



# SMARTER USE OF ENERGY

HALF-YEARLY FINANCIAL REPORT  
JANUARY TO JUNE 2014

## SMA AT A GLANCE

SMA Group		Jan. - June		Change	Year 2013
		(Q1-Q2) 2014	(Q1-Q2) 2013		
Sales	in € million	341.2	461.5	-26%	932.5
International share	in %	70.8	67.4		71.0
Inverter output sold	MW	1,990	2,505	-21%	5,361
Capital expenditure	in € million	32.9	32.4	2%	53.2
Depreciation and amortization	in € million	45.4	37.5	21%	83.6
EBITDA	in € million	-17.0	14.2	-220%	-5.5
EBITDA margin	in %	-5.0	3.1	-261%	0.6
Consolidated net result	in € million	-44.9	-16.2	177%	-66.9
Earnings per share <sup>1</sup>	€	-1.29	-0.43	200%	-1.92
Employees <sup>2</sup>		5,024	5,669	-11%	5,141
in Germany		3,569	4,443	-20%	3,736
Abroad		1,455	1,226	19%	1,405

SMA Group		06/30/2014	12/31/13	Change
Total assets	in € million	1,224.2	1,259.9	-3%
Equity	in € million	680.0	724.4	-6%
Equity ratio	in %	55.5	57.5	
Net working capital <sup>3</sup>	in € million	258.4	247.6	4%
Net working capital ratio <sup>4</sup>	in %	31.8	26.6	
Net cash <sup>5</sup>	in € million	244.8	308.1	-21%

<sup>1</sup> Converted to 34,700,000 shares

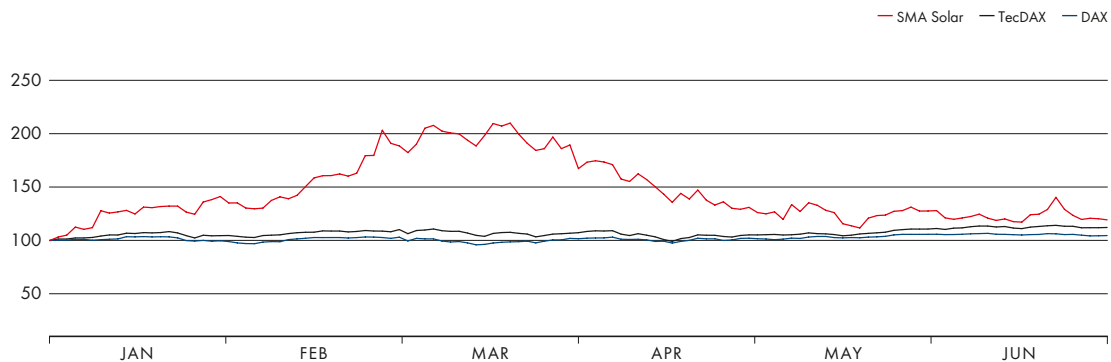
<sup>2</sup> Average during the period; without temporary employees

<sup>3</sup> Inventories and trade receivables minus trade payables

<sup>4</sup> Relating to the last twelve months (LTM)

<sup>5</sup> Liquid funds and securities contained within net working capital less interest-bearing financial liabilities

## SMA SHARE PERFORMANCE IN THE FIRST HALF OF 2014 in %



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# The Share

## Capital Market Environment

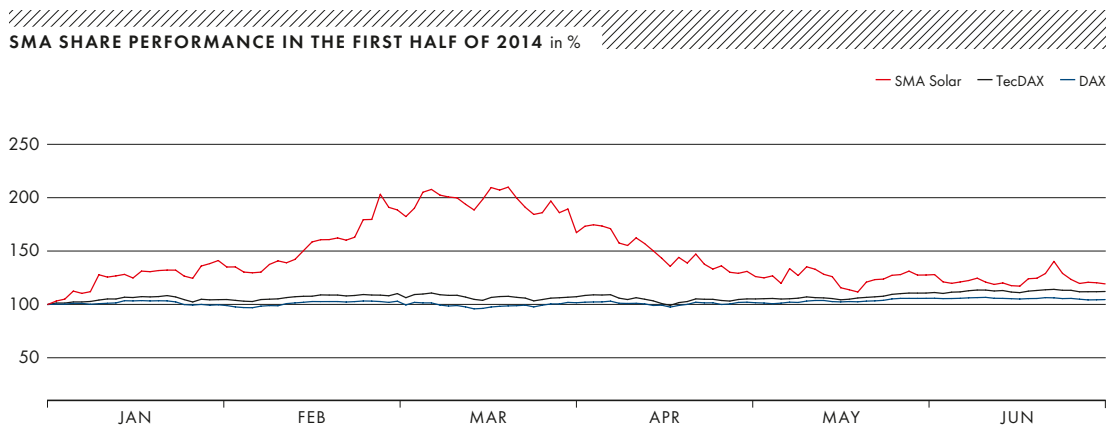
The atmosphere on the stock markets in the first six months of 2014 has been characterized as highly volatile. After significant corrections in the interim, many stock indices reached new all-time highs. After a rather restrained first quarter, positive economic data from industrialized countries and the central banks' expansive monetary policy led to price increases starting mid-April. In spring, the conflict between Russia and Ukraine over the Crimean peninsula had a dampening effect. As of the middle of June, factors such as the Iraq crisis, declining consumer spending in the U.S. and the threat of France's return to recession had a negative impact on stock market development. At the end of the first half of the year, most stock indices were quoting slightly above the level of the start of the year.

In the second quarter, the DAX, the leading German index, exceeded the 10,000-point mark for the first time and achieved a new all-time high of 10,033.74 on June 10. One of the most important triggers for the new record high was the base rate cut by the European Central Bank (ECB) from 0.25% to 0.15%. Previously, the DAX hit its current annual low at 9,017.79 points (closing price) on March 13, 2014. This preceding stock market slide was chiefly due to the political crisis in Ukraine. At the end of the first half of 2014, the DAX was quoting at 9,833.07 points (closing price). This means the leading index gained about 2.9% in total from the start of the year (closing price on December 30, 2013: 9,552.16 points).

The German technology index TecDAX started the stock market year at 1,166.82 points (closing price on December 30, 2013). It performed slightly better than the DAX. By the end of the first half of the year, the index climbed continuously – interrupted by strong setbacks in the first half of April – to a level of 1,309.00 points on June 30. This is a price increase of about 12.2% since the beginning of the year. The TecDAX reached its all-time highest level to date on the basis of closing prices on June 20 at 1,332.30 points.

## SMA Share Performance

The SMA share started the 2014 stock market year at €22.88 (closing price on December 30, Xetra trading platform) and performed very positively for long periods in the first quarter. This was attributable to improved data on the global economy and to company-specific developments such as the announced cooperation with Danfoss.



The SMA share price reached its highest level in the first half of 2014 at €49.10 temporarily on March 18 (Xetra trading platform). In February alone, the SMA share price climbed by more than 50%. The highest daily gain was achieved on February 26, when the share price rose by about 13.5%. This was the day SMA announced that it would establish a strategic partnership with Danfoss.

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

On May 15, SMA published the business figures for the first quarter of 2014, meeting its sales and earnings forecast of March 27, 2014. Despite renewed confirmation of the forecast for 2014 as a whole, the share price fell in the following days to €25.54 (closing price on May 20, 2014, Xetra trading platform). The share closed the first half of the year at €27.45 (closing price on June 30, 2014, Xetra trading platform). This is an increase of about 20% in comparison to the price at the start of the year. The SMA share was one of the most actively traded shares in the TecDAX in the first half of 2014 (14th place), and the average trading volume was 137,864 shares per day during the same period.

After the reporting period, SMA announced a new, significantly reduced sales and earnings forecast via an ad-hoc statement on July 30, 2014. The share price then plummeted sharply and was quoted at just over the €20 mark at close of trading on July 31.

## SMA Share Coverage

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

### RESEARCH COVERAGE

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

## Shareholder Structure

The shareholder structure changed in the reporting period. 25.05% of the shares are in free float and 25.20% are bundled in a pooling agreement. With a shareholding of 20%, SMA has gained an important anchor investor in Danfoss A/S. About 19% of the shares are held by the founders of SMA Solar Technology, Dr.-Ing. h. c. Günther Cramer, Peter Drews, Reiner Wettlaufer and Prof. (em.) Dr.-Ing. Werner Kleinkauf. The first three of those named hold voting rights as Board Members for their foundations with a further approximately 9% of the shares.

## March 27, 2014, Press Conference on Financial Statements

At the press conference on financial statements in Frankfurt/Main, Pierre-Pascal Urbon, Chief Executive Officer, and Lydia Sommer, Board Member for Finance & HR, announced the business figures for 2013 and confirmed the sales and earnings forecast for 2014 as a whole, which was first published in November 2013. The forecast anticipates sales of €1.0 billion to €1.3 billion and, at best, an operating profit of up to €20 million. At the press conference on financial statements, the Managing Board pointed out the significantly higher regulatory risks. These are not yet accounted for in the forecast.

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

## Annual General Meeting

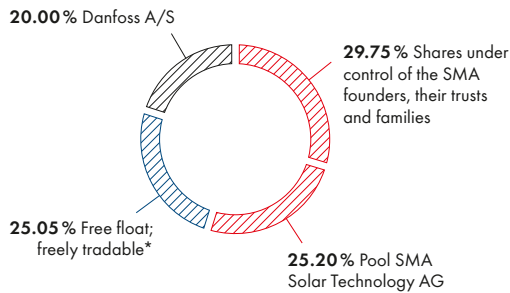
The SMA Annual General Meeting was held at Kongress Palais in Kassel on May 27, 2014. More than 260 shareholders attended. The shareholders granted discharge to the Managing Board and Supervisory Board for the 2013 fiscal year by a large majority of over 99%. Furthermore, the Annual General Meeting followed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

See website  
[www.SMA.de/Annual-GeneralMeeting](http://www.SMA.de/Annual-GeneralMeeting)

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

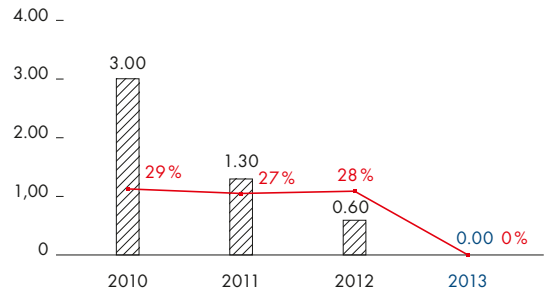
The next SMA Annual General Meeting will be held at Kongress Palais in Kassel on May 21, 2015.

**SHAREHOLDER STRUCTURE** in %



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

**DIVIDEND** in €



— pay out ratio of consolidated earnings  
 ▨ dividend

## Investor Relations

Credibility, transparency and up-to-dateness characterize SMA's communication culture and investor-oriented information policy. The company maintains regular dialogue with the capital market. The Investor Relations website [www.IR.SMA.de](http://www.IR.SMA.de) provides comprehensive and current information about the 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.

See [www.IR.SMA.de](http://www.IR.SMA.de)

On January 20, 2014, SMA held its 6th Capital Markets Day in Kassel. At this event, SMA presented its current corporate strategy, which includes further internationalization, cost reductions and new product launches. Chief Executive Officer Pierre-Pascal Urbon emphasized that SMA's research and development area will not be affected by cost-saving measures and will be expanded further. SMA intends to invest more than €130 million in research and development in this fiscal year in order to reinforce its technology leadership over its competitors.

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

€244.8

**MILLION IN NET CASH**

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



# Interim Management Report

January to June 2014

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# Basic Information About the Group

## Business Activity and Organization

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

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

## Legal Structure of the Group

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

The Half-Yearly Financial Report includes the parent company and, directly or indirectly, all 36 Group companies, including 7 domestic companies and 29 companies based abroad.

## Strategic Alliance With Danfoss A/S

On May 28, 2014, SMA concluded an agreement regarding a close strategic partnership with Danfoss A/S. The goal of the strategic cooperation is to sustainably improve the cost situation and competitiveness of both companies through economies of scale and the use of shared development experience. As announced in February, Danfoss took a 20% share in SMA. In addition, SMA acquired the entire inverter segment from Danfoss. The necessary anti-trust approval had been granted when the agreement was signed.

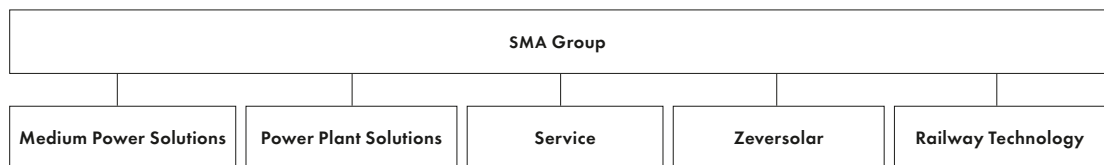
The cooperation allows SMA to accelerate innovation cycles in development and to systematically lower product costs. SMA benefits from the years of experience that Danfoss boasts in the automated drive sector. This market is dominated by cutthroat competition, to which the Danfoss Group has already successfully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

As part of the partnership, Danfoss acquired 6.94 million shares in SMA Solar Technology AG at a price of €43.57 from the Company's founders, their families and trusts. The cash purchase price corresponded to a premium of 21% in relation to the volume-weighted average price of the last 60 days as of May 28, 2014 (premium of 50% of the price on the date of initial announcement). The transaction volume was €302.38 million. The publicly traded free float of the SMA share is 25.05% following the closing of the transaction. The SMA founders, their foundations and families hold 54.95% of SMA shares following the closing of the transaction. Danfoss will not purchase or sell any additional SMA shares before May 2016.

## Current Organizational Structure

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

### ORGANIZATIONAL STRUCTURE



## Management and Control

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

## Changes to the Managing Board

Since June 11, 2014, the Managing Board of SMA Solar Technology AG has comprised the following members: Roland Grebe (Board Member for Technical Innovation), Dr.-Ing. Jürgen Reinert (Board Member for Technical Development), Lydia Sommer (Chief Financial and Human Resources Officer), Pierre-Pascal Urbon (Chief Executive Officer).

As of April 1, SMA split the Technology board position into Technical Innovation and Technical Development. The SMA Supervisory Board also extended current Chief Technology Officer Roland Grebe's contract by another five years. As Board Member for Technical Innovation, Roland Grebe is responsible for the development of product solutions for hybrid and storage applications, SMA Smart Home system solutions and the development of technical solutions for new business areas. In addition, Dr.-Ing. Jürgen Reinert was appointed as Board Member for Technical Development starting April 1, 2014. He is responsible for the development of new product platforms and the expansion of SMA's global development sites. His Managing Board contract has a term of five years. Marko Werner, former Chief Sales Officer, was not available for further Managing Board duty. He heads up Sales Europe as Executive Vice President. Chief Executive Officer Pierre-Pascal Urbon is responsible for global sales as the acting Chief Sales & Service Officer.

## Composition of the Supervisory Board

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

## Research and Development

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

In the first half of 2014, a priority of our research and development work was the development and market launch of innovative solutions for self-consumption of solar energy. Moving forward, integration of storage systems into complete PV systems will gain increasingly greater significance.

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

On average, about 1,000 employees work in SMA's R&D area – this equates to almost 19% of our workforce. We invested €102.5 million in research and development in the last fiscal year.

## Internationally Renowned R&D Partner

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

## Solution for Optimized Self-Consumption: Sunny Boy Smart Energy

In recent months, a focal point of our research and development work has been further development of intelligent energy management systems in households with a PV system. The SMA Smart Home increases self-consumption of solar electricity and makes PV system operators more independent from rising electricity prices. This innovative system concept manages household devices on the basis of location- and system-specific PV generation forecasts, thus making the most effective use of the solar electricity generated. The heart of the SMA Smart Home is the Sunny Boy Smart Energy, which was launched on the German market at the end of April. The PV inverter, which was

introduced and acclaimed at Intersolar Europe 2013, features a battery that temporarily stores solar power with a capacity of approximately 2 kWh. This makes it possible for PV system operators to increase their self-consumption share by up to 50% year-round.

Safety was the number one priority when developing the Sunny Boy Smart Energy. The lithium-ion cells used for the wall-mountable inverter's battery pack meet the high quality standards of the automotive industry that apply for use in marketable hybrid and electric vehicles. In addition, the battery pack has a multi-level, redundant safety concept to prevent short circuiting and overcharging. Thanks to the ready-made connection cables with polarized plugs, installation and operation errors are also virtually ruled out.

## SMA Smart Home: Practical Tests in the Energy Saver Plus House in Kassel and Munich

In order to demonstrate the potential of the SMA Smart Home, we have developed an innovative single-family home in cooperation with Dynahaus, a subsidiary of the construction company Krieger and Schramm, which exceeds the standards of the most modern energy-saving houses and is intended to be fully self-sufficient when it comes to the supply of heating and electric current. In Kassel and Munich, the construction of two model houses began in spring. A family will move into each of these houses on a trial basis January 1, 2015, to subject the buildings' energy concept to a scientifically monitored practical test.

## Integration of eMobility Into the SMA Smart Home

In terms of the development of the SMA Smart Home, we believe that the integration of eMobility and heat pumps will offer very interesting opportunities for industry and private households. The combination of intelligent energy management and optimal charging infrastructure will significantly increase self-consumption and reduce energy costs.

For the INEES<sup>1</sup> research project, we developed a DC quick-charging station that allows solar electricity from electric vehicles to be fed back into the utility grid. Electric vehicles could therefore potentially act as additional electricity storage units in the SMA Smart Home. If there is a lot of solar electricity and a low demand, the electric vehicle stores the surplus energy. Likewise, the solar electricity flows back to operate electrical appliances if the PV system cannot cover high electricity demand. In the long term, the integration of electric vehicles into the electricity market could help to offset fluctuations in the utility grid. Before the end of this year, we expect initial results from a fleet test started in Berlin in April. For this test, Volkswagen provided a total of 20 electric vehicles to test customers for whom we installed our Sunny Wallbox as a bi-directional charging station.

## More Energy, Lower Costs: New Products Introduced

At the industry trade fair Intersolar Europe 2014 in early June, we presented numerous innovative solutions that offer users more independence in the use of energy. A focal point was complete system solutions – from the SMA Smart Home for efficiently increasing self-consumption of solar power in households and commercial enterprises to the SMA Utility Power System for large-scale PV power plants.

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

We have made significant progress with developments for new inverters in the Sunny Boy and Sunny Tripower families. At Intersolar Europe 2014, we introduced expanded power classes for the Sunny Boy as well as more powerful Sunny Tripower inverters. In total, we will augment our product portfolio with two new Sunny Boy and five new Sunny Tripower inverters in the current fiscal year. The Sunny Boy TLUS 6 kW and the Sunny Tripower TL 10 kW have already been launched. All new inverters are distinguished by a greater energy yield with considerably reduced specific costs.

Thanks to the strategic partnership with Danfoss, we also optimally supplemented our inverter product portfolio with the FLX and MLX series devices developed by Danfoss. At Intersolar Europe 2014, the Sunny Tripower 60000TL (formerly the MLX inverter) aroused great interest with the expert audience. The device is ideal for use in medium-sized commercial PV systems.

## Improved After-Sales and Monitoring Services

It is important to us that our products and system solutions achieve the yields that our customers expect. The objective of our comprehensive after-sales services is therefore to maintain the value of a system as well as reliable, optimum operation. In the first half of 2014, we again enhanced our service portfolio and adapted it to our customers' needs.

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

SMA Operations & Maintenance (O&M) offers PV system operators optional full service with our comprehensive package. Here, SMA takes on complete technical management of a PV system. The all-around service not only covers the inverters, but also the medium-voltage components, modules, racks, all cabling and the vegetation and enclosure of the system. The services include repair, device replacement, visual inspections and maintenance. SMA thus guarantees the PV system operator smooth system operation at all times and with the highest performance and planning security. We achieved the first successes with our all-around service in North America. This year, we will take on the operational management of a 100-MW plant in Ontario, Canada's largest-ever PV power plant, for ten years.

The new Sunny Portal Professional Package, which we likewise introduced at Intersolar Europe 2014, is also used for comprehensive monitoring and administration of different PV systems for secure yields. Sunny Portal – SMA's online platform, which has been around for about ten years – allows PV system operators and installers to maintain access to the most important operating and yield data for their PV systems, including analysis, at all times. Sunny Portal analyzes, visualizes and saves this data and makes it available to the relevant PV system operators. In addition, systems for energy management and increased self-consumption are configured and managed centrally via Sunny Portal. The new Sunny Portal Professional Package offers additional functions and more power with simultaneous monitoring of multiple PV systems. The most important innovations include an optimized status display and faster processing of more data with better analysis options. With this enhancement, we have purposefully considered the needs of installers and PV system operators in our product.

## Successful FRT Certification for the Japanese Market

With the Sunny Tripower 10000TLEE-JP, we have already met the new FRT<sup>1</sup> licensing requirements, which are only obligatory from the end of the year, as of early June 2014. This makes us the first inverter manufacturer in the world to comply with these guidelines. As a result, we expect increased acceptance on the Japanese market from the different regional energy operators, as we can already provide optimal support for the local utility grids with our innovative technology, even in the event of short-term voltage dips.

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

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

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

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

## Independent Energy Supply: PV Off-Grid Systems

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

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

In the large-scale PV power plant segment, we use turnkey medium-voltage solutions that can be deployed internationally to allow simple and direct connection to local medium-voltage grids. The main goal here is to meet the connection conditions of the relevant countries. For example, in 2013, we certified system solutions for South Africa and Japan. SMA's solutions for large-scale PV power plants include SMA inverters, transformers, communication products and a PV farm control.

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

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

In Japan, we are involved in one of the country's first decentralized large-scale PV power plants. In mid-April, a 1.5-MW plant constructed by Toshiba as a test system successfully commenced operation near Osaka. Parts of the system were equipped with SMA Sunny Tripower 20000TLEE-JP string inverters, which are distinguished by their special adaptations to Japanese conditions. The SMA system solution communicates via SMA Speedwire and an SMA Cluster Controller to control and monitor the plant with the customer's SCADA system (Supervisory Control and Data Acquisition).

At Intersolar Europe 2014 in early June, we also introduced a complete DC/AC system<sup>1</sup> for the first time, which meets all requirements for large-scale PV power plants of today and tomorrow. The optimized system covers the DC voltage ranges of 1,000 V at 2,200 kVA and 1,500 V at 2,500 kVA, makes use of nearly all module types now common in large-scale PV power plants possible and is suitable for outdoor installation worldwide. Thanks to its compact design, the SMA Utility Power System, which is available as a turnkey system solution or in flexible packages, reduces the costs of transport, installation and commissioning.

## Large-Scale Battery Storage System: Research Project in Aachen

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

## Employees

### Appreciation and Diversity Are Important Cornerstones of Our Culture and the Basis of Our Success

The solar sector remains in a period of profound structural transformation. In particular, the frequent changes in governmental policy have recently caused considerable uncertainty – including among our employees. However, we are certain that in the past two years we have set a strategic course for the long-term international development of SMA. For our future success, cooperative corporate governance, open communication and an appreciative corporate culture are as essential as diversity at all levels of the Company and its sites.

<sup>1</sup> The system automatically converts direct current (DC) into alternating current (AC).



## Employee Headcount

Compared to the 2013 reporting period, the headcount in the first half of 2014 strongly declined. In Germany, in particular, our employee numbers fell by 18.9%, or 812 people, to a total of 3,485 employees (June 30, 2013: 4,297 employees, figures exclude temporary employees). The personnel adjustment program that started in the second half of 2013 had a particular effect here. However, the number of employees abroad slightly rose by 9.7%, or 136 people, to a total of 1,533 employees (June 30, 2013: 1,397 employees, figures exclude temporary employees).

Reporting date	06/30/2014	06/30/2013	06/30/2012	06/30/2011	06/30/2010
Employees					
(excl. temporary employees)	5,018	5,694	5,685	4,815	3,737
of which domestic	3,485	4,297	4,719	4,315	3,384
of which abroad	1,533	1,397	966	500	353
Temporary employees	713	740	1,297	1,453	1,873
<b>Total employees</b>					
(incl. temporary employees)	<b>5,731</b>	<b>6,434</b>	<b>6,982</b>	<b>6,268</b>	<b>5,610</b>

At the end of the reporting period, the SMA Group had a total of 5,018 employees (June 30, 2013: 5,694 employees, figures exclude temporary employees). This equates to a considerable decrease of 11.9% year on year.

SMA uses temporary employees to meet short-term fluctuations in demand. They are paid the same hourly rate as all other SMA employees and, if the Company performs well, they are given a share in the Company's success by way of a bonus payment. As of June 30, 2014, SMA employed 713 temporary employees worldwide. The figure fell by 27 temporary employees year on year (June 30, 2013: 740 temporary employees).

## Award: SMA Is an Attractive Employer

In the reporting period, the Top Employers Institute honored SMA as a top employer for engineers. Every year, the independent certification company based in Düsseldorf and Amsterdam honors companies that are distinguished by excellent working conditions and thus contribute to the personal and professional development of their employees. In times of demographic change and a shortage of qualified staff, this award puts us in a good position internationally in the competition for young talent and highly qualified engineers in research and development. At the same time, the award given to SMA for the third time after 2010 and 2011 shows SMA's distinct reputation as an attractive employer.

