times as short as possible in a highly competitive environment, SMA stockpiles components with long procurement times. Due to market changes, the Managing Board sees a necessity to correct valuations for a portion of the inventory stock. This could result in one-time items of up to €30 million in the 2013 fiscal year. The overall increased inventory of finished and unfinished goods, the longer payment periods due to project and international business and the consolidation of Zeyersolar will lead to a significant increase in current assets in 2013. This increase will only partially be offset by trade payables in order to make use of the advantages of quick payment. The Managing Board no longer expects a considerable reduction of net working capital by the end of the year and has therefore increased its net working capital forecast to between 24% and 28% of sales (previously 22% to 26%). Inventories are to be considerably reduced in the medium term through process improvements.

For the fiscal year 2013, the SMA Group is planning to significantly reduce investments and adjust them to the changed conditions. Accordingly, SMA is targeting an investment volume of approximately €60 million in 2013. This includes capitalized development projects of up to €30 million. In the medium term, SMA intends to invest less than 10% of sales in fixed assets and intangible assets every year.

For the current fiscal year, the Managing Board forecasts sales of €0.9 to €1.0 billion (previously €0.9 to €1.3 billion) and an operating result of minus €80 to €90 million (previously break-even before one-time items in the best case scenario; a loss is not ruled out). The operating result includes one-time items from personnel measures of €25 million and impairment losses on assets of €35 million. The Managing Board also expects net cash of over €300 million at the end of the year.

The forecast for the 2014 fiscal year is fraught with uncertainty due to the high dynamism and volatility of the global photovoltaic markets. The Managing Board confirms the sales forecast first published on November 4, 2013, of €1.0 to €1.3 billion and expects an operating result of €0 to €20 million.

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Thanks to the offensive strategy and consistent implementation of structural measures, SMA is in a good position to benefit from the global growth of photovoltaics. The position was usefully complemented by the acquisition of Zeyversolar. In addition, particularly the development of brand new product platforms, the launch of the SMA Smart Home and system solutions for photovoltaic diesel hybrid applications along with turnkey compact solutions for direct medium-voltage connection in the large-scale plant segment have positive effects. With cash reserves of more than €300 million and an equity ratio of over 57%, SMA is in such a financial position that enables the company to implement the strategy under its own power.

The Managing Board believes that the long-term prospects in the industry and for the company are good. Future energy supply will be largely decentralized and based on renewable energy. With great innovative strength, the provision of excellent service and its global presence, SMA will actively shape the transformation in the energy sector and make consistent use of the opportunities arising.

Niestetal, November 4, 2013

SMA Solar Technology AG

The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

QUARTERLY FINANCIAL REPORT
JANUARY TO SEPTEMBER 2013

€-75 MILLION
FREE CASH FLOW*

*Before acquisitions/
investment in time deposits

69%

INTERNATIONAL SHARE



PRESENT IN

21

PHOTOVOLTAIC
MARKETS

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INCOME STATEMENT SMA GROUP

€'000	Note	July - Sept. (Q3) 2013	July - Sept. (Q3) 2012	Jan. - Sept. (Q1 - Q3) 2013	Jan. - Sept. (Q1 - Q3) 2012
Sales	4	247,790	362,710	709,326	1,196,400
Cost of sales	5	195,534	273,768	566,553	903,182
Gross profit		52,256	88,942	142,773	293,218
Selling expenses	6	14,084	17,431	44,605	52,496
Research and development expenses	7	20,311	21,758	57,975	65,990
General administrative expenses	8	18,582	18,428	54,011	57,808
Other operating income	9	6,039	11,285	26,265	37,965
Other operating expenses	9	12,140	10,299	42,553	38,916
Operating profit (EBIT)		-6,822	32,311	-30,106	115,973
Financial income		973	1,395	3,323	4,535
Financial expenses		1,271	602	3,076	1,418
Financial result	11	-298	793	247	3,117
Loss/profit before income taxes		-7,120	33,104	-29,859	119,090
Income tax expense		-1,314	11,569	-7,847	38,116
Consolidated net loss/profit		-5,806	21,535	-22,012	80,974
of which attributable to non-controlling interest		-1,143	0	-2,429	0
of which attributable to shareholders of SMA AG		-4,663	21,535	-19,583	80,974
Earnings per share, basic (in €)	12	-0.13	0.62	-0.56	2.33
Earnings per share, diluted (in €)	12	-0.13	0.62	-0.56	2.33
Number of ordinary shares (in thousands)		34,700	34,700	34,700	34,700

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

€'000	July - Sept. (Q3) 2013	July - Sept. (Q3) 2012	Jan. - Sept. (Q1 - Q3) 2013	Jan. - Sept. (Q1 - Q3) 2012
Consolidated net loss/profit	-5,806	21,535	-22,012	80,974
Changes in fair values of available-for-sale assets ¹	-91	674	-328	437
Income taxes ¹	27	-204	99	-132
Changes recognized outside profit or loss (available-for-sale financial assets)	-64	470	-229	305
Unrealized gains (+) / losses (-) from currency translation of foreign subsidiaries ¹	-280	-165	-2,437	3,875
Changes recognized outside profit or loss (currency translation differences)	-280	-165	-2,437	3,875
Total comprehensive income	-6,150	21,840	-24,678	85,154
of which attributable to non-controlling interest	-1,133	0	-2,435	0
of which attributable to shareholders of SMA AG	-5,017	21,840	-22,243	85,154

