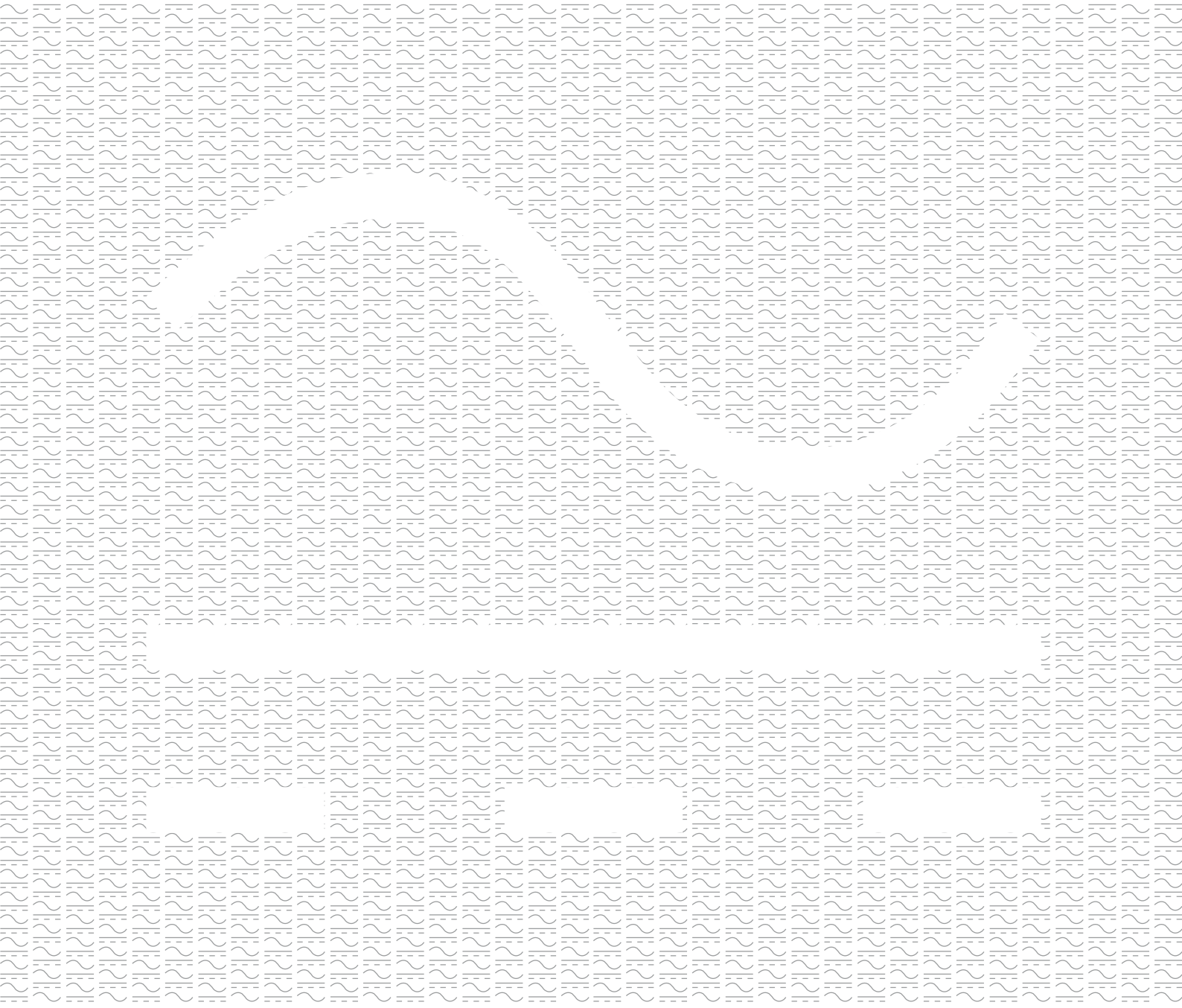
ENERGY
THAT
CHANGES

SMA

Bringing About Change



ANNUAL REPORT 2011

SMA AT A GLANCE

SMA Group		2011	2010	2009	2008	2007
Sales	€ million	1,676.3	1,920.1	934.3	681.6	327.3
Export ratio	%	53.6	44.9	38.4	42.3	29.4
Inverter output sold	MW	7,591	7,750	3,381	2,180	950
Capital expenditure[1]	€ million	160.2	158.3	82.1	63.9	12.3
Depreciations	€ million	50.4	31.3	16.3	8.9	16.0
Operating profit (EBIT)	€ million	240.3	516.8	228.4	167.4	59.3
EBIT margin	%	14.3	26.9	24.4	24.6	18.1
Consolidated net profit	€ million	166.1	365.0	161.1	119.5	36.8
Earnings per share[2]	€	4.79	10.52	4.64	3.44	1.06
Employees[3]		6,366	5,519	3,412	2,513	1,600
in Germany		5,568	5,179	3,236	2,400	1,535
abroad		798	340	176	113	65

SMA Group		31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Total assets	€ million	1,374.3	1,251.5	718.6	469.6	163.2
Equity	€ million	789.3	728.4	407.6	280.8	64.4
Equity ratio	%	57.4	58.2	56.7	59.8	39.5
Net working capital[4]	€ million	281.7	284.6	98.6	78.0	59.4
Net working capital ratio	%	16.8	14.8	10.6	11.4	18.1
Net Cash	€ million	473.3	523.4	344.8	239.4	41.2

[1] excl. finance leases
[2] converted to 34,700,000 shares
[3] average during the period; incl. temporary employees
[4] inventories and trade receivables minus trade payables

SMA worldwide

HIGHLIGHTS 2011

February

~ Along with cooperation partners, SMA presents a new forecasting tool that allows better integration of PV into the electricity grid and offers the grid operators high planning security. With the aid of the photovoltaic plants registered at SMA across Germany, the feed-in of the solar power is realistically projected and together with weather data reliably forecast for the next hours and days.

March

~ SMA becomes Germany's best employer among large companies in the Great Place to Work® competition. The esteem is based on the team spirit, transparency and participation that characterize our corporate culture and the fact that the employees are involved in the Company's development.

May

~ SMA pays record dividend of € 3.00.
~ Pierre-Pascal Urbon assumes the office of CEO.
~ Company founders Günther Cramer and Peter Drews are elected to the Supervisory Board by the Annual General Meeting with a large majority.
~ The SMA founders establish foundations whose purpose includes promoting and developing regenerative energy supply systems.

June

~ SMA establishes new foreign companies in Japan and Thailand. Thus, SMA continues its strategy of being the first inverter manufacturer represented in developing markets with growth potential.

August

~ SMA acquires its long-standing Polish supplier dtw Sp. z o.o. The Company is a specialist in manufacturing technologically innovative electronic components for inverters.
~ SMA presents the new Sunny Tripower 20000TL with the world's highest efficiency of 99%.

September

~ SMA celebrates its 30-year anniversary and inaugurates the world's largest service center for solar inverters in the presence of Minister for the Environment Dr. Norbert Röttgen. The service activities are bundled into 24,000 square meters to improve the service offer further worldwide.

October

~ SMA presents the micro inverter Sunny Boy 240, specially designed for the U.S. market but which can be used worldwide. The device is especially designed for small photovoltaic systems of up to 2 kW, systems with complicated shading situations and building integrated photovoltaics.

November

~ SMA joins the corporate initiative "Diversity Charter". The initiative, brought into being in 2006, supports a corporate culture characterized by fairness and appreciation and free of prejudice.

December

~ SMA defends market leadership of 35% and increases its export ratio to more than 50%.
~ The project business develops very successfully with a sales increase of nearly 50% due to the increasing internationalization.
~ Up until the end of the year, SMA creates 1,000 jobs worldwide, more than 600 of these in Germany. The important area of research and development was particularly expanded.

SMA'S TECHNOLOGICAL INNOVATIONS: THE KEY TO SUCCESS OF THE ENERGY TRANSITION

Our mission is to accelerate photovoltaic power worldwide as part of the energy revolution through innovative technologies. In the process, from a very early stage we concentrated on strategically important areas and also successfully aligned our development activities to the coming trends of our energy supply. Thus we continue to expand our global technology leadership, even in an increasingly difficult competitive environment – and actively shape the energy transition.

Energy Management

A decentralized energy supply on the basis of renewable energy coupled with the intelligent control of all consumers in the household. That is the future of our energy supply. One of the most important products in this connection is SMA's Sunny Home Manager. Even today, in combination with the Sunny Backup system, the intermediate storage of solar power is already a possibility. As well as the solar prognosis, an example is provided by the intelligent "schedule" created by the Sunny Home Manager for controlled appliances on the basis of these forecasts and analysis of usage patterns.

Grid Integration

Through the energy transition, increasing amounts of power are being fed into the grid from various renewable sources. Thus, its success depends in large part on planning security for grid operators. Together with partner companies, SMA has therefore designed a solution for exactly this. The wide data pool of SMA's Sunny Portal, the world's biggest plant monitoring portal, enables reliable forecasting of solar output. In addition, in all performance segments, SMA inverters correspond to the current guidelines and offer comprehensive so-called "system services". Thus, our inverters, as intelligent control centers, create stability for the grid and moderate costs of expansion to the grid – even with a high share of power from renewable energies.

Reduction of System Costs

Solar power will only become more competitive with conventionally generated power if PV system costs are reduced continuously. SMA is rising to this challenge with an interdisciplinary development project set to last several years – and focuses mainly on the life cycle costs of the entire system. For example, with the Sunny Central CP we managed to reduce system costs by up to 35%. This was partly achieved through maximum weight reduction and much simplified installation, but also through intelligent technologies that allowed the monitoring of the system to be fully integrated into the inverter.

Internationalization

SMA recognized the international dimension of the solar market early on and consistently opened up new solar markets. Here, we are represented in 19 countries across four continents. With over 1,300 sales and service employees, like no other PV inverter manufacturer SMA is prepared for the rapid internationalization of this business. Even today, we export our products throughout the world and our expertise is in demand well beyond Europe's borders. For example, with the module inverter Sunny Boy 240, SMA offers a product specially developed for the U.S. market that allows an installation in direct proximity to the module. The inverter is especially suitable for plant sections, individual modules and systems with modules with varying orientations – as are frequently found in the USA.

BRINGING ABOUT CHANGE

Currently, solar markets worldwide are marked by drastic changes. The growth rates of the established markets in Europe are falling markedly, while in Asia, new, promising solar markets are emerging. That brings with it risks – but also great opportunities. Doing nothing is not an option in this environment. Success comes to those who act decisively and take best possible advantage of the opportunities connected to the change with technologically leading products and global presence. Like SMA.

Whatever the next few years bring – SMA will actively shape and characterize the global energy transition.

Would you have known? The symbol on the cover of this year's Annual Report stands for the conversion of direct current into alternating current – that is, one of the main tasks of our solar inverters. In line with our motto "Bringing About Change", throughout the Annual Report you will come across this sign again and again.