## Diversity Management and the Share of Women at SMA

SMA unites many cultures, moral values and talents. At the headquarters in Germany alone, employees come from more than 70 different nations. We use this diversity as a basis for our creativity and flexibility. We see diversity as a requirement for innovation and customer focus and as a driver of our Company's transformation into a more open and flexible company.

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

Since the start of 2014, a diversity management specialist has worked full time toward central management, communication and development of the entire spectrum of diversity at SMA. At present, one of the focal points of our diversity management is the issue of women in management positions, which is closely linked with the goal of achieving a higher proportion of women at all levels of the Company. At the end of the reporting period, only 26% of the total number of SMA employees were women. Our aim in the medium term is that the percentage of women at specific levels of management corresponds to the proportion of female employees in that area.

The measures in pursuit of this aim are varied. For example, the Company-wide mentor program "one4her" is about to start. SMA wants to use this to support women in their professional development at SMA, to make them more visible in the Company and to improve their connections to each other in a targeted manner. Another component of our efforts to support women is the "MentorinnenNetzwerk für Frauen in Naturwissenschaft und Technik" (Mentoring Network for Women in Science and Technology), in which SMA has been a cooperation partner for many years. This network of ten universities in Hesse supports female students and doctoral candidates in the STEM fields of study (science, technology, engineering and mathematics). We are involved in the network through appointment of mentors from our Company and benefit from the initiative in our search for talented young female employees.

Furthermore, SMA is involved in the annual Girls' Day and data collection for the German Federal Ministry for Family Affairs' Women's Career Index.

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

#### GENDER DIVERSITY: SMA EMPLOYEES

in % on the reporting date	06/30/2014	12/31/2013
Female	26	26
Male	74	74

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

#### GENDER DIVERSITY: SMA EXECUTIVES

in % on the reporting date	06/30/2014		12/31/2013	
	Female	Male	Female	Male
Domestic executives	11	89	12	88
of which Managing Board	25	75	25	75
of which General Managers and Vice Presidents	11	89	13	87
of which Directors	12	88	15	85
of which Senior Managers and Managers	10	90	10	90
Executives abroad	20	80	22	78

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

The targeted increase in the share of women at the two uppermost management levels (Managing Board and General Managers/Vice Presidents) to 25% was achieved at the Managing Board level as of the reporting date (December 31, 2013: 25%). At the General Manager/Vice President level, the share of women is 11.1% as of the reporting date (December 31, 2013: 12.5%). There is a slight decline in the ratio here. We are therefore still faced with the challenge of increasing the proportion of women on nearly all management levels.

At SMA, diversity is also demonstrated not least by the large number of employees with foreign passports who work with us in Germany. This number decreased slightly in connection with the adjustment measures of the previous year. SMA currently employs 174 employees with foreign passports (June 30, 2013: 221 employees).

As fewer employees with disabilities left the company over the last twelve months as a ratio of the total workforce, their share in the total workforce increased from 4% to 5% as of June 30, 2014.

## Vocational Training and Acquisition of Young Professionals

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

As of the reporting period, a total of 161 young people were in vocational training at SMA (June 30, 2013: 200 people). In the 2013/2014 group of trainees, eight SMA trainees were awarded a prize as the best of their year group. This shows the high quality of the vocational training in our Company.

The traditional trainee and parents' day took place in the reporting period. On this day, the trainees of the upcoming group of trainees visited SMA to learn about SMA as their future employer. The event was held on-site with their families and helped trainees gain some initial insight into their new workplace and experience SMA's friendly atmosphere firsthand. We also took part in the annual "Vocational Training Night" in Kassel with numerous SMA trainees. There, our trainees presented their own technology exhibits to the students present and, together with their trainers, answered questions on training at SMA.

For the seventh time, SMA hosted the closing event to present the regional award of the "Jugend forscht" (Youth Researches) competition in the reporting period. This large-scale event with promising young research talent, their supervisors and families also provides an opportunity to raise young people's awareness of SMA and its interesting fields of activity at an early stage.

With the start of the new training year, we are focusing on the three jobs that require professional training – industrial clerks, electronics technicians for devices and systems and mechatronics fitters – in which we also train beyond our own needs. In addition, we are offering the electrical engineering dual study program.

# Economic Report

## General Economic Conditions and Economic Conditions in the Sector

### General Economic Conditions

After the global financial and economic crisis, the upturn in the world economy continued at a moderate rate. According to the German Institute for Economic Research (DIW Berlin), industrialized countries such as the U.S., Great Britain and Japan in particular are benefiting from rising production and increasing exports. The economic development in the euro zone also continued to display an upward trend overall, despite low momentum and widespread stagnation in France and Italy in the first quarter of 2014. By contrast, growth in newly industrialized countries at the beginning of the year was comparatively low, while in Russia the effects of the crisis in Ukraine even led to a decline in economic output.

In its "World Economic Outlook" dated July 24, 2014, the International Monetary Fund (IMF) forecasts global economic growth of 3.4% in 2014 (2013: 3.0%). Economic output is set to grow by an estimated 1.8% (2013: 1.3%) in advanced industrialized countries and by 4.6% (2013: 4.7%) in newly industrialized countries. The euro zone is expected to finally emerge from the recession of the past two years with an increase of 1.1% (2013: -0.5%). At the same time, the risk of economic stagnation is still expected to be present.

It is also notable that the IMF forecasts a substantial increase of 4.0% (2013: 3.0%) for international trade in 2014 as a whole.

The German economy will also continue to grow. According to DIW Berlin, its gross domestic product (GDP) will climb by an estimated 1.8% in the current calendar year. In addition to an anticipated further increase in exports, this growth will primarily be driven by a stable labor market and a significant rise in incomes.

### Economic Conditions in the Sector

The global solar industry is continuing to post strong growth. According to NPD Solarbuzz, the volume of photovoltaic power installed worldwide increased to more than 150 GW in the first half of 2014. Between January and June 2014, demand was mainly driven by the major Asian markets (China, Japan) and by sales being brought forward to a significant extent in Great Britain. For 2014 as a whole, the U.S. market research company IHS Technology anticipates the volume of newly installed photovoltaic power worldwide to be between 43 GW and 53 GW.

#### EUROPE

In Europe, demand for photovoltaics did not reach the level of previous years in the first half of 2014. The 2013 fiscal year was shaped by significant adjustments to solar power tariffs in key European markets. Demand fell sharply. This trend continued in the first half of 2014.

For the year as a whole, the analysts at NPD Solarbuzz expect the European share of the overall global PV market to fall below 25% despite positive impetus from the Benelux countries, Great Britain and Eastern Europe.

According to NPD Solarbuzz, PV systems with a total capacity of 1.47 GW were installed in Great Britain in the first six months of 2014 – more than in the whole of 2013. Roughly 80% of this 1.47 GW was attributable to the first quarter and in SMA's opinion was largely due to sales being brought forward, as the feed-in tariff for solar power from PV systems with nominal power of less than 50 kWp fell by 3.5% as of April 1, 2014. Furthermore, the British Department of Energy and Climate Change has announced that it will almost entirely discontinue solar power subsidies earlier than planned. PV systems installed by 2017 were originally set to receive subsidies for 15 years. Now the possibility of bringing the deadline for new systems forward to April 1, 2015, is under discussion. After this date, there will only be minimal subsidization.

In other European countries, demand decreased further in the first half of 2014, with substantial declines in markets such as Spain, Italy, Greece and Romania. After a subsidy cut in 2012 and the introduction of an energy tax, the Spanish government completely withdrew the feed-in tariff for solar power in July 2013. In Italy, the solar power subsidy expired in early July 2013 when the ceiling for the feed-in tariff of €6.7 billion was reached. The market for photovoltaics subsequently plummeted. Self-consumption and net metering<sup>1</sup> have not been able to bridge the gap so far. The decline in Greece and Romania is also due to expiring incentive programs.

In Germany, the ongoing degression of the feed-in tariff led to further decline in new PV installations in the first half of 2014. In late June 2014, the German Federal Government adopted an amendment to the Renewable Energy Sources Act (EEG) as of August 1, 2014. The federal government will progressively introduce mandatory direct marketing of solar energy in the new EEG. Since the beginning of 2014, only 90% of solar power from PV systems with nominal power of over 10 kWp and up to 1,000 kWp that started operation after March 31, 2012 has received the EEG feed-in tariff. For the remaining 10%, PV system operators receive the respective market price for electricity fed into the utility grid. Under the amendment to the EEG, operators of large-scale PV power plants with an output of more than 500 kWp have had to market their electricity completely independently since August 1, 2014. From January 1, 2016, direct marketing is also planned for new plants with an output of 100 kWp or more.

Self-consumption is seen as an increasingly attractive alternative to direct marketing. The solar sector's main criticism of the new law therefore relates to the fact that the EEG apportionment is being imposed on self-consumption of solar power to an increasing extent. From August 1, 2014, 30% of the EEG apportionment will be charged for new plants. This is expected to rise to 35% in 2016, then 40% in 2017 – which includes plants that were connected to the grid between 2014 and 2017. PV systems with an output of up to 10 kWp, which are mostly operated by home-owners, are exempted from the new regulation.

#### **NON-EUROPEAN MARKET**

The U.S. market for photovoltaics is continuing to grow strongly thanks to attractive financing and feed-in tariff models. The portfolio standards were a key growth driver in the Industrial segment in the first half of 2014. Under the U.S. Environmental Protection Agency's "Clean Power Plan," electric utility companies must include a share of renewable energy into their portfolios. Tax incentive programs, the net metering tariff model and solar leasing offered by a number of companies supported demand for PV systems in the Residential segment.

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

The PV market in Japan also continued to develop highly dynamically. According to the International Energy Agency (IEA), PV systems with an output totaling more than 2.7 GW were connected to the grid in the first three months of 2014 alone. However, as a result of the unique grid infrastructure and strict certification requirements, the Japanese market has high entry barriers.

In China, currently the world's largest PV market, the government plans to achieve cumulative installed capacity of more than 40 GW by 2015 and has produced exact guidelines listing the provinces in which PV power is to be installed. Furthermore, the government determines on an annual basis the number of residential and commercial PV systems as well as industrial ground-based PV systems that are allowed to be built. In China, strict certification requirements apply to foreign companies. The award of large-scale project orders is also determined by state tendering procedures. In the first half of 2014, PV systems with an output of 2 GW were installed.

Energy requirements and thus demand for photovoltaics are growing in newly industrialized and developing countries. In South Africa, photovoltaics is in some cases already an economically attractive alternative to other methods of generating energy. A market that is not reliant on subsidies is thus rapidly increasing in importance alongside a subsidized market.

In Thailand, the government has doubled its target for the expansion of solar energy to 3 GW by 2021. However, demand in the first half of 2014 was negatively impacted to a significant extent by political unrest in the country and expiring incentive programs.

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

## Impact of General Conditions on Business Development

In the first half of 2014, the negative trend in Europe continued and demand for PV inverters fell. The SMA Group had a weak start to the fiscal year and sold PV inverters with a total output of 1,990 MW in the reporting period. This equated to a decrease of 20.6% compared with the same period of the previous year (Q1–Q2 2013: 2,505 MW). Sales fell by 26.1% to €341.2 million (Q1–Q2 2013: €461.5 million). This decline was chiefly due to weaker project business caused by factors including economic uncertainty in Europe, the political crisis resulting from the conflict in Ukraine and project delays in the Middle East. In the first half of 2014, earnings before interest and taxes (EBIT) fell to €–62.4 million (Q1–Q2 2013: €–23.3 million). The international share based on sales climbed from 67.4% to 70.8% year on year. With gross sales of €102.4 million (Q1–Q2 2013: €154.9 million), Germany was the market with the strongest sales in the first half of 2014. Important foreign markets were the U.S. Canada, Japan, Great Britain and Australia.

SMA has reacted to the changes in conditions and adjusted its corporate strategy accordingly. A product campaign, increasing internationalization, the cooperation with Danfoss A/S, expansion of the service portfolio and of the global sales and service structure, significant process and cost improvements should help secure the Company's strong competitive position in the next few months. A sustained high innovation rate is intended to ensure SMA's position as technology leader.

## Results of Operations

### Group Sales and Earnings

#### **SMA STARTS FISCAL YEAR WITH WEAK FIRST HALF**

The SMA Group had a weak first half of 2014 and sold PV inverters with a total output of 1,990 MW. This equates to a decrease by 20.6% compared with the same period of the previous year (Q1-Q2 2013: 2,505 MW). Due to the high level of pricing pressure, the SMA Group's sales also fell by 26.1% year on year to €341.2 million (Q1-Q2 2013: €461.5 million).

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

The international share increased from 67.4% to 70.8% year on year. The SMA Group's most important foreign markets in the first half of 2014 were the U.S., Canada, Japan, Great Britain and Australia.

Due to low sales and further decline in selling prices, EBIT fell to €-62.4 million. In the same period of the previous year, it had amounted to €-23.3 million due to better sales performance. The EBIT margin declined from -5.0% to -18.3% year on year. The consolidated earnings amounted to €-44.9 million (Q1-Q2 2013: €-16.2 million). Earnings per share amounted to €-1.29 (Q1-Q2 2013: €-0.43).

### Sales and Earnings per Segment

#### **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 PV systems and energy management. These product families comprise 68 inverters and 15 communication products in total. SMA offers single-phase and three-phase inverters with capacities ranging from 240 W to 60 kW. SMA products achieve a high efficiency of up to 99%, can easily be installed and have a service life of more than 20 years. SMA has concluded cooperation agreements with Miele, Vaillant and Stiebel Eltron to jointly develop system solutions for energy management. The goal being more effective use of solar power.

In the first half of 2014, external sales of the Medium Power Solutions division fell by 20.7% to €201.5 million (Q1–Q2 2013: €254.1 million). Medium Power Solutions remains the strongest-selling division in the SMA Group. Its share of SMA Group's total sales was 59.1% (Q1–Q2 2013: 55.1%). The sharp sales declines in Europe primarily result from the change in subsidies. In addition, discussions regarding the new EEG reform are also negatively affecting demand in Germany. Sales increases resulting from the introduction of new products in North America and Japan only partially compensated for the decline in Europe. The most important foreign markets were the U.S., Australia, Great Britain and Japan. In the first half of 2014, the major sales drivers were the Sunny Tripower 12000TL to 17000TL and Sunny Boy 3000TL to 5000TL inverters.

Low sales levels following the market shift from Europe to Asia and the Americas are having a negative effect on earnings in the Medium Power Solutions division. In the first half of 2014, EBIT was thus €-37.0 million (Q1–Q2 2013: €-21.1 million). In relation to internal and external sales, the EBIT margin was -15.9% (Q1–Q2 2013: -7.3%).

#### **POWER PLANT SOLUTIONS DIVISION SUFFERS UNDER PROJECT DELAYS**

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

External sales fell by 42.5% year on year to €101.8 million in the first half of 2014 (Q1–Q2 2013: €177.1 million) as a result of projects being delayed until the second half of the year and due to weak demand in Europe and increased pricing pressure. Lower demand in Germany, Romania, Italy and Thailand owing to the unclear political situation is not entirely offset by sales growth in Australia and Chile.

The Power Plant Solutions division's share in SMA Group's total sales fell to 29.8% (Q1–Q2 2013: 38.4%). The most important foreign markets were Canada, the U.S., Australia and Great Britain. The most successful products included the Sunny Central Compact Power series of inverters.

The Power Plant Solutions division was unable to compensate for volume decline and price reductions on the previous year by cutting the cost of materials and through advances in productivity. In the first half of 2014, EBIT was €-13.4 million and thus much lower than in the previous year (Q1–Q2 2013: €17.7 million). In relation to internal and external sales, the EBIT margin was -12.1% (Q1–Q2 2013: 9.6%).



**SERVICE DIVISION INCREASES SALES**

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

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

In the first half of 2014, external service sales amounted to €16.4 million (Q1–Q2 2013: €12.7 million). Notable sales drivers were maintenance and service contracts subject to charge, 50.2-Hz modifications and chargeable repairs. In the first six months of 2014, EBIT was €-1.3 million (Q1–Q2 2013: €-2.3 Mio. Euro).

**ZEVERSOLAR DOUBLES ITS SALES**

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

External sales in the first half of 2014 more than doubled to €7.1 million compared to the previous year's figure of €3.3 million. This was mainly attributable to the successfully implemented restructuring measures and an optimized sales strategy. As a result of the high pricing pressure, EBIT was negative at €-8.0 million (Q1–Q2 2013: €-5.3 million after closing on March 12, 2013).

**PROJECT DELAYS NEGATIVELY AFFECT RAILWAY TECHNOLOGY**

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

The division's external sales remained at the previous year's level due to project delays, amounting to €14.4 million (Q1–Q2 2013: €14.3 million). EBIT fell to €-2.1 million (Q1–Q2 2013: €0.5 million) as a result of prepayments for postponed projects. This equates to an EBIT margin in relation to internal and external sales of -14.5% (Q1–Q2 2013: 3.4%).

## Development of Significant Income Statement Items

**SALES DECLINE AND PRICE SLUMP NEGATIVELY AFFECT GROSS MARGIN**

In the first half of 2014, cost of sales amounted to €293.2 million (Q1–Q2 2013: €371.0 million). Cost of sales fell by 21.0% compared with the first half of the previous year. This is more than the decline in volume of 20.6% but less than the drop in sales of 26.1%. The gross margin decreased from 19.6% in the previous year to 14.1%.

In the first half of 2014, 62.3% of the cost of sales could be attributed to material expenses, 23.4% to personnel expenses and 14.3% to other expenses, depreciation and amortization.

Material costs fell by 25.5% to €182.8 million (Q1–Q2 2013: €245.3 million). Material costs adjusted for impairment and scrapping fell to €177.3 million (Q1–Q2 2013: €238.2 million). The material cost ratio rose slightly from 53.2% to 53.6%. Despite a higher share of string inverters, material costs per watt decreased by 6.1% to 9.2 euro cents per watt (Q1–Q2 2013: 9.8 euro cents per watt). The reduction in material costs is due to the success of the cost-out measures, which will increasingly show results over the course of the year.

Personnel expenses fell from €72.1 million in the first half of 2013 to €68.5 million. SMA reduced its workforce at its site in Germany in 2013 and 2014 as part of a voluntary personnel adjustment program. However, the savings generated in personnel costs are partially offset by collectively agreed salary increases and the recognition of provisions for Christmas and vacation pay and through the expansion of the foreign sites in China and the U.S.

Depreciation and amortization increased by 22.2% to €41.0 million (Q1–Q2 2013: €33.6 million). In addition to scheduled depreciation of development projects, they included unscheduled depreciation of capitalized development projects and intangible assets in progress of €7.0 million (Q1–Q2 2013: €0.0 million). The €19.1 million decline in other expenses from €19.9 million to €0.8 million resulted primarily from lower recognition of provisions for statutory warranties based on sales, from the reversal of provisions to income and from lower costs for packaging material and outgoing freight.

Selling expenses rose slightly year on year to €31.4 million in the first half of 2014 (Q1–Q2 2013: €30.5 million). The effects of the personnel adjustments in Germany are offset by collectively agreed salary increases, the expansion of the sales organization in Asia, the U.S. and Australia and the full consolidation of Zegersolar for the first time (2013: as of March 2013). Due to the considerably lower sales in the first half of 2014, the cost of sales ratio was 9.2% (Q1–Q2 2013: 6.6%).

Development expertise is a major and unique selling proposition for SMA. In the first half of 2014, research and development expenses not including capitalized development projects amounted to €42.1 million (Q1–Q2 2013: €37.7 million). Total research and development expenses including capitalized development projects amounted to €58.3 million (Q1–Q2 2013: €49.7 million). Development projects were capitalized in the amount of €16.1 million in the first half of the year (Q1–Q2 2013: €12.0 million).

In the first half of 2014, the SMA Group had an average of 1,032 employees in research and development (H1 2013: 1,017 employees).

Administrative expenses in the first half of 2014 totaled €39.2 million (Q1–Q2 2013: €35.4 million). The personnel cost savings generated by the voluntary severance program in 2013 are more than offset by the first-time full consolidation of Zegersolar in the reporting period (2013: as of March 2013) and by collectively agreed salary increases and the recognition of provisions for Christmas and vacation pay. In relation to the considerably lower sales, the ratio of administrative expenses increased to 11.5% in the first half of 2014 (Q1–Q2 2013: 7.7%).

## Financial Position

### Project Delays Negatively Affect Operating Cash Flow

In the first half of 2014, SMA generated gross cash flow of €-41.7 million. In the same period of the previous year, this figure was €20.7 million.

As a result of customers delaying projects until subsequent quarters, inventory, particularly of finished goods, increased by €39.3 million. In the same period, trade payables increased by €19.4 million due to the extension of payment terms on the supplier side. This partially offset the increase in inventory.

As a result of the lower level of sales in the first half of the year, trade receivables fell by €8.1 million compared to December 31, 2013.

Net working capital increased by 4.4% to € 258.4 million (December 31, 2013: €247.6 million) and amounted to 31.8% in relation to sales over the past twelve months.

Overall, net cash flow from operating activities amounted to €-33.1 million in the first half of 2014 due to the negative operating result and net working capital increase (Q1-Q2 2013: €5.3 million).

Net cash flow from investing activities amounted to €18.5 million in the reporting period (Q1-Q2 2013: €12.7 million). The volume of investment in fixed and intangible assets totaled €32.9 million and was thus at the previous year's level of €32.4 million. A major portion of the investments went to capitalized development projects at €16.1 million (Q1-Q2 2013: €12.0 million).

Cash and cash equivalents amounting to €171.3 million (December 31, 2013: €192.4 million) include cash on 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, and after deducting interest-bearing financial liabilities, this resulted in net cash of €244.8 million (December 31, 2013: €308.1 million). The decline in net liquidity of €63.3 million resulted from the negative development of the operating result, the increase in net working capital resulting from increased inventory and investments in fixed assets and intangible assets.

## Net Assets

### High Equity Ratio of 55.5%

As of June 30, 2014, the balance sheet total decreased to €1,224.2 million (December 31, 2013: €1,259.9 million).

Net working capital increased to €258.4 million as of June 30, 2014. (December 31, 2013: €247.6 million), and thus amounted to 31.8% of sales of the past twelve months. This means that the corridor of 20% to 23% targeted by management has not been achieved. The increase in net working capital is mainly attributable to the increased level of finished goods in project business.

Trade receivables amounted to €115.5 million in the second quarter of 2014, 7.1% lower than on December 31, 2013 (December 31, 2013: €124.3 million). Days sales outstanding increased to 53.9, mainly due to the higher international share (December 31, 2013: 47.7). Inventories increased by 21.2% to €223.1 million (December 31, 2013: €184.1 million). Trade payables increased by €19.4 million to €80.2 million (December 31, 2013: €60.8 million). The share of trade credit in total assets increased to 6.6% (December 31, 2013: 4.8%).

The Group's equity capital base fell by 6.1% to €680.0 million as of June 30, 2014 (December 31, 2013: €724.4 million). With an equity ratio of 55.5%, SMA has a very comfortable equity capital base and therefore boasts a very solid balance sheet structure.

## Capital Expenditure

### SMA Continues to Invest in Research and Development

As planned, SMA has considerably reduced investment and adapted to changes in the market. Development projects have been excluded from this. For the 2014 fiscal year, the SMA Group is planning investments in land and buildings of up to €10 million. SMA will invest up to €50 million in machinery and equipment. The investments in intangible assets, especially development projects, will amount to between €20 million and €30 million.

In the first half of the 2014 fiscal year, investments in fixed assets and intangible assets totaled €32.9 million (Q1-Q2 2013: €32.4 million). €14.6 million (Q1-Q2 2013: €18.3 million) was invested in fixed assets, primarily for machinery and equipment and the construction of a ground-based PV system at Sandershäuser Berg. Investments in intangible assets of €18.3 million (Q1-Q2 2013: €14.1 million) were mainly for capitalized projects such as the development of new products and the enhancement of existing products.

# Supplementary Report

## Significant Events After the End of the Reporting Period

On July 30, 2014, SMA Solar Technology AG released an ad hoc disclosure containing a new sales and earnings forecast and informing on a planned downsizing of 600 employees. For further details, please see the Forecast Report on page 29 et seqq.

# Risk and Opportunities Report

## Risks and Opportunities Management

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

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

# Forecast Report

## The General Economic Situation: The Global Economy is Growing

According to the International Monetary Fund (IMF), the global economy is continuing to grow stably. In its annual outlook from July 24, 2014, the IMF forecasts global growth of 3.4%. According to this forecast, the risk of a global economic crisis has decreased significantly, but not all economic risks have been averted. As examples, the IMF cites the persistent low level of inflation and the ongoing levels of high sovereign debt in the euro zone.

With economic growth expected at 1.1%, the IMF believes the euro zone is falling far short of its potential in 2014 and advises further reforms. In Italy (0.3%), Spain (1.2%) and France (0.7%), the recession may have ended in 2014, but the expected growth remains weak compared to the robust development in Germany (1.9%).

The British economy is gaining considerable momentum (3.2%). By contrast, the outlook has become slightly gloomy in the U.S. (1.7%), Japan (1.6%) and in some newly industrialized countries. In Brazil, the IMF now only expects growth of 1.3% (2013: 2.3%). In Russia, the IMF has lowered its forecast for this year from 1.9% to 0.2% (2013: 1.3%) due to international sanctions in connection with the conflict in Ukraine.

China's growth is expected to amount to 7.4% (2013: 7.7%), while in India the IMF anticipates a 5.4% (2013: 4.4%) increase in the gross domestic product (GDP). International trade is expected to increase by 4.0%.

## Future General Economic Conditions in the Photovoltaics Sector

### Key Trends in the Energy Sector

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

## Photovoltaic Market Transformation

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

## Global Market Stagnating

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

The SMA Managing Board adapted its assessment of the market after the leading trade fairs in China, Europe and North America. For 2014, the Managing Board anticipates newly installed power of approximately 38 GW to 40 GW around the world (previously approximately 48 GW). New installations would therefore be at around the same level as in the previous year. The forecast modification is attributable to weaker demand in Europe due to the massive cuts to subsidies. In addition, the Chinese market has performed much worse than expected so far. In the first half of 2014, only 2 GW of new PV power were installed. For the next two years, the SMA Managing Board expects global volume growth of about 10% to 15% p.a. Price pressure shall remain high due to the persistent cut-throat competition among PV inverter manufacturers. The SMA Managing Board therefore anticipates further consolidation in the industry.

In Germany, SMA expects a further overall decline in demand for PV systems. The main reasons for this are the decreases in feed-in tariffs and the EEG apportionment charge on the self-consumption of solar power. The SMA Managing Board anticipates that PV systems with a power of only about 2 GW will be newly connected to the utility grid in Germany in 2014. Demand would thus fall by approximately 40% year on year. Since the record-breaking year 2010 (approx. 7.5 GW), demand has plummeted by nearly 75%. According to SMA Managing Board's estimates, demand in other European countries is also down in 2014 due to subsidy cuts and the euro crisis. Only Great Britain will experience significant growth stimulus in the second half of 2014 because of an announced subsidy cut in the second quarter of 2015. Overall, the SMA Managing Board expects newly installed power of about 9 GW in Europe (including Germany) in 2014 (2013: 10 GW). This equates to less than 25% of the global market. As recently as 2010, Europe accounted for a share of about two thirds of the global market.

The SMA Managing Board still foresees strong growth stimuli especially in China, Japan and North America. In 2014, these regions are already expected to account for well over half of total global demand. The Chinese government has increased expansion targets for photovoltaics to 40 GW by 2015 with the enactment of an incentive program. For 2014, the SMA Managing Board anticipates demand of about 10 GW in China (2013: approximately 12 GW). 8 GW of this is attributable to large-scale PV projects and 2 GW to decentralized PV systems. The decline



year on year is due to the weaker performance in the market for decentralized PV systems. In this segment, the subsidy models did not result in the level of installation desired by the government up to now. In Japan, the attractive compensation rates are still acting as strong market drivers. The SMA Managing Board expects newly installed power of about 7 GW in 2014 (2013: approximately 7 GW). Here, newly installed PV systems are spread evenly over the Residential, Commercial and Utility market segments. In North America, the SMA Managing Board expects new installations of about 6 GW (2013: approximately 5 GW). More than half of the newly installed power in North America comprises large-scale PV power plants.

The SMA Managing Board also expects to see a rise in demand in newly industrialized countries. The markets in South Africa, Thailand, Chile, Mexico and India in particular offer appealing incentives that promote the installation of PV systems. Additionally, there are worthwhile business opportunities for photovoltaic diesel hybrid systems in many countries in the regions of South America, the Middle East, Asia-Pacific and Africa. In these countries, energy requirements are growing in line with increasing prosperity. Scalable electricity supply solutions are in demand especially in regions without a grid connection. Intelligent system technology allows photovoltaics to be well integrated into already existing diesel-powered grids. However, business with photovoltaic diesel hybrid systems is developing slower than originally anticipated because of technical complexity and limited financing options. For 2014, the SMA Managing Board expects no significant new installations in this market segment. However, the medium-term prospects are exceedingly good and continue to improve due to the high level of dependence on fuel imports in the target regions.

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

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

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

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

The SMA Managing Board first published its sales and earnings forecast for the current fiscal year in November 2013. The forecast anticipated sales of between €1.0 billion and €1.3 billion and EBIT of up to €20 million in the best case scenario. After discussions with customers at the leading trade fairs in China, Europe and North America and own market analyses the Managing Board adapted its forecast on July 30, 2014. For the current fiscal year, the SMA Managing Board expects sales of between €850 million and €950 million. The SMA Managing Board can no longer rule out a loss. A break-even in terms of EBIT is only possible at the upper end of the sales forecast. At the lower end of the sales forecast, the SMA Managing Board expects a loss of up to €45 million. The earnings forecast does not take account of any non-recurring expenses from a staff reduction announced on July 30, 2014.

## New Sales Forecast Anticipates Strong Growth in the Second Half of 2014

At the upper end of the sales forecast of €950 million, the Managing Board anticipates that SMA will benefit from growth in Japan and America on the basis of the expansion of the product range for these markets in 2013 and 2014. In this scenario, the Managing Board also expects greater demand for SMA products in the markets of Great Britain and Australia. In contrast, sales in Germany decline due to the market slump resulting from subsidy cuts. The lower end of the sales forecast of €850 million especially takes realization risks in global project business into account. Delays can be caused in particular by the absence of financing commitments, non-availability of PV modules, political unrest and conflicts and poor weather conditions. According to the SMA Managing Board, international business will account for up to 80% of sales in 2014 (2013: 71%).

In sunny regions, we will take even greater advantage of the opportunities that present themselves in the field of photovoltaic diesel hybrid applications. In terms of capital expenditure, diesel generators are the most cost-efficient method of producing energy in off-grid areas. With intelligent system technology from SMA, photovoltaics can be integrated into such diesel-powered grids quite easily. SMA's integrated solution, which includes an inverter, Fuel Save Controller and an optional storage system, not only saves on expensive fuel, but also lowers the operating and maintenance costs of the energy supply system over the long term. In order to make even better use of the potential arising from PV diesel hybrid applications in the Sunbelt countries, SMA will act as a general contractor in this market segment. The services include project development, system design, construction and commissioning of the complete PV system and servicing. SMA will work strategically with local partners to ensure the most efficient project execution possible. For the current fiscal year, the SMA Managing Board does not yet expect significant sales in the PV diesel hybrid business.

## Earnings Situation Requires Another Staff Reduction

Despite a high operating loss in the first half the year, SMA is aiming to break even in terms of EBIT before one-time items if the upper end of the sales forecast is reached. The main driver for the significant improvement in earnings is the strong sales growth expected in the second half of the year. In addition, the SMA Managing Board expects positive effects on earnings from the sale of products optimized in terms of material costs, which will be available in the second half of the year. Moreover, SMA has laid the foundation for a further improvement in profitability with the projects to reduce costs and increase efficiency already initiated last year. For 2014 as a whole, the SMA Managing Board expects boosting productivity in terms of material, personnel and operating costs and due to efficiency increases to total between €105 million and €115 million (previously: €120 million to €140 million). The reduced impact of the measure compared to the original forecast are primarily the result of the lower level of sales. In the event of lower sales, the SMA Managing Board cannot rule out a loss. At the lower end of the sales forecast, the SMA Managing Board expects an operating loss (before one-time items) of up to €45 million. The lower end of the earnings forecast takes, among others, volume effects from reduced sales and a poorer price quality into account.

SMA is a technology-driven company. Hence, at the heart of SMA's corporate strategy lie long-term expansion of its research and development work and the safeguarding of its technological leadership for developing new business areas. On June 30, 2014, SMA employed over 1,000 employees worldwide in the area of research and

development and set new standards for the photovoltaics industry in all fields of application of PV inverters and energy management systems. The first products of a brand new SMA inverter generation will be launched on the market as early as the first quarter of 2015. In addition, the Managing Board sees profitable growth opportunities in the coming years in the marketing of modern storage technologies for energy management systems in all power classes. For the current fiscal year, the Managing Board expects development expenditure, including capitalized development work, to increase to about €120 million. Until the end of 2015, SMA will focus more closely on strategically important development projects and reduce the annual development budget (including capitalized development work) to approximately €90 million.

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

## Two-Brand Strategy to Improve Market Share

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

Our primary objective is to use technologically unique selling propositions to improve SMA's strong market position. To consolidate our leadership in innovation, we are focusing on the development of system solutions precisely tailored to the regional requirements of photovoltaic markets worldwide and across all power ranges. By contrast, Zegersolar acts as an independent brand with specific unique selling propositions in what is known as the budget market (low-price segment). With the restructuring of Zegersolar now completed, SMA has laid the foundation to benefit from considerable growth opportunities, particularly in the Chinese market. At the SNEC PV POWER EXPO trade fair in Shanghai, China, Zegersolar presented its completely overhauled products to Chinese customers for the first time.

## Development in the Segments

According to Managing Board estimates, the Medium Power Solutions (MPS) division will generate sales of between €450 million and €490 million in 2014 (2013: €555.8 million), accounting for approximately 50% of SMA's total sales. SMA's three-phase string inverters have a large share in MPS sales. The important sales regions for the MPS division include North America, Japan, Australia, Great Britain and Germany. Despite the newly launched products and the implementation of the various cost reduction projects, the MPS division is expected to generate an operating loss on the basis of the decline in sales (2013: -14.0%).

The global demand for solar power systems is mainly characterized by large-scale solar projects. The primary sales regions are North America, Japan and Great Britain. Thanks to its good position in these countries, SMA will benefit from this development. For the Power Plant Solutions division (PPS), the SMA Managing Board expects sales of €300 million to €340 million (2013: €390.4 million). The PPS division thus accounts for about 35% of SMA's total sales. The Sunny Central Compact Power is one of the central inverters that generates the greatest sales in this segment in 2014 alongside the complete system solution including medium-voltage technology. In the best case scenario, the SMA Managing Board expects a slightly positive EBIT margin (2013: 9.5%).

In 2014, the service business will continue to benefit from SMA's high installed basis and the successful conclusion of service and maintenance contracts. Long-term contracts for the operational management of large-scale PV power plants in particular form the basis for a profitable service business. After a successful start in North America, SMA is working to acquire additional complete plant service contracts in Europe in 2014. We also intend to develop our service portfolio in the service business in 2014 with additional new services, thus taking advantage of new sales potential. The 50.2-Hz switchover in Germany, in which SMA is acting as a service provider for grid operators, is also likely to considerably revive the German service business in the current year. Overall, the SMA Managing Board estimates an unchanged sales forecast of between €35 million and €50 million in the service business in 2014 (2013: €29.2 million). The target remains an EBIT margin between 2% and 5%.

In the Zegersolar division, the SMA Managing Board is reducing its sales target to €35 million to €50 million (previously: €50 million to €70 million). The forecast modification is chiefly due to the sharp market decline in Europe. However, Zegersolar saw positive development in the Australian and Chinese markets. The new product portfolio went down well with customers. Despite these market successes, Zegersolar will not achieve its ambitious target of breaking even in the current fiscal year. The SMA Managing Board expects a loss of up to €8 million.

In the Railway Technology business area, the SMA Managing Board continues to estimate sales of between €30 million and €40 million (2013: €35.5 million). The operating result is particularly dependent on the further development of business in Brazil and China. Given that the market launch of the new, high-performance platform for supplying energy to local passenger trains will only begin to have a positive impact in 2015, the SMA Managing Board cannot rule out a small loss for Railway Technology in 2014.

## Net Working Capital Influenced by Year-End Rally

In the ongoing fiscal year, the Managing Board expects net working capital to decrease compared to June 30, 2014. In the future, it is expected to contribute between 23% and 26% to sales of the last twelve months (previously: 20% to 23%). In view of the sales growth expected in the second half of the year, SMA has stockpiled critical supply components. As a result of projects being delayed until the second half of the year, the level of finished goods has increased. The reduction of inventory will make a major contribution to the achievement of the target at the end of the year. Compared with the end of the year 2013, we expect to see an additional increase in receivables, primarily due to stronger foreign and project business. These business areas are generally accompanied by longer payment periods.

## Stable Investment

For the 2014 fiscal year, SMA is planning investments of between €70 million and €90 million. Investments in land and buildings will amount to as much as €10 million. SMA is expected to invest up to €50 million in machinery and equipment. Parts of these investments are scheduled for the start of production of our new product families in 2014 and 2015. Investments in intangible assets primarily concern the capitalization of development projects and amount to between €20 million and €30 million. In the medium term, SMA is planning on total annual investments of up to 8% (2013: 5.7%) of sales. SMA will continue with its successful strategy of producing primarily based on orders received. SMA's production capacity of 15 GW is sufficient to meet global demand.

## Laying Foundations for Return to Profitability

As a specialist for system technology and a global market leader, SMA offers complete system solutions for all markets, module types and power classes. None of our competitors has an innovation rate that even comes close to rivaling SMA's or our solid positioning as a technological leader. In addition to this, our strong sales and service structures are also extremely well positioned to use the opportunities presented by a globally growing photovoltaic market to the best possible advantage. Our flexible business model and solid financial foundation help us exploit new markets. By significantly reducing production costs, optimizing our processing and making extensive structural adjustments across the entire organization, we have also satisfied all the conditions required to achieve a return to profitability in the next year. The acquisition of Zerversolar will help us to take advantage of growth in the Chinese market and improve our market share. Thanks to its strategic alliance with Danfoss, SMA will significantly improve its competitiveness in the medium term. The first positive effects of purchasing synergies will impact SMA's earnings next year. In addition, SMA will be able to serve the important market of medium-sized PV systems better than before by supplementing the product portfolio from the third quarter of 2014 onward. The synergies in Development and Sales will take effect in the medium term. SMA is characterized by an extraordinary corporate culture and motivated employees, who all make a decisive contribution to the Company's long-term success – even in a challenging marketplace. With an equity ratio of more than 55% and a total liquidity of more than €300 million, SMA is financially sound and will remain a reliable partner for its customers in the future.

Niestetal, July 31, 2014

SMA Solar Technology AG  
The Managing Board

55.5

**% EQUITY RATIO**

THE COMPANY'S EQUITY AMOUNTS TO €680.0 MILLION. BASED ON THIS, WE ARE ABLE TO LARGELY FINANCE OUR CONTINUED GROWTH WITH EQUITY.

# Interim Consolidated Financial Statements

January to June 2014

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## Income Statement SMA Group

in €'000	Note	April-June (Q2) 2014	April-June (Q2) 2013	Jan.-June (Q1-Q2) 2014	Jan.-June (Q1-Q2) 2013
<b>Sales</b>	4	<b>164,870</b>	<b>249,228</b>	<b>341,218</b>	<b>461,536</b>
Cost of sales	5	147,444	197,397	293,154	371,019
<b>Gross profit</b>		<b>17,426</b>	<b>51,831</b>	<b>48,064</b>	<b>90,517</b>
Selling expenses	6	17,393	16,460	31,430	30,521
Research and development expenses	7	20,654	18,875	42,141	37,664
General administrative expenses	8	20,504	18,656	39,164	35,429
Other operating income	9	4,694	5,317	10,782	20,226
Other operating expenses	9	3,541	17,998	8,518	30,413
<b>Operating profit (EBIT)</b>		<b>-39,972</b>	<b>-14,841</b>	<b>-62,407</b>	<b>-23,284</b>
Financial income		921	1,469	1,794	2,350
Financial expenses		947	1,036	2,410	1,805
<b>Financial result</b>	11	<b>-26</b>	<b>433</b>	<b>-616</b>	<b>545</b>
<b>Profit before income taxes</b>		<b>-39,998</b>	<b>-14,408</b>	<b>-63,023</b>	<b>-22,739</b>
Income taxes		-11,791	-4,004	-18,095	-6,533
<b>Consolidated net result</b>		<b>-28,207</b>	<b>-10,404</b>	<b>-44,928</b>	<b>-16,206</b>
of which attributable to non-controlling interests		-42	-1,091	-88	-1,286
of which attributable to shareholders of SMA AG		-28,165	-9,313	-44,840	-14,920
Earnings per share, basic (in €)	12	-0,81	-0,27	-1,29	-0,43
Earnings per share, diluted (in €)	12	-0,81	-0,27	-1,29	-0,43
Number of ordinary shares (in thousands)		34,700	34,700	34,700	34,700



## Statement of Comprehensive Income SMA Group

in €'000	April–June (Q2) 2014	April–June (Q2) 2013	Jan.–June (Q1–Q2) 2014	Jan.–June (Q1–Q2) 2013
<b>Consolidated net result</b>	<b>- 28,207</b>	<b>- 10,404</b>	<b>- 44,928</b>	<b>- 16,206</b>
Changes in fair values of available-for-sale assets	37	- 215	29	- 237
Income taxes	- 11	66	- 8	72
<b>Changes recognized outside profit or loss<sup>1</sup> (available-for-sale financial assets)</b>	<b>26</b>	<b>- 149</b>	<b>21</b>	<b>- 165</b>
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	- 2,078	- 2,441	480	- 2,157
<b>Changes recognized outside profit or loss<sup>1</sup> (currency translation differences)</b>	<b>- 2,078</b>	<b>- 2,441</b>	<b>480</b>	<b>- 2,157</b>
<b>Other comprehensive income</b>	<b>- 2,052</b>	<b>- 2,590</b>	<b>501</b>	<b>- 2,322</b>
<b>Overall comprehensive result</b>	<b>- 30,259</b>	<b>- 12,994</b>	<b>- 44,427</b>	<b>- 18,528</b>
of which attributable to non-controlling interests	- 41	- 1,101	- 91	- 1,302
of which attributable to shareholders of SMA AG	- 30,218	- 11,893	- 44,336	- 17,226

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

## Balance Sheet SMA Group

in €'000	Note	06/30/2014	12/31/2013
<b>Non-current assets</b>			
Goodwill	13	13,173	13,173
Other intangible assets	13	84,624	78,974
Fixed assets	14	334,951	348,886
Other financial investments		5	5
Other financial assets	16	53,628	53,451
Deferred taxes		84,636	63,782
		<b>571,017</b>	<b>558,271</b>
<b>Current assets</b>			
Inventories	15	223,119	184,131
Trade receivables		115,549	124,259
Other financial assets	16	107,641	169,194
Claims for income tax refunds		12,790	12,996
Other receivables		22,747	18,725
Cash and cash equivalents	26	171,338	192,366
		<b>653,184</b>	<b>701,671</b>
<b>Total assets</b>		<b>1,224,201</b>	<b>1,259,942</b>
<b>Shareholders' equity</b>			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		526,027	570,363
<b>SMA Solar Technology AG shareholders' equity</b>		<b>679,927</b>	<b>724,263</b>
Equity attributable to non-controlling interests		72	163
	17	<b>679,999</b>	<b>724,426</b>
<b>Non-current liabilities</b>			
Provisions	18	88,440	101,752
Financial liabilities	19	44,709	46,714
Other financial liabilities <sup>1</sup>	20	1,508	1,598
Other liabilities <sup>1</sup>	21	129,817	113,658
Deferred taxes		24,395	23,320
		<b>288,869</b>	<b>287,042</b>
<b>Current liabilities</b>			
Provisions	18	77,268	96,804
Financial liabilities	19	22,228	26,665
Trade payables		80,166	60,806
Other financial liabilities <sup>1</sup>	20	10,875	11,789
Income tax liabilities		8,755	2,267
Other liabilities <sup>1</sup>	21	56,041	50,143
		<b>255,333</b>	<b>248,474</b>
<b>Total equity and liabilities</b>		<b>1,224,201</b>	<b>1,259,942</b>

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

## Statement of Cash Flows SMA Group

in €'000	Note	Jan.-June (Q1-Q2) 2014	Jan.-June (Q1-Q2) 2013
Consolidated net result		- 44,928	- 16,206
Income taxes		- 18,095	- 6,533
Financial result		616	- 545
Depreciation and amortization		45,429	37,522
Change in provisions		- 32,848	5,098
Losses from the disposal of assets		2,287	1,096
Other non-cash expenses/revenue		1,575	7,880
Interest received		825	997
Interest paid		- 1,570	- 472
Income tax paid		5,009	- 8,122
<b>Gross cash flow</b>		<b>- 41,700</b>	<b>20,715</b>
Increase in inventories		- 39,287	- 16,298
Decrease in trade receivables		8,062	20,271
Increase/decrease in trade payables		19,360	- 5,675
Change in other net assets/other non-cash transactions		20,471	- 13,736
<b>Net cash flow from operating activities</b>	23	<b>- 33,094</b>	<b>5,277</b>
Payments for investments in fixed assets		- 14,627	- 18,253
Proceeds from the disposal of fixed assets		822	1,175
Payments for investments in intangible assets		- 18,254	- 14,125
Payments for the acquisition of companies net of cash/proceeds from the acquisition of business units		1,500	- 22,125
Proceeds from the disposal of securities and other financial assets		114,016	276,000
Payments for the acquisition of securities and other financial assets		- 65,000	- 210,000
<b>Net cash flow from investing activities</b>	24	<b>18,457</b>	<b>12,672</b>
Proceeds of financial liabilities		3,429	21,398
Redemption of financial liabilities		- 10,541	- 13,377
Dividends paid by SMA Solar Technology AG		0	- 20,820
<b>Net cash flow from financing activities</b>	25	<b>- 7,112</b>	<b>- 12,799</b>
Net increase/decrease in cash and cash equivalents		- 21,749	5,150
Net increase/decrease due to exchange rate effects		721	- 5,261
Cash and cash equivalents as of 01/01		192,366	185,299
<b>Cash and cash equivalents as of 06/30</b>	26	<b>171,338</b>	<b>185,188</b>

## Statement of Changes in Equity SMA Group

in €'000	Share capital	Capital reserves
<b>Shareholders' equity as of January 1, 2013</b>	<b>34,700</b>	<b>119,200</b>
Dividend payments of SMA Solar Technology AG	0	0
Consolidated net loss	0	0
Other comprehensive income after tax	0	0
Overall result	0	0
Additions of non-controlling interests	0	0
Put option on non-controlling interests	0	0
<b>Shareholders' equity as of June 30, 2013</b>	<b>34,700</b>	<b>119,200</b>
<b>Shareholders' equity as of January 1, 2014</b>	<b>34,700</b>	<b>119,200</b>
Consolidated net loss	0	0
Other comprehensive income after tax	0	0
Overall result	0	0
<b>Shareholders' equity as of June 30, 2014</b>	<b>34,700</b>	<b>119,200</b>

<sup>1</sup> Previous year's figure was adjusted based on final purchase price allocation

## Equity attributable to the shareholders of the parent company

	Market valuation of securities	Difference from currency translation	Other- retained earnings	Total	Equity attributable to non-controlling interests	Consolidated shareholders' equity
	271	1,202	665,288	820,661	2	820,663
	0	0	-20,820	-20,820	0	-20,820
	0	0	-14,920	-14,920	-1,286	-16,206
	-165	-2,141	0	-2,306	-16	-2,322
						-18,528
	0	0	0	0	3,933 <sup>1</sup>	3,933 <sup>1</sup>
	0	0	-4,822	-4,822	0	-4,822
	106	-939	624,726	777,793	2,633 <sup>1</sup>	780,426 <sup>1</sup>
	-56	-2,679	573,098	724,263	163	724,426
	0	0	-44,840	-44,840	-88	-44,928
	21	483	0	504	-3	501
						-44,427
	-35	-2,196	528,258	679,927	72	679,999

# Condensed Notes as of June 30, 2014

## Basic Information

### 1. Basics

The Condensed Interim Consolidated Financial Statements for SMA Solar Technology AG as of June 30, 2014, were prepared – as were the Consolidated Financial Statements as of December 31, 2013 – in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU as well as in compliance with the regulations of Section 315a of the German Commercial Code (HGB). In fiscal year 2014, the Interim Financial Statements for SMA Solar Technology AG are therefore prepared in accordance with IAS 34 Interim Financial Reporting. In accordance with the regulations of IAS 34, a condensed reporting format compared with the consolidated financial statements as of December 31, 2013 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 of December 31, 2013.

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

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

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

The Managing Board of SMA Solar Technology AG authorized the Interim Consolidated Financial Statements on July 31, 2014, for submission to the Supervisory Board.

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

See also Section 4  
page 47 et seqq.

More detailed information on segments is provided in section 4.

## 2. Scope of Consolidation and Consolidation Principles

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

The subgroup Jiangsu Zeversolar New Energy Co., Ltd. was consolidated for the first time as of March 12, 2013. The first-time consolidation was performed in the Interim Consolidated Financial Statements as of March 31, 2013, on the basis of a provisional purchase price allocation. The purchase price allocation was completed in fiscal year 2013. The previous year's figures as of June 30, 2013, were adjusted retrospectively based on the final purchase price allocation. With the exception of the statement of changes in equity as of June 30, 2013, there were no material changes in the previous year's figures as presented in the Interim Financial Statements. In the statement of changes in equity, the addition to non-controlling interests is reported in the amount of €3.9 million in line with the final purchase price allocation; the provisional figure as of June 30, 2014, was €0.7 million. The final purchase price allocation is presented on page 135 of the 2013 Annual Report.

See 2013  
Annual Report  
page 135 et seqq.

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.

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

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

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

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

The allocation of the consideration transferred to acquired assets and liabilities is provisional due to the short period of time between the date of the acquisition and the reporting date. No goodwill was recognized initially. The purchase price allocation will be finalized when all relevant information is available – after a year at the latest.

## ACQUIRED ASSETS AND LIABILITIES

in € million	Provisional book values on acquisition date
Intangible assets	7.5
Inventories	0.5
Cash and cash equivalents	3.0
Other liabilities	-6.0
Net assets	5.0
Consideration	5.0
Acquired cash and cash equivalents	3.0
Total net outflow from acquisitions	2.0

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

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

Given that the acquisition did not take place until May 28, 2014, the consolidation of this business only had a negligible impact on sales and earnings in the first half of the year. Had the acquisition taken place on January 1 of the fiscal year, the impacts on Group sales and annual earnings would have been immaterial as the product licenses transferred do not reach their market maturity until the middle of the year.

### 3. Accounting and Valuation Policies

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

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



Standard/interpretation	Date of compulsory application <sup>1</sup>	Endorsement (until 06/30/2014) <sup>2</sup>
Amendment — IAS 27 — Separate Financial Statements (2011)	01/01/2014	yes
Amendment — IAS 28 — Investments in Associates and Joint Ventures	01/01/2014	yes
Amendment — IAS 32 — Offsetting Financial Assets and Financial Liabilities	01/01/2014	yes
Amendment — IAS 36 — Recoverable Amount Disclosures for Non-Financial Assets	01/01/2014	yes
Amendment — IAS 39 — Novation of Derivatives and Continuation of Hedge Accounting	01/01/2014	yes
New — IFRS 10 — Consolidated Financial Statements	01/01/2014	yes
New — IFRS 11 — Joint Arrangements	01/01/2014	yes
New — IFRS 12 — Disclosure of Interests in Other Entities	01/01/2014	yes

<sup>1</sup> Application to the first reporting period of a fiscal year beginning on or after that date.

<sup>2</sup> Adoption of IFRS standards or interpretations by the EU Commission.

#### IFRS 10 Consolidated Financial Statements

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

#### IFRS 11 Joint Arrangements

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

#### IFRS 12 Disclosure of Interests in Other Entities

The new IFRS 12 summarizes the disclosure requirements from IAS 27, 28 and 31 and adds additional ones. It is to be applied from 2014.

The Consolidated Financial Statements as of December 31, 2013, contain a detailed description of the new accounting standards that are in principle relevant to the SMA Group.

## 4. Segment Reporting

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

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

#### FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segments	Medium Power Solutions		Power Plant Solutions		Service	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
in € million						
External sales	96.7	139.0	48.6	92.6	8.1	6.7
Internal sales	13.6	18.0	3.1	3.5	24.0	25.6
Total sales	110.3	157.0	51.7	96.1	32.1	32.3
Depreciation and amortization	14.7	9.7	2.6	1.1	0.3	0.7
Operating profit (EBIT)	-23.2	-4.6	-7.9	12.2	-0.7	-2.2
<b>Sales by regions</b>						
Germany	33.5	65.3	5.7	13.9	4.4	1.7
European Union	17.1	31.6	4.7	20.9	2.1	2.7
Third-party countries	53.1	47.8	38.3	58.0	1.7	2.3
Sales deductions	-7.0	-5.7	-0.1	-0.2	-0.1	0.0
<b>External sales</b>	<b>96.7</b>	<b>139.0</b>	<b>48.6</b>	<b>92.6</b>	<b>8.1</b>	<b>6.7</b>

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

#### FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segments	Medium Power Solutions		Power Plant Solutions		Service	
	Q1-Q2 2014	Q1-Q2 2013	Q1-Q2 2014	Q1-Q2 2013	Q1-Q2 2014	Q1-Q2 2013
in € million						
External sales	201.5	254.1	101.8	177.1	16.4	12.7
Internal sales	31.4	34.6	9.4	7.3	46.1	49.9
Total sales	232.9	288.7	111.2	184.4	62.5	62.6
Depreciation and amortization	23.8	18.2	3.4	2.2	0.6	1.4
Operating profit (EBIT)	-37.0	-21.1	-13.4	17.7	-1.3	-2.3
<b>Sales by regions</b>						
Germany	73.7	122.4	17.3	25.5	7.0	2.8
European Union	40.3	64.5	12.3	34.5	5.8	5.7
Third-party countries	96.5	79.9	72.4	117.5	3.7	4.3
Sales deductions	-9.0	-12.7	-0.2	-0.4	-0.1	-0.1
<b>External sales</b>	<b>201.5</b>	<b>254.1</b>	<b>101.8</b>	<b>177.1</b>	<b>16.4</b>	<b>12.7</b>

	Zeversolar		Railway Technology		Reconciliation		Continuing Operations	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
	4.6	3.2	6.9	7.7	0.0	0.0	164.9	249.2
	0.0	0.0	0.0	0.3	-40.7	-47.4	0.0	0.0
	4.6	3.2	6.9	8.0	-40.7	-47.4	164.9	249.2
	0.3	0.4	0.2	0.1	7.4	7.7	25.5	19.7
	-4.5	-4.7	-1.1	0.8	-2.6	-16.3	-40.0	-14.8
	0.0	0.0	1.6	2.7	0.0	0.0	45.2	83.6
	0.0	0.0	2.2	3.2	0.0	0.0	26.1	58.4
	4.6	3.2	3.2	1.8	0.0	0.0	100.9	113.1
	0.0	0.0	-0.1	0.0	0.0	0.0	-7.3	-5.9
	4.6	3.2	6.9	7.7	0.0	0.0	164.9	249.2

	Zeversolar		Railway Technology		Reconciliation		Continuing Operations	
	Q1-Q2 2014	Q1-Q2 2013	Q1-Q2 2014	Q1-Q2 2013	Q1-Q2 2014	Q1-Q2 2013	Q1-Q2 2014	Q1-Q2 2013
	7.1	3.3	14.4	14.3	0.0	0.0	341.2	461.5
	0.0	0.0	0.1	0.5	-87.0	-92.3	0.0	0.0
	7.1	3.3	14.5	14.8	-87.0	-92.3	341.2	461.5
	0.6	0.5	0.4	0.3	16.6	14.9	45.4	37.5
	-8.0	-5.3	-2.1	0.5	-0.6	-12.8	-62.4	-23.3
	0.0	0.0	4.4	4.2	0.0	0.0	102.4	154.9
	0.0	0.0	3.3	5.6	0.0	0.0	61.7	110.3
	7.1	3.3	7.2	4.5	0.0	0.0	186.9	209.5
	0.0	0.0	-0.5	0.0	0.0	0.0	-9.8	-13.2
	7.1	3.3	14.4	14.3	0.0	0.0	341.2	461.5

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

€ million	Q2 2014	Q2 2013	Q1 - Q2 2014	Q1 - Q2 2013
Total segment earnings (EBIT)	- 37.4	1.5	- 61.8	- 10.5
Eliminations	- 2.6	- 16.3	- 0.6	- 12.8
Consolidated EBIT	- 40.0	- 14.8	- 62.4	- 23.3
Financial result	0.0	0.4	- 0.6	0.5
Earnings before income taxes	- 40.0	- 14.4	- 63.0	- 22.8

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

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

## Condensed Notes to the Income Statement SMA Group

### 5. Cost of Sales

in €'000	Q1-Q2 2014	Q1-Q2 2013
Material expenses	182,815	245,352
Personnel expenses	68,493	72,146
Depreciation and amortization	41,039	33,578
Other	807	19,943
	<b>293,154</b>	<b>371,019</b>

Cost of sales include, as direct costs, product-related material expenses as well as all other expenses for the areas of Production, Purchasing, Service, Facility Management and IT. Cost of sales fell by €77.9 million against the same period of the previous year to €293.2 million. This is a decrease of about 21.0%. Sales of inverters declined by 20.6% in the comparative period to 1,990 MW (Q1-Q2 2013: 2,505 MW).

Material expenses fell because of the lower sales. In addition, initiated cost-out measures reduced material costs. Despite a higher share of string inverters, specific material costs in relation to sales decreased by 6.1% to 9.2 cents per watt (Q1-Q2 2013: 9.8 cents per watt).

Personnel expenses decreased by 5.1% to €68.5 million. SMA reduced its workforce at its site in Germany in 2013 as part of a voluntary severance program. However, the savings generated in personnel costs are partially offset by collectively agreed salary increases and the recognition of provisions for Christmas and vacation pay and through the expansion of the foreign sites in China and the U.S.

Depreciation and amortization climbed by 22.2% to €41.0 million. They include scheduled and unscheduled amortization on development projects and intangible assets in progress of €7.0 million (Q1-Q2 2013: €0.0 million). The decline in other expenses resulted primarily from lower recognition of provisions for statutory warranties, packaging material and outgoing freight based on sales, and from the reversal of additional provisions to income.

## 6. Selling Expenses

in €'000	Q1 - Q2 2014	Q1 - Q2 2013
Material expenses	345	419
Personnel expenses	16,810	16,576
Depreciation and amortization	506	431
Other	13,769	13,095
	<b>31,430</b>	<b>30,521</b>

Selling expenses include expenditure for global sales activities, internal sales and the marketing department. Selling expenses rose by 3.0% compared with the previous year. The effects of the personnel adjustments in Germany are offset by collectively agreed salary increases and the recognition of provisions for Christmas and vacation bonuses, as well as the expansion of the international sales organization and the full consolidation of ZEVERSOLAR for the first time in the comparative period (2013: from March 2013).

## 7. Research and Development Expenses

in €'000	Q1 - Q2 2014	Q1 - Q2 2013
Material expenses	2,584	2,622
Personnel expenses	33,656	29,744
Depreciation and amortization	3,216	2,679
Other	18,822	14,620
	<b>58,278</b>	<b>49,665</b>
Capitalized development projects	- 16,137	- 12,001
	<b>42,141</b>	<b>37,664</b>

Research and development expenses include all costs that may be attributed to the areas of product development, development-related testing and product management. Development expenses increased by 17.3% to €58.3 million. The expansion of development competence abroad, primarily in the U.S. and at ZEVERSOLAR, as well as collectively agreed salary increases and the recognition of provisions for Christmas and vacation bonuses resulted in a 13.2% increase in personnel costs to €33.7 million. SMA is focusing increasingly on development partnerships. This saw other expenses rise by €4.2 million. Capitalized development projects came to €4.1 million more than in the previous year. The rise in capitalized development projects reflects the enormous amount of activity in the development of new devices.

## 8. General Administrative Expenses

in €'000	Q1 - Q2 2014	Q1 - Q2 2013
Material expenses	93	18
Personnel expenses	22,538	20,345
Depreciation and amortization	669	834
Other	15,864	14,232
	<b>39,164</b>	<b>35,429</b>

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

## 9. Other Operating Income/Other Operating Expenses

Other operating income primarily includes income from foreign currency valuation and non-operating income, for example from assets measured at fair value through profit or loss.

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

## 10. Employee and Temporary Employee Benefits

in €'000	Q1 - Q2 2014	Q1 - Q2 2013
Wages and salaries	112,325	125,604
Expenses for temporary employees	9,589	9,194
Social security contribution and welfare payments	19,577	19,459
	<b>141,491</b>	<b>154,257</b>

The average number of employees in the Group amounted to:

	Q1 - Q2 2014	Q1 - Q2 2013
Research and Development	1,032	1,017
Production and Service	2,674	3,168
Sales and Administration	1,077	1,122
<b>Total</b>	<b>4,783</b>	<b>5,307</b>
Apprentices and interns	241	362
Temporary employees	695	736
<b>Total</b>	<b>5,719</b>	<b>6,405</b>

## 11. Financial Result

in €'000	Q1 - Q2 2014	Q1 - Q2 2013
Interest income	1,509	1,767
Other financial income	285	583
<b>Financial income</b>	<b>1,794</b>	<b>2,350</b>
Interest expenses	1,875	1,552
Other financial expenses	453	81
Interest portion from valuation of provisions	82	172
<b>Financial expenses</b>	<b>2,410</b>	<b>1,805</b>
<b>Financial result</b>	<b>-616</b>	<b>545</b>

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

## 12. Earnings per Share

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

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



The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 results in earnings of €-1.29 per share for the period from January 1 to June 30, 2014, on the basis of 34.7 million shares.

For the period from January 1 to June 30, 2013, the calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of €-0.43 per share on the basis of 34.7 million shares.

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

## Condensed Notes to the Balance Sheet SMA Group

### 13. Goodwill and Other Intangible Assets

in €'000	06/30/2014	12/31/2013
Goodwill	13,173	13,173
Software	10,129	12,536
Licenses	18,518	13,966
Development projects	29,141	34,101
Intangible assets in progress	26,836	18,359
Prepayments	0	12
	<b>97,797</b>	<b>92,147</b>

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

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

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

## 14. Fixed Assets

in €'000	06/30/2014	12/31/2013
Land and buildings incl. buildings on third-party property	220,851	227,635
Technical equipment and machinery	39,165	40,872
Other equipment, fixtures and furniture	61,573	71,917
Prepayments	13,362	8,462
	<b>334,951</b>	<b>348,886</b>

The additions to prepayments for the period from January 1 to June 30, 2014, include investments for the extension or conversion of office buildings and the creation of the ground-based PV system at Sandershäuser Berg, which amount to €7.2 million.

## 15. Inventories

in €'000	06/30/2014	12/31/2013
Raw materials, consumables and supplies	104,789	99,688
Unfinished goods, work in progress	35,009	27,491
Finished goods and goods for resale	82,809	56,292
Prepayments	512	660
	<b>223,119</b>	<b>184,131</b>

Inventories are measured at the lower value of acquisition or production costs and net realizable value. The increase in finished goods and goods for resale is largely the result of the targeted increase in delivery capacity in individual markets. The change in impairment on inventories, included under expenses as cost of sales, amounted to €1.7 million (Q1-Q2 2013: €5.4 million).

## 16. Other Financial Assets

As of June 30, 2014, other current financial assets include in particular financial assets and time deposits with a term to maturity of over three months and accrued interest totaling €84.6 million (December 31, 2013: €133.8 million). The other non-current financial assets primarily include financial assets of €51.2 million (December 31, 2013: €51.3 million) and a rent deposit for buildings in the U.S. amounting to USD 2.5 million (December 31, 2013: USD 2.5 million).

## 17. Shareholders' Equity

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

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

## 18. Provisions

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

in €'000	06/30/2014	12/31/2013
Warranties	141,013	158,717
Other	24,695	39,839
	<b>165,708</b>	<b>198,556</b>

Warranty provisions consist of general warranty obligations (periods of between five and ten years) for the various product areas within the Group. In addition, provisions are set aside for individual cases, which are expected to be used the following year. The change in the provision for statutory warranties is primarily attributable to the fact that the provision is dependent on sales.

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

## 19. Financial Liabilities

in €'000	06/30/2014	12/31/2013
Liabilities towards credit institutions	62,342	69,455
Derivative financial liabilities	4,595	3,924
	<b>66,937</b>	<b>73,379</b>

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

The significant reduction in the level of loan liabilities results from repayments by Zeversolar in the first six months of the current fiscal year.

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

## 20. Other Financial Liabilities

in €'000	06/30/2014	12/31/2013
Liabilities Sales department	8,190	8,070
Other	4,193	5,317
	<b>12,383</b>	<b>13,387</b>

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

## 21. Other Liabilities

in €'000	06/30/2014	12/31/2013
Deferred income for extended guarantees	121,651	115,392
Liabilities Human Resources department	29,750	25,887
Liabilities from prepayments received	20,413	18,120
Liabilities due to tax authorities	2,453	1,997
Liabilities from subsidies received	1,031	1,077
Other	10,560	1,328
	<b>185,858</b>	<b>163,801</b>

The accrual item for extended warranties includes liabilities from chargeable guarantee extensions granted for products in the Medium Power Solutions segment. Starting in fiscal year 2014, liabilities in the Human Resources department are reported under other liabilities in accordance with IAS 32. The disclosure involves adjustment of comparative figures from the previous year. Liabilities in the Human Resources area contain obligations towards employees regarding positive vacation and flextime balances as well as variable salary components and contri-

butions to the worker's compensation association and to social insurance systems. The main items included in the liabilities towards tax authorities are tax liabilities from payroll accounting and sales tax liabilities. The liabilities from subsidies received relate to taxable government grants from funds of the common-task program "Improvement of the Regional Economic Structure" (EU GA), granted as investment subsidies. The total amount of retransfer of government grants is stated under other operating income.

## 22. Financial Instruments

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

in €'000	Assessment category according to IAS 39	06/30/2014		12/31/2013	
		Market value	Book value	Market value	Book value
<b>Assets</b>					
Cash and cash equivalents	LaR	171,338	171,338	192,366	192,366
Trade receivables	LaR	115,549	115,549	124,259	124,259
Other financial investments	AFS	5	5	5	5
<b>Other financial assets</b>		<b>161,269</b>	<b>161,269</b>	<b>222,645</b>	<b>222,645</b>
of which debentures	AFS	51,633	51,633	51,725	51,725
of which institutional mutual funds	FAHFT	48,496	48,496	48,276	48,276
of which other	LaR	60,896	60,896	121,177	121,177
of which derivatives that do not qualify for hedge accounting	FAHFT	244	244	1,467	1,467
<b>Liabilities</b>					
Trade payables	FLAC	80,166	80,166	60,806	60,806
<b>Financial liabilities</b>		<b>66,937</b>	<b>66,937</b>	<b>73,379</b>	<b>73,379</b>
of which liabilities towards credit institutions	FLAC	62,342	62,342	69,455	69,455
of which derivatives that do not qualify for hedge accounting	FLHFT	4,595	4,595	3,924	3,924
Other financial liabilities	FLAC	12,383	12,383	13,387 <sup>1</sup>	13,387 <sup>1</sup>
<b>Summarized by categories according to IAS 39:</b>					
Loans and receivables	LaR	347,783	347,783	437,802	437,802
Financial liabilities measured at amortized cost	FLAC	154,891	154,891	143,648 <sup>1</sup>	143,648 <sup>1</sup>
Financial assets held for trading	FAHFT	48,740	48,740	49,743	49,743
Financial liabilities held for trading	FLHFT	4,595	4,595	3,924	3,924
Available for sale financial assets	AFS	51,638	51,638	51,730	51,730

<sup>1</sup> adjusted prior-year figures in accordance with IAS 32

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

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

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

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

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

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

The put option in the amount of the present value of the redemption amount of shares granted in connection with the acquisition of Zeversolar shares is posted under derivative financial liabilities without a hedge relationship. As of the reporting date, the put option is valued at €3.6 million (December 31, 2013: €3.3 million).

There was a change in the present value of the redemption amount recognized in profit and loss between December 31, 2013, and the balance sheet date amounting to €0.3 million. This change results from interest and currency effects.

The present value of the redemption amount was determined using a discounted cash flow methodology (level 3 of the fair value hierarchy), taking account of the adjusted contractual regulation of the put option. This regulation stipulates that the redemption amount lies within a contractually agreed upon corridor of between RmB 27.4 million (June 30, 2014: €3.3 million) and RmB 41.1 million (June 30, 2014: €4.9 million). Within this corridor, the redemption amount varies mainly depending on EBIT as a non-observable input factor. Expected EBIT is derived from Zeversolar's internal planning. A sensitivity analysis shows that a 10% increase in the Zeversolar EBIT, taking into account the corridor, would not result in a substantial change in the present value of the redemption price, and that a 10% reduction in its EBIT also would not have any effects with regard to the range. An increase or decrease in the risk-adjusted discounting interest rate of 100 basis points would result in a change in the present value of the redemption amount of approximately €0.1 million in both directions.

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

06/30/2014	Level 1	Level 2	Level 3	Total
in €'000				
Financial assets, measured at fair value				
Debentures	51,633	-	-	51,633
Institutional mutual funds	48,496	-	-	48,496
Derivative financial instruments	-	244	-	244
Financial liabilities, measured at fair value				
Derivative financial instruments	-	1,000	3,595	4,595
12/31/2013	Level 1	Level 2	Level 3	Total
in €'000				
Financial assets, measured at fair value				
Debentures	51,725	-	-	51,725
Institutional mutual funds	48,276	-	-	48,276
Derivative financial instruments	-	1,467	-	1,467
Financial liabilities, measured at fair value				
Derivative financial instruments	-	667	3,257	3,924

## Notes to the Statement of Cash Flows SMA Group

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

### 23. Net Cash Flow From Operating Activities

The gross cash flow of €-41.7 million (Q1-Q2 2013: €20.7 million) reflects the operating income prior to commitment of funds. It declined in line with the operating result.

Net cash flow from operating activities in the first six months of 2014 amounted to €-33.1 million (Q1-Q2 2013: €5.3 million).

The change in net working capital recognized in the net cash flow is chiefly due to a €8.1 million decline in trade receivables that affects the Statement of Cash Flows. The increase in inventories was considerably higher than in the first half of the previous year. The change in inventories relevant to the Statement of Cash Flows in order to ensure delivery capacity amounted to €-39.3 million. Furthermore, a €19.4 million increase in trade payables relevant to the Statement of Cash Flows occurred.

The changes in other net assets, which amount to €20.5 million, particularly relate to effects from future benefit commitments from extended warranties, liabilities from prepayments received, and security deposits paid.

### 24. Net Cash Flow From Investing Activities

Net cash flow from investing activities came to €18.5 million in the first half of 2014 after €12.7 million in the first half of the previous year. The outflow of funds for investments in fixed assets and intangible assets amounted to €32.9 million (Q1-Q2 2013: €32.4 million). The cash inflow from the asset deal with Danfoss amounted to €1.5 million. The comparative figures from the previous year include the outflow of funds from the acquisition of 72.5% of the shares carrying voting rights in Jiangsu Zeversolar New Energy Co., Ltd.

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

### 25. Net Cash Flow From Financing Activities

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



## 26. Cash and Cash Equivalents

Cash and cash equivalents amounting to €171.3 million (June 30, 2013: €185.2 million) include cash in hand, bank balances and short-term deposits with an original term to maturity of less than three months.

# Other Disclosures

## 27. Events After the Balance Sheet Date

On July 30, 2014, SMA Solar Technology AG released an ad-hoc disclosure containing a new sales and earnings forecast and informing on a planned downsizing of 600 employees. For further details, please see the Forecast Report on page 29 et seqq.

## 28. Related Party Disclosures

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

On May 28, 2014, SMA concluded an agreement regarding a close strategic partnership with Danfoss A/S. As part of this partnership, Danfoss acquired a 20% stake in SMA and therefore now also belongs to the group of related parties. SMA acquired the entire inverter segment from Danfoss on May 28, 2014. Details on the acquisition of the inverter segment are given in Note 2 Scope of Consolidation and Consolidation Principles. SMA also entered into a strategic cooperation partnership with Danfoss in the areas of Purchasing, Sales and R&D. SMA will also perform services on behalf of Danfoss. All agreements were concluded under fair market conditions. In addition, there were no material business transactions undertaken with Danfoss as the contract was not concluded until May 28, 2014.

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

Niestetal, July 31, 2014

SMA Solar Technology AG  
The Managing Board

Roland Grebe

Dr.-Ing. Jürgen Reinert

Lydia Sommer

Pierre-Pascal Urban

# Responsibility Statement

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

Niestetal, July 31, 2014

SMA Solar Technology AG  
The Managing Board

Roland Grebe

Dr.-Ing. Jürgen Reinert

Lydia Sommer

Pierre-Pascal Urbon

# Auditor's Report

(Translation – the German text is authoritative)

To SMA Solar Technology AG, Niestetal

We have reviewed the Condensed Interim Consolidated Financial Statements – comprising the Condensed Income Statement, the Condensed Statement of Comprehensive Income, Condensed Balance Sheet, Condensed Statement of Changes in Equity, Condensed Statement of Cash Flows and Selected Explanatory Notes – together with the Interim Group Management Report of SMA Solar Technology AG, Niestetal, for the period from January 1, 2014, to June 30, 2014, which are components of the Half-Yearly Financial Report pursuant to Section 37w (2) 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, July 31, 2014

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft

Scharpenberg  
Wirtschaftsprüfer  
(German Public Auditor)

Schwibinger  
Wirtschaftsprüfer  
(German Public Auditor)

**REGISTERED TRADEMARKS**

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Zeversolar is a registered trademark of Jiangsu Zeversolar New Energy Co., Ltd.

**DISCLAIMER**

The half-yearly financial report, in particular the forecast report included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the SMA Group and SMA Solar Technology AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and 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 half-yearly financial report.

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**FINANCIAL CALENDAR** ////////////////

11/06/2014	Publication of Quarterly Financial Report: January to September 2014
	Analyst Conference Call: 9:00 a. m. (CET)
03/26/2015	Publication of the SMA Group 2014 Annual Report and 2014 Individual Financial Statement SMA Solar Technology AG
	Analyst Conference Call: 9:00 a. m. (CET)
05/13/2015	Publication of Quarterly Financial Report: January to March 2015
	Analyst Conference Call: 9:00 a. m. (CET)
05/21/2015	2015 Annual General Meeting
08/06/2015	Publication of Half-Yearly Financial Report: January to June 2015
	Analyst Conference Call: 9:00 a. m. (CET)
11/05/2015	Publication of Quarterly Financial Report: January to September 2015
	Analyst Conference Call: 9:00 a. m. (CET)

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