¹ All items may be reclassified to profit or loss in the future

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BALANCE SHEET SMA GROUP

€'000	Note	09/30/2013	12/31/2012
Non-current assets			
Goodwill	13	21,058	311
Other intangible assets	13	73,584	66,424
Fixed assets	14	359,558	377,107
Other financial investments		5	75
Other financial assets	16	53,450	51,073
Deferred taxes		44,615	25,184
		552,270	520,174
Current assets			
Inventories	15	234,321	221,369
Trade receivables		157,952	119,288
Other financial assets	16	168,166	257,398
Claims for income tax refunds		13,286	11,302
Other receivables		18,398	13,846
Cash and cash equivalents	26	183,187	185,299
		775,310	808,502
Total assets		1,327,580	1,328,676
Shareholders' equity			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		612,932	666,761
Non-controlling interest		-770	2
	17	766,062	820,663
Non-current liabilities			
Provisions	18	103,989	112,815
Financial liabilities	19	45,537	32,775
Other financial liabilities	20	2,233	2,078
Other liabilities	21	109,000	94,422
Deferred taxes		24,320	21,553
		285,079	263,643
Current liabilities			
Provisions	18	90,366	89,879
Financial liabilities	19	31,038	2,788
Trade payables		76,343	72,691
Other financial liabilities	20	53,759	55,892
Income tax liabilities		783	681
Other liabilities	21	24,150	22,439
		276,439	244,370
Total equity and liabilities		1,327,580	1,328,676

STATEMENT OF CASH FLOWS

SMA GROUP

€'000	Note	Jan. – Sept. (Q1–Q3) 2013	Jan. – Sept. (Q1–Q3) 2012
Consolidated net loss/profit		-22,012	80,974
Income tax expenses		-7,847	38,116
Financial result		-247	-3,117
Depreciation and amortization		56,986	48,383
Change in other provisions		-8,338	35,003
Losses from the disposal of assets		1,785	378
Other non-cash expenses/revenue		14,018	16,416
Interest received		1,405	2,923
Interest paid		-1,162	-988
Income tax paid		-10,698	-68,574
Gross cash flow		23,890	149,514
Increase of inventories		-13,705	-35,754
Increase in trade receivables		-16,161	-20,072
Decrease in trade payables		-9,132	-23,712
Change in other net assets/other non-cash transactions		-16,472	23,939
Net cash flow from operating activities	31	-31,580	93,915
Payments for investments in fixed assets		-23,545	-60,595
Proceeds from the disposal of fixed assets		1,751	31
Payments for investments in intangible assets		-21,751	-19,975
Payments for the acquisition of companies net of cash/ payments for the acquisition of business units		-22,125	0
Proceeds from the disposal of securities and other financial assets		410,000	157,214
Payments for the acquisition of securities and other financial assets		-300,000	-291,500
Net cash flow from investing activities	32	44,330	-214,825
Proceeds of financial liabilities		21,012	0
Redemption of financial liabilities		-10,567	-1,509
Dividends paid by SMA Solar Technology AG		-20,820	-45,110
Net cash flow from financing activities	33	-10,375	-46,619
Net increase/decrease in cash and cash equivalents		2,375	-167,529
Net increase/decrease due to exchange rate effects		-4,487	3,162
Cash and cash equivalents as of 01/01		185,299	371,101
Cash and cash equivalents as of 09/30	34	183,187	206,734

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STATEMENT OF CHANGES IN EQUITY

SMA GROUP

€'000	Equity attributable to the shareholders of the parent company					Equity attributable to non-controlling interest	Consolidated shareholders' equity
	Share capital	Capital reserves	Market valuation of securities	Other retained earnings	Total		
Shareholders' equity as of January 1, 2012	34,700	119,200	-47	635,451	789,304	2	789,306
Dividend payments of SMA Solar Technology AG	0	0	0	-45,110	-45,110	0	-45,110
Consolidated net profit Q1-Q3 2012	0	0	0	80,974	80,974	0	80,974
Differences from currency translation	0	0	0	3,875	3,875	0	3,875
Changes not shown in the income statement	0	0	305	0	305	0	305
Overall result							85,154
Changes in minority interests	0	0	0	0	0	0	0
Shareholders' equity as of September 30, 2012	34,700	119,200	258	675,190	829,348	2	829,350
Shareholders' equity as of January 1, 2013	34,700	119,200	271	666,490	820,661	2	820,663
Dividend payments of SMA Solar Technology AG	0	0	0	-20,820	-20,820	0	-20,820
Consolidated net loss Q1-Q3 2013	0	0	0	-19,583	-19,583	-2,429	-22,012
Differences from currency translation	0	0	0	-2,431	-2,431	-6	-2,437
Changes not shown in the income statement	0	0	-229	0	-229	0	-229
Overall result							-24,678
Other changes in equity	0	0	0	-4,822	-4,822	0	-4,822
Acquisition of non-controlling interests	0	0	0	-5,944	-5,944	884	-5,060
Changes in minority interests	0	0	0	0	0	779	779
Shareholders' equity as of September 30, 2013	34,700	119,200	42	612,890	766,832	-770	766,062

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2013

1. BASIC INFORMATION

The Condensed Interim Consolidated Financial Statements of SMA Solar Technology AG as at September 30, 2013 were prepared – as were the Consolidated Financial Statements as at December 31, 2012 – 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). Accordingly, the Interim Financial Statements of SMA Technology AG are prepared in line with IAS 34 Interim Financial Reporting in the 2013 fiscal year. In accordance with the regulations of IAS 34, a condensed reporting format compared with the consolidated financial statements as at December 31, 2012 was chosen. The Condensed Financial Statements do not include all the information and disclosures required for Consolidated Financial Statements and have therefore to be read in conjunction with the Consolidated Financial Statements as at December 31, 2012.

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 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 for submission to the Supervisory Board on November 4, 2013.

The registered office of the Company is Sonnenallee 1, 34266 Niestetal. 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, produces and distributes PV inverters, transformers, chokes, and monitoring and energy management systems for PV plants and power-electronic components for railway technology.

More detailed information on segments is provided in section 4. 

2. SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

The scope of consolidation as at December 31, 2012 was expanded compared with December 31, 2011, due to the newly founded companies SMA South America SpA (Santiago, Chile), Solar Technology South Africa Pty. Ltd. (Centurion, South Africa), SMA Solar Beteiligungs GmbH (Niestetal, Germany), SMA Service International GmbH (Niestetal, Germany) and SMA Brasil Tecnologia Ferroviaria Ltda. (Itupeva, Brazil). Non-controlling interests share in equity of the consolidated companies is shown separately within equity.

The Interim Consolidated Financial Statements are based on the Financial Statements of SMA Solar Technology AG and the subsidiaries included in consolidation, which are prepared in accordance with uniform accounting policies throughout the Group.

More detailed information is provided in the Notes to the Consolidated Financial Statements as at December 31, 2012.

The scope of consolidation as at September 30, 2013 was expanded compared with December 31, 2012 by the acquisition of the subgroup Jiangsu Zeyversolar New Energy Co., Ltd. (Suzhou, China).



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As of March 12, SMA acquired 72.5% of the shares in Jiangsu Zeversolar New Energy Co., Ltd. (Zeversolar). Jiangsu Zeversolar New Energy Co., Ltd. is a Chinese subgroup. It includes the following fully consolidated companies: Jiangsu Zeversolar New Energy Co., Ltd. (parent company of the subgroup, Suzhou, China), Jiangsu ZOF New Energy Co., Ltd. (Suzhou, China), Shanghai ZOF New Energy Co., Ltd. (Shanghai, China), Eversolar GmbH (Munich, Germany) and Australia Zeversolar New Energy Pty Ltd. (Surrey Hills, Australia).

Zeversolar manufactures inverters in low to medium power classes, Jiangsu ZOF inverters of high power classes. Part of the research department is located in Shanghai. As one of the leading inverter manufacturers in China, Zeversolar offers products tailored to the requirements of the Chinese market.

It is initially consolidated on the basis of the IFRS carrying amounts of the assets and liabilities as of March 12, 2013. The purchase price allocation will be finalized when all relevant information is available – after a year at the latest. Until then, the determined goodwill is also provisional.

The purchase price was paid with cash funds. Including the acquired cash and cash equivalents, the net outflow of funds from the acquisition amounted to €22.1 million. The gross amount of acquired receivables is €24.9 million. This relates primarily to receivables from Chinese state-owned companies, so they are assumed to be recoverable. The provisional goodwill is €20.8 million and will be allocated when all relevant information is available. The provisionally determined value of the minority interests was €0.8 million as of March 12, 2013.

As part of the acquisition, SMA wrote a put option for shares in Jiangsu Zeversolar New Energy Co., Ltd. in exchange for financial assets. In this connection, SMA recorded a financial obligation in the amount of the present value of the repurchase amount of these shares (€4.8 million), which must be recognized in profit or loss in compliance with IAS 39 in subsequent periods.

The transaction costs amounted to €0.6 million.

Acquired Assets and Liabilities

in € million	Carrying amounts on acquisition date
Provisional goodwill	20.8
Intangible assets	1.7
Fixed assets	6.2
Inventories	8.9
Trade receivables	24.9
Cash and cash equivalents	0.8
Other receivables	5.9
Liabilities towards credit institutions	-25.6
Other liabilities	-9.0
Trade payables	-12.8
Deferred taxes	1.1
Net assets	22.9
Purchase price	22.9
Acquired cash and cash equivalents	0.8
Net outflow from acquisitions	22.1

In September 2013, another 16.7% of the shares in Jiangsu Zeversolar New Energy Co., Ltd., were acquired at a price of €5.1 million. The acquisition following the transfer of control on March 12, 2013, is an acquisition of additional interest and not part of the purchase price allocation. As of September 30, 2013, the SMA Group's share in Zeversolar amounted to 89.2%.

3. ACCOUNTING AND VALUATION POLICIES

There were no changes to the accounting and valuation policies in the present Interim Consolidated Financial Statements as at September 30, 2013 compared with the Consolidated Financial Statements of SMA Solar Technology AG as at December 31, 2012. A detailed description of these policies is published in the Notes to the Consolidated Financial Statements as of December 31, 2012.

When preparing the Interim Consolidated Financial Statements, the following new accounting standards to be applied mandatorily as of the fiscal year 2013 had to be observed.

Standard/interpretation			Date of compulsory application ¹	Endorsement (until September 30, 2013) ²
Amendment	Annual Improvements	Annual improvements 2009-2011	01/01/2013	yes
Amendment	IFRS 1	Government loans	01/01/2013	yes
Amendment	IAS 1	Presentation of financial statements	07/01/2012	yes
Amendment	IFRS 7	Disclosures – Offsetting Financial Instruments	01/01/2013	yes
New	IFRS 13	Fair Value Measurement	01/01/2013	yes

¹ Application to the first reporting period of a fiscal year beginning on or after that date. First-time application in the EU may deviate.

² Adoption of IFRS standards or interpretations by the EU Commission

The following standards and interpretations were issued by the IASB in the run-up to the balance sheet date. However, they will only be applied by the SMA Group at a later date.

Standard/interpretation			Date of compulsory application ¹	Endorsement (until September 30, 2013) ²
Amendment	IAS 39, IFRS 9	Amendments to IAS 39 and IFRS 9	01/01/2014	no
Amendment	IAS 36	Recoverable amount disclosures for non-financial assets	01/01/2014	no
New	IFRIC 21	Leases	01/01/2014	no

¹ Application to the first reporting period of a fiscal year beginning on or after that date. First-time application in the EU may deviate

² Adoption of IFRS standards or interpretations by the EU Commission

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4. SEGMENT REPORTING

At the beginning of fiscal year 2013, the SMA Group reorganized its photovoltaics operations and adjusted the Group structure accordingly. In accordance with the regulations of IFRS 8, this reorganization led to a change in the segment reporting and an adjustment of the comparative periods. To leverage synergies within the organization more effectively, dtw was integrated in the Medium Power Solutions (MPS) division from January 1, 2013. Likewise, the Off-Grid Solutions business activities were integrated in the Medium Power Solutions division in order to strengthen energy management, grid integration and storage integration within the division.

The majority shareholding acquired in March in Jiangsu Zeversolar New Energy Co., Ltd., is shown in the new Zeversolar segment.

The Power Plant Solutions (PPS) segment will remain unchanged and serve the rapidly growing market for large-scale PV plants having outputs ranging from 100 kW to several megawatts with Sunny Central type central inverters.

As before, the Service segment pools the functional service activities relating to photovoltaics.

The Railway Technology segment includes SMA Railway Technology GmbH and its Brazilian subsidiary. This segment manufactures converters as individual devices and complete energy supply systems for railway coaches and multiple-unit trains for short- and long-distance railway traffic.

Sales revenue in the Medium Power Solutions, Power Plant Solutions and Zeversolar segments is subject to fluctuations for reasons including discontinuous incentive programs.

The segment information pursuant to IFRS 8 is made up as follows for the third quarters of 2013 and 2012:

Financial Ratios by Segments and Regions

Segments	Medium Power Solutions		Power Plant Solutions		Service		
in € million	Q3 2013	Q3 2012	Q3 2013	Q3 2012	Q3 2013	Q3 2012	
External sales	119.5	228.5	108.4	117.9	7.6	10.4	
Internal sales	22.4	29.6	4.8	7.0	26.6	22.1	
Total sales	141.9	258.1	113.2	124.9	34.2	32.5	
Depreciation and amortization	9.4	9.1	1.1	0.9	0.7	0.5	
Operating profit (EBIT)	-11.6	23.1	13.1	8.5	1.1	-2.2	
Sales by regions							
Germany	54.7	123.4	10.7	45.7	1.6	4.5	
European Union	24.2	66.7	16.2	13.3	2.2	5.1	
Third-party countries	47.3	45.7	81.7	59.8	3.8	0.8	
Sales deductions	-6.7	-7.3	-0.2	-0.9	0.0	0.0	
External sales	119.5	228.5	108.4	117.9	7.6	10.4	

The segment information pursuant to IFRS 8 is made up as follows for the first nine months of 2013 and 2012:

Financial Ratios by Segments and Regions

Segments	Medium Power Solutions		Power Plant Solutions		Service		
in € million	Q1-Q3 2013	Q1-Q3 2012	Q1-Q3 2013	Q1-Q3 2012	Q1-Q3 2013	Q1-Q3 2012	
External sales	373.6	843.7	285.5	312.8	20.3	19.0	
Internal sales	57.0	79.9	12.1	20.8	76.5	63.0	
Total sales	430.6	923.6	297.6	333.6	96.8	82.0	
Depreciation and amortization	27.6	22.4	3.3	2.5	2.1	1.4	
Operating profit (EBIT)	-32.7	111.7	30.8	28.7	-1.2	-14.5	
Sales by regions							
Germany	177.1	473.1	36.2	91.0	4.4	5.6	
European Union	88.7	240.4	50.7	41.4	7.9	11.6	
Third-party countries	127.2	166.9	199.2	182.5	8.1	1.8	
Sales deductions	-19.4	-36.7	-0.6	-2.1	-0.1	0.0	
External sales	373.6	843.7	285.5	312.8	20.3	19.0	

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Zeversolar		Railway Technology		Reconciliation		Continuing operations	
Q3 2013	Q3 2012	Q3 2013	Q3 2012	Q3 2013	Q3 2012	Q3 2013	Q3 2012
3.0	-	9.3	5.9	0.0	0.0	247.8	362.7
0.0	-	0.1	0.8	-53.9	-59.5	0.0	0.0
3.0	-	9.4	6.7	-53.9	-59.5	247.8	362.7
0.4	-	0.1	0.4	7.7	7.1	19.4	18.0
-5.0	-	0.8	-0.6	-5.2	3.5	-6.8	32.3
0.0	-	1.8	1.8	0.0	0.0	68.8	175.4
0.0	-	2.4	3.1	0.0	0.0	45.0	88.2
3.0	-	5.2	1.3	0.0	0.0	141.0	107.6
0.0	-	-0.1	-0.3	0.0	0.0	-7.0	-8.5
3.0	-	9.3	5.9	0.0	0.0	247.8	362.7

Zeversolar		Railway Technology		Reconciliation		Continuing operations	
Q1-Q3 2013	Q1-Q3 2012	Q1-Q3 2013	Q1-Q3 2012	Q1-Q3 2013	Q1-Q3 2012	Q1-Q3 2013	Q1-Q3 2012
6.3	-	23.6	20.9	0.0	0.0	709.3	1,196.4
0.0	-	0.6	2.7	-146.2	-166.4	0.0	0.0
6.3	-	24.2	23.6	-146.2	-166.4	709.3	1,196.4
0.9	-	0.4	1.2	22.6	20.9	56.9	48.4
-10.3	-	1.3	-1.2	-18.0	-8.7	-30.1	116.0
0.0	-	6.0	6.3	0.0	0.0	223.7	576.0
0.0	-	8.0	10.9	0.0	0.0	155.3	304.3
6.3	-	9.7	4.2	0.0	0.0	350.5	355.4
0.0	-	-0.1	-0.5	0.0	0.0	-20.2	-39.3
6.3	-	23.6	20.9	0.0	0.0	709.3	1,196.4

The reconciliation of the total segment operating profit (EBIT) pursuant to IFRS 8 to profit before income taxes produces the following figures:

in € million	Q3 2013	Q3 2012	Q1-Q3 2013	Q1-Q3 2012
Total segment earnings (EBIT)	-1.6	28.8	-12.1	124.7
Eliminations	-5.2	3.5	-18.0	-8.7
Consolidated EBIT	-6.8	32.3	-30.1	116.0
Financial result	-0.3	0.8	0.2	3.1
Profit before income taxes	-7.1	33.1	-29.9	119.1

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, the expenses of which are assigned to the segments. Business relations between the segments are eliminated in the reconciliation.

SELECTED NOTES TO THE INCOME STATEMENT SMA GROUP

5. COST OF SALES

€ '000	Q1-Q3 2013	Q1-Q3 2012
Material expenses	380,815	632,008
Personnel expenses	106,169	142,512
Depreciation and amortization	50,320	43,699
Other	29,249	84,963
	566,553	903,182

Cost of sales include, as direct costs, the product-related material expenses as well as all other expenses for the areas of Production, Purchasing and Service as well as Facility Management and IT. As a result of the 33% decline in sales volume (Q1-Q3 2013: 3,959 MW, Q1-Q3 2012: 5,870 MW) and the material cost reductions, material expenses fell disproportionately by 40%. This corresponds to a year-on-year decrease in material expenses per watt of 11.1% (Q1-Q3 2013: 9.6 euro cents per watt, Q1-Q3 2012: 10.8 euro cents per watt). The reduced use of temporary employees, the earnings-related decrease in employee bonuses and other savings measures in HR caused personnel costs to fall by 25.5%. The increase in depreciation and amortization is attributable particularly to investing activities in the last years and the capitalization of development projects. The lower additions to warranty provisions and the systematic reduction of operating expenses resulted in a decline in other costs of €55.7 million to €29.3 million in the first nine months of 2013.

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6. SELLING EXPENSES

€'000	Q1-Q3 2013	Q1-Q3 2012
Material expenses	317	492
Personnel expenses	24,030	28,364
Depreciation and amortization	713	348
Other	19,545	23,292
	44,605	52,496

Selling expenses include expenditure for global sales activities, internal sales and marketing departments. As compared to the same period in the previous year, SMA further expanded its international sales and marketing structures. This included founding new sales and service companies in Brazil, Chile and South Africa. Since the first quarter of 2013, the expenses have also included the sales activities of Jiangsu Zeversolar New Energy Co., Ltd. The decrease in personnel expenses is attributable to the earnings-related decrease in employee bonuses. The decline in other costs resulted primarily from the reduction of our trade fair and marketing activities.

7. RESEARCH AND DEVELOPMENT EXPENSES

€'000	Q1-Q3 2013	Q1-Q3 2012
Material expenses	4,112	4,699
Personnel expenses	43,776	50,620
Depreciation and amortization	4,748	3,523
Other	22,940	22,514
	75,576	81,356
Capitalized development projects	-17,601	-15,366
	57,975	65,990

Research and development expenses include all costs that may be attributed to the areas of product development, development-related testing and product management. In order to strengthen its technological leadership even further, SMA systematically expanded the area of development. Compared to the first nine months of the previous year, SMA has 6,0% more employees in this area. The decrease in personnel expenses is related to the earnings-related reduction in employee bonuses and other savings measures. Other expenses remained stable year-on-year. The rise in capitalized development projects reflects increased activity in the development of new devices.

8. GENERAL ADMINISTRATIVE EXPENSES

€'000	Q1-Q3 2013	Q1-Q3 2012
Material expenses	23	137
Personnel expenses	30,955	39,131
Depreciation and amortization	1,205	813
Other	21,828	17,727
	54,011	57,808

Administrative expenses include expenses for the Managing Board, division management and the areas of Finance, Human Resources, Legal and Compliance, Corporate Communications and Quality Management. The decrease in personnel expenses is related to the earnings-related reduction in employee bonuses and other savings measures. Other expenses include the acquisition costs for purchasing Jiangsu Zeversolar New Energy Co., Ltd. A further increase in other expenses was avoided by means of a targeted reduction of project costs.

9. OTHER OPERATING INCOME/ OTHER OPERATING EXPENSES

Other operating income basically includes income from foreign currency valuation as well as non-operating income, such as assets recognized at fair value through profit or loss.

Other operating expenses include, in particular, expenses incurred from foreign currency valuation, impairment losses on receivables, the disposal of fixed assets, assets classified as at fair value through profit or loss, and expenses for the severance program agreed by the Managing Board and the Works Council. Despite increased insolvencies in the customer base, impairment losses on receivables amounted to only €4.0 million in the first nine months (Q1-Q3 2012: €3.1 million).

10. BENEFITS TO EMPLOYEES AND TEMPORARY EMPLOYEES

€'000	Q1-Q3 2013	Q1-Q3 2012
Wages and salaries	182,195	195,707
Expenses for temporary employees	14,304	28,157
Social security contribution and welfare payments	28,447	36,762
	224,946	260,626

The average number of employees in the Group amounted to:

	Q1-Q3 2013	Q1-Q3 2012
Research and development	1,024	970
Production and service	3,155	3,142
Sales and administration	1,127	1,127
	5,306	5,239
Trainees and interns	340	429
Temporary employees	740	1,178
	6,386	6,846

11. FINANCIAL RESULT

€'000	Q1-Q3 2013	Q1-Q3 2012
Interest income	2,542	3,532
Other financial income	781	1,003
Financial income	3,323	4,535
Interest expenses	2,580	840
Other financial expenses	67	86
Interest portion from valuation	429	492
Financial expenses	3,076	1,418
Financial result	247	3,117

The decreased financial income reflects the current interest rate development on the financial markets and the lower balance of cash and cash equivalents. The increase in interest expenses is attributable to the addition of 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 loss/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 €-0.56 per share for the period from January 1 to September 30, 2013, on the basis of 34.7 million shares. The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of €2.33 per share for the period from January 1 to September 30, 2012, on the basis of 34.7 million shares.

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

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SELECTED NOTES TO THE BALANCE SHEET SMA GROUP

13. GOODWILL AND OTHER INTANGIBLE ASSETS

€'000	09/30/2013	12/31/2012
Goodwill	21,058	311
Software	12,708	10,870
Licenses	1,882	197
Development projects	39,973	30,610
Intangible assets in progress	19,006	24,187
Prepayments	15	560
	94,642	66,735

The changes in goodwill and licenses are the result of the first-time consolidation of Jiangsu Zeyersolar New Energy Co., Ltd. (Suzhou, China), acquired in March 2013, in the Consolidated Financial Statements of SMA. The measurement of goodwill is provisional. ■

14. FIXED ASSETS

€'000	09/30/2013	12/31/2012
Land and buildings incl. buildings on third-party property	232,296	233,931
Technical equipment and machinery	41,548	43,322
Other equipment, fixtures and furniture	75,330	89,364
Prepayments	10,384	10,490
	359,558	377,107

The additions to prepayments in the period from January 1 to September 30, 2013 primarily include investments for the expansion or modification of office buildings following on from the previous year totaling €0.6 million.

15. INVENTORIES

€'000	09/30/2013	12/31/2012
Raw materials, consumables and supplies	120,045	128,390
Unfinished goods, work in progress	34,151	27,211
Finished goods and goods for resale	79,901	64,998
Prepayments	225	770
	234,322	221,369

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. The impairment on inventories, included under expenses as production costs, amounts to €9.7 million (Q1–Q3 2012: €19.4 million).

16. OTHER FINANCIAL ASSETS

As at September 30, 2013, other current financial assets include in particular financial positions, time deposits with a term to maturity of over three months and accrued interest totaling €136.4 million (December 31, 2012: €246.7 million). The other non-current financial assets primarily include financial assets of €51.3 million (December 31, 2012: €48.8 million) and a rent deposit for buildings in the US amounting to USD 2.5 million (December 31, 2012: USD 2.5 million). Of other current assets, a total of €14.4 million was used as security for liabilities from credit financing abroad.

17. SHAREHOLDERS' EQUITY

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

On May 23, 2013, the Annual General Meeting of SMA Solar Technology AG passed a resolution to distribute a dividend for the fiscal year 2012 amounting to €0.60 per qualifying bearer share (2011: €1.30). Payment took place on May 24, 2013.

18. PROVISIONS

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

€'000	09/30/2013	12/31/2012
Warranties	165,984	178,519
Other	28,371	24,175
	194,355	202,694

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, which are expected to be used the following year.

Other provisions contain obligations for the severance program agreed by the Managing Board and the Works Council, for restoration obligations, and obligations for long-service anniversaries, death benefits, partial retirement and service-related benefits. SMA expects that these provisions will normally affect cash within the next 12 months to 20 years.

19. FINANCIAL LIABILITIES

€'000	09/30/2013	12/31/2012
Liabilities towards credit institutions	70,563	34,515
Derivative financial liabilities	6,012	1,048
	76,575	35,563

The change in liabilities to credit institutions resulted from the inclusion of the subgroup Jiangsu Zeyersolar New Energy Co., Ltd. in SMA's consolidated financial statements.

In the current reporting period, there were delays in the payment of a loan obligation at Zeyersolar in the Group. The delay arose due to obstacles when transferring currency to China. As of September 30, 2013, the book value of the loan was €5.60 million. Due to the obstacles, a postponement of the due date to December 31, 2013, was agreed with the lender.

The liabilities due to credit institutions were incurred for the financing of SMA Immo properties and an SMA AG PV system and have an average time to maturity of 11 years.

Derivative financial liabilities consist of a written put option of the Jiangsu Zeyersolar New Energy Co., Ltd. amounting to €4.8 million (section 2).

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20. OTHER FINANCIAL LIABILITIES

€'000	09/30/2013	12/31/2012
Liabilities Human Resources department	33,303	43,000
Liabilities Sales department	13,049	11,900
Other	9,640	3,070
	55,992	57,970

Liabilities in the Human Resources area contain obligations towards employees regarding positive vacation and flexitime balances as well as variable salary components and contributions to the worker's compensation association. The liabilities in the Sales area primarily contain liabilities towards customers from advance payments received and bonus agreements. The other financial liabilities include the obligation from the acquisition of additional shares in Jiangsu Zeyersolar New Energy Co., Ltd., which was not yet paid on the reporting date.

21. OTHER LIABILITIES

€'000	09/30/2013	12/31/2012
Deferred income for extended guarantees	108,421	92,952
Liabilities from prepayments received	18,810	18,023
Liabilities due to tax authorities	2,600	4,507
Liabilities from subsidies received	1,100	1,204
Other	2,219	175
	133,150	116,861

The accrual item for extended warranties includes liabilities from chargeable guarantee extensions granted for the products. 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, 2013, there were 17 forward transactions for hedging the currency risks of expected future sales generated 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 arising 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.

€ '000	Assessment category according to IAS 39	09/30/2013		12/31/2012	
		Market value	Book values	Market value	Book values
Assets					
Cash and cash equivalents	LaR	183,187	183,187	185,299	185,299
Trade receivables	LaR	157,952	157,952	119,288	119,288
Other financial investments	AfS	5	5	75	75
Other financial assets		221,619	221,616	308,464	308,471
of which debentures	AfS	51,813	51,813	49,729	49,729
of which institutional mutual funds	FAHFT	49,513	49,513	49,298	49,298
of which debentures	HtM	5,421	5,418	5,410	5,417
of which other	LaR	112,301	112,301	203,331	203,331
of which derivatives that do not qualify for hedge accounting	FAHFT	2,571	2,571	696	696
Liabilities					
Trade payables	FLAC	53,759	53,759	72,691	72,691
Financial liabilities		76,575	76,575	35,563	35,563
of which liabilities towards credit institutions	FLAC	70,563	70,563	34,515	34,515
of which derivatives that do not qualify for hedge accounting	FLHFT	6,012	6,012	1,048	1,048
Other financial liabilities	FLAC	55,992	55,992	57,970	57,970
Of which summarized by categories according to IAS 39:					
Loans and receivables	LaR	453,440	453,440	507,918	507,918
Financial liabilities measured at amortized cost	FLAC	180,314	180,314	165,176	165,176
Financial assets held for trading	FAHFT	52,084	52,084	49,994	49,994
Financial liabilities held for trading	FLHFT	6,012	6,012	1,048	1,048
Financial assets held to maturity	HtM	5,421	5,418	5,410	5,417
Available for sale financial assets	AfS	51,818	51,818	49,804	49,804

Cash and cash equivalents and trade receivables mainly have short terms to maturity. Accordingly, their carrying amounts 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.

The fair value for held-to-maturity investments is determined with the help of prices listed on active markets. Impairment on held-to-maturity investments is not necessary, as there is no lasting impairment.


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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 liabilities under leases and other non-current financial liabilities are determined by referring to the present values of the payments associated with the debts.

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 the shares (€4.8 million) granted in connection with the acquisition of Zerversolar shares is posted under derivative financial liabilities without a hedge relationship.

There was no major change in the present value of the redemption amount recognized in profit and loss between the time of addition and the balance sheet date, even with regard to the acquisition of additional shares. 

The present value of the redemption amount was determined using a discounted cash flow methodology (level 3 of the fair value hierarchy). The unobservable input is the Zerversolar EBIT derived from internal company planning. A sensitivity analysis shows that a 10% increase in the Zerversolar EBIT results in the present value of the repurchase price increasing to €6.9 million and a 10% reduction results in

a present value for the repurchase price of €2.7 million. A change in the interest rate of +/-100 basis points results in a decrease/increase in the present value of the repurchase price of approximately €0.2 thousand.

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

09/30/2013	Level 1	Level 2	Level 3	Total
Financial assets, measured at fair value				
Debentures	51,813	-	-	51,813
Institutional mutual funds	49,513	-	-	49,513
Derivative financial instruments	-	2,571	-	2,571
Financial liabilities, measured at fair value				
Derivative financial instruments	-	1,190	4,822	6,012
2012				
Financial assets, measured at fair value				
Debentures	49,729	-	-	49,729
Institutional mutual funds	49,298	-	-	49,298
Derivative financial instruments	-	696	-	696
Financial liabilities, measured at fair value				
Derivative financial instruments	-	1,048	-	1,048

There was no regrouping within the three levels.

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 €23.9 million (Q1–Q3 2012: €149.5 million) reflects the operating income prior to commitment of funds. It declined in line with the operating result.

Net cash flow from operating activities amounted to €–31.6 million in the first nine months of fiscal year 2013 (Q1–Q3 2012: €93.9 million). The decrease is mainly attributable to the year-on-year reduced gross cash flow (€–125.6 million), which is due to the reduced earnings before taxes resulting from the price slump and decline in sales in Europe.

As of September 30, 2013, net working capital amounted to €316.0 million (December 31, 2012: €268.0 million) and 32.4% in relation to the last 12 months' sales. The ratio was therefore above the range of 22% to 26% expected by management. This is primarily due to the temporarily higher level of receivables from the project business at the end of the third quarter. The change in net working capital is due primarily to a €158.0 million increase in trade receivables. The change to inventories relevant to the Statement of Cash Flows amounted to €13.7 million. Furthermore, a €9.1 million decrease in trade payables relevant to the Statement of Cash Flows occurred.

The decline in net working capital was more than offset by the integration of Zerversolar. In order to increase delivery capacity and because of the increasing share of international business with longer payment terms, net working capital, not including Zerversolar, was not cut back further.

The changes in the other net assets relate primarily to the effects from paying variable salary components to employees, future performance commitments from extended warranties as well as liabilities from prepayments received.

24. NET CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow from investing activities amounted to €44.3 million compared to the previous year's figure of €–214.8 million. This increase reflects the adjusted investing activities. The volume of investment for fixed assets was €23.5 million, considerably below the previous year's €60.6 million. Major individual investments were allocated to establishing the new IT data center and setting up production lines for new products. The proceeds from the disposal of property, plant and equipment amounting to €1.8 million resulted from the sale of land at Sandershäuser Berg. At €21.8 million, investment in intangible assets was at the same level as the previous year (Q1–Q3 2012: €20.0 million) and primarily included capitalized development projects. In March 2013, 72.5% of the shares carrying voting rights in Jiangsu Zerversolar New Energy Co., Ltd. (Zerversolar) were acquired. Including the acquired cash and cash equivalents of Jiangsu Zerversolar New Energy Co., Ltd., the net outflow of funds from the acquisition of the majority shareholding amounted to €22.1 million.

Pursuant to IAS 7.17, monetary investments with a term to maturity of more than three months are allocated to the net cash flow from investing activities.

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25. NET CASH FLOW FROM FINANCING ACTIVITIES

In the reporting period, net cash flow from financing activities included the dividend payment of SMA Solar Technology AG, the repayment of loan liabilities and Jiangsu Zeyersolar New Energy Co., Ltd. loans.

26. CASH AND CASH EQUIVALENTS

The cash and cash equivalents amounting to €183.2 million (December 31, 2012: €185.3 million) include cash in hand, bank balances and short-term deposits with an original term to maturity of less than three months. Together with the time deposits with a term to maturity of more than three months and other financial assets, this results in financial resources amounting to €370.9 million (December 31, 2012: €480.8 million).

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 the statements in the Notes to the Consolidated Financial Statements.

28. RELATED PARTY DISCLOSURES

With the new Zeyersolar division, the group of related parties was extended by the management of the division. In the reporting period, there were no significant transactions with related parties.

Niestetal, November 4, 2013

SMA Solar Technology AG
The Managing Board

Roland Grebe

Lydia Sommer

Pierre-Pascal Urban

Marko Werner

AUDITORS' 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, 2013 to September 30, 2013, 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 – IDW). 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 IFRSs applicable to interim financial reporting as adopted by the EU and 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 have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU nor 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, November 4, 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Scharpenberg
Wirtschaftsprüfer
(German Public Auditor)

Schwibinger
Wirtschaftsprüfer
(German Public Auditor)

Disclaimer

The Quarterly Financial Report January to September 2013, 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

03/27/2014	Publication of Annual Report SMA Group 2013 and Individual Financial Statement SMA Solar Technology AG 2013 Analyst Conference Call: 9:00 a.m. (CET)
03/27/2014	Press Conference on Annual Results
05/15/2014	Publication of Quarterly Financial Report: January to March 2014 Analyst Conference Call: 9:00 a.m. (CET)
05/27/2014	Annual General Meeting 2014
08/07/2014	Publication of Half-Yearly Financial Report: January to June 2014 Analyst Conference Call: 9:00 a.m. (CET)
11/06/2014	Publication of Quarterly Financial Report: January to September 2014 Analyst Conference Call: 9:00 a.m. (CET)

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ENERGY
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