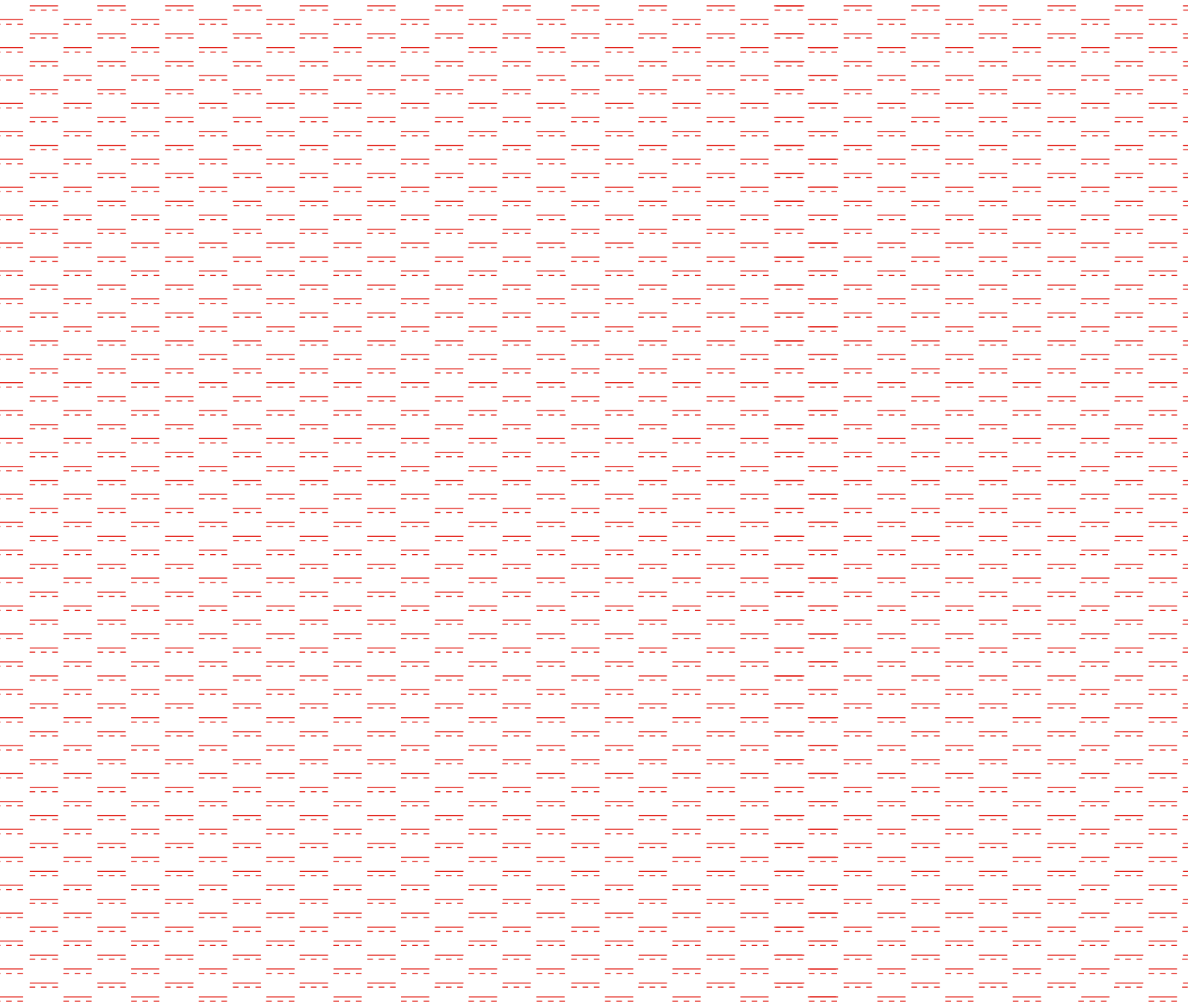
TO OUR SHAREHOLDERS

Fiscal Year 2011 – Facts to our Share

1.30 Euro Dividend Proposal

33.8 Percent Pay Out Ratio

1.498 Billion Euro Market Capitalization



LETTER TO OUR SHAREHOLDERS

from left to right:

Roland Grebe
Chief Technology Officer

Pierre-Pascal Urbon
Chief Executive Officer and
Chief Financial Officer

Marko Werner
Chief Sales Officer

Jürgen Dolle
Chief Human Ressorces Officer

Dear shareholders,

SMA looks back on a successful fiscal year 2011. Thanks to our strong foreign and project business, we achieved sales of € 1.7 billion. With earnings before interest and taxes (EBIT) of € 240 million, we achieved the second-best results in the company's history. We financed our investments and the dividend from the cash flow, once again demonstrating the advantages of our business model. As a global market and innovation leader, we are in an excellent position to take advantage of the great opportunities of the energy transition and to return to sales growth from 2013 on. In the process, our comprehensive know-how in the field of solar inverters and energy management as well as our international alignment are key factors for our success.

Towards an Ecologically Justifiable Energy Supply

Following the natural catastrophe and reactor disaster in Fukushima, Japan, the discussion about sustainable and ecologically justifiable energy supply picked up momentum throughout the world. Despite increased support for photovoltaics in society, the rapid growth of global demand for PV systems seen in 2011 has not continued. With around 23 gigawatt, the size of the global market remained nearly unchanged. While Germany recorded stable demand, international markets developed inconsistently. There are significant growth impulses coming, among others, from South Europe, North America and India.

Consistent Internationalization and Focus on Future Technologies Proves Highly Successful

SMA has already recognized the importance of the growth potential of the international markets at an early stage and is globally present in 19 countries with own companies. We increased our export ratio to 53.6% and are thus taking large steps toward the billion mark. In 2011, the regional shift of demand also led to a change in the size of installations. In this way, the decrease in new installations of rooftop systems was largely compensated for by large-scale solar projects. SMA offers a comprehensive range of products for all solar markets and areas of application and therefore benefited from the change in demand. For example, with Sunny Central inverters we increased our sales by nearly 50%.

SMA has a unique market position: No other company possesses such far-reaching know-how in the field of solar inverters and energy management as SMA. Our product portfolio comprises inverters for all applications, power classes, and module types. With an eye on the rapidly growing importance of the decentralized generation of energy, SMA has also developed intelligent energy management and monitoring systems. Our range of products is flanked by an exceptionally customer-focused international sales and service organization and highly flexible production. In a market characterized by overcapacity, these unique selling points allowed us to defend our high global market share of approximately 35%.

SMA is a Trailblazer for Grid Integration and Energy Management

For more than 30 years, SMA has been a symbol of unusual innovative strength. Our future-oriented product innovations have helped significantly to continue lowering the costs of solar power generation and integrating solar power in the distribution grids with no costly expansion process. Grid stability, in particular, is of great importance in further new photovoltaics installations for security of supply. Even today, in good weather conditions, photovoltaics generate as much as approximately 16 nuclear power plants in Germany. It is thus clear that this potential has to be taken into account in the schedules of conventional power plants. For this reason, SMA developed intelligent forecasting possibilities and system technology for decentralized storage solutions at an early stage. With the help of our innovations, grid operators can reliably project the current solar output in individual areas of the grid for the upcoming hours and days. Location-based weather forecasting is also used by our new Sunny Home Manager. The device links this information with the user behavior of households and in this way optimizes the load management. In combination with the Sunny Backup system, an intermediate storage of solar power is also possible. With our technical innovations in the field of energy management, households can cover a high degree of their power consumption with their own photovoltaic system. Thus, with our products, the solar power can be consumed directly in the place where it is produced. In this way, users save costs and the grid is relieved.

SMA is Germany's Best Employer and Job Engine in the Region

The success of photovoltaics is also reflected in our Company's development. In 2011, we hired more than 1,000 new employees, more than 600 of these in the region of North Hesse. Our employees constitute a very essential pillar of our corporate success. Their performance and their extraordinary dedication have once again contributed in a vital manner to the excellent result SMA achieved in the last year. I would like to take this opportunity to express my deep appreciation for this strong commitment on behalf of the entire Managing Board!

Our corporate culture is a unique one in Germany in many respects. It is characterized by respect, openness und confidence. For this reason, we are especially proud of the fact that SMA was voted Europe's Best Employer in the 2011 Great Place to Work® competition in the category "Companies with over 5,000 employees".

Outlook

In a few years, energy from the roof will be cheaper than power from the electric socket. For this reason, in the medium term, we anticipate attractive growth rates. However, in the short term, photovoltaics remains dependent on political support in many solar markets.

Since SMA is dependent on the global market for PV systems and due to the massive cuts in incentive programs in Europe, especially in Germany, we anticipate a drop in sales in the range of € 1.2 billion to € 1.5 billion for the current fiscal year and forecast an operative profit margin between 5% and 10%. In terms of target profitability, SMA is clearly above the German electrical industry but below the figures the company reported from the previous year.

Given the current price level of PV plants, foreign markets will develop at a faster pace. In response we will pursue our internationalization strategy even more intensively than before and increase export ratio to over 80%. Due to the limited access to the Chinese solar market, SMA's market share will be diluted overall. In the solar markets with fair competitive structures, we are aiming for slightly growing market shares.

The competition for market shares is primarily decided via technological progress. In order to be able to further expand our technology leadership, we have placed a major focus on research and development from the very beginning. Today, SMA in that area alone employs more than 1,000 employees who permanently work on the improvement of existing and the development of new products. In 2012, we will expand our developer team further and invest more than € 100 million in research and development. In the future, the focal points for development also include the reduction of the total system costs of a solar power plant as well as solutions for intelligent energy management and grid integration. Regarding the reduction of the lifecycle cost, efficiency plays a decisive role: already today, our inverters reach top efficiencies in excess of 99%. Moreover, factors like the electrical lifespan, reliability, simple installation and low service costs are gaining in importance. Therefore, we take up these aspects in the case of new developments.

Dear shareholders, we see SMA in an excellent overall position for the future. With our comprehensive know-how in system technology, we want to shape the energy supply transformation actively. The success of the energy revolution depends on technologies for managing decentralized energy production and integrating energy storage solutions. We will also continue our proven strategy to be one of the first PV inverter manufacturers represented with an own subsidiary in young foreign markets with consistency in the next years.

Pierre-Pascal Urbon
Chief Executive Officer and
Chief Financial Officer
SMA Solar Technology AG

Jürgen Dolle,
Chief Human Ressorces Officer:
Jürgen Dolle (* 1954) studied German and social studies for the teaching profession, as well as social affairs. From 1981 through 2000, he worked in various positions as social educator at Diakonisches Werk Kassel, last as deputy managing director. Since 2001, he has been heading SMA´s human resources as Vice President. He designed the models for our personnel development and anchored our Corporate Culture in all areas of the Company. Since April 2010, Jürgen Dolle has been responsible for the area of Human Resources on the Managing Board.

Pierre-Pascal Urbon,
Chief Executive Officer and
Chief Financial Officer:
Pierre-Pascal Urbon (* 1970) studied business administration. Until 2005, he worked in the areas of M&A and corporate finance at the consulting company Drueker & Co., last as Vice President. Pierre-Pascal Urbon has been at SMA since 2005 and was appointed to the Managing Board in 2006. Since 2009 he has been responsible for the area of finance. Pierre-Pascal Urbon planned SMA´s initial public offering and decisively advanced the Group´s internationalization. After the Annual General Meeting 2011 he took the additional position as Chief Executive Officer beside his position as Chief Financial Officer.

Roland Grebe,
Chief Technology Officer:
Roland Grebe (* 1960) studied electrical engineering and has been working in various management positions in the area of development at SMA since 1984. He developed the first PV inverters that form the basis of the Sunny Boy and Sunny Central inverters of SMA. Roland Grebe transformed the central inverter area from an individual project processor into a serial manufacturer for power plant technology and developed the grid integration competence of SMA for the purpose of securing the future commercial viability of the products. Since June 2009, Roland Grebe has been the member of the Managing Board responsible for development.

Marko Werner,
Chief Sales Officer:
Marko Werner (* 1963) is an electrical engineer and began his career at SMA in 1987. Until 2009, he worked in various management positions in the areas of product management, sales, and marketing. He has built a global sales organization as well as successful key account sales and has developed innovative marketing concepts at SMA. In addition, he supported the Managing Board in the expansion of the corporate internationalization strategy. In 2009, Marko Werner was appointed Chief Sales Officer. He is also a member of the Board of the European Photovoltaic Industry Association (EPIA).

THE SHARE

SIGNIFICANT CORRECTIONS ON THE STOCK MARKET IN 2011

The stock market in 2011 was characterized by frequent ups and downs, triggered by international events, led by the financial crisis in Europe and the USA as well as political unrest in North Africa and the natural disaster in Japan. The positive economic situation in Germany did not compensate for these negative effects. After the DAX started 2011 well at 6,989.74 points, it posted considerable losses over the course of the year. In September 2011, it fell below the important 5,000 mark. At the end of the year, the leading German index was at 5,898.35 points, losing approximately 15% of its value in comparison to the start of the year.

A similar path was followed by the TecDAX, the leading index for German technology companies in which SMA and other major solar shares are represented. In January 2011, the TecDAX started at 860.05 points. After the disaster in Fukushima, the TecDAX hit its annual peak of 948.59 points on April 5. Overall, the index moved up by 3.9% in the first half of the year. In the second half of the year, the TecDAX declined, this was caused in particular by adjustments resulting from restrained market development. In comparison to the beginning of the year, the index lost approximately 20% of its value and closed at 685.06 points on December 30, 2011.

Basic data

Security code number	A0DJ6J
ISIN	DE000A0DJ6J0
Stock market code	S92
Reuters	S92G.DE
Bloomberg	S92 GR
Listing	Prime Standard of Frankfurt Stock Exchange
Initial public offering	June 27, 2008
Share class	Bearer shares without par value
Share capital	€ 34.7 million
Number of shares	34.7 million
Index	TecDAX, ÖkoDAX, CDAX, Prime All Share

SMA SHARE PRICE BENEFITED FROM RESOLUTION FOR ENERGY TRANSITION AT THE BEGINNING OF THE YEAR

SMA shares began the year 2011 at a price of € 70.15 (January 3, 2011, closing price Xetra trading platform). At the beginning of the first quarter of 2011, ongoing discussions about plans to cut solar subsidies further in important European markets led to uncertainty in the capital market. This was reflected in the volatile development of the SMA share price. The announcement of preliminary figures and the agreement between the German Solar Industry

Performance of the SMA Share in 2011 in %

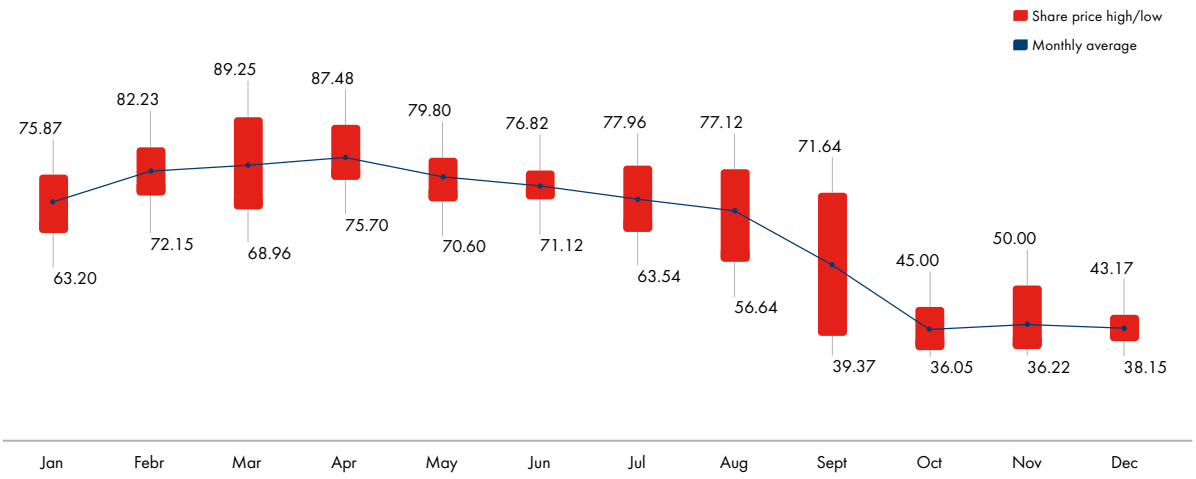
Association and the Federal Government on flexible subsidy adjustments led to a stable development of the share price in February 2011. Following the nuclear disaster in Japan on March 11, 2011 and the consequent resolution of the Federal Government to phase out nuclear power, the price of the SMA share rose steeply. The annual High of € 89.25 (closing price Xetra trading platform) was reached on March 30, 2011 following the publication of SMA's outstanding financial results for the 2010 fiscal year and the confirmation of the outlook for 2011.

In the second quarter of 2011, the SMA share price settled down at a level above the € 70 mark. The quarterly High was at € 87.48 (April 4, 2011, closing price Xetra trading platform). The share was positively affected by the acquisition of the Polish manufacturer of electromagnetic components, dtw Sp. z o.o. This was reinforced by the fact that the German Federal Government resolved to make no further reductions in solar subsidies from July, due to the low levels of installation in the reference months March to May 2011. At the end of the first six months of 2011, the price of the SMA share improved by approximately 10% to € 76.82 (June 30, 2011, closing price Xetra trading platform) in comparison to the beginning of the quarter.

REVISED GUIDANCE RESULTED IN PRICE DOWNTURN

In the third quarter, the price performance was marked by a high level of uncertainty in the solar markets. The SMA share started at € 77.58 and recorded sharp price fluctuations in the following weeks. With a view to the reporting season of the solar sector, many solar shares came under pressure until the beginning of August. The SMA share price also decreased to € 56.64 (August 8, 2011, closing price Xetra trading platform). SMA convinced with solid mid-year figures and by confirming the forecast for the year. Afterwards, the share price recovered to € 77.12 (August 15, 2011, closing price Xetra trading platform). However, ongoing uncertainty concerning the development in the solar sector and forecast adjustments on the part of many market participants caused the SMA share price to fall again from mid-August. In September, indications that the hoped-for year-end rally was not going to materialize became so clear that the SMA Managing Board resolved to revise downwards its guidance for sales and earnings for the 2011 fiscal year on September 19, 2011. As a consequence, the SMA share recorded considerable price losses and closed at the end of the quarter at € 39.37, 49.3% down on the beginning of the quarter (September 30, 2011, closing price Xetra trading platform).

Highs and Lows of the SMA share in 2011 in €



GOOD POSITION IN COMPARISON TO THE SECTOR

The negative share price development initially continued in the fourth quarter of 2011. The SMA share price fell to its annual Low of € 36.05 on October 4, 2011 (closing price Xetra trading platform). The publication of the nine-month figures on November 11, 2011 gave the share price a boost, because SMA had presented its second-best result in the history of the Company. On the day of publication, the price of the SMA share broke through the € 50.00 limit (closing price Xetra trading platform), reaching its quarterly high. Despite the Company's positive development, the SMA share price was not able to decouple itself entirely from negative reports coming from the solar sector with the first cases of insolvency. Up to the end of the year, the price declined again and was € 43.17 (closing price Xetra trading platform) on December 30, 2011. This is a 38.5% drop on the beginning of 2011. On December 31, 2011, market capitalization was € 1.498 billion.

Research-Coverage

Institution	Name
HSBC Trinkaus & Burkhardt	Christian Rath
HVB UniCredit	Michael Tappeiner (finished)
Independent Research	Sven Diermeier (new)
Jefferies	Gerard Reid (new)
Landesbank Baden-Württemberg	Erkan Aycicek
Macquarie Group	Robert Schramm-Fuchs
Main First	Andreas Thielen/Hüseyin Özkaya (new)
Metzler	Daniel Seidenspinner
Morgan Stanley	Allen Wells (new)
Natureo Finance	Ingo Queiser (new)
Steubing	Alla Gorelova
Sylvia Quandt Research	Sebastian Zank (new)
UBS	Jean Francois Meymandi
Warburg Research	Christopher Rodler (new)
West LB	Peter Wirtz

CONTINUED STRONG RESEARCH COVERAGE FOR THE SMA SHARE

As market leader for PV inverters, SMA is of great interest to analysts who assess the company. In 2011, the share was tracked and valued by 25 analysts. Nine analysts began covering the share, while two stopped reporting about SMA.

Research-Coverage

Institution	Name
Bank of America / Merrill Lynch	Claus Roller
Barclays Capital	Rupesh Madlani
Berenberg Bank	Lars Dannenberg (finished)
Bryan. Garnier & Co	Julien Desmaretz
Citi	Jason Channell (new)
Commerzbank	Lauren Licuanan
Deutsche Bank	Katja Filzek
DZ Bank	Sven Kürten
Equinet Bank	Stefan Freudenreich (new)
Goldman Sachs Group	Stephen Benson

FOUNDERS TRANSFERRED SHARES TO FOUNDATIONS

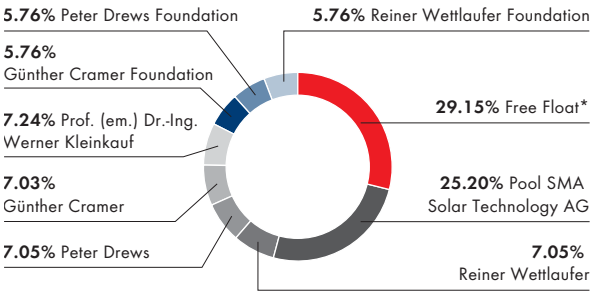
In the 2011 fiscal year, the SMA shareholder structure changed. Overall, there were eleven voting rights announcements in accordance with Section 21 (1) of the German Securities Trading Act (WpHG). All voting rights announcements are listed on the Company's website www.IR.SMA.de.

In May 2011, founders and major shareholders of SMA Solar Technology AG, Günther Cramer, Peter Drews and Reiner Wettlaufer established three non-profit foundations, each placing 2 million SMA shares in them. One of the objectives of the foundations is to develop and support renewable energy supply systems and concepts as well as business models to help their adoption. This applies in particular to regions in developing countries that have no or inadequate connection to the power distribution grid. In addition, the foundations aim to support economic, scientific, cultural and social regional development, especially in North Hesse, and to put charitable aims into practice.

See also IR-Website www.IR.SMA.de

The foundations' assets, with regard to the SMS shares, are to be retained in each foundation's respective portfolio. By establishing the foundations, the founders are also ensuring that SMA continues to have a very stable shareholder structure, therefore being largely independent in the future.

Shareholder structure in %



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

ANNUAL GENERAL MEETING RESOLVES DIVIDEND PAYMENT OF € 3.00 PER SHARE FOR FISCAL 2010

The Annual General Meeting was held ond May 26, 2011 with about 600 shareholders at the Kassel Congress Center. The shareholders granted discharge to the Managing Board and Supervisory Board by a large majority of over 99% and resolved to payout a dividend of € 3.00 per qualifying bearer share for the record fiscal year 2010 with a vote of almost 100%. This corresponded to a distribution volume of € 104.1 million and a dividend payout ratio of almost 30%.

The Managing Board's presentation along with all relevant documents regarding the 2011 Annual General Meeting are available at www.SMA.de/annualgeneralmeeting.

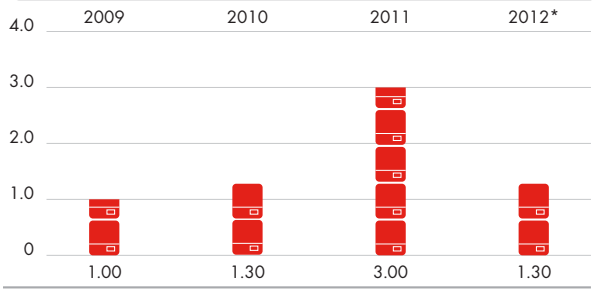
The next Annual General Meeting will be held on May 22, 2012 at Kongress Palais Kassel.

See also www.SMA.de/AnnualGeneralMeeting

DIVIDEND PROPOSAL OF € 1.30 PER SHARE

SMA attaches great importance to a balanced dividend policy. The basis for the amount of the dividend proposal determined by the Managing Board and Supervisory Board is calculated according to net profit, which is recorded in the Individual Financial Statements of SMA Solar Technology AG prepared according to the provisions of the German Commercial Code and the Stock Corporation Act. On May 22, 2012, the Managing Board and Supervisory Board will propose a dividend of € 1.30 per share (2011: € 3.00 per share) to the Annual General Meeting. The pay out ratio of 33.8% is the highest since the initial public offering in 2008. This dividend payout means that SMA is the leading solar stock on the TecDAX by a wide margin.

Dividend in €



* The figure shown for 2012 is the dividend proposal.

INVESTOR RELATIONS – INTENSIVE DIALOG WITH THE CAPITAL MARKET

Credibility, transparency and up-to-dateness characterize our communication culture and investor-oriented information policy. We therefore maintain regular dialog with the capital market. Our Investor Relations website www.IR.SMA.de provides comprehensive and up-to-date information about our Company. This includes, for instance, financial publications and a financial calendar. An interactive share chart enables comparisons between SMA share prices and selected stock market indices. SMA will also be making more use of social and new media in future. In November 2011, Pierre-Pascal Urbon, CEO and CFO, contacted the shareholders by video message for the first time to announce the publication of the nine-month report. SMA launched the SMA Corporate Blog at www.sma-sunny.com on January 19, 2012.

In fiscal 2011, the Managing Board and the Investor Relations team participated in numerous investor conferences in Germany and abroad. Locations included Frankfurt, London and Luxembourg. Furthermore, SMA was available for the first time at Intersolar 2011, the largest European photovoltaics trade fair, for one-on-one and group meetings with international investors and analysts. There were road shows in Zurich, Geneva, Edinburgh, London, Milan, Munich and Paris. Additionally, SMA conducted about 350 one-on-one discussions and conference calls with investors.

Further Investor Relations events were the press conference on financial statements in Frankfurt am Main on March 30, 2011 and the third SMA Capital Markets Day on September 15, 2011. The latter was held at the headquarters of SMA in Niestetal with around 40 analysts. Key topics included SMA's unique selling points, technological approaches to cost reduction, SMA's product innovations and major trends in the solar industry. In 2012, Capital Markets Day will be held at Intersolar, Europe's largest photovoltaics trade fair, for the first time on June 14, 2012 in Munich.

In 2012, the Investor Relations team will focus its activities on major conferences and limit road shows to the financial centers Frankfurt, London and Zurich. Furthermore, use of new media as a channel for the shareholders' information will be intensified.

SMA Share Key Figures

		2011	2010
Year's Closing Price (Xetra)	€	43.17	69.50
Annual High (Xetra)	€	89.25	103.70
Annual Low (Xetra)	€	36.05	66.99
Number of Shares	million shares	34.7	34.7
Market Capitalization at the End of the Year	€ billion	1.498	2.41
Earnings per Share	€	4.79	10.52
Dividend per Share	€	1.30	3.00
Dividend Amount	€ million	45.11	104.1
Dividend Pay Out Ratio	%	33.8	28.8
Dividend Yield at the End of the Year	%	3.0	4.3
Price Earnings Ratio at the End of the Year	€	9.0	6.6
Average Volume of Shares traded per Trading Date (based on the Number of Shares traded on Xetra)	Tsd. shares	102.0	111.0
Position on the TecDAX at the End of the Year			
According to Market Capitalization		12	11
According to Trading Volume		7	6

See also www.IR.SMA.de and www.sma-sunny.com

CORPORATE GOVERNANCE REPORT

SMA attaches great importance to adherence to the principles of good corporate governance and is guided by the recommendations and suggestions in the German Corporate Governance Code (DCGK). Even though no changes to the Code needed to be advised in 2011, the Managing Board and the Supervisory Board have continually examined its requirements. On December 6, 2011, following deliberations, the Managing Board and the Supervisory Board issued an amended Declaration of Conformity, reproduced below, pursuant to Section 161 (1), sentence 1 of the German Stock Corporation Act (AktG) replacing the Declaration of Conformity dated June 9, 2011, which was published on our website.

DECLARATION OF CONFORMITY CONCERNING THE GERMAN CORPORATE GOVERNANCE CODE

In accordance with § 161 Aktiengesetz (German Stock Corporations Act), the Managing Board and Supervisory Board of SMA Solar Technology AG declare:

Since the last Declaration of Conformity dated June 09, 2011 SMA Solar Technology AG has complied with the exceptions mentioned below in number (1) and (2) and will continue to comply with the exception mentioned below in number (2) with the recommendations of the "Regierungskommission Deutscher Corporate Governance Kodex" (Government Commission German Corporate Governance Code) in the version dated May 26, 2010, published in the electronic Federal Gazette (Bundesanzeiger) on July 2, 2010:

(1) Notwithstanding Article 5.4.1, Sentence 2 and 3 of the German Corporate Governance Code, the Supervisory Board has specified beyond the recommendation on age limits set forth in the By-Laws of the Supervisory Board concrete objections regarding its composition not till its meeting of December 06, 2011. The Supervisory Board could not act in an adequate manner befitting the importance of this issue before.

(2) Mr. Günther Cramer and Mr. Peter Drews were nominated for election to the Supervisory Board to the Annual General Meeting and selected by the Annual General Meeting to join the Supervisory Board on May 26, 2011. As a result, notwithstanding Article 5.4.2, Sentence 3 of the German Corporate Governance Code, there are more than two former members of the Managing Board on the Supervisory Board. Mr. Reiner Wettlaufer, who is also a founder and main shareholder as well as a former member of the Managing Board, has already been on the Supervisory Board since 2010.

The Supervisory Board thinks that it is very important to retain them for the Company as members of the Supervisory Board, even though they previously have been Managing Board members, in order to continue consistently the development work of the Company's founders. In this way, the effected generational change in the corporate management could be attended to in an optimum way, and any uncertainty on the part of employees, customers, business partners and investors could be precluded from the beginning. In light of the fact that they are main shareholders, it is justifiable for the Supervisory Board to include more than two former members of the Managing Board.

Niestetal, December 6, 2011

The Managing Board — The Supervisory Board

TRANSPARENCY

Transparency is a key element of good corporate governance. Our aim is to provide all shareholders, financial analysts, media and interested members of the public at large with timely information about the business situation and significant corporate changes. All important information is also made available on our website www.SMA.de. Reporting on the business situation and the results of operations takes place in the Annual Report, in the press conference convened to present the Annual Results, in the Quarterly Reports and in the Half-Yearly Financial Report. Furthermore, the public is informed through press releases and, wherever stipulated by the law, by means of ad-hoc statements. Moreover, social networks are used to provide information on data and important events. Transparency is particularly important whenever transactions concluded by the Company might lead to conflicts of interest. Any conflicts of interest that may have arisen were disclosed by those members of the corporate bodies affected when discussion of this subject commenced. The member concerned did not participate in the adoption

See also www.SMA.de

of any necessary resolutions by the Managing Board or the Supervisory Board. In respect of the fiscal year that has concluded, the following points should be mentioned:

There are HR service agreements between SMA Solar Technology AG and team-time GmbH regulating in particular the allocation of temporary employees. The sole shareholder and manager of team-time is the wife of a member of the Managing Board. Confirmation that the agreements concluded between the Company and team-time GmbH are in line with prevailing market conditions was provided by a report prepared by a leading German auditing firm. The auditors examined this report as part of the audit of the Annual Financial Statements 2010 and did not challenge it. Furthermore, a fairness opinion drawn up by a leading auditing firm confirmed that the contractual offer made by team-time GmbH was financially fair. The member of the Managing Board affected by the conflict of interest did not participate in the resolution that dealt with cooperation with the team-time GmbH.

SMA Solar Technology AG concluded a consultancy contract with Mr. Cramer that is limited both in terms of time and content. In accordance with the contract, for the duration of his Board duties for the German Solar Industry Association (BSW), Mr. Cramer is provided with an office, a company car and necessary means of communication for these duties. There is no remuneration for these duties. The Supervisory Board approved the conclusion of the contract at its meeting on May 26, 2011. Mr. Cramer did not participate in the vote.

REMUNERATION REPORT

The Remuneration Report summarizes the principles that are decisive when it comes to determining the remuneration of the Supervisory Board and the Managing Board and also explains the structure and the emoluments payable.

MANAGING BOARD EMOLUMENTS

The remuneration system for the Managing Board – including the most important contractual elements – is decided at a plenary session of the Supervisory Board. All the contracts concluded with Managing Board members currently in force have a term of five years. The Supervisory Board regularly examines the remuneration system for the Managing Board and lays down targets for the variable components of the emoluments. The criteria when determining the commensurateness of the remuneration include the tasks of the individual members of the Managing Board, their personal performance, the economic situation and success of the Company and the benchmark remuneration customary in the peer environment. The remuneration is assessed in a way that ensures that it is competitive in the market for highly qualified managerial staff. Apart from statutory requirements, the remuneration system also complies with the stipulations of the German Corporate Governance Code and with case law and was approved by the Annual General Meeting on May 27, 2010. The remuneration of the Managing Board will consist of the following components in which the fixed component of the emoluments is 40% to 50% and the variable component and the long-term bonus in the case of good business performance amounts to 50% to 60% of the total remuneration before additional benefits. At least one half of the variable component of the emoluments must correspond to the long-term bonus.

Non-performance based fixed remuneration

The annual fixed emoluments are divided up into 13 monthly salaries. The 13th monthly salary is paid together with the salary for November, on a pro-rata basis in the case of persons taking up or leaving their posts during the year.

Performance-based variable remuneration

The members of the Managing Board also receive a performance-based variable salary, which depends on earnings before taxes (EBT) as recorded in the Consolidated Financial Statements for the current fiscal year audited by the auditor. In the case of negative earnings in any given fiscal year, they are set off against the earnings recorded for the next fiscal year. The target value (EBT) is adjusted annually by the Supervisory Board. If at least 100% of the target value is attained, then the full agreed variable remuneration may be claimed. If less than 20% of the target value is attained, no claim may be asserted for the variable component. Intermediate values are determined on a linear basis. If the target value is exceeded, this does not entitle payment of a higher variable component of the emoluments (cap). A maximum of one half of the performance-based annual remuneration that

it is anticipated will become due is paid out after submission of the Half-Yearly Financial Report. The remainder is paid out after the approval of the Consolidated Financial Statements, which usually takes place at the end of March of the following year. If the Managing Board member's duties do not extend beyond one full fiscal year, then he/she receives one twelfth of the performance-based variable remuneration determined for the entire fiscal year for each month of the fiscal year in which he/she carries out his/her duties.

Long-term bonus

Managing Board members also receive a long-term bonus, which depends on the mean EBT margin as recorded on the Consolidated Financial Statements audited by the auditors over a period of three fiscal years. The target value (EBT margin) is determined annually by the Supervisory Board for the following three fiscal years. If 100% of the target value is attained, then the full agreed long-term bonus may be claimed whereas if less than 50% is attained, no bonus is payable. Values in-between are determined on a linear basis. If the target value is exceeded, this does not entitle payment of a higher long-term bonus (cap). The bonus is payable at the very earliest upon expiry of the three-year period. Payment takes place after the third Consolidated Financial Statements have been approved, usually at the end of March, even if the employment contract ends before the end of the performance period. If the employment contract still has a term of at least two years to run when payment becomes due, then the Managing Board member is expected to invest the net amount payable, in part, in shares in SMA Solar Technology AG and to hold these shares until his/her Managing Board duties in the Company have concluded.

Additional benefits

All Managing Board members are entitled to

- a company car,
- the employer's contribution up to the contribution assessment ceiling of the statutory social insurance scheme (pension, health, nursing care), even in the case of voluntary insurance and without furnishing any proof, and
- appropriate D&O insurance.

Any taxes due must be borne by the Managing Board member.

Other contractual benefits

In the event of death or permanent disability, the emoluments will continue to be paid for six months. In the event of early termination of duties on the Managing Board without a good cause, the compensation payable is limited to the total remuneration for the remaining term of the contract and up to a maximum of one year's emoluments (severance pay cap). If the employment contract with a member of the Managing Board ends because it is amicably cancelled within a period of nine months from a change of control, this member is also entitled to a severance payment amounting to his/her remuneration claims. The same calculation basis applies as in the case of the severance pay cap. All members of the Managing Board are subject to a post-termination covenant not to compete for a period of two years that provides for a compensation payment amounting to 50% of the average gross monthly salary per month. The calculation basis is the annual salary (fixed and variable components) paid out for the last full calendar year. The Managing Board member must set off any monies earned while he/she is otherwise employed during the non-compete period. The maximum cash value of the compensation sums payable in the case of a covenant not to compete after conclusion of Managing Board duties amounts to € 0.386 million for each of the Managing Board members Jürgen Dolle, Roland Grebe, Pierre-Pascal Urbon and Marko Werner. Günther Cramer, Peter Drews and Uwe Hertel waived their rights to compensation payments for the post-contractual covenant not to compete upon conclusion of their Managing Board duties.

The total emoluments payable to all members of the Managing Board amounted to € 2.617 million (2010: € 2.489 million) in fiscal year 2011 of which € 0.543 million (previous year: € 0.996 million) correspond to variable performance-based emoluments. The Managing Board members receive no separate remuneration for carrying out tasks at subsidiaries.

Remuneration of the Managing Board	Remuneration not based on success		Success-based remuneration		Long-term bonus[1]		Additional benefits[2]		Total	
in €'000	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Günther Cramer (until May 26, 2011)	102	250	104	250	–	–	10	26	216	526
Jürgen Dolle	350	135	67	83	–	–	21	12	438	230
Peter Drews (until May 26, 2011)	102	250	104	250	–	–	9	23	215	523
Roland Grebe	350	200	67	110	–	–	21	19	438	329
Uwe Hertel	350	135	67	83	–	–	23 215[3]	14	440 215[3]	232
Pierre-Pascal Urbon	350	188	67	110	–	–	15	21	432	319
Marko Werner	350	200	67	110	–	–	21	20	438	330
Total	**1,954**	**1,358**	**543**	**996**	**–**	**–**	**335**	**135**	**2,617 215[3]**	**2,489**

[1] Date claim arises for the first time: 2012

[2] The level of additional benefits in 2010 is adapted due to social security contribution subsidies. The contributions to the D&O insurance totaling € 42,000 in 2011 (2010: € 47,600) are not included, since they concern the members of corporate bodies of all companies of the SMA Group and an allocation to individual insured persons does not take place.

[3] Mr. Hertel retired from the Managing Board as of December 31, 2011. In this connection, Mr. Hertel was promised a single payment of € 215,000. With this payment, all of Mr. Hertel's claims resulting from his previous Managing Board duties and relating to his retirement from the Managing Board are satisfied, with the exception of the performance-based variable remuneration for the fiscal year 2011.

No credits were granted nor were any advances paid to Managing Board members during the fiscal year. There are no pension commitments.

SUPERVISORY BOARD EMOLUMENTS

At the Annual General Meeting held on April 30, 2008, remuneration of the Supervisory Board from the fiscal year 2008 onwards was newly regulated in Section 11 of the Articles of Incorporation. Since then, it has remained unchanged. Under these arrangements, at the end of the fiscal year the Supervisory Board members receive a fixed remuneration of € 10,000 in addition to reimbursement of their cash expenses. In addition, they receive annual variable emoluments based on the Company's success amounting to € 200 per € 1 million of net earnings as recorded in the Company's Annual Financial Statements, however not exceeding € 20,000. The variable remuneration is payable after the Annual General Meeting that resolves on granting discharge to the Supervisory Board for the fiscal year. The remuneration payable to the Chairman amounts to twice the amount mentioned above and the remuneration payable to his/her deputy amounts to one and a half times the aforementioned amounts. If a Supervisory Board member does not participate in one or several meetings of the Supervisory Board, then his remuneration is reduced in accordance with the provisions of the Articles of Association. Supervisory Board members who sit on a committee also receive 1,500 per meeting day and each committee chairman receives twice the aforementioned amount. No remuneration is payable for meetings of the Nomination Committee. The remuneration is payable at the end of the fiscal year. Supervisory Board members who have only sat on the Supervisory Board or a committee for part of the fiscal year receive remuneration pro-rata temporis.

No other remuneration or benefits for personally rendered services, in particular consultancy and mediation services, were granted to Supervisory Board members. Similarly, in the year under review, no Supervisory Board member was granted credits or advances.

The performance-based remuneration payable to Supervisory Board members does not contain any components that depend on the Company's long-term success (e. g. share options or phantom stocks). As at December 31, 2011, eleven of the members of the Supervisory Board held shares in SMA.

The total emoluments payable to the members of the Supervisory Board amounted to a total of € 0.484 million in the fiscal year 2011 (2010: € 0.353 million) of which € 0.268 million (2010: € 0.217 million) were variable emoluments. The increase in the total amount of emoluments paid is attributable to the expansion of the Supervisory Board from six members to the new figure of twelve members in the course of the previous year and to the fact that committees were set up.

Remuneration of the Supervisory Board	Remuneration not based on success		Success-based remuneration		Remuneration for committee duties		Total	
in €'000	2011	2010	2011	2010	2011	2010	2011	2010
Günther Cramer (Chairman from May 26, 2011)	12.0	–	24.0	–	3.0	–	39.0	–
Peter Drews (from May 26, 2011)	6.0	–	12.0	–	–	–	18.0	–
Siegfried L. Drueker (until May 26, 2011)	4.0	6.0	8.0	12.0	–	–	12.0	18.0
Dr. Erik Ehrentraut (Chairman until May 26, 2011; Deputy Chairman from May 26, 2011)	17.0	20.0	34.0	40.0	31.5	12.0	82.5	72.0
Dr. Günther Häckl	10.0	6.0	20.0	12.0	6.0	1.5	36.0	19.5
Johannes Häde	10.0	10.0	20.0	20.0	10.5	4.5	40.5	34.5
Dr. Winfried Hoffmann	10.0	9.4	20.0	18.9	–	–	30.0	28.3
Dr.-Ing. Martin Hoppe-Kilpper (until May 26, 2011)	4.0	6.0	8.0	12.0	–	–	12.0	18.0
Prof. (em.) Dr.-Ing. Werner Kleinkauf	9.4	9.4	18.9	18.9	–	–	28.3	28.3
Ullrich Meßmer	9.4	5.3	18.9	10.7	–	–	28.3	16.0
Alexander Naujoks	10.0	6.0	20.0	12.0	10.5	4.5	40.5	22.5
Joachim Schlosser	10.0	6.0	20.0	12.0	–	–	30.0	18.0
Reiner Wettlaufer (Deputy Chairman until May 26, 2011)	12.0	15.0	24.0	30.0	15.0	4.5	51.0	49.5
Mirko Zeidler	10.0	9.4	20.0	18.9	6.0	–	36.0	28.3
Total	**133.8**	**108.5**	**267.8**	**217.4**	**82.5**	**27.0**	**484.1**	**352.9**

Beyond the remuneration of the Supervisory Board, the employee representatives that are employees of the Company receive fee payments unrelated to their Supervisory Board duties. From such duties, the employee representatives received a total of € 0.379 million (previous year: € 0.522 million). SMA Solar Technology AG concluded a consultancy contract with Mr. Cramer for the duration of his Board duties in the German Solar Industry Association (BSW) that is limited both in terms of time and content. There is no remuneration for these duties. However, other expenses totaling approximately € 7,900 were incurred.

OTHER

The Company has taken out professional indemnity insurance (D & O insurance) for the members of the corporate bodies of all companies of the SMA Group. It is effected or extended every year. The insurance covers the personal liability risk of the members resulting from a breach of duty when exercising their duties in the event any claims for economic losses are asserted against them. The deductible in the policy for the fiscal year 2011 was 10% of the damage, however no higher than 1,5 times the fixed annual emoluments of the member of the corporate body.

SHAREHOLDINGS/STOCK OPTION PROGRAMS

At the end of the fiscal year and at the time this Report was published, the current members of the Managing Board and the Supervisory Board held, either directly or indirectly, 46.4% (2010: 48.4%) of all the shares issued. The Managing Board members held a total stake of 0.6% (2010: 26.2%) in the share capital and the Supervisory Board members held a stake of 45.8% (2010: 22.2%) in the share capital. The changes in the figures result primarily from Mr. Cramer and Mr. Drews move from the Managing Board to the Supervisory Board. The Company does not have any stock option programs.

THE COMPANY'S CORPORATE BODIES AND THEIR FUNCTIONS

SMA Solar Technology AG is a stock corporation governed by German law. Accordingly, it possesses a dual management structure in which one corporate body is devoted to managing the Company (The Managing Board) and is supervised by another corporate body (The Supervisory Board). Both bodies are endowed with different powers and work closely with one another in an atmosphere of trust when managing and supervising the Company. The election of the shareholder representatives in the Supervisory Board and of the auditor as well as determining the appropriation of the profit are the responsibility of the Annual General Meeting, along with decisions that impact member rights of the shareholders.

MANAGING BOARD

The Managing Board is responsible for independently and jointly managing the Company. It is obliged to pursue the objective of the sustainable creation of value and is responsible for managing the business. It decides on fundamental issues of business policy and corporate strategy as well as on short- and medium-term financial planning. The Managing Board is responsible for preparing the Quarterly, Half-Yearly and Annual Financial Statements of SMA Solar Technology AG and of the SMA Group as well as for adhering to all legal and official provisions and internal policies.

As a collegiate body, the Managing Board, in principle, strives to adopt resolutions unanimously. However, the Rules of Procedure for the Managing Board, adopted by the Supervisory Board (available on our website www.IR.SMA.de) stipulate that individual members of the Managing Board shall be responsible for specific areas of responsibility. The Managing Board lays down how responsibilities are assigned. The members of the Managing Board notify each other on an ongoing basis about all material events in their area of responsibility and about any matters covering several areas of responsibility. If the desired unanimity cannot be reached when adopting resolutions, then the Managing Board decides on the basis of a simple majority of the members present. However, no resolutions may be adopted on matters that have been assigned to the area of responsibility of a member absent from a meeting. Under legal provisions or the Rules of Procedure, in the case of certain transactions, a unanimous resolution of the Managing Board is mandatory. For a certain number of transactions, the Supervisory Board has a reservation of consent.

See also www.IR.SMA.de

Up until May 26, 2011, the Managing Board consisted of seven members. Following the retirement of Günther Cramer and Peter Drews, it is made up of the following five members: Roland Grebe (Chief Technology Officer), Uwe Hertel (Chief Operating Officer), Jürgen Dolle (Chief Human Resources Officer), Pierre-Pascal Urbon (Chief Financial Officer and Chief Executive Officer) and Marko Werner (Chief Sales and Marketing Officer). Uwe Hertel stepped down from the Managing Board for health reasons, effective from December 31, 2011. His former duties will be taken on by the other Managing Board members and transferred to the new SMA divisions. Uwe Hertel will promote the strategic development of the operative business as Senior Vice President.

SUPERVISORY BOARD

The Supervisory Board advises the Managing Board in all matters and supervises its activity. It is involved and consulted by the Managing Board in all matters of fundamental significance and whenever particularly important business decisions have to be taken. Under the Rules of Procedure that apply to the Managing Board and adopted by the Supervisory Board, the Managing Board must obtain the prior approval of the Supervisory Board for certain decisions. Such decisions include for instance approval of the annual budget including the investment plan, the incorporation, acquisition or sale of companies and the acquisition or sale of pieces of real estate, whenever certain threshold values are exceeded. The Supervisory Board must also approve the assignment of areas of responsibility.

The Supervisory Board is currently made up of twelve members and its composition complies with the provisions of the German Stock Corporation Act and the Co-Determination Act. Under these provisions, the employees of German Group companies and their shareholders (Annual General Meeting) each elect six representatives to the Supervisory Board. The current members of the Supervisory Board are: Dr. Günther Häckl, Johannes Häde, Ullrich Meßmer, Alexander Naujoks, Joachim Schlosser and Mirko Zeidler as employee representatives and Günther Cramer, Peter Drews, Dr. Erik Ehrentraut, Dr. Winfried Hoffmann, Prof. (em.) Dr. Werner Kleinkauf and Reiner Wettlaufer as shareholder representatives. Following the retirement of Siegfried L. Drueker and Dr. Martin Hoppe-Kilpper, Günther Cramer and Peter Drews were elected as members of the Supervisory Board for the first time at the Annual General Meeting on May 26, 2011. At its meeting on May 26, 2011, the Supervisory Board elected Günther Cramer as its Chairman and Dr. Erik Ehrentraut as its Deputy Chairman.

The committees of the Supervisory Board are made up as follows.

Presidial Committee	Günther Cramer (Vorsitzender), Dr. Erik Ehrentraut, Dr. Günther Häckl, Mirko Zeidler
Audit Committee	Dr. Erik Ehrentraut (Vorsitzender), Johannes Häde, Alexander Naujoks, Reiner Wettlaufer
Nomination Committee	Peter Drews (Vorsitzender), Dr. Erik Ehrentraut, Prof. (em.) Dr.-Ing. Werner Kleinkauf
Mediation Committee	Günther Cramer, Dr. Erik Ehrentraut, Dr. Günther Häckl (Vorsitzender), Joachim Schlosser

Dr. Ehrentraut, as an independent member of the Supervisory Board, possesses the necessary expertise in the fields of accounting or auditing as stipulated under Section 100 (5) of the German Stock Corporation Act (AktG).

The committees prepare topics and resolutions for the Supervisory Board that are due to be deliberated at the plenary session of the Supervisory Board. They regularly meet important informants such as for instance the Managing Board, the auditor or the head of the Internal Auditing department for this purpose. The content of the committee meetings is then reported by the committees' chairmen at the next plenary session of the Supervisory Board. Any member of the Supervisory Board may attend the meetings of a committee, provided the relevant committee chairman does not decide otherwise. The minutes of the content and resolutions adopted by committees are made available to all the members of the Supervisory Board.

The Supervisory Board reports annually on the focus of its activities and deliberations in the Supervisory Board Report (see page 127 et seqq.). You may consult the Rules of Procedure of the Supervisory Board on our website www.IR.SMA.de. The members of the Supervisory Board took on the training and further training measures necessary for their tasks on their own authority, whereby they received suitable support from the Company.

At its meeting on December 6, 2011, the Supervisory Board resolved objectives for its future composition for the first time:

1. At least 25% of the Supervisory Board are to be women. In the process, both the shareholders and the employees should aim to provide at least one female Supervisory Board member. The Supervisory Board also aims for a share of at least 25% when the Managing Board is appointed. The Managing Board has already set the same objective for the appointment of managers in the entire company. This ambitious objective brings great challenges to the Company and is to be realized with the regular new election after next at the latest.

2. Maintain the composition of the Supervisory Board of members with a background of international experience at least in the previous scope.

3. Consideration of particular knowledge and experience in the application of accounting standards und internal control processes as well as in the field of auditing.

4. Consideration of technical expertise, especially also in the field of renewable energies, preferably in the field of photovoltaics.

5. Consideration of company knowledge.

6. At least half of the shareholder representatives are to be independent (within the meaning of the recommendation of the EU Commission of February 25, 2005). At the same time, at least one member is to possess expertise in the field of accounting or auditing.

7. Consideration of the age limit of 75 years at the end of the term of office.

The term of office of all current members of the Supervisory Board ends with the conclusion of the Annual General Meeting 2015. Currently, the objectives are implemented as follows:

Regarding 1	There are currently no women in the Supervisory Board.
Regarding 2-5	In the opinion of the Supervisory Board, these objectives are already implemented today.
Regarding 6	Currently, according to the set definition, two members of the Supervisory Board are to be viewed as independent; two members, one of whom is independent, possess expertise in the fields of accounting and auditing.
Regarding 7	Currently, one member of the Supervisory Board will exceed the age limit of 75 years at the end of his term of office.

See also Report of the Supervisory Board page 127 et seqq.
See also www.IR.SMA.de

COOPERATION BETWEEN THE MANAGING BOARD AND THE SUPERVISORY BOARD

The Managing Board and the Supervisory Board work closely with one another in an atmosphere of trust for the good of the Company, thus fulfilling both the requirements of effective control of the enterprise and the need to be able to take decisions quickly. Their common goal is that of securing the continued existence of the Company and steadily increasing its value. To this end, the Managing Board keeps the Supervisory Board promptly and comprehensively informed, both in writing and by word of mouth and during regular meetings about the Company's position, current business developments and all relevant questions pertaining to strategic planning, risk management and important compliance matters. The Quarterly Financial Report and the Half-Yearly Financial Report are discussed with the Managing Board on a regular basis during meetings of the Audit Committee before their publication.

Outside meetings, the relevant Chairman of the Supervisory Board is also in contact with the Managing Board, discusses significant business transactions and upcoming decisions with it and is immediately informed of developments of key importance.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of SMA Solar Technology AG discuss their co-determination and control rights at the Annual General Meeting which takes place at least once a year. The Annual General Meeting adopts resolutions with binding effect and each share grants one vote. Every shareholder who registers on time is entitled to participate in the Annual General Meeting. In addition, shareholders may have their voting rights exercised by a credit institution, a shareholder association, the proxies deployed by SMA Solar Technology AG and bound by the shareholder's instructions or by another authorized representative. The invitation to the Annual General Meeting and all reports and information necessary for adopting resolutions, including the Annual Report, are published in accordance with the provisions of the Stock Corporation Act and are available in the run-up to the Annual General Meeting on our website at www.IR.SMA.de.

See also www.IR.SMA.de

CONSOLIDATED MANAGEMENT REPORT

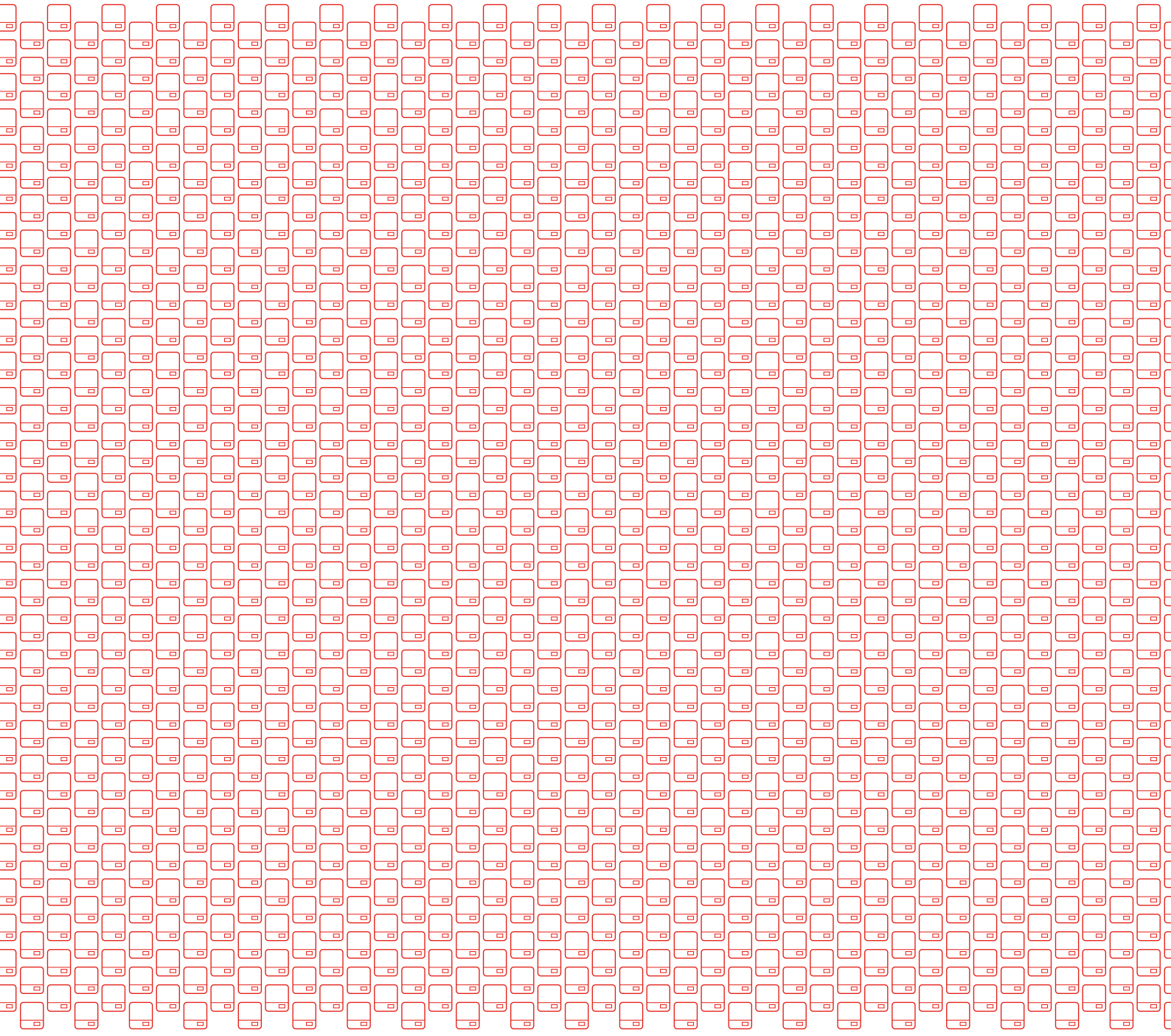
Fiscal Year 2011 – Second Best Fiscal Year in the Company's History

7.6 Gigawatts Inverter Output Sold

€1.7 Billion Sales

€240.3 Million EBIT

€473.3 Million Net Cash



CONTENTS OF THE CONSOLIDATED MANAGEMENT REPORT

THE SMA GROUP: BUSINESS, OBJECTIVES AND STRATEGIES

BUSINESS ACTIVITY

SMA IS THE WORLD MARKET LEADER FOR SOLAR INVERTERS

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

As the central switchpoint, the PV inverter is the most important technological component of every PV plant, converting the direct current generated in the photovoltaic cell into grid-conforming alternating current. At the same time, the PV inverter takes over grid management and optimizes the energy yield of the PV plant as a whole. SMA PV inverters stand out because of their especially high efficiency of up to 99%. Efficiency is a significant determining factor for energy yield. High-quality SMA PV inverters are designed for a lifespan of over 20 years. SMA is the only manufacturer that can offer the right type of inverter for every type of photovoltaic module and all power classes and for various regional requirements around the world – both for grid-connected applications and for stand-alone and backup operation.

With an eye on the rapidly growing importance of the decentralized generation of energy, SMA has also developed intelligent energy management and monitoring systems. This innovative information and communication technology from SMA makes it possible, for example, to link forecasting instruments with the consumption behavior of end users and storage technology. In this way, SMA technology helps end users increase the profitability of their PV plants, especially in photovoltaics markets with variable electricity rates. Our technologies enable end users to cover their power consumption to a high degree with their own PV plants. With the aid of intelligent load control, energy suppliers can also relieve the power distribution grids. The costly expansion of low-voltage grids can be reduced significantly.

SMA is represented with its own sales and service companies in 18 countries and is therefore benefiting from the international growth of the PV market. Modern production sites with an overall annual capacity of up to 11.5 gigawatts (GW) are maintained in Niestetal and Kassel (Germany), Denver (USA) and Mississauga near Toronto (Canada). The competence center for coils (electromagnetic components) is in Zabierzów, near Krakow (Poland). SMA maintains its own purchasing organizations in Germany and the USA and is establishing one in China.

Measured by annual sales of € 1.7 billion, SMA was the world's largest manufacturer of solar inverters in 2011. According to its own estimates, SMA's global market share is approximately 35%. As at December 31, 2011, SMA has 5,532 employees worldwide, while 1,012 work in the area of development. SMA has been listed in the Prime Standard of the Frankfurt Stock Exchange (S92) since June 27, 2008. With market capitalization of €1.5 billion[1] SMA is by far the largest solar company in the TecDax.

OUR VISION AND MISSION

Our vision and mission form the framework for today's tasks and the strategic orientation of SMA. In addition, they strategically connect our employees, shareholders, creditors, customers, suppliers and the public as well as our way of thinking and actions.

Our vision: The future of global energy supply belongs to renewable energies.

Our vision is that people are supplied with 100% renewable energy. SMA is developing appropriate technologies and products for this purpose. This is because fossil fuels are not only getting more expensive but they are also in large part responsible for climate change. Due to a steep decline in production costs and its numerous advantages, photovoltaics will constitute an important part of electricity production in both industrialized and newly industrialized countries in the future. Decentralized energy generation will means that electricity is generated precisely where it is consumed. New

[1] Closing price on December 30, 2011.

technologies will make a decisive contribution to ensuring that solar power is globally competitive. As in no other type of energy carrier, the applications of solar power range from residential systems, the commercial sector up to megawatt-class solar power stations. When coupled with smart grids, decentralized storage facilities and intelligent grid and/or load management, the solar inverter will be a decisive switch and control unit. But even developing countries will be able to spur electrification with the aid of photovoltaic power and thus lay the basis for economic growth and wellbeing for the more than two billion people who still have no access to electricity today.

Our mission: Thanks to its innovative strength and based on growing basic values, SMA will accelerate the global expansion of photovoltaics as part of the energy transition.

Through continued cost reductions, further enhancements and innovations in system technology, we will make the installation, operation and maintenance of PV plants even simpler, more reliable and secure and above all more cost-effective. We will thus ensure a high degree of satisfaction for our customers and at the same time enable photovoltaic systems to be operated in a cost-efficient manner. Here, we do not only have the specific pricing of our solar inverters in mind but also the lifecycle costs of PV plants over their entire service life. In this area, we are increasing energy yields through ever-improving efficiencies and reducing costs through simpler installation options and the broadest possible integration of components and communication, monitoring and protective devices in the inverters. With our high quality standards, we offer our customers a high degree of investment security.

We participate in national and international bodies, associations and institutions such as the German Solar Industry Association (BSW) or the European Photovoltaic Industry Association (EPIA) in order to provide an understanding of the advantages of renewable energies to a wide public and make an active contribution to creating the framework conditions for the expansion of photovoltaics. As the global market and technology leader, we also generate momentum for ecological and social issues and, above all due to our cooperative corporate culture, we are an especially attractive employer for workers all over the world.

PRODUCT PORTFOLIO

Products for Decentralized Energy Supply

SMA is the sole manufacturer worldwide offering a complete range of solar inverter products for grid-connected PV plants. These products range from string inverters with an output of 700 watts to central inverters with an output of 1.6 megawatts (MW). SMA thus offers the technologically optimal inverter solution for all types of PV modules available on the market. Moreover, the product range includes innovative power-electronic converter technology used internationally in decentralized energy supply systems for short and long-distance railway traffic.

In addition, SMA offers key technologies for the photovoltaic systems of the future. This includes, for example, the battery-powered inverters Sunny Island and Sunny Backup. Sunny Island plays a decisive role in supplying energy for remote, off-grid locations, while Sunny Backup serves the growing market for the intermediate storage of solar power.

Due to SMA's extensive experience in system technology, the Company also offers modern monitoring and energy management systems. The technologies enable end users to cover their power consumption largely with their own PV plants, thus reducing their dependence on energy suppliers. This is particularly interesting in markets in which photovoltaics is already competing successfully with conventional energy sources and their steadily increasing electricity charges for private households and commercial operations.

The products Sunny Boy, Sunny Mini Central, Sunny Tripower, Sunny Island and Sunny Backup belong to the **Medium Power Solutions segment**. The segment also includes products used for monitoring PV plants and for energy management. The product families comprise a total of 60 inverters with an additional 16 country-specific and 84 customer variants as well as 17 communication products. SMA offers single-phase and three-phase inverters whose outputs range from 700 watts to 20 kilowatts (kW). SMA products feature a particularly high efficiency of up to 99%,

simple installation and a lifespan of over 20 years. This broad range of products offers a technologically optimal solution for all types of PV modules available on the market and for every power class in residential and commercial installations. The products of the Medium Power Solutions segment for the European market meet the requirements of the Low Voltage Directive, in force in Germany from January 1, 2012.

The **High Power Solutions segment** comprises central inverters such as the Sunny Central. These devices serve the rapidly growing market for large-scale solar power plants with outputs ranging from 100 kW to several megawatts. The product family is made up of 29 central inverters with numerous variants providing optimal technical solutions for any large-scale project. As the market leader in this segment, SMA also produces central inverters that feed directly into the medium-voltage grid of energy suppliers. In this way, large-scale solar projects can increase their energy yield. The exceptional efficiencies of these devices achieve up to 98.7%.

Other competitive advantages provided by Sunny Central inverters are their wide input voltage range, integrated plant monitoring systems and easy installation in ground-based PV plants. The products of the High Power Solutions segment for the European market also meet the strict requirements of the Medium Voltage Directive of the German Association of Energy and Water Industries (BDEW), in force in Germany from April 1, 2011.

The product range in the **Railway Technology division** ranges from individual devices such as battery chargers and air-conditioner converters to complete energy supply systems for railway coaches and multiple-unit trains. This division equips short- and long-distance railway traffic with outstanding power-electronic components and systems. All these products can be employed worldwide both for first integration and for retrofitting older vehicles. Strong growth markets are Asia and North and South America. The European markets are showing a steady growth in demand.

IMPORTANT SALES MARKETS AND COMPETITIVE SITUATION

The Development of the Photovoltaics Market Depends on Political Conditions

According to our own estimates, new PV plants with a total photovoltaic output of more than 23 GW were installed worldwide in 2011. This signals that global demand has stabilized at a high level after years of strong growth (2010: approximately 23 GW).

Germany was once again the world's largest photovoltaics market in 2011 with approximately 7.5 GW of newly installed capacity (2010: approximately 7.4 GW). A significant portion of the new installations occurred in the last months of the year with more than 3 GW. According to the Managing Board's appraisal, the unexpectedly high level of installation is the result of the 15% cut to the feed-in tariff on January 1, 2012, and the political discussion about a fixed limit to future installations.

In 2011, due to changes in political conditions, international photovoltaics markets developed in a mixed fashion. As a result, the decline in demand in some photovoltaics markets like the Czech Republic was offset by other regions such as North America. The Managing Board estimates that a total power of more than 15 GW per year (2010: approx. 15 GW) was newly installed worldwide. The most important foreign markets in 2011 included Italy, North America, Belgium, Australia and India.

The regional shift of demand also led to a change in the size of installations. SMA estimates that installations in the residential and commercial submarkets, with a capacity of up to 30 kW and 500 kW respectively, declined in 2011. Their share in the overall market sank from above 80% to less than 70% in 2011, according to our own estimates. In contrast, the large-scale solar project submarket (industrial),

a capacity up to the multi-megawatt range, gained markedly in momentum over this period. The main reason for this development is the high level of new installation in North America and Asia, where more large-scale solar projects are implemented.

SMA is the Global Market Leader

Measured by the 7.6 GW of inverter output sold (2010: 7.8 GW), SMA is the global market leader. According to our own estimates, SMA's market share was at the same high level as last year with 35%. This figure marks an excellent result, especially because 2011 was characterized by intense competition and overcapacity.

Our technological leadership, expressed by factors such as the world's best level of efficiency of up to 99%, is an important component of our great success. But we have also successfully distinguished ourselves from our competitors with our global presence with foreign companies in 19 countries, the high quality of our products, a tight-knit international service network, and our expansive product portfolio.

We estimate that the market share of the next-smaller inverter manufacturer is less than 15% and that approximately 80% of the global demand is covered by the five largest manufacturers. Major conglomerates and Asian providers have so far played a comparatively secondary role in the technology-driven inverter business. These competitors often concentrate on single submarkets and/or regions and cannot compensate for technological restrictions with financial power or company size.

ORGANIZATIONAL STRUCTURE

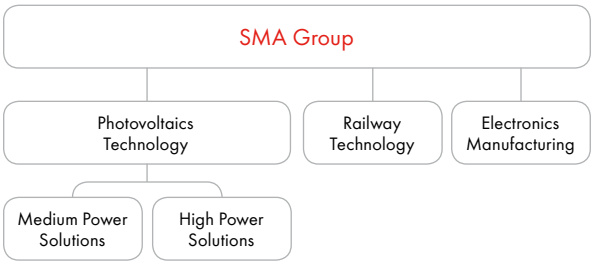
Legal Structure of the Group

As the parent company of the SMA Group, SMA Solar Technology AG (SMA) with headquarters in Niestetal near Kassel, Germany, provides all of the functions required for the operative business. The parent company holds, either directly or indirectly, 100% of the shares of all the operating companies that belong to the SMA Group. Via the subsidiary Company SMA Railway Technology GmbH, the SMA Group additionally holds 10% of the shares in the Chinese company Changzhou SMA Electronics Co. Ltd., engaged in the field of the electrical retrofitting of railway vehicles. This company was not included in consolidation.

The Consolidated Financial Statements include the parent company and all 24 (2010: 21) subsidiaries including 4 domestic companies and 20 companies based abroad. In 2011, SMA founded two new companies and included them for the first time in the scope of consolidation. These are the sales and service companies SMA Solar Thailand and SMA Japan. In addition, the acquisition dtw Sp. z o. o. ("dtw") was brought into the consolidated group on August 1, 2011.

Organizational Structure

The SMA Group's reporting is broken down into the Photovoltaics Technology, Railway Technology and Electronics Manufacturing divisions. The three divisions are linked strategically, technologically and financially. All divisions are managed by the Managing Board, which is organized by the functions technology, sales & marketing, operating business, human resources and finance.



The **Photovoltaics Technology division** is subdivided into the Medium Power Solutions and High Power Solutions segments. SMA bundles business with solar, wind and battery-powered inverters as well as monitoring and energy management systems in these two segments. The division includes all operative functions. In 2011, SMA achieved sales totaling € 1.6 billion with the Photovoltaics Technology division.

See Notes pages 85 et seq.

The **Railway Technology division** focuses on system solutions for static converters for various applications in rail-bound short- and long-distance traffic. In addition, the division supplies the High Power Solutions segment with cable and mechanical components. The Railway Technology division includes all necessary operative functions as well. In 2011, SMA achieved sales totaling € 32.5 million with this division.

The **Electronics Manufacturing division** produces electronic assemblies for the Photovoltaics Technology and Railway Technology divisions. This division only includes the functions required for electronics production. In 2011, SMA achieved sales totaling € 398.8 million with this division, including internal sales.

Future Organizational Structure

Because of the rapid growth of recent years, the present organizational structure has reached its limits. The SMA Group will thus organize itself by divisions in the future, shifting focus even more directly onto customer requirements and the various market segments. The divisions will include the functions required for operating business. They will also be responsible for international business. Corporate Functions will include finance, human resources, legal, internal auditing, corporate communication, information technology, technology development and facility management. The divisions report directly to the Managing Board. This organizational structure ensures that the interests of the SMA Group are always in the foreground.

From fiscal year 2012, SMA will organize its reporting by the Medium Power Solutions, Power Plant Solutions and Service divisions. The operations of dtw, Off-Grid and Railway Technology will be included in reporting under "Complementary Divisions." The financial figures are given with those of the previous year to ensure transparent reporting.

Management and Control

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

Change of Generations Accomplished Successfully

The upcoming change of generation in the Managing Board was prepared for systematically. Therefore, from April 2010 to May 2011, the Managing Board was composed of seven members, thus ensuring the smooth transfer of responsibilities. After the Annual General Meeting on May 26, 2011, Company founders Günther Cramer and Peter Drews moved to the Supervisory Board after 30 years of operational responsibility. The role of Speaker of the Managing Board, previously filled by Günther Cramer, was taken on by Pierre-Pascal Urbon. After the Annual General Meeting, the Managing Board consisted of the following members: Roland Grebe (Chief Technology Officer), Uwe Hertel (Chief Operating Officer), Jürgen Dolle (Chief Human Resources Officer), Pierre-Pascal Urbon (Chief Financial Officer and Chief Executive Officer) and Marko Werner (Chief Sales Officer). Uwe Hertel stepped down from the Managing Board for health reasons, effective from December 31, 2011. His former duties will be taken on by the other Managing Board members and transferred to the new SMA divisions. Uwe Hertel will support the strategic development of the operative business as Senior Vice President.

New Composition of the Supervisory Board

On May 26, 2011, the Annual General Meeting elected Günther Cramer and Peter Drews to the Supervisory Board with a large majority. They succeeded 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 SMA Supervisory Board, which represents shareholders and employees equally, consists of Günther Cramer (Chairman), Dr. Erik Ehrentraut

(Deputy Chairman), Peter Drews, Dr.-Ing. Winfried Hoffmann, Prof. (em.) Dr.-Ing. Werner Kleinkauf and Reiner Wettlaufer for the shareholders; the employees are represented by Dr. Günther Häckl, Johannes Häde, Ulrich Meßmer, Alexander Naujoks, Joachim Schlosser and Mirko Zeidler.

Remuneration Report

The Remuneration Report is a constituent part of the audited Consolidated Management Report and is included in the Annual Report as part of the Corporate Governance Report on page 15 et seqq. We therefore waive a repeated presentation of the information disclosed in the Remuneration Report in the Notes or the Management Report.

Information Concerning Takeovers Required by Section 315 (4) HGB

Number 1: The share capital of SMA Solar Technology AG amounts to € 34.7 million. The capital is divided up into 34,700,000 no-par-value bearer shares.

Number 2: Each share has the right to one vote. On October 1, 2010, the four founders and main shareholders of SMA Solar Technology AG Günther Cramer, Peter Drews, Prof. (em.) Dr.-Ing. Werner Kleinkauf and Reiner Wettlaufer transferred equity stakes to the next generation within their families by way of a gift. The new shareholders concluded a pool agreement for a period of seven years. During the term of this agreement, the voting rights emanating from the shares transferred may only be exercised as a block vote. In addition, the shares may only be sold to third parties with the consent of the other members of the pool or if narrowly defined prerequisites are satisfied. At the end of the fiscal year, the shareholders who coordinate their voting rights in "Poolvertrag SMA Solar Technology AG" hold a total of 8,744,470 shares or 25.200% of the Company's voting rights. Beyond this, the Managing Board is not aware of any restrictions affecting voting rights or the transferability of shares.

Number 3: Günther Cramer has a stake of 7.03%, as well as 5.76% via the Günther Cramer Foundation, of which he is the sole Managing Board member, totaling 12.79% of the Company's share capital. Peter Drews has a stake of 7.05%, as well as 5.76% via the Peter Drews Foundation, of which he is the sole Managing Board member, totaling 12.81% of the Company's share capital. Reiner Wettlaufer has a stake of 7.05%, as well as 5.76% via the Reiner Wettlaufer Foundation, of which he is the sole Managing Board member, totaling 12.81% of the Company's share capital. Shareholders, who coordinate their voting rights in "Poolvertrag SMA Solar Technology AG" (see Number 2) hold 25.20% of the Company's share capital. No individual shareholder of the "Poolvertrag SMA Solar Technology AG" holds 10% or more of the Company's share capital.

Numbers 4 and 5: The shareholders do not have any special rights conferring them any particular powers of control.

Number 6: Appointment and dismissal of the Managing Board takes place pursuant to Sections 84 and 85 of the German Stock Corporation Act (AktG) together with Section 31 of the Co-Determination Act (MitBestG). Under Article 5 of the Articles of Incorporation, the Managing Board consists of at least two members and the exact number is laid down by the Supervisory Board. Under Section 179 of the AktG, the Articles of Incorporation may be amended by a resolution adopted by the Annual General Meeting with a majority of three-quarters of the share capital represented at the vote.

Number 7: The Articles of Incorporation include the provisions on the powers of the Managing Board regarding Authorized Capital II. The Managing Board, after obtaining the consent of the Supervisory Board, is entitled to increase the share capital on one or several occasions by up to a total of € 10 million by issuing new bearer shares in return for cash contributions and/or contributions in kind in the period up to December 31, 2012. The Managing Board, with the consent of the Supervisory Board, is entitled to cancel the statutory subscription rights of shareholders in the case of capital increases in return for contributions in kind for the purpose of issuing shares to employees of the Company and companies affiliated with the Company, in the case of fractions and in the case of capital increases in return for cash contributions if the issue amount of the new shares does not fall significantly below the stock exchange price of shares of the same class and terms that are already listed at the time the Managing Board sets the final issue amount and in such cases, the total pro rata amount of the issued capital attributable to the new shares in respect of which the subscription right is excluded may not exceed

See Corporate Governance Report page 15 et seqq.

10% of the issued capital available at the time the new shares are issued. Furthermore, and following a resolution adopted by the Annual General Meeting on May 27, 2010, the Managing Board, in the period up to May 26, 2015, is entitled to acquire its own shares up to a value of 10% of the existing capital stock at the time the resolution is adopted by the Annual General Meeting and to dispose of shares acquired in this way with the consent of the Supervisory Board by means other than through the stock exchange or an offer made to all the shareholders provided the shares are sold in return for cash at a price that does not fall significantly below the stock exchange price of shares in the Company issued under the same terms or the shares are sold in return for in-kind contributions or they are offered in return for shares held by persons that either had or have an employment relationship with the Company or with one of its affiliated companies or members of bodies in companies that depend on the Company. Furthermore, if the Managing Board sells its own shares by offering them to all the shareholders with the consent of the Supervisory Board, the Managing Board is entitled to exclude the shareholders' right of subscription for fractions. In addition, the Managing Board is entitled to cancel any shares it has acquired after obtaining the consent of the Supervisory Board.

Number 8: Credit lines agreed with banks contain a change-of-control clause that includes the special termination right of the relevant bank.

Number 9: If the employment contract with a member of the Managing Board ends after being amicably cancelled within a period of nine months from a change of control, this member is entitled to severance pay amounting to his/her remuneration rights for the remaining term of the employment contract, however no longer than a period of one year.

Corporate Governance Statement

The SMA Corporate Governance Statement (Section 289a of the German Commercial Code) has been posted on the Web site of SMA Solar Technology AG: www.IR.SMA.de.

See also www.IR.SMA.de

OBJECTIVES, CORPORATE STRATEGY AND ENTERPRISE MANAGEMENT

FINANCIAL GOALS

SMA is pursuing the financial goal of sustainably increasing the value of the SMA Group. The value-oriented management system is an integral component of the uniform controlling and planning processes throughout the Group. The most important management parameters for us are sales, the operative earnings margin (EBIT margin), research and development expenses, net working capital in relation to sales and investments and dividends.

Sales and Earnings Targets

SMA's sales and earnings situation depends on market share, price dynamics and the development of the global market. With our wide range of products and international presence, the Managing Board expects that we will maintain or even slightly improve upon our high market share of approximately 35% in the established photovoltaics markets in the current fiscal year. With the Chinese market growing more strongly, the Managing Board estimates that SMA's global market share will be diluted overall in 2012 and subsequent years. In China, SMA only has a small market share due to the local competitive conditions.

For 2012, the SMA Managing Board expects moderate growth in the global photovoltaics market. However, the Managing Board cannot rule out a decline in global demand. The Managing Board's sales forecast is based on various assumptions regarding market development in the different solar markets and submarkets. All the scenarios predict a fall in specific selling prices in 2012. The upper end of the sales forecast of € 1.5 billion assumes that there will be a slight rise in global demand. In this scenario, the established foreign photovoltaics markets compensate for the expected decline in demand in Europe, particularly in Germany. In addition, due to the current price level for PV plants, young photovoltaics markets are growing more quickly. The lower end of the sales forecast of € 1.2 billion assumes that there will be a worldwide fall in overall demand for PV plants.

The pursuit of our internationalization strategy and our focus on the development of innovative products for solar applications and energy management will lead to higher fixed costs. We expect that we will be unable entirely to offset the decrease in sales and the high pricing pressure with new products, lower cost prices and adjusted organizational structures. The SMA Managing Board forecasts a declining EBIT margin of 5% to 10% in 2012. Our profitability is thus above average in the German electronics industry. In our opinion, the key to high profitability in comparison with the rest of the industry lies in the continuing technological development and cost optimization of solar inverters as well as our range of energy management solutions.

Research and Development Targets

SMA is a technology-driven enterprise. The long-term expansion of research and development lies at the heart of our corporate strategy. Therefore, development expenditure constitutes an important management parameter. At the end of the fiscal year, SMA employed 1,012 research and development employees worldwide and set new standards for the photovoltaics industry in all fields of application for solar inverters and energy management systems. SMA will continue to press ahead with its research and development activities in the future in order to retain SMA's technological leadership. In 2012, the Managing Board expects development expenditure (including capitalized development projects) of up to € 110 million. In addition, SMA will expand its network of strategic research and development cooperation in a targeted fashion.

Net Working Capital

Net working capital is the total amount of short-term, interest-free working capital (inventories plus accounts receivable less accounts payable). In the medium term, SMA expects a slight increase in net working capital, which should amount to 19% to 22% of sales in future (2011 target: 18% to 20%). This higher target value is primarily due to stronger foreign and project business, because these businesses are generally accompanied by longer payment periods. Furthermore, the Managing Board intends to increase stockpiