

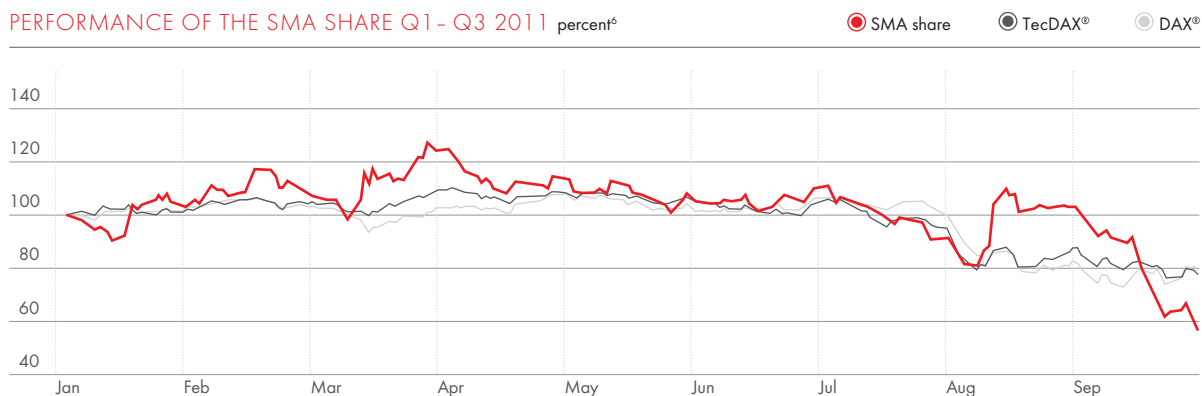
QUARTERLY FINANCIAL REPORT  
JANUARY TO SEPTEMBER 2011

## BUSINESS GROUP FIGURES

SMA Group		Q1 – Q3 2011	Q1 – Q3 2010	Change	Year 2010
Sales	€ million	1,192.2	1,442.5	- 17%	1,920.1
Export ratio	%	53.4	38.7		44.9
Inverter output sold	MW	5,361	5,738	- 7%	7,750
Capital expenditure <sup>1</sup>	€ million	121.4	120.0	1%	158.3
Depreciation	€ million	34.7	21.3	63%	31.3
Operating profit (EBIT)	€ million	178.3	418.2	- 58%	516.8
Operating profit margin	%	15.0	29.0		26.9
Consolidated net profit	€ million	126.4	296.9	- 58%	365.0
Earnings per share <sup>2</sup>	€	3.64	8.56		10.52
Employees <sup>3</sup>		6,268	5,373	17%	5,519
in Germany		5,592	5,023	11%	5,179
abroad		676	350	93%	340

SMA Group		09/30/2011	12/31/2010	Change
Total assets	€ million	1,321.5	1,251.5	6%
Equity	€ million	748.7	728.4	3%
Equity ratio	%	56.7	58.2	
Net working capital <sup>4</sup>	€ million	341.6	284.6	20%
Net working capital ratio <sup>5</sup>	%	20.5	14.8	
Net cash	€ million	338.2	523.4	- 31%

PERFORMANCE OF THE SMA SHARE Q1 – Q3 2011 percent<sup>6</sup>



<sup>1</sup> Without capitalized R&D projects

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

<sup>3</sup> Average during the period; incl. temporary employees

<sup>4</sup> Inventories and trade receivables minus trade payables

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

<sup>6</sup> Rebased to 100 %

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## The Share

# THE SHARE

## BASIC DATA

Security code number	A0DJ6J
ISIN	DE000A0DJ6J9
Stock market code	S92
Reuters	S92G.DE
Bloomberg	S92 GR
Listing	Prime Standard of Frankfurt Stock Exchange
Share class	No-par value ordinary bearer shares
Share capital	€ 34.7 million
Number of shares	34.7 million
Index	TecDAX®

Developments on the stock markets in the first nine months of 2011 were characterized to a large extent by the natural disaster in Japan, the debt crisis in Europe, the political unrest in North Africa and the poor economic situation in the US. Particularly high price movements were evident in the third quarter of 2011. The leading German index DAX lost 21.3 % and reached its yearly low of 5,072.33 points on September 12, 2011. The TecDAX did not escape the negative influences either and fell around 23 % since the start of the year.

## SMA SHARE PRICE IN LINE WITH THE TURBULENT MARKETS

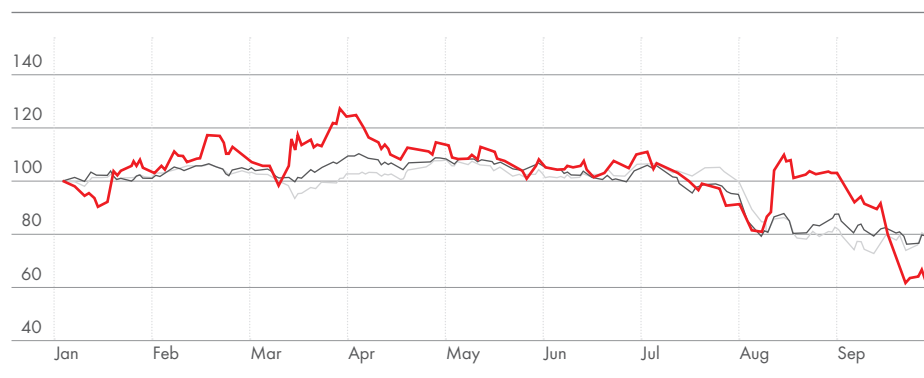
SMA shares began 2011 at a price of € 70.15 (January 3, 2011, closing price Xetra trading platform). Ongoing discussions about plans to cut solar subsidies further in important European markets led to sluggish demand for solar inverters and uncertainty in the capital market. With the resolution to phase out nuclear energy and the confirmation of the annual outlook at the Press Conference on Annual Results, the SMA share peaked at € 89.25 (closing price Xetra trading platform) on March 30, 2011.

In the second quarter of 2011, the SMA share price settled down at a level over € 70. The share was positively affected by the acquisition of the Polish manufacturer of electromagnetic components, dtw Sp. z o.o., as well as the German government's resolution to make no more cuts in solar subsidies. The quarterly high was at € 87.48 (April 4, 2011, closing price Xetra trading platform).

With the presentation of the Half-Yearly Financial Report on August 12, 2011, SMA confirmed their forecast for the year on the basis of the positive second quarter. The share price subsequently climbed by 5.5 % within a day. As the solar industry continued to be marked by uncertainty and forecast adjustments on the part of many market participants, the SMA share price gave way again from mid-August and was at € 39.37 as of September 30, 2011 (Closing price Xetra trading platform).

## PERFORMANCE Q1 - Q3 2011

in %, rebased to 100 points



The trading volume of the SMA shares increased by 3.6 % compared to the previous year.

- SMA share
- TecDAX®
- DAX®

Demand for solar power plants after the summer months improved only slightly in many photovoltaics markets. Pleasing development in the central inverter business for large-scale solar power plants could not fully compensate for the weak high volume commercial business. Therefore, the Managing Board adjusted the sales and earnings forecast for fiscal 2011 on September 19, 2011. As a consequence of the forecast adjustment, the SMA share recorded considerable price losses and closed at the end of the quarter with a minus of 48.8 % (September 30, 2011, closing price Xetra trading platform).

The volume-weighted average price of the SMA share in the period under review stood at € 62.37. The average volume of SMA shares traded was 111,714 per day (Xetra). The trading volume thus increased by 3.6 % year-on-year.

#### SHARE KEY FIGURES

Volume-weighted average price in 2011	€ 62.37
Market capitalization (Ø)	€ 2.50 billion
Daily trading volume (Ø)	111.714 shares
Maximum price (March 30, 2011)	€ 89.25
Minimum price (September 30, 2011)	€ 39.37
Closing price (September 30, 2011)	€ 39.37

#### COMMUNICATION WITH THE CAPITAL MARKET FURTHER INTENSIFIED

Credibility, transparency and up-to-dateness characterize our communication culture and investor-oriented information policy. We maintain a continuous dialog with the capital market with the main objective of building a long-term relationship with shareholders based on trust, particularly in highly volatile and uncertain markets. Our Investor Relations website [www.IR.SMA.de](http://www.IR.SMA.de) offers comprehensive and up-to-date information about our Company – including financial publications and a financial calendar. An interactive share chart enables comparisons between SMA share prices and selected stock market indices.

In the first nine months of 2011, the Managing Board and the Investor Relations team participated in numerous investor conferences in Germany and abroad. The locations were Frankfurt (CA Cheuvreux, Commerzbank, Deutsche Bank), London (UBS) and Luxembourg (HSBC). At Intersolar 2011, the largest photovoltaics trade fair, for the first time SMA was available for one-on-one and group discussions with international investors and analysts.

There were road shows in Zurich and Geneva (Barclays), Edinburgh (Citi, HSBC), London (Bank of America/Merrill Lynch) and Munich (HSBC).

Additionally, SMA conducted about 250 one-on-one discussions and conference calls with investors in the first nine months of 2011. The Investor Relations team will use 2011 to intensify further the successful dialog with institutional and private investors.

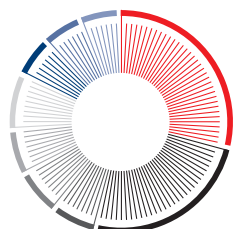
#### ANALYST COVERAGE EXPANDED

The SMA share is currently being tracked by 23 analysts. In the third quarter, Independent Research, Jefferies, Morgan Stanley und Sylvia Quandt Research began covering the SMA share. The following table shows the range of sell-side reporting.

Institution	Name
Bank of America / Merrill Lynch	Claus Roller
Barclays Capital	Rupesh Madlani
Berenberg Bank	Lars Dannenberg
Bryan, Garnier & Co	Julien Desmaretz
Commerzbank	Lauren Licuanan
Deutsche Bank	Katja Filzek
DZ Bank	Sven Kürten
Equinet Bank	Sebastian Freudenreich
Goldman Sachs Group	Stephen Benson
Independent Research	Sven Diermeier
Jefferies	Gerard Reid
HSBC Trinkaus & Burkhardt	Christian Rath
HVB UniCredit	Michael Tappeiner
Landesbank Baden-Württemberg	Erkan Aycicek
Macquarie Group	Robert Schramm-Fuchs
Main First	Andreas Thielen / Hüseyin Özkaya
Metzler	Daniel Seidenspinner
Morgan Stanley	Andrew Humphrey
Natureo Finance	Ingo Queiser
Steubing	Alla Gorelova
Sylvia Quandt Research	Sebastian Zank
UBS	Jean Francois Meymandi
West LB	Peter Wirtz

## SHAREHOLDER STRUCTURE

in %



● 29.15 %	Free float
● 25.20 %	Pool SMA Solar Technology AG
● 7.03 %	Günther Cramer
● 7.05 %	Peter Drews
● 7.05 %	Reiner Wettlaufer
● 7.24 %	Prof. (em.) Dr. Werner Kleinkauf
● 5.76 %	Günther Cramer foundation
● 5.76 %	Peter Drews foundation
● 5.76 %	Reiner Wettlaufer foundation

## CHANGE IN THE SHAREHOLDER STRUCTURE PROVIDES FOR STABILITY AND INDEPENDENCE

In May 2011, founders and major shareholders of SMA Solar Technology AG, Günther Cramer, Peter Drews and Reiner Wettlaufer established three non-profit foundations, placing part of their shares in them. Two million SMA shares were brought into each of the foundations – around 45 % of the shares in SMA still held by the founders. An important objective of the establishment of the foundations was for SMA to continue to have a very stable shareholder structure, therefore being largely independent in the future.

A larger foreign investor currently holds more than 3 % of the total share capital. Besides the SMA founders and the SMA pool, Baillie Gifford & Co is the largest shareholder with around 3.01 %.

## ANNUAL GENERAL MEETING RESOLVES DIVIDEND PAYOUT OF €3.00 PER SHARE

The Annual General Meeting was held at Kongress Palais Kassel on May 26, 2011 with about 600 shareholders attending. The shareholders granted discharge to the Managing Board and Supervisory Board by a large majority and resolved to payout a dividend of € 3.00 per qualifying bearer share for the fiscal year 2010 with a vote of almost 100 %. This corresponds to a distribution volume of € 104.1 million. In future, SMA will continue to attach great importance to involving the shareholders in the Company's development, and is therefore striving for a dividend payout ratio of 20 % to 40 %.

With the end of the Annual General Meeting, Company founders Günther Cramer and Peter Drews stepped down from the Managing Board and were then elected to the Supervisory Board by a large majority. They succeed Siegfried L. Drueker and Dr.-Ing. Martin Hoppe-Kilpper, who resigned from their posts on the Supervisory Board effective as of the end of the Annual General Meeting.

The Supervisory Board is now comprised as follows: Günther Cramer (Chairman), Peter Drews, Dr. Erik Ehrentraut (Deputy Chairman), Dr. Winfried Hoffmann, Prof. (em.) Dr. Werner Kleinkauf and Reiner Wettlaufer as shareholder representatives, as well as Dr. Günther Häckl, Johannes Häde, Ulrich Meßmer, Alexander Naujoks, Joachim Schlosser and Mirko Zeidler as employee representatives.

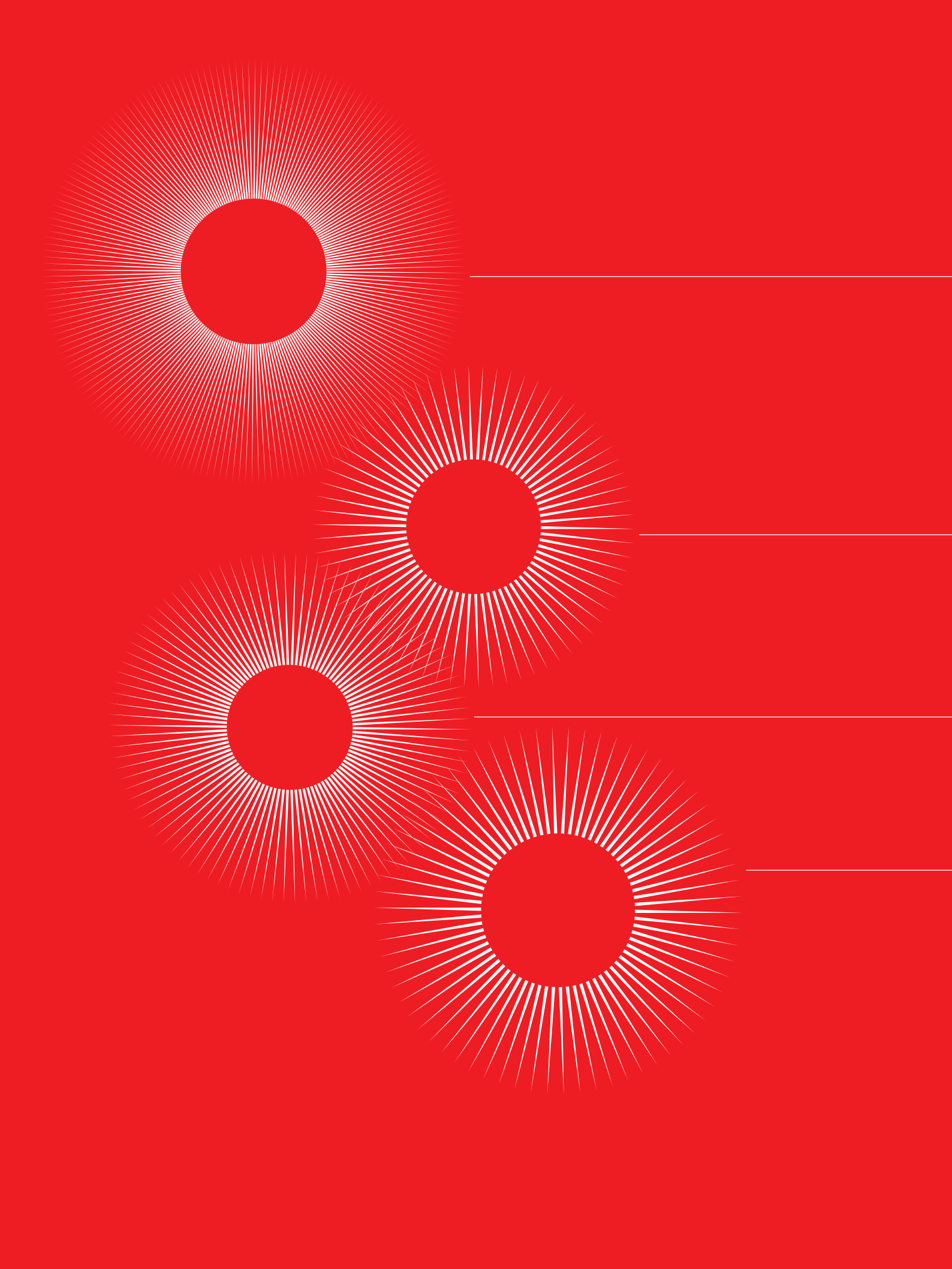
Following the Annual General Meeting 2011, the Managing Board is comprised of the following members: Jürgen Dolle (Chief Human Resources Officer), Roland Grebe (Chief Technology Officer), Uwe Hertel (Chief Operating Officer), Pierre-Pascal Urbon (Chief Executive Officer and Chief Financial Officer), and Marko Werner (Chief Sales Officer).

The Managing Board's presentation along with all relevant documents regarding the 2011 Annual General Meeting are available at [www.SMA.de/en/investor-relations/annual-general-meeting](http://www.SMA.de/en/investor-relations/annual-general-meeting).

## PRESENTATION OF THE UNIQUE SELLING POINTS AND TECHNOLOGICAL APPROACHES TO COST REDUCTION DURING CAPITAL MARKETS DAY

On September 15, 2011, the third SMA Capital Markets Day took place at the SMA headquarters in Niestetal, Germany. Around 40 analysts and investors from Germany, Europe and the US took up the invitation.

During the Management Presentation Pierre-Pascal Urbon outlined SMA's unique selling points and reported on the market assessment. Roland Grebe, Chief Technology Officer, presented the technological approaches to cost reduction and product innovations. Following the presentation, the Managing Board answered questions from the analysts and investors. In addition, the attendees had ample opportunity to inform themselves of new products, the service concept and the solutions for grid integration and self-consumption. Furthermore, the participants toured the recently inaugurated service center for solar inverters, the largest in the world, and visited "Solar-Werk 1", our solar inverter factory. The management presentation is available on our website.





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IN 19 COUNTRIES

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WITH 24 COMPANIES

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OF WHICH 20 FOREIGN COMPANIES

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# INTERIM MANAGEMENT REPORT

# ECONOMIC CONDITIONS

## GENERAL ECONOMIC CONDITIONS

### **POSITIVE OVERALL ECONOMIC GROWTH FORECAST FOR 2011**

The recovery of the global economy continued in the first nine months of 2011. The newly emerging economies showed a rapid growth in production, resulting in very high economic momentum. However, in the eurozone the situation varied. Whereas Germany and some of its neighbors recorded strong growth in the period under review, in the Mediterranean countries the economy stagnated due to the debt crisis. The US also generated only modest economic growth with unemployment rates rising and high national debt.

In its fall forecast of October 18, 2011, the International Monetary Fund (IMF) warned of a global economic slowdown for the current year as well as 2012, in view of the debt crisis in the Eurozone and the situation in the US. But the IMF currently sees no danger of recession. The IMF expects global economic growth of 4.0 % for 2011. However, the momentum is in the emerging economies with a growth of 6.4 %, while only 1.6 % is forecast for the industrialized countries.

According to the IMF, the German economy will perform the best of all Eurozone countries with growth of 2.7 %. This development is based on increased foreign demand as well as a strong domestic economy. In the third quarter of 2011, expectations clouded over in face of the debt crisis and weaker growth. The Ifo Business Climate Index, an important barometer of economic sentiment, slid to 107.5 in September, its lowest since June 2010. However, companies continue to view the current development favorably. According to the Ifo, this is evidence that the German economy has been able to distance itself from the political turbulence.

## ECONOMIC CONDITIONS IN THE SECTOR

### **PHOTOVOLTAICS MARKETS FAIL TO DEVELOP WITH THE NECESSARY MOMENTUM DESPITE ATTRACTIVE CONDITIONS**

In the first nine months of the current fiscal year 2011, the photovoltaics markets did not continue the growth posted in the record year 2010. The SMA Managing Board estimates that in 2010 approx. 23 GW were installed, 7.4 GW of which in Germany and about 6 GW in Italy.

Due to the poor weather conditions and uncertainty concerning future solar subsidies in important photovoltaics countries like Germany and Italy, the first quarter saw particularly weak development.

In February 2011, the German Solar Industry Association and the Federal Government agreed on an earlier, extension-dependent reduction of solar subsidies as of July 1, 2011. The recommendation was approved by both the Federal Cabinet and Federal Council in the first quarter of 2011. As the installed capacity in the reference months March to May was only 0.7 GW due to the considerable reduction of the feed-in tariff at the beginning of the year, the feed-in tariffs will not be adjusted again this year.

The natural catastrophe and reactor disaster in Japan in March 2011 led to intensive political discussion and a broad social consensus in many countries concerning further expansion of renewable energies. Germany has a leading role in questions of energy policy and by resolution of the Federal Council and Federal Cabinet (June 30, 2011 and July 8, 2011) took the far-reaching consequence to phase out nuclear energy gradually by 2022. Due to the early phase-out of nuclear energy, regulations were also passed concerning grid expansion and green power subsidies.

In Italy, the second-largest market for photovoltaic plants after Germany, in May it was resolved that solar subsidies be incrementally reduced until 2016. According to this resolution, the funding of solar power plants is linked to the total existing capacity of the PV power stations and will be limited to € 300 million for large-scale solar projects in the year 2011. In the following year, it will be limited to € 280 million. There is no limit planned for other PV systems. The overall objective is to limit the feed-in tariff to € 1.3 billion from 2013 to 2016. The funding of the photovoltaics industry is also widely socially supported in Italy. This is reflected in a referendum held in Italy in June, in which the Italian people decided against a return to nuclear power.

According to the SMA Managing Board's assessment, the fundamental data for the solar industry are currently good, with a favorable interest rate level, the significantly lowered specific costs of a solar power plant and the resulting attractive returns on solar energy. Demand increased in the second quarter of 2011, so in light of the conditions the SMA Managing Board expected a considerable pick-up in demand in the second half of the year. The SMA Managing Board estimates that in the third quarter global demand in the high-volume retail business remained below the level of the previous year. The project business did not fully offset this development, so the global market in the period under review remained below the newly installed capacity of the previous year, according to the SMA Managing Board's assessment. Germany, Italy, North America, France and Australia were among the highest-volume photovoltaics markets in the first nine months of the year.

## IMPACT OF GENERAL CONDITIONS ON BUSINESS DEVELOPMENT

### **MANAGING BOARD ADJUSTED SALES AND EARNINGS TARGET FOR 2011**

SMA is the world market leader for PV inverters. Following the new establishments in Japan and Thailand in the second quarter of 2011 as well as the acquisition of dtw Sp. z o.o. ("dtw"), it is now represented with its own companies in 19 countries. The range of products which has won many awards includes PV inverters for both rooftop systems as well as large-scale solar projects. Therefore, SMA is able to provide technically optimal inverter solutions for all power classes and all types of plants worldwide. The range of products is also supplemented by a global service network, which is an important distinguishing feature in business competition. The highly flexible production facilities in Germany and North America enable SMA to fulfill customer orders quickly in these high-volume regions.

The development of business at SMA was uneven in the first nine months of the fiscal year. In the first quarter of 2011, SMA did not escape the weak development on photovoltaics markets. Demand for SMA solar inverters was low due to our customers' high inventories and poor weather conditions. In the second quarter, there was a considerable increase in demand, so the inverter capacity sold in the second quarter doubled quarter-on-quarter. Sales were correspondingly positive. Therefore, with the publication of the Half-yearly Financial Report on August 12, 2011, the SMA Managing Board confirmed its forecast for 2011, first stated on September 15, 2010, subject to a considerable demand upturn in the second half of the year.

In the third quarter, global demand developed differently in the various market segments. Whereas SMA recorded good rates of growth in large PV plants, high-volume retail business

experienced declining demand. The project business did not compensate fully for the weak order position in the retail business. In the first nine months of the year, a total of 5.4 GW inverter capacity was sold. That is 6.6 % less than in the same period of the previous year (Q1–Q3 2010: 5.7 GW).

In this context and in view of the fourth quarter, which is usually influenced by weather, on September 19, 2011 the SMA Managing Board adjusted the sales and earnings forecast for the current year and the outlook up to 2013. The Managing Board now expects sales of € 1.5 billion to € 1.7 billion for 2011 (previously € 1.5 billion to € 1.9 billion) and an operating result (EBIT) of € 220 million to € 300 million (previously € 315 million to € 475 million). It is currently not possible to assess precisely the sales and result situation up to 2013 because of the significant changes in the global market and the competitive situation.

#### ACQUISITION OF DTW AND FIRST-TIME CONSOLIDATION

On August 1, 2011, SMA concluded the purchase of the Polish company dtw Sp. z o.o. ("dtw"). dtw will now be managed by SMA as a subsidiary and global competence center for electromagnetic components. More detailed information on the scope of consolidation is provided in the Notes on page 43.

With the acquisition of its long-standing supplier, SMA has secured technological leadership in the area of solar inverters. dtw specializes in the manufacture of technologically innovative core components for the production of inverters, such as inductors and transformers. Founded in 1991 by Stefan and Izabella Domagala, the company currently has 278 employees plus a seasonally fluctuating number of temporary employees currently at 241 (519 employees in total as of September 30, 2011). In recent years, dtw has grown strongly and in 2010 generated sales of € 74 million.

For SMA, this acquisition is a strategically important step towards the development of powerful products and the further expansion of the Company's technological leadership. SMA will synchronize the development processes of mechanical systems, electromagnetic components and power electronics, thereby shortening development times significantly. Furthermore, several development projects are examining new magnetic materials with new types of alloys. SMA's Managing Board is convinced that the acquisition will allow the Company to further distinguish itself from competitors.

The purchase price for the 100 % interest in dtw amounted to € 33.5 million. The company purchase was concluded on August 1, 2011. According to SMA's Managing Board, the transaction will already lead to a positive earnings contribution and an increase in equity during the current fiscal year. The integration of dtw and the synchronization of development activities are proceeding as planned.

# RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

## RESULTS OF OPERATIONS

### GROUP SALES AND EARNINGS

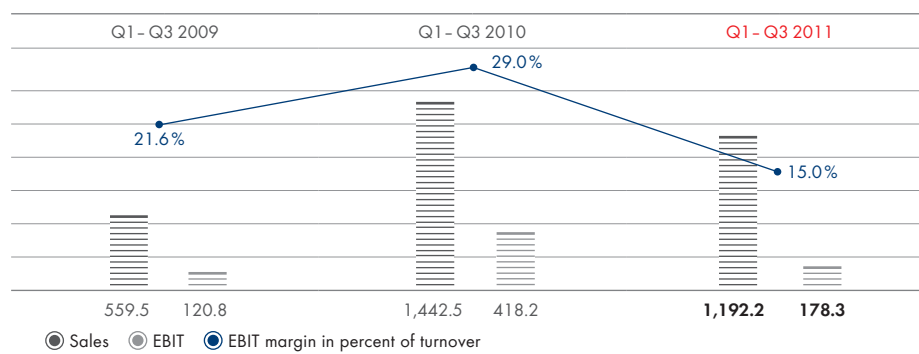
#### LIGHTLY CLIMBING PROFITABILITY, STRONG GROWTH IN PROJECT BUSINESS

In the first nine months of 2011, SMA sold solar inverters with a total capacity of 5.4 GW (Q1–Q3 2010: 5.7 GW). Sales amounted to € 1,192.2 million in the period under review. The decrease in sales of 17.4 % year-on-year (Q1–Q3 2010: € 1,442.5 million) was caused by a sluggish demand, a shift in the product mix towards inverters with a higher capacity and a reduction of the specific sales prices.

In the first nine months of 2011, the Medium Power Solutions segment was the strongest segment of the SMA Group in terms of sales with a 70.3 % (€ 837.2 million) share in total sales. Although retail business picked up towards the end of the period under review after a weak first quarter, demand fell short of the Managing Board's expectations despite the positive conditions. In the reference period of the previous year, the Medium Power Solutions segment generated a sales share of 85.8 % (Q1–Q3 2010: € 1,237.3 million).

The High Power Solutions segment developed successfully in the period under review and increased its share of total sales. Sales increased year-on-year (Q1–Q3 2010: € 184.2 million) by 74.3 % to € 321.1 million. This means that the High Power Solutions segment contributed 26.9 % of sales (Q1–Q3 2010: 12.8 %). The sharp increase in sales emphasizes the excellent position of SMA in the market segment of large-scale solar projects.

### SALES & EBIT in € million



The period under review was influenced not only by a change of the product mix, but also by a regional shift in demand. In the foreign markets, SMA increased its gross sales by 13.2 % to € 656.0 million (Q1–Q3 2010: € 579.3 million) due to its excellent sales and service structures as well as its full range of products. The foreign markets with the highest sales for SMA included North America, Italy, France and Australia. In total, the gross foreign market share amounted to 53.4 %, which is significantly higher than in the previous year (Q1–Q3 2010: 38.7 %).

In the first nine months of 2011, earnings before interest and taxes (EBIT) amounted to € 178.3 million, far lower than the record result of the previous year (Q1–Q3 2010: € 418.2 million). This corresponds to an EBIT margin of 15.0 %, which is a slight improvement on the first six months of 2011. In the period under review, the acquisition of dtw still has a minor impact on the result situation. Consolidated net profit was € 126.4 million (Q1–Q3 2010: € 296.9 million). Earnings per share decreased to € 3.64 in comparison with the same period last year (Q1–Q3 2010: € 8.56).

## SEGMENT SALES AND EARNINGS

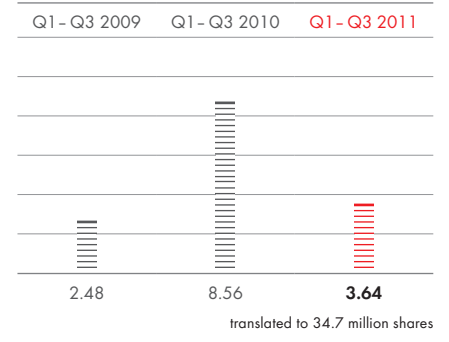
### SUCCESSFUL PROJECT BUSINESS DOES NOT FULLY OFFSET DECLINE IN DEMAND IN THE RETAIL BUSINESS

In the first nine months of 2011, external sales of the **Photovoltaics Technology** division amounted to € 1,158.3 million (Q1–Q3 2010: € 1,421.5 million). The **Medium Power Solutions** segment was the strongest segment with € 837.2 million, amounting to a 70.3 % share of total sales (Q1–Q3 2010: € 1,237.3 million). With € 321.1 million (Q1–Q3 2010: € 184.2 million), a 26.9 % share in total sales was attributable to the **High Power Solutions** segment.

The **Medium Power Solutions** segment covers the products Sunny Boy, Sunny Mini Central, Sunny Tripower, Sunny Island, Sunny Backup and products for monitoring solar power plants. The grid-connected inverters and Sunny Backup inverters are deployed mainly in residential and commercial buildings, while Sunny Island is used for stand-alone systems, known as off-grid applications.

The product families of one-phase inverters have power classes ranging from 700 watts to 11 kilowatts (kW). The new product generation of three-phase inverters under the trade name Sunny Tripower covers the 8 kW to 17 kW power class. In the first quarter of 2011, the Sunny Boy HF (High Frequency) product family was added to the range of products. This product family in particular serves the strongly growing market segment of rooftop systems in the US. For solar power plants of more than 2 kW, Sunny Boy HF is the considerably more economic solution compared to what are known as module inverters. Next year, SMA will also complement the lower end of its product portfolio by offering a micro inverter for solar power plants of less than 2 kW.

## EARNINGS PER SHARE in €



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The products of the Medium Power Solutions segment are usually produced based on purchase orders in Kassel, Germany, and North America. Delivery times in the first nine months of 2011 were up to four weeks.

After the weak start at the beginning of the year, the performance of the Medium Power Solutions segment picked up in the next two quarters due in particular to increased demand in Germany. The sales share of the German business amounted to 53.5 % of gross sales in the first nine months of 2011. The foreign markets with the highest sales during the period under review were Australia, Italy, Belgium and North America.

The product mix has changed year-on-year. In the first nine months of 2011, the inverter types Sunny Tripower 12000TL to 17000TL and Sunny Boy 3000TL to 5000TL were important sales drivers. The new Sunny Boy 3000HF was among the top products shortly after its introduction. As expected, the inverter product family Sunny Mini Central, which had the highest sales in 2010, was only of minor significance in the first nine months of 2011.

In the first nine months of 2011, earnings before interest and taxes (EBIT) for the Medium Power Solutions segment amounted to € 89.9 million. Based on internal and external sales, the EBIT margin in the period under review was 10.1 % (Q1–Q3 2010: 27.1 %). The year-on-year decrease (Q1–Q3 2010: € 350.8 million) is due in particular to the weaker demand situation and the shifts in the product mix as well as increased structural costs.

The **High Power Solutions** segment contains the Sunny Central type central inverters and accessories, such as medium voltage switchgear, transformers and concrete stations. With Sunny Central, SMA mainly covers the market for large PV plants with a capacity of more than 100 kW up to several megawatts. The complex products are produced, usually based exclusively on purchase orders, in Kassel, Germany, and North America and are normally delivered within 8 to 10 weeks.

The strong growth in sales in the first nine months of 2011 is based on the exceptionally successful development of important foreign markets, above all in North America and India. Further important markets were Germany, Italy and France. The most successful products in the High Power Solutions segment were Sunny Central 800CP, which was introduced last year, followed by Sunny Central 630HE.



In the period under review, earnings before interest and taxes (EBIT) rose by 68.0 % year-on-year to € 71.4 million (Q1–Q3 2010: € 42.5 million). The segment benefited particularly from economies of scale. The EBIT margin was at the previous year's level with 21.2 % (Q1–Q3 2010: 21.4 %).

In the **Railway Technology** division, external sales increased by 31.5 % to € 23.4 million in the first nine months of 2011 (Q1–Q3 2010: € 17.8 million). In this division, characterized by larger individual projects, we increased foreign sales in Europe in particular by increased marketing activities. The internal sales amounting to € 5.9 million (Q1–Q3 2010: € 12.3 million) were mainly attributable to supplies of cable and mechanical components to the High Power Solutions segment. Earnings before interest and taxes (EBIT) were € 2.0 million because of a warranty case, and therefore below the previous year's figure (Q1–Q3 2010: € 2.7 million). In relation to internal and external sales revenues, this corresponds to an EBIT margin of 6.8 % (Q1–Q3 2010: 9.0 %). This division had achieved good capacity utilization at the end of the period under review.

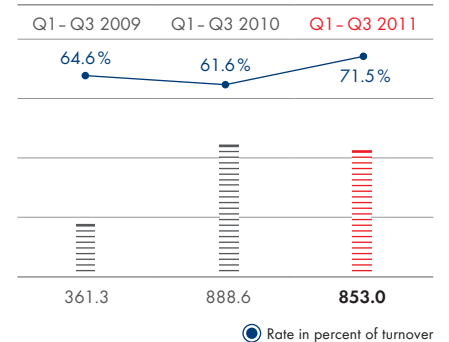
The **Electronics Manufacturing** segment is the main supplier for the other segments, above all the Medium Power Solutions segment. The production area was well utilized throughout the period. The share of electronic assemblies manufactured by third parties was adapted to demand. Due to the recovery of business activity in the second and third quarter, the total external and internal sales in the Electronics Manufacturing segment is now € 297.5 million (Q1–Q3 2010: € 332.7 million). In the first quarter of 2011, it had been markedly decreasing. Earnings before interest and taxes (EBIT) amounted to € 15.4 million, which is 48.0 % lower year-on-year (Q1–Q3 2010: € 29.6 million). In relation to internal and external sales, this corresponds to an EBIT margin of 5.2 % (Q1–Q3 2010: 8.9 %).

## DEVELOPMENT OF SIGNIFICANT COMPREHENSIVE INCOME STATEMENT ITEMS

### CHANGED PRODUCT MIX INFLUENCES GROSS INCOME

In the first nine months of 2011, cost of sales amounted to € 853.0 million (Q1–Q3 2010: € 888.6 million). The lower gross margin of 28.5 % is primarily caused by a shift in the product mix (Q1–Q3 2010: 38.4 %). The decrease was partially compensated by the discontinuation of liabilities and the payment of insurance claims. Without this compensation, the year-to-date development of the current fiscal year shows that the gross margin has improved steadily quarter-on-quarter. This is attributable in particular to our product optimization and process improvement program. In the first nine months of 2011, the cost of sales was attributable as follows: 76 % to material expenses, 16 % to personnel expenses and 8 % to other expenses as well as depreciation and amortization.

### COST OF GOODS SOLD in € million



Selling expenses grew as expected year-on-year to € 45.4 million (Q1–Q3 2010: € 40.6 million). In the first nine months of 2011, the ratio of selling expenses to sales increased to 3.8 % due to comparably low sales (Q1–Q3 2010: 2.8 %). It must be noted in the quarterly comparison that selling expenses in the second quarter increased due specifically to SMA's participation in Intersolar, the world's largest solar technology exhibition.

In the first nine months of 2011, research and development expenses excluding capitalized development projects amounted to € 63.5 million (Q1–Q3 2010: € 53.3 million). The 19.1 % increase is based mainly on personnel increases in the Research and Development division (R & D). At the end of the period under review, the SMA Group had 987 employees in this area (September 30, 2010: 776). Total research and development expenses, including capitalized development projects as at September 30, 2011, amounted to € 73.2 million (Q1–Q3 2010: € 63.2 million). Among the new development projects are the Sunny Home Manager, the expansion of the Sunny Tripower product family as well as the development of innovative solar inverters and monitoring systems for the Asian market. Scheduled depreciation of capitalized development projects amounted to € 3.4 million in the first nine months of the year.

In the first nine months of 2011, administrative expenses amounted to € 51.7 million (Q1 – Q3 2010: € 34.8 million). In view of the expected growth and increasing internationalization, SMA has created new structures in the finance, legal and personnel areas in a targeted manner over the last 18 months. Therefore, personnel expenses increased by € 2.1 million. The change in other administrative expenses mainly results from the adjustment of the apportionment procedure as well as the realization of strategically important projects. Projects for the purposes of further internationalization as well as one-time items arising from the acquisition of dtw led to an increase in other expenses in the second and third quarters of 2011. In the period under review, the administrative costs ratio increased to 4.3 % (Q1–Q3 2010: 2.4 %).

## FINANCIAL POSITION

### **SMA ACHIEVED A POSITIVE CASH FLOW IN THE THIRD QUARTER AND STOPS FURTHER BUILDUP OF NET WORKING CAPITAL.**

The gross cash flow generated in the period under review was € 124.6 million, below the record figure of the previous year (Q1–Q3 2010: € 410.7 million). Despite lower profitability, SMA succeeded in achieving stable cash flows in the second and third quarters.

In the third quarter of 2011, SMA achieved a positive net cash flow from operating activities of € 104.3 million for the first time in the period under review. SMA thus demonstrated its ability to transfer sales into cash in a difficult market environment. In the period under review, net cash flow amounted to € 65.0 million (Q1–Q3 2010: € 296.9 million). Net cash flow was significantly influenced by the changes in other net assets. The buildup of net working capital was aligned to the changed market conditions in the third quarter of 2011.

At the end of the period under review, net working capital amounted to € 341.6 million and was thus at the level of the second quarter (June 30, 2011: € 340.6 million) and of the same period last year (September 30, 2010: € 335.9 million). The buildup of net working capital since the beginning of the year is attributable in particular to the Managing Board's business expectations. Until the adjustment of the sales and earnings forecast on September 19, 2011, the Managing Board had still expected growth in the photovoltaics market. For this reason, component inventories were increased accordingly.

Net cash flow from investing activities amounted to € –80.2 million in the period under review (Q1–Q3 2010: € –192.3 million). Among the most important investments in fixed assets were the construction of the world's largest service center for solar inverters in Niestetal, Germany, and the expansion of the office buildings at the headquarters of the Company in Niestetal/Kassel, Germany. Furthermore, there was an outflow of funds amounting to € 23.0 million for the purchase of dtw. Investments in intangible assets chiefly concerns research and development projects.

In the period under review, net cash flow from financing activities includes the dividend payment of SMA Solar Technology AG as a major position amounting to € 104.1 million.

Cash and cash equivalents amounting to € 233.0 million (December 31, 2010: € 354.1 million) include cash assets, bank balances and short-term deposits with an original term of less than three months. Together with time deposits with a term of more than three months and fixed-interest-bearing securities as well as financial liabilities, this results in a net cash of € 338.2 million (December 31, 2010: € 523.4 million).

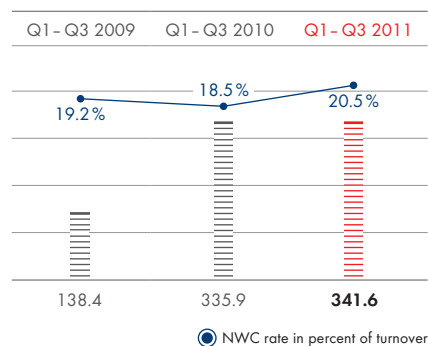
## NET ASSETS

### SMA IS FINANCIALLY INDEPENDENT AND CAN THEREFORE TAKE EMERGING OPPORTUNITIES

In comparison to the end of fiscal 2010, total assets increased and amounted to € 1,321.5 million at the end of the period under review (December 31, 2010: € 1,251.5 million).

As of September 30, 2011, net working capital (NWC) amounted to € 341.6 million. This corresponds to 20.5 % of the sales of the last twelve months. Net working capital is thus slightly above the forecast corridor of 18 % to 20 %. The increase of net working capital in comparison to the end of 2010 (December 31, 2010: € 284.6 million) is due to the buildup of inventories of raw materials, consumables and supplies as well as the business-related increase in finished goods. Inventories of raw materials, consumables and supplies (including prepayments) including the inventories of dtw increased at the end of the period under review by € 56.9 million to € 205.7 million (December 31, 2010: € 148.8 million). Finished goods consist primarily of Sunny Central inverters. The stock of central inverters stored at SMA due to customer postponement of projects has been reduced since June 30, 2011. The SMA Managing Board expects that this stock of finished goods will be removed as far as possible by the end of the year. Trade receivables amounted to € 156.5 million and decreased by 18.4 % against the end of the first six months of 2011 (June 30, 2011: € 191.8 million). Due to increasing project business and internationalization, the portfolio of receivables increased by 33.4 % in comparison with the end of 2010 (December 31, 2010: € 117.3 million). At the end of the period under review, days sales outstanding totaled 30 days (June 30, 2011: 31 days; December 31, 2010: 22 days).

### NET WORKING CAPITAL in € million



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The increase in the inventories of raw materials, consumables and supplies is reflected in the trade payables. In comparison with the end of the first six months of 2011, trade payables decreased by 4.3 % to € 130.5 million. It must be noted in the comparison with the inventory values of December 31, 2010 that SMA had already reduced orders at this time because of the weak demand expected in the first quarter of 2011. Trade payables thus amounted to only € 70.6 million at the end of the year. The share of supplier credits in total equity and liabilities amounted to 9.9 % at the end of the period under review (June 30, 2011: 11.2 %; December 31, 2010: 5.6 %).

As of September 30, 2011, shareholders' equity was € 748.7 million (December 31, 2010: € 728.4 million). It must be noted in the year-on-year comparison that in the second quarter of 2011 the dividend amounting to € 104.1 million was paid. With an equity ratio of 56.7 %, SMA continues to have a very comfortable equity base and is financially independent.

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## INVESTMENTS

### **SMA BUILDS THE WORLD'S LARGEST SERVICE CENTER FOR SOLAR INVERTERS IN NIESTETAL, GERMANY**

As of September 30, 2011, investments in fixed assets and intangible assets amounted to € 121.4 million (Q1–Q3 2010: € 120.0 million). This equates to an investment ratio in relation to sales of 10.2 %.

Of the investments in fixed assets amounting to € 103.9 million (Q1–Q3 2010: € 104.1 million), 93.1 % went towards prepayments/construction in progress. Land and buildings comprised 3.5 % of investments in fixed assets. Of the investments in intangible assets amounting to € 17.5 million (Q1–Q3 2010: € 17.1 million), 66.8 % was attributable to capitalized development expenses.

SMA reacted flexibly with regard to the investment projects. The estimated volume of € 150 million to € 200 million to the end of the year will not be fully utilized.

## RESEARCH AND DEVELOPMENT

### SMA OFFERS SOLUTIONS FOR ALL APPLICATIONS AND POWER CLASSES

As the market and technological leader in PV system technology, SMA has the claim to provide solutions for all applications and power classes with a comprehensive product portfolio. Alongside the internationally successful central inverters of the Compact Power (CP) series at the upper end of the power scale, this claim is now substantiated by the module inverter Sunny Boy 240, presented at the Solar Power International in Dallas. It is the ideal solution for very small or partly shaded PV plants as well as systems with extremely varying generator surface orientations, and complements the SMA product range perfectly. In addition, SMA's development activities focus on three areas of the utmost importance for the future of photovoltaics: cost reduction, grid integration and energy management.

### SIGNIFICANT REDUCTION OF PV SYSTEM COSTS THROUGH SMA PRODUCT INNOVATIONS

Solar power can only become more competitive with conventionally generated power through the continuous reduction of PV system costs. SMA is taking this opportunity with an interdisciplinary development project set to last several years. In addition to testing completely new technological concepts, it is also about the continuous improvement of current products. A recent example is the Sunny Tripower 20000TL High Efficiency, launched mid-September, which is the first standard device in the world to reach 99 % maximum conversion efficiency. As costs were significantly reduced at the same time, the 20 kW Sunny Tripower is ideally suited for setting up high-efficiency, medium- to very high-power photovoltaic plants. As the optimal addition to this, SMA has also introduced the principle of the new TL Grounding Solution. An add-on solution based on this patented circuit makes it possible to operate decentralized large-scale PV plants on the basis of any thin-film PV module with highly efficient transformerless inverters such as the Sunny Tripower at the medium-voltage grid. Compared with the operation of inverters with transformers, it is realistic to expect permanent yield increases of up to 3 percentage points. The Optiprotect option now available for inverters of the Sunny Central CP series likewise reduces costs. An intelligent monitoring system in the center of the inverter monitors up to 1,600 module strings, where the algorithm can differentiate actual defects from numerous temporary events. The decentralized and therefore costly monitoring of all strings is no longer necessary, and the inverter can independently remove defective strings and continue the feed-in operation with around 94 % generator power.

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### SMA ADAPTS NUMEROUS PRODUCTS TO THE NEW LOW VOLTAGE DIRECTIVE

The optimal integration of steadily increasing photovoltaic power into the existing grid infrastructure is the second important topic. After the German Association of Energy and Water Industries, Medium Voltage Directive required large PV plants to provide grid services from 2009, the new VDE application rule 4105 ("Low Voltage Directive") requires the same from low and medium power PV plants from 2012 at the latest. Low-voltage grids can thus take on more active PV power through the corresponding reactive power assumption of the inverters, while a variable active power limit depending on the grid frequency prevents potential problems of regulation in the integrated European network. The product families Sunny Tripower, Sunny Boy HF und Sunny Boy TL already meet the requirements of the new Low Voltage Directive. By the end of 2011, SMA will adapt more inverter types to the new requirements.

In the area of large-scale PV plants, the series introduction of the new SMA Power Plant Controller will support further involvement in grid management. As an addition to the SMA Power Reducer Box for remotely controlling active and reactive power available since the beginning of 2009, it allows the rapid collection and adjustment of diverse grid parameters.

### COOPERATION WITH MIELE FOR INTELLIGENT LOAD MANAGEMENT IN THE HOUSEHOLD

The complex topic of energy management is closely connected to the grid integration of photovoltaics. The backdrop for this is the conversion, necessary for the move toward renewable energy, of the hierarchically organized energy supply system into a more tightly connected smart grid that optimally links decentralized power producers and consumers, and which also conveys information as well as electrical energy. One of the benefits of intelligent energy management in the household is that it ensures that power consumption is as well-timed as possible to correspond to local energy production, thus relieving the grid. Further reduction of grid load can be achieved by storing surplus solar energy in battery storage connected to the grid.

With the Sunny Backup system available since September as a decentralized storage solution and the Sunny Home Manager announced for the first quarter of 2012, SMA offers innovative product solutions for both tasks. In household appliances, SMA is working with the household appliance manufacturer Miele so that the Sunny Home Manager will be able to power certain Miele appliances directly and thus contribute optimally to intelligent load management. The advantage for the user is that the appliance can be operated as normal, while direct data exchange with the Sunny Home Manager allows more exact private consumption planning. In addition, SMA engineers are working on an inexpensive extension for limiting power remotely, which will be mandatory for PV plants of between 30 kW and 100 kW peak power according to EEG 2012.



## EMPLOYEES

### 900 MORE JOBS SINCE THE BEGINNING OF THE YEAR

As of the reporting date of September 30, 2011, the SMA Group has 5,396 employees (September 30, 2010: 4,096 employees, both figures excluding temporary employees), which is 31.7 % more year-on-year. These appointments are explained by the strong growth of recent years. SMA will continue to adapt its hiring strategy to market conditions. In the next few months, SMA will only fill those positions which are of high strategic importance for the Group.

In the period under review, we continued to strengthen our foreign companies with new staff. The purchase of the Polish company dtw also caused the number of permanent employees abroad to increase. As of September 30, 2011, there were 822 employees in foreign subsidiaries. This is a 119.2 % increase on September 30, 2010 with 375 employees. A seasonally fluctuating number of temporary employees can be added.

### SMA CHOSEN AS GERMANY'S BEST EMPLOYER

Every year, the Great Place to Work® Institute investigates and awards the best employers in Germany and Europe. This year, we exceeded our very good rankings of previous years and took first place in the category of large companies with over 5,000 employees. At the European level, we are in an excellent ninth place among companies with over 500 employees.

This success is to be greatly appreciated, considering that the strong growth of recent years brought with it restructurings, various changes and heavy burdens for the employees. Even in the dynamic and volatile photovoltaics market, our employees, who identify with SMA to a high degree and take personal responsibility beyond the customary level, are an essential factor in our success.

### SMA GROUP AT A GLANCE

	09/30/2011	09/30/2010	09/30/2009	09/30/2008
Employees (excl. temporary employees)	5,396	4,096	2,707	2,118
of which domestic	4,574	3,721	2,523	1,993
of which abroad	822	375	184	125
Temporary employees	1,747	2,178	1,165	767
<b>Total employees (incl. temporary employees)</b>	<b>7,143</b>	<b>6,274</b>	<b>3,872</b>	<b>2,885</b>

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### TEMPORARY EMPLOYMENT IS AN IMPORTANT FLEXIBILITY INSTRUMENT FOR SMA

At the end of the period under review, there were 1,747 temporary employees, mainly in production and production-related areas (September 30, 2010: 2,178 temporary employees).

For us, temporary employment is an important flexibility instrument in the volatile photovoltaics market. SMA is dependent on global demand trends and produces based on purchase orders. For many years, SMA has made use of temporary employees in order to be able to react rapidly to high demand fluctuations in the various market segments. In view of the small pick-up in demand in the third quarter and the weak demand – in our experience – during the winter months, we will terminate the employment of up to 1,000 temporary employees at SMA until the end of the year.

### MORE SUCCESS WITH MIXED TEAMS – GENDER DIVERSITY PROGRAM INITIATED

SMA wants explicitly to encourage gender diversity in all areas of activity and across all management levels. For this reason, the Diversity workgroup has begun a Gender Diversity Program, which will pursue two central aims up until 2021. Firstly, the number of women in management positions should be proportional to the number of female employees in the Company. In every area of the Company, the total number of women in management positions should correspond to the number of women in that area. Secondly, the program aims to increase the number of women in the Company in general and in technical occupations in particular. The program's six central tasks are to develop appropriate working hours models, to guarantee individual childcare, to establish mixed teams, to review compensation structures, to develop policies to support women in a targeted manner, and to address women and girls more specifically in recruitment marketing.

### 115 YOUNG PEOPLE HAVE STARTED THEIR TRAINING AT SMA

On August 1, 2011, 115 young people started their training at SMA. The number of trainees at SMA thus increased from 333 in the previous year to 362 at the end of the period under review. With our broad range of traineeships for 13 state-recognized commercial-technical and business occupations, we can meet part of our requirement for trained staff. In times of demographic change, ever more innovative training concepts are required to secure these employees for SMA in the future. One of our concepts was specifically acknowledged in the third quarter by the Verein Innovative Berufsbildung e. V. (Society for Innovative Vocational Education), which is sponsored by the Federal Institute for Vocational Education and Training and the publisher W. Bertelsmann Verlag. Our Training department received a special prize for the support of young people in training for the vocation of electrical fitter – with particular consideration for Hauptschule students.

## SUPPLEMENTARY REPORT

### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the close of the period under review, which could influence the results of operations, financial position and net assets.

## RISKS AND OPPORTUNITIES REPORT

The Group's risks and opportunities management as well as possible individual risks are described in detail in the Annual Report 2010. The comments made there remain essentially unchanged. At present, no risks that could seriously jeopardize the Company's continued existence or significantly impair its performance are discernible.

## FORECAST REPORT

### MACROECONOMIC SITUATION

#### DEBT CRISIS MAY SLOW DOWN GROWTH

The general conditions of the global economy in the first nine months of 2011 were marked by the continuing economic recovery, but principally by the persistent debt crisis in Europe, the situation in the US, the catastrophe in the Fukushima nuclear power plant in Japan and the unrest in North Africa.

In its growth forecast of October 18, 2011, the International Monetary Fund (IMF) remained close to its forecast of July 2011 and expects global economic growth of 4.0 % for 2011. The growth in emerging economies is projected to be significantly stronger at 6.4 % than in established economies at only 1.6 %. For 2012, the IMF forecasts global economic growth of only 1.9 %. This is a downward adjustment of 0.7 percentage points.

Leading economic research institutes expect the German economy to grow by only 0.8 % in 2012. By contrast, growth of 2 % had been expected in the spring. The reasoning is that a worsening of the sovereign debt crisis will have a negative impact on the banking sector and thus also on the German economy.

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## **FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR**

### **NO DISCERNIBLE INDICATION OF A SIGNIFICANT DEMAND INCREASE**

The development of the respective markets depends on political consent for the expansion of photovoltaics, financing conditions, provision of credit, available production and installation capacities as well as the price development for the installation of solar power plants.

According to the SMA Managing Board's estimates, the conditions in the photovoltaics industry are currently good. In the last few years, many countries have introduced subsidy programs or tax incentives for an accelerated expansion of the photovoltaics industry. A broad social and political consensus on the expansion of decentralized energy supply systems can be recognized, especially in the large photovoltaics markets. Additionally, the historically favorable interest rate level, as well as the significantly reduced specific costs compared with the first half of the year for the erection of solar power plants, will have a positive influence on the prospects for growth. Currently, there are no signs of shortages in the production of components for solar power plants or in solar power professionals. Only the provision of credit is influencing demand for large-scale solar projects in a few photovoltaics markets such as Italy.

Despite the generally positive conditions, the newly installed capacity in 2011 is so far below the previous year's level. The high-volume market segments of small and medium-sized solar power plants are particularly in decline. There are various reasons for the sluggish demand and weak order position in the retail business. SMA's Managing Board assumes that the discussion about the expansion of photovoltaics has upset end customers just as much as the current euro and debt crisis. Therefore, investments in solar power plants are to be postponed in these market segments. The large-scale PV plants market segment is showing a different dynamic. The Managing Board expects demand to increase in this segment in the current fiscal year. Overall, the Managing Board forecasts global demand for solar power systems of 19 GW to 21 GW. The differing trends and low visibility in retail and project business make a statement on the short-term development of the photovoltaics markets difficult. For 2012, the Managing Board expects global demand for solar power plants to stagnate or to grow slightly. However, because of the diverse influencing factors, a reliable forecast for the fiscal year 2012 and subsequent years is not possible at present.

For the general further development of the photovoltaics markets, the Managing Board expects a regional shift in demand and a change in plant size. SMA's Managing Board expects, for instance, that the submarkets in North America and Asia and the market segments of commercial and industrial solar power plants will gain in importance.

Due to increasing numbers of inverter manufacturers and intensified price pressure, the Managing Board expects a market shakeout. In the SMA Managing Board's view, companies that will be successful are those operating internationally with a complete product portfolio and an excellent service network. In recent years, SMA has consistently expanded these structures and now sees itself best placed with its outstanding technological expertise to remain the market and technological leader in this intensely competitive market environment.

#### OVERALL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE SMA GROUP

##### SMA IS WORLD MARKET LEADER AND IN PRIME POSITION

The following statements on the future development of SMA are based on the estimates drawn up by the SMA Managing Board. They result from the expectations presented above regarding the development of global photovoltaics markets.

SMA is the world market leader for solar inverters. Due to the new establishments in Japan and Thailand and the acquisition of dtw, it is now represented with its own companies in 19 countries. The range of products which has won many awards includes PV inverters for both rooftop systems as well as large-scale solar projects. Therefore, SMA is able to provide technically optimal inverter solutions for all power classes and all types of plants worldwide. The range of services is also complemented by a global service network, which is currently an important distinguishing feature in business competition. Due to highly flexible production facilities in Germany and North America, SMA is able to react promptly to fluctuations in demand, thereby profiting from the global demand development.

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In the third quarter, the photovoltaics markets in the retail business did not develop with the expected momentum for PV inverters for rooftop systems. On September 19, 2011, the SMA Managing Board adapted its forecast for 2011 and now expects sales between € 1.5 billion and € 1.7 billion and an operating result between € 220 million and € 300 million.

SMA is dependent on global demand trends and produces based on purchase orders. For many years, SMA has made use of temporary employment in order to be able to react rapidly to high demand fluctuations in the various market segments. In view of the current order position and weak demand expected during the winter months, SMA will terminate the employment of around 1,000 temporary employees in stages up until the end of the year.

According to estimates by the Managing Board, the Medium Power Solutions segment will remain the major sales driver in 2011 with up to 80 %. The trend to larger PV systems with an output of between 10 kW and 500 kW will also be reflected in our product mix. The first nine months of the fiscal year 2011 confirmed the Managing Board's expectations that the three-phase PV inverter Sunny Tripower will gain in importance and supersede the one-phase Sunny Mini Central inverter.

The High Power Solutions segment will contribute up to 30 % to total sales in 2011. Large-scale PV projects in Germany, North America, India, Italy and France, in particular, will contribute significantly to the result. The Sunny Central Compact Power product family will in all likelihood generate the greatest sales in this segment, since it is characterized by especially low system costs.

The Managing Board expects a sales increase of approx. 10% with a high export rate of about 80% in 2011 for the small but successful Railway Technology division, which has a share of less than 5 % in sales.

According to estimates by the SMA Managing Board, the regional shift in demand will result in significantly stiffer competition for the Company. This development will also be reflected in the average selling price per watt. Therefore, the management of SMA expects a falling gross profit margin for the full 2011. In order to counter this trend in forthcoming years, SMA will carry out a systematic analysis of product costs aimed at identifying potential for savings and thus lowering production costs consistently.

The acquisition of the long-standing supplier dtw is a strategically important step toward the development of powerful products and the further extension of SMA's technological leadership. SMA expects that the development processes of mechanical systems, electromagnetic components and power electronics will be even better synchronized, thereby shortening development times significantly. A number of development projects will focus on magnetic materials that are based on new types of alloys and high-frequency transformers optimized for high performance and low weight. SMA's Managing Board is convinced that these developments will allow the Company to further distinguish itself from competitors.

SMA has been setting trends in the photovoltaics sector for many years and has systematically developed approaches for grid integration and optimization of self-consumption. Therefore, our product, the PV inverter, will continue to be a high-tech product. In order to expand our technological edge in 2011, we invest up to € 100 million in research and development. This corresponds to 5 % to 7 % of the sales forecast. In addition, SMA will expand its network of strategic research and development cooperations in a targeted fashion.

In future, the essential growth impulses will originate from foreign markets. Because of the diverse influencing factors, a reliable forecast for the fiscal year 2012 and subsequent years is not possible at present. The SMA Managing Board expects moderate growth in the global market. However, stagnation cannot be ruled out at this point. We are convinced that the photovoltaics markets have only just begun to develop and that future energy production will be decentralized. The inverter will take a central role in the integration of PV energy into the grid. SMA will promote this important topic around the world with numerous product innovations.

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## Forecast Report

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We will consistently pursue our strategy to be one of the first PV inverter manufacturers in young markets represented with its own company. In the first six months of 2011, we established sales companies in Japan and Thailand. We are planning the expansion of further sales and service companies in the strong markets of Asia, South America and Africa.

SMA will retain the successful strategy of producing based on orders. With its factories in Germany and North America, SMA has an annual production capacity of about 11.5 GW at its disposal. A further expansion of capacities is not planned for 2011. In order to fully utilize our production capacity in the short term, we will stockpile large quantities of raw materials, consumables and supplies in 2011. Our stockpiling strategy allows for a net working capital ratio of 18 % to 20 % in 2011.

### INCREASING EFFECTIVENESS WITH DIVISIONS

The functional organization of SMA is reaching its limits. Therefore, great potential lies in the current conversion to a divisional organization. In the future, we will place different customers and varying market requirements at the center of our activities more effectively than before. With distinct responsibilities and largely decentralized decisions, SMA will gain significantly in effectiveness.

The implementation of the reorientation started in the first six months of 2011. The Medium Power Solutions, Power Plant Solutions, Off-Grid Solutions and Service divisions have already presented themselves to customers at Intersolar, the leading trade fair in Munich. The organizational changes are to be completed over the course of the year.



**PROGRAM FOR INCREASING EFFICIENCY DEVELOPED TOGETHER WITH THE MANAGERS**

In the last few years, SMA has consistently taken advantage of the possibilities and opportunities that have arisen in the photovoltaics market. The great market success was converted into an excellent equity base and a high level of freely available funds. SMA is thus perfectly positioned in the solar industry for the future.

In view of declining demand and changing market and competitive conditions, SMA will continue the strategy of technological orientation and internationalization even more intensively. In addition, increasing efficiency will become more dominant in our thoughts. For this purpose, the Managing Board together with the managers from Germany and abroad has developed a universal policy to sell more inverter capacity globally and to ensure profitability at the same time. In the implementation of this program we will benefit from our unique company culture, which for many years has called for and supported personal responsibility on the part of the employees.

Niestetal, November 4, 2011

SMA Solar Technology AG  
The Managing Board

SALES

2011

2010

€ 1,192.2 MILLION

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€ 1,442.5 MILLION

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## INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

	Note	July – Sept. (Q3) 2011 € '000	July – Sept. (Q3) 2010 € '000	Jan. – Sept. (Q1 – Q3) 2011 € '000	Jan. – Sept. (Q1 – Q3) 2010 € '000
<b>Sales</b>	4	<b>477,225</b>	<b>626,714</b>	<b>1,192,203</b>	<b>1,442,469</b>
Cost of sales	5	346,130	380,131	852,975	888,590
<b>Gross profit</b>		<b>131,095</b>	<b>246,583</b>	<b>339,228</b>	<b>553,879</b>
Selling expenses	6	16,782	14,565	45,475	40,584
Research and development expenses	7	23,724	18,885	63,554	53,291
General administrative expenses	8	19,549	14,539	51,704	34,773
Other operating income	9	3,998	- 307	12,130	11,561
Other operating expenses	9	372	27	12,292	18,585
<b>Operating profit (EBIT)</b>		<b>74,666</b>	<b>198,260</b>	<b>178,333</b>	<b>418,207</b>
Financial income		1,417	747	4,558	1,963
Financial expenses		1,491	514	2,581	1,552
<b>Financial result</b>	11	<b>- 74</b>	<b>233</b>	<b>1,977</b>	<b>411</b>
<b>Profit before income taxes</b>		<b>74,592</b>	<b>198,493</b>	<b>180,310</b>	<b>418,618</b>
Income tax expense		21,716	59,745	53,912	121,681
<b>Consolidated net profit</b>		<b>52,876</b>	<b>138,748</b>	<b>126,398</b>	<b>296,937</b>
of which attributable to non-controlling interest		0	0	0	- 27
of which attributable to shareholders of SMA AG		52,876	138,748	126,398	296,964
Earnings per share, basic (in €)	12	1.52	4.00	3.64	8.56
Earnings per share, diluted (in €)	12	1.52	4.00	3.64	8.56
Number of ordinary shares (in thousands)		34,700	34,700	34,700	34,700
<b>Consolidated net profit</b>		<b>52,876</b>	<b>138,748</b>	<b>126,398</b>	<b>296,937</b>
Unrealized gains (losses) from foreign currency translation		- 1,021	- 1,429	- 1,994	561
Net loss on available-for-sale financial assets		686	0	- 35	0
<b>Overall result</b>		<b>52,541</b>	<b>137,319</b>	<b>124,369</b>	<b>297,498</b>
of which attributable to non-controlling interest		0	0	0	- 27
of which attributable to shareholders of SMA AG		52,541	137,319	124,369	297,525

# CONSOLIDATED BALANCE SHEET SMA GROUP



	Note	09/30/2011 € '000	12/31/2010 € '000
<b>Non-current assets</b>			
Goodwill	13	311	0
Other intangible assets	13	48,246	29,242
Fixed assets	14	345,528	268,507
Other financial investments		75	73
Other financial assets	16	2,042	3,890
Deferred taxes		20,170	23,687
		<b>416,372</b>	<b>325,399</b>
<b>Current assets</b>			
Inventories	15	315,594	237,838
Trade receivables		156,512	117,268
Other financial assets	16	132,420	196,798
Claims for income tax refunds		53,015	4,161
Other receivables		14,498	15,901
Cash and cash equivalents	26	233,048	354,083
		<b>905,087</b>	<b>926,049</b>
<b>Total assets</b>		<b>1,321,459</b>	<b>1,251,448</b>
<b>Shareholders' equity</b>			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		594,777	574,508
Non-controlling interest		2	2
	17	<b>748,679</b>	<b>728,410</b>
<b>Non-current liabilities</b>			
Other provisions	18	94,301	80,651
Financial liabilities	19	16,672	19,452
Other financial liabilities	20	2,400	0
Other liabilities	21	70,920	53,840
Deferred taxes		18,407	13,292
		<b>202,700</b>	<b>167,235</b>
<b>Current liabilities</b>			
Other provisions	18	68,929	86,686
Financial liabilities	19	4,346	1,748
Trade payables		130,513	70,554
Other financial liabilities	20	88,263	133,279
Income tax liabilities		39,208	39,468
Other liabilities	21	38,821	24,068
		<b>370,080</b>	<b>355,803</b>
<b>Total equity and liabilities</b>		<b>1,321,459</b>	<b>1,251,448</b>



## CONSOLIDATED STATEMENTS OF CASH FLOWS SMA GROUP

	Note	Jan. – Sept. (Q1 – Q3) 2011 € '000	Jan. – Sept. (Q1 – Q3) 2010 € '000
Consolidated net profit		126,398	296,937
Income tax expenses		53,912	121,681
Financial result		- 1,977	- 411
Depreciation and amortization		36,176	21,344
Change in other provisions		- 4,107	58,594
Losses from the disposal of assets		117	865
Other non-cash expenses / revenue		6,568	4,761
Interest received		2,377	1,196
Interest paid		- 471	- 554
Income tax paid		- 94,394	- 93,655
<b>Gross cash flow</b>		<b>124,599</b>	<b>410,758</b>
Increase of inventories		- 72,027	- 165,108
Increase in trade receivables		- 36,600	- 118,002
Increase in trade payables		55,165	40,176
Change in other net assets / other non-cash transactions		- 6,137	129,067
<b>Net cash flow from operating activities</b>	23	<b>65,000</b>	<b>296,891</b>
Payments for investments in fixed assets		- 103,975	- 104,108
Proceeds from the disposal of fixed assets		392	116
Payments for investments in intangible assets		- 17,464	- 15,871
Payments for investments in financial fixed assets		- 2	0
Payments for the acquisition of companies net of cash / Payments for the acquisition of business units		- 23,020	- 2,418
Proceeds from the disposal of securities and other financial assets		190,000	0
Payments for the acquisition of securities and other financial assets		- 126,155	- 70,000
<b>Net cash flow from investing activities</b>	24	<b>- 80,224</b>	<b>- 192,281</b>
Changes in minority interests		1	1
Repayment of debt		- 181	- 560
Dividends paid by SMA Solar Technology AG		- 104,100	- 45,110
<b>Net cash flow from financing activities</b>	25	<b>- 104,280</b>	<b>- 45,669</b>
Net decrease in cash and cash equivalents		- 119,504	58,941
Change in cash and cash equivalents due to exchange rate effects		- 1,531	370
Cash and cash equivalents as of 01 / 01		354,083	225,010
<b>Cash and cash equivalents as of 09 / 30</b>	26	<b>233,048</b>	<b>284,321</b>



# STATEMENT OF CHANGES IN EQUITY

## SMA GROUP



	Equity attributable to the shareholders of the parent company					Equity attributable to non-controlling interest	Consolidated shareholders' equity
	Share capital € '000	Capital reserve € '000	Market valuation of securities € '000	Other retained earnings € '000	Total € '000		
<b>Shareholders' equity as of January 1, 2010</b>	<b>34,700</b>	<b>119,200</b>	<b>0</b>	<b>253,687</b>	<b>407,587</b>	<b>0</b>	<b>407,587</b>
Dividend payments of SMA Solar Technology AG	0	0	0	- 45,110	- 45,110	0	- 45,110
Consolidated net profit Q1 - Q3 2010	0	0	0	- 296,964	- 296,964	- 27	296,937
Differences from currency translation	0	0	0	561	561	0	561
Overall result							<b>297,498</b>
Changes in minority interests	0	0	0	0	0	83	83
<b>Shareholders' equity as of September 30, 2010</b>	<b>34,700</b>	<b>119,200</b>	<b>0</b>	<b>506,102</b>	<b>660,002</b>	<b>56</b>	<b>660,058</b>
<b>Shareholders' equity as of January 1, 2011</b>	<b>34,700</b>	<b>119,200</b>	<b>0</b>	<b>574,508</b>	<b>728,408</b>	<b>2</b>	<b>728,410</b>
Dividend payments of SMA Solar Technology AG	0	0	0	- 104,100	- 104,100	0	- 104,100
Consolidated net profit Q1 - Q3 2011	0	0	0	126,398	126,398	0	126,398
Changes not shown in the income statement	0	0	- 35	0	- 35	0	- 35
Differences from currency translation	0	0	0	- 1,994	- 1,994	0	- 1,994
Overall result							<b>124,369</b>
Changes in minority interests	0	0	0	0	0	0	0
<b>Shareholders' equity as of September 30, 2011</b>	<b>34,700</b>	<b>119,200</b>	<b>- 35</b>	<b>594,812</b>	<b>748,677</b>	<b>2</b>	<b>748,679</b>

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# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2011

## 1. BASIC INFORMATION

The Condensed Interim Consolidated Financial Statements of SMA Solar Technology AG as at September 30, 2011 were prepared – as were the Consolidated Financial Statements as at December 31, 2010 – in compliance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as endorsed and defined as mandatory by the European Union. Accordingly, the Interim Financial Statements of SMA Technology AG are prepared in line with IAS 34 **Interim Financial Reporting** in the 2011 fiscal year. In accordance with the regulations of IAS 34, a condensed reporting format compared with the Consolidated Financial Statements as at December 31, 2010 was chosen. The Condensed Financial Statements do not include all the information and disclosures required for Consolidated Financial Statements and are therefore to be read in conjunction with the Consolidated Financial Statements as at December 31, 2010.

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) for the sake of clarity.

The Managing Board of SMA Solar Technology AG authorized the Interim Consolidated Financial Statements for submission to the Supervisory Board on November 4, 2011.

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

The SMA Group produces in Germany, the USA and Canada and distributes inverters throughout the world. More detailed information on segments is provided in chapter 4.

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## 2. CONSOLIDATED GROUP AND PRINCIPLES OF CONSOLIDATION

The scope of consolidation as at December 31, 2010 was expanded compared to the scope as at December 31, 2009 due to the newly acquired companies SMA Immo GmbH & Co. KG (Niestetal) ("SMA Immo"), previously SMA Immo GmbH (Niestetal), SMA Solar Technology Beteiligungsgesellschaft mbH (Niestetal) and the newly founded companies SMA Solar Technology Canada Inc. (Vancouver), SMA Solar India Private Limited (Mumbai) and SMA Solar UK Ltd. (London). All companies were fully consolidated. The company so far operating under the name of SMA Service GmbH in Niestetal was renamed SMA Immo Beteiligungsgesellschaft GmbH (Niestetal). Non-controlling interest's share in equity of the consolidated companies is shown separately within equity.

The IFRS 3 rule was not applied to the acquisition of shares in SMA Immo. It was not applicable in this case because this acquisition did not involve a business as defined in IFRS 3. Rather, this transaction concerns the acquisition of a group of assets. The costs of acquisition were allocated to the individually identifiable assets on the basis of their relevant fair values. There have been no significant effects on the net assets, financial position, and results of operations of SMA Solar Technology AG.

The scope of consolidation as at September 30, 2011 was expanded compared to the scope as at December 31, 2010 due to the newly founded companies SMA Japan Kabushiki Kaisha (Tokyo) and SMA Solar Thailand Co. Ltd. (Bangkok), as well as the acquisition of dtw Sp. z o.o. (Zabierzów, Poland). All companies were fully consolidated. The Interim Consolidated Financial Statements are based on the Financial Statements of SMA Solar Technology AG and the subsidiaries included in consolidation, which are prepared in accordance with uniform accounting policies throughout the Group. More detailed information is provided in the Notes to the Consolidated Financial Statements as at December 31, 2010.

As at August 1, 2011, 100 % of the shares carrying voting rights in dtw Sp. z o.o. (Zabierzów, Poland) were acquired. dtw is one of the leading manufacturers of technologically innovative core components for the production of inverters. With the acquisition of its long-standing supplier, SMA has secured technological leadership in the area of solar inverters. In recent years, dtw recorded strong growth and generated 2010 sales of € 74 million. The acquisition represents an important strategic step for SMA to develop more efficient products and to further develop its technology leadership. SMA will coordinate the development processes in mechanics, electromagnetic devices and power electronics and thus shorten the development time significantly. In addition, new development projects in various magnetic materials are studied with novel alloys. The Managing Board of SMA is confident of being able to differentiate more clearly from the competition by acquiring dtw.

The fair value of the identifiable assets and liabilities of dtw Sp. z o. o. as at August 1, 2011 is comprised as follows:

#### ACQUIRED ASSETS AND LIABILITIES

	Carrying amounts before acquisition € million	Adjustment € million	Fair values at date of acquisition € million
Goodwill	1.2	- 0.9	0.3
Research and development projects	–	8.9	8.9
Fixed assets	2.4	0.4	2.8
Inventories	10.2	1.6	11.8
Trade receivables	5.2	–	5.2
Cash and cash equivalents	10.5	–	10.5
Other receivables	1.5	–	1.5
Other liabilities	- 5.4	–	- 5.4
Deferred taxes	–	- 2.1	- 2.1
<b>Net assets</b>	<b>25.6</b>	<b>7.9</b>	<b>33.5</b>
Purchase price			33.5
Cash and cash equivalents assumed			10.5
Net outflow from acquisitions			23.0

The goodwill amounting to € 0.3 million includes the synergy effects of cost savings resulting from coordinated development work. The purchase price was paid exclusively with cash funds. Taking into account the acquired cash and cash equivalents of dtw Sp. z o. o., the net outflow of funds from the acquisition amounted to € 23.0 million.

The gross amount of receivables corresponds to the market value. As SMA was dtw's main customer, these are predominantly collectible receivables due from SMA. For the other receivables, there is no reason to expect that they will be uncollectible.

By the inclusion of dtw, Group sales have increased by € 0.7 million and the net profit for the year by € 0.2 million. If dtw had been included in the Group from January 1, 2011, Group sales and the net profit for the year would have been € 5.5 million and € 1.5 million higher, respectively.

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### 3. ACCOUNTING AND VALUATION POLICIES

There were no changes to the accounting and valuation policies in the present Interim Consolidated Financial Statements as at September 30, 2011 compared with the Consolidated Financial Statements of SMA Solar Technology AG as at December 31, 2010. A detailed description of these policies is published in the Notes to the Consolidated Financial Statements as at December 31, 2010.

The SMA Group has implemented all accounting standards that are to be applied mandatorily from the 2011 fiscal year in the preparation of the Interim Consolidated Financial Statements. This relates primarily to IAS 1 “Presentation of Financial Statements”. The other standards to be applied initially in fiscal 2011 have no significant impact on the Interim Consolidated Financial Statements.

#### New accounting standards

All accounting standards that are mandatory from the fiscal year 2011 have been implemented in the preparation of the Consolidated Financial Statements.

This relates to:

- IFRS 1 First-Time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters (amendment)
- IAS 24 Related Party Disclosures (revision)
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (amendment)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to International Financial Reporting Standards (published 2010)

The standards to be applied initially in the fiscal year 2011 have no significant impact on the Interim Consolidated Financial Statements. The Consolidated Financial Statements as at December 31, 2010 contain a detailed description of the new accounting standards that are on principle relevant to the SMA Group.

### 4. SEGMENT REPORTING

The Group’s operating segments were defined in compliance with the regulations contained in IFRS 8 and match those of the Consolidated Financial Statements as at December 31, 2010. Sales in the Photovoltaics Technology division are among other factors subject to fluctuations because of discontinuous incentive programs.

The segment information pursuant to IFRS 8 is made up as follows for the third quarters of 2011 and 2010:

### FINANCIAL RATIOS BY SEGMENTS AND REGIONS

Segment	Photovoltaics Technology			
	Medium Power Solutions		High Power Solutions	
	Q3 2011	Q3 2010	Q3 2011	Q3 2010
€ million				
External sales	313.9	538.2	150.5	81.8
Internal sales	25.4	26.3	9.3	3.8
Total sales	339.3	564.5	159.8	85.6
Depreciation and amortization	4.9	6.0	0.7	0.9
Operating profit (EBIT)	30.0	165.4	40.4	17.8
<b>Sales by regions</b>				
Germany	187.1	332.3	58.2	33.3
European Union	95.1	172.1	51.4	41.8
Third-party countries	45.7	57.2	42.5	7.8
Sales deductions	- 14.0	- 23.4	- 1.6	- 1.1
External sales	313.9	538.2	150.5	81.8

The segment information pursuant to IFRS 8 is made up as follows for the first nine months of 2011 and 2010:

Segment	Photovoltaics Technology			
	Medium Power Solutions		High Power Solutions	
	Q1 - Q3 2011	Q1 - Q3 2010	Q1 - Q3 2011	Q1 - Q3 2010
€ million				
External sales	837.2	1,237.3	321.1	184.2
Internal sales	55.2	56.9	15.7	14.6
Total sales	892.4	1,294.2	336.8	198.8
Depreciation and amortization	14.2	14.5	2.0	2.3
Operating profit (EBIT)	89.9	350.8	71.4	42.5
<b>Sales by regions</b>				
Germany	465.8	816.9	92.2	90.1
European Union	259.6	320.5	122.6	69.3
Third-party countries	144.9	150.2	108.4	27.3
Sales deductions	- 33.1	- 50.3	- 2.1	- 2.5
External sales	837.2	1,237.3	321.1	184.2

## Notes to the Condensed Interim Financial Statements as at September 30, 2011

Railway Technology		Electronics Manufacturing					
Railway Technology		Electronics Manufacturing		Reconciliation		Continuing operations	
Q3 2011	Q3 2010	Q3 2011	Q3 2010	Q3 2011	Q3 2010	Q3 2011	Q3 2010
8.0	5.7	4.1	1.0	0.7	0.0	477.2	626.7
1.8	4.6	108.8	148.8	- 145.3	- 183.5	0.0	0.0
9.8	10.3	112.9	149.8	- 144.6	- 183.5	477.2	626.7
0.1	0.1	1.0	1.3	5.8	0.2	12.5	8.5
0.5	1.6	6.0	16.8	- 2.3	- 3.3	74.6	198.3
2.6	2.0	2.7	1.0	0.0	0.0	250.6	368.6
3.9	2.2	0.0	0.0	0.7	0.0	151.1	216.1
1.5	1.5	1.4	0.0	0.0	0.0	91.1	66.5
0.0	0.0	0.0	0.0	0.0	0.0	- 15.6	- 24.5
8.0	5.7	4.1	1.0	0.7	0.0	477.2	626.7

Railway Technology		Electronics Manufacturing					
Railway Technology		Electronics Manufacturing		Reconciliation		Continuing operations	
Q1 - Q3 2011	Q1 - Q3 2010	Q1 - Q3 2011	Q1 - Q3 2010	Q1 - Q3 2011	Q1 - Q3 2010	Q1 - Q3 2011	Q1 - Q3 2010
23.4	17.8	9.8	3.2	0.7	0.0	1,192.2	1,442.5
5.9	12.3	287.7	329.5	- 364.5	- 413.3	0.0	0.0
29.3	30.1	297.5	332.7	- 363.8	- 413.3	1,192.2	1,442.5
0.3	0.3	3.0	3.6	15.1	0.6	34.6	21.3
2.0	2.7	15.4	29.6	- 0.4	- 7.4	178.3	418.2
7.1	5.9	6.3	3.1	0.0	0.0	571.4	916.0
12.0	6.6	0.0	0.1	0.7	0.0	394.9	396.5
4.3	5.3	3.5	0.0	0.0	0.0	261.1	182.8
0.0	0.0	0.0	0.0	0.0	0.0	- 35.2	- 52.8
23.4	17.8	9.8	3.2	0.7	0.0	1,192.2	1,442.5

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

	Q3 2011 € million	Q3 2010 € million	Q1 – Q3 2011 € million	Q1 – Q3 2010 € million
Total segment earnings (EBIT)	76.9	201.6	178.7	425.6
Eliminations	- 2.3	- 3.3	- 0.4	- 7.4
Consolidated operating profit (EBIT)	74.6	198.3	178.3	418.2
Financial result	- 0.1	0.2	2.0	0.4
Profit before income taxes	74.5	198.5	180.3	418.6

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

Segment assets as at September 30, 2011 increased as against the reporting date of the last Consolidated Financial Statements (December 31, 2010) by € 80.8 million in the Medium Power Solutions segment, by € 22.9 million in the High Power Solutions segment and by €18.2 million in the Electronics Manufacturing segment.

In the reconciliations as at September 30, 2011, segment assets increased by € 87.5 million compared to December 31, 2010.



## SELECTED NOTES TO THE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME SMA GROUP



### 5. COST OF SALES

	Q1 - Q3 2011 € '000	Q1 - Q3 2010 € '000
Material expenses	649,240	623,731
Personnel expenses	132,633	148,560
Depreciation	30,863	14,324
Other	40,239	101,975
	<b>852,975</b>	<b>888,590</b>

Cost of sales include, as direct costs, the product-related material expenses as well as all other expenses for the areas of production, purchasing and service as well as facility management and IT. Despite a slight decrease of 6.6 % in inverter output sold, following the shift in the product mix, material expenses increased by 4.1 % year-on-year in the period under review. In the last nine months, the purchasing and service areas have been expanded in a targeted manner. However, this expansion was more than offset by the reduction of variable employee compensation as well as lower expenses for temporary employees. This resulted in a reduction in personnel expenses of 10.7 %. The depreciation development is marked in particular by the investments in buildings and machinery during the last twelve months. The change of the other expenses resulted mainly from the lower provisions for obligations deriving from sales transactions and a reduction of the freight and shipping costs year-on-year. Furthermore, the expenses for facility management and IT are allocated to all functional areas of activity based on their utilization as of the beginning of the year. This change results in a relief of the other expenses in the period under review.

### 6. SELLING EXPENSES

	Q1 - Q3 2011 € '000	Q1 - Q3 2010 € '000
Material expenses	808	592
Personnel expenses	24,277	24,793
Depreciation	332	1,076
Other	20,058	14,123
	<b>45,475</b>	<b>40,584</b>

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## Selected Notes to the Income Statement and Statement of Comprehensive Income SMA Group

Selling expenses include expenditure for global sales activities, internal sales departments and marketing. On a year-on-year basis, SMA systematically expanded its global distribution and marketing structures to benefit from the global developments in the photovoltaics markets. The increased expenses for wages and salaries as a result of the increase in employees are more than offset by the reduced variable compensation. The reduction of depreciations is caused by the changes in the apportionment procedure. Other expenses contain proportional costs for facility management and IT. The increase is mainly attributable to the growing global marketing activities. SMA supports solar power professionals in the distribution of PV plants with specific marketing measures, thereby influencing the decision-making process.

### 7. RESEARCH AND DEVELOPMENT EXPENSES

	Q1 – Q3 2011 € '000	Q1 – Q3 2010 € '000
Material expenses	4,240	1,853
Personnel expenses	45,989	49,189
Depreciation	2,974	3,519
Other	20,031	8,655
	<b>73,234</b>	<b>63,216</b>
Capitalized development projects	- 9,680	- 9,925
	<b>63,554</b>	<b>53,291</b>

Research and development expenses include all costs that may be attributable to the areas of product development, development-related testing and product management. In order to strengthen its technological leadership even further, SMA systematically expanded the development department. SMA employed 32 % more staff in comparison to the previous year. The increased expenses for wages and salaries are more than offset by the reduced variable compensation and result in a 6.5 % reduction in personnel expenses. The reduction of depreciations is also caused by the changes in the apportionment procedure. Other expenses contain proportional costs for facility management and IT. The increase is mainly attributable to outsourced development services. SMA works systematically with development cooperations to reduce development times.

## 8. GENERAL ADMINISTRATIVE EXPENSES

	<b>Q1 - Q3 2011</b>	Q1 - Q3 2010
	€ '000	€ '000
Material expenses	91	95
Personnel expenses	30,720	28,653
Depreciation	511	2,425
Other	20,382	3,600
	<b>51,704</b>	<b>34,773</b>

Administrative expenses include expenses for the Managing Board, for quality management as well as for the accounting, controlling, legal, compliance and human resources departments. In view of the future growth, SMA has systematically expanded the finance and human resources departments. Therefore, personnel expenses increased by € 2.1 million. The reduction of depreciations is caused by the changes in the apportionment procedure. The change in other expenses mainly results from the adjustment of the apportionment procedure as well as the realization of strategically important projects.

## 9. OTHER OPERATING INCOME / OTHER OPERATING EXPENSES

Other income mainly comprises income from foreign currency valuation as well as non-operating income, for example, from assets classified as "at fair value through profit or loss".

Other expenses include, in particular, expenses incurred from foreign currency valuation, impairment losses on receivables and inventories, expenses for the disposal of tangible assets as well as for assets classified as "at fair value through profit or loss".

## 10. BENEFITS TO EMPLOYEES AND TEMPORARY EMPLOYEES

	<b>Q1 - Q3 2011</b>	Q1 - Q3 2010
	€ '000	€ '000
Wages and salaries	171,865	169,595
Expenses for temporary employees	34,344	56,363
Social security contribution and welfare payments	27,410	25,239
	<b>233,619</b>	<b>251,197</b>

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## Selected Notes to the Income Statement and Statement of Comprehensive Income SMA Group

The increase in employees includes the acquisition of dtw. The moderate increase in wages and salaries by 1.3 % year-on-year is attributable to a lower variable compensation. SMA bases the variable compensation on the earnings before taxes. In addition, significantly fewer temporary employees were deployed in the period under review than in the record year 2010. This development is reflected in the expenses for temporary employees.

The average number of employees in the Group amounted to:

	Q1 – Q3 2011 € '000	Q1 – Q3 2010 € '000
Research and Development	848	640
Production and Service	2,720	1,939
Sales	493	337
Administration	411	318
	<b>4,472</b>	<b>3,234</b>
Trainees and interns	426	358
Temporary employees	1,370	1,781
	<b>6,268</b>	<b>5,373</b>

During the period under review, employees in the facility management and IT departments have been regrouped from administration to production and service. For reasons of comparability, the previous year's figures were adjusted accordingly.

## 11. FINANCIAL RESULT

	Q1 – Q3 2011 € '000	Q1 – Q3 2010 € '000
Interest income	3,814	1,947
Other financial income	744	16
<b>Financial income</b>	<b>4,558</b>	<b>1,963</b>
Interest expenses	704	530
Other financial expenses	844	11
Interest share from valuation	1,033	1,011
<b>Financial expenses</b>	<b>2,581</b>	<b>1,552</b>
<b>Financial result</b>	<b>1,977</b>	<b>411</b>

The average of freely available funds increased since September 30, 2010 from approx. € 375 million to approx. € 400 million by September 30, 2011. In the last year, these funds were primarily invested in the form of overnight and term deposits. Considering the money holdings on the current bank accounts, in 2010 this resulted in an average interest rate of about 0.7 % p. a.

In the same period in 2011, an average amount of approx. € 350 million in the form of overnight and term deposits as well as in interest-bearing securities (within the framework of two asset management mandates) was invested. Here, the average interest rate (including the money stock on the current bank accounts) increased to approx. 1.45 % p. a. In addition, € 50 million were invested in two mutual funds (a money market fund and a pension fund). The positive result of this investment is reflected in the market-to-market valuation in the financial results.

## 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 nor are there any other special cases, the number of ordinary shares issued equates the number of shares in circulation.

The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of € 1.52 per share for the period from July 1 to September 30, 2011 and earnings of € 3.64 per share for the period from January 1 to September 30, 2011, each on the basis of 34.7 million shares. The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of € 4.00 per share for the period from July 1 to September 30, 2010 and earnings of € 8.56 per share for the period from January 1 to September 30, 2010, each on the basis of 34.7 million shares.

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



## SELECTED NOTES TO THE BALANCE SHEET SMA GROUP

### 13. GOODWILL AND OTHER INTANGIBLE ASSETS

	09/30/2011 € '000	12/31/2010 € '000
Goodwill	311	0
Software	8,550	8,393
Development projects	39,696	19,849
Prepayments	0	1,000
	<b>48,557</b>	<b>29,242</b>

The goodwill is a result of the first-time consolidation of dtw Sp. z o.o. (Zabierzów, Poland), acquired August 1, 2011, in the Consolidated Financial Statements of SMA.

The additions to the development projects reflect the intensified development activities to secure the SMA Group's technological leadership. The additions to software result, among other things, from the purchase of software licenses for the growth-related expansion of the ERP system.

### 14. FIXED ASSETS

	09/30/2011 € '000	12/31/2010 € '000
Land and buildings incl. buildings on third-party property	119,253	114,180
Technical equipment and machinery	34,898	34,706
Other equipment, fixtures and furniture	86,081	77,252
Prepayments, assets under construction	105,296	42,369
	<b>345,528</b>	<b>268,507</b>

The addition to land and buildings is in particular attributable to the expansion of the parking garage, leasehold alterations and improvements of the buildings.

The prepayments as at September 30, 2011 include investments for the expansion of the site at Sandershäuser Berg and for the construction of office buildings amounting to € 45.4 million.

## 15. INVENTORIES

	<b>09/30/2011</b>	12/31/2010
	€ '000	€ '000
Raw materials, consumables and supplies	204,630	148,548
Unfinished goods, work in progress	27,084	17,895
Finished goods and goods for resale	82,755	71,091
Prepayments	1,125	304
	<b>315,594</b>	<b>237,838</b>

Inventories are measured at the lower value of acquisition or production costs and net realizable value. As of the 2010 fiscal year, SMA specifically started to build up inventories of raw materials, consumables and supplies to guarantee a high delivery capacity. Finished goods consist primarily of Sunny Central inverters, which were produced mainly for projects whose realization has been postponed. The change in the impairment on inventories, included under expenses as production costs, amounts to € 6.1 million (Q1–Q3 2010: € 0.0 million).

## 16. OTHER FINANCIAL ASSETS

As at September 30, 2011, other current financial assets include in particular financial assets amounting to € 126.2 million as well as accrued interest. In the previous year, time deposits with a term of over three months amounting to € 190.0 million were shown here. The other non-current financial assets include a rent deposit for buildings in the USA amounting to USD 2.5 million (December 31, 2010: USD 5.0 million).

## 17. EQUITY

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

On May 26, 2011, the Annual General Meeting of SMA Solar Technology AG passed a resolution to distribute a dividend for the fiscal year 2010 amounting to € 104.1 million (€ 3.00 per qualifying bearer share).

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## Selected Notes to the Balance Sheet SMA Group

### 18. OTHER PROVISIONS

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

	09/30/2011 € '000	12/31/2010 € '000
Warranties	135,119	118,091
Other obligations deriving from sales transactions	20,658	44,342
Other	7,453	4,904
	<b>163,230</b>	<b>167,337</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 made for individual cases, which are used in the following year.

Other obligations deriving from sales transactions contain several claims made in delivery contracts, which are set up in the amount of the expected claims. The reduction compared to December 31, 2010 mainly comprises the release of provisions and leads to a corresponding improvement of results. The other provisions contain mainly provisions for long-service anniversaries, death benefits as well as partial retirement and service contributions.

### 19. FINANCIAL LIABILITIES

	09/30/2011 € '000	12/31/2010 € '000
Finance lease liabilities	5	10
Liabilities towards credit institutions	19,625	20,655
Derivative financial liabilities	1,388	535
	<b>21,018</b>	<b>21,200</b>

The liabilities towards credit institutions were incurred for the financing of SMA Immo's properties and have an average time to maturity of eleven years.

Derivative financial liabilities consist of interest rate derivatives related to the financing of SMA Immo.



## 20. OTHER FINANCIAL LIABILITIES

	09/30/2011 € '000	12/31/2010 € '000
Liabilities Human Resources department	66,485	99,468
Liabilities Sales department	21,029	32,699
Other	3,149	1,112
	<b>90,663</b>	<b>133,279</b>

Liabilities in the Human Resources area contain obligations towards employees regarding performance-based bonuses, positive vacation and flexitime balances as well as variable salary components and contributions to the workers' compensation association. The reduction of this amount is due to a lower profitability in the current fiscal year. Liabilities in the Sales area primarily contain liabilities towards customers from advance payments received and bonus agreements.

## 21. OTHER LIABILITIES

	09/30/2011 € '000	12/31/2010 € '000
Deferred income for extended guarantees	70,614	53,397
Liabilities from prepayments received	34,769	19,661
Liabilities due to tax authorities	2,516	3,116
Liabilities from subsidies received	1,387	1,524
Other	455	210
	<b>109,741</b>	<b>77,908</b>

The accrual item for extended guarantees includes liabilities from chargeable guarantee extensions granted for the products in the Photovoltaics Technology division. The main items included in the liabilities due to tax authorities are tax liabilities from payroll accounting as well as turnover 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 re-transfer of government grants is stated under other operating income.

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## Selected Notes to the Balance Sheet SMA Group

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## 22. FINANCIAL INSTRUMENTS

As at September 30, 2011, the Balance Sheet included one forward transaction intended to hedge the exchange rate risks of expected future sales generated with customers in the USA. The derivative is still classified as held for trading. It is not part of a hedging relationship as defined by IAS 39. The acquisition of SMA Immo has resulted in the initial recognition of interest rate derivatives in fiscal 2010. SMA Immo is exposed to interest risks due to existing financial liabilities. To secure interest in the long term and to have a secure basis for calculating the financing, 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.

As at September 30, 2011, there were fund shares (amounting to € 50.7 million) which were classified as held for trading, and interest-bearing securities classified as available for sale amounting to € 49.9 million. In addition, there was a security held to maturity of € 25.6 million.

## NOTES TO THE STATEMENTS OF CASH FLOWS SMA GROUP



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

### 23. NET CASH FLOW FROM OPERATING ACTIVITIES

The gross cash flow amounting to € 124.6 million (previous year: € 410.7 million) shows the operating income prior to any commitment of funds.

Net cash flow from operating activities decreased in fiscal 2011 to € 65.0 million (previous year: € 296.9 million). The decrease is mainly attributable to the year-on-year lower gross cash flow (€ –286.1 million).

The increase in net working capital results primarily from a targeted increase in the raw material stocks of critical components and the business-related increase in finished goods. Inventories increased on a year-on-year basis by a gross amount of € 72.0 million to a total of € 315.6 million. The changes in the other net assets were in particular caused by the payment of variable salary components to employees, future benefit obligations from warranty extensions as well as liabilities from prepayments received.

### 24. NET CASH FLOW FROM INVESTING ACTIVITIES

The net cash flow from investing activities decreased in the period under review to € –80.2 million after € –192.3 million in the same period last year. The outflow of funds due to investments in fixed assets and intangible assets amounted to € 121.4 million (previous year: € 120.00 million). On August 1, 2011, 100 % of the shares carrying voting rights in dtw Sp. z o.o. (Zabierzów, Poland) were acquired. Taking into account the acquired cash and cash equivalents of dtw Sp. z o.o., the net outflow of funds for the acquisition amounted to € 23.0 million.

Pursuant to IAS 7.17, monetary investments with a term to maturity of more than three months are allocated to the net cash flow from investing activities. The outflow of funds for the acquisition of the shares in SMA Immo in fiscal 2010 amounted to € 1.4 million. In addition, short-term financial liabilities on current accounts amounting to € 1.1 million were assumed following the acquisition.

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## Notes to the Statements of Cash Flows SMA Group

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### 25. NET CASH FLOW FROM FINANCING ACTIVITIES

The net cash flow from financing activities includes the dividend of SMA Solar Technology AG and the redemption of credit liabilities of SMA Immo in the period under review.

### 26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounting to € 233.0 million (December 31, 2010: € 354.1 million) include cash in hand, bank balances and short-term deposits with an original term to maturity of less than three months. Together with the time deposits with a term to maturity of more than three months and other financial assets, this results in financial resources amounting to € 359.2 million (December 31, 2010: € 544.1 million).

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## OTHER DISCLOSURES

### 27. EVENTS AFTER THE BALANCE SHEET DATE

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

### 28. RELATED PARTY DISCLOSURES

There were no significant changes concerning related parties as against December 31, 2010. The scope of transactions with team-time GmbH in the first nine months of the current year was identical to the previous extent.

Niestetal, November 4, 2011

SMA Solar Technology AG  
The Managing Board

Jürgen Dolle      Roland Grebe

Uwe Hertel      Pierre-Pascal Urbon      Marko Werner

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## AUDITOR'S REVIEW 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 Statements 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, 2011 to September 30, 2011, which are components of the Quarterly Financial Report pursuant to Section 37x (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

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perform the review so that we can preclude through critical evaluation, with moderate assurance, that the Condensed Interim Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical assessments and therefore does not provide the assurance attainable in a financial statements audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the Condensed Interim Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU nor that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, November 4, 2011

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft

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

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## Disclaimer

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This Quarterly Financial Report was published in German and English on November 11, 2011.  
The German version is authoritative. Both versions are available as downloads on our website:

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

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

## Disclaimer

This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as “expects”, “looks forward to”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will”, “projects” or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond SMA’s control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of SMA to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from changes in general economic and business conditions (incl. margin developments), in the legal and regulatory framework, changes in currency exchange rates and interest rates. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. SMA does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.



## FINANCIAL CALENDAR

- NOVEMBER 11, 2011** Publication of the Quarterly Financial Report January to September 2011,  
Analyst Conference Call: 9:00 a. m. CET
- MARCH 30, 2012** Publication of the Annual Report SMA Group 2011 and Annual Financial Statement SMA AG 2011,  
Analyst Conference Call: 9:00 a. m. CET
- MARCH 30, 2012** Press Conference on Annual Results, Frankfurt am Main
- MAY 11, 2012** Publication of the Quarterly Financial Report January to March 2012,  
Analyst Conference Call: 9:00 a. m. CET
- MAY 22, 2012** Annual General Meeting, Kassel, Kongress Palais
- AUGUST 10, 2012** Publication of the Half-Yearly Financial Report January to June 2012,  
Analyst Conference Call: 9:00 a. m. CET
- NOVEMBER 9, 2012** Publication of the Quarterly Financial Report January to September 2012,  
Analyst Conference Call: 9:00 a. m. CET

## IMPRINT

**PUBLISHER** SMA Solar Technology AG  
**CONCEPT UND DESIGN** FIRST RABBIT GmbH, Cologne  
**TEXT** SMA Solar Technology AG  
**PUBLICATION DATE** November 11, 2011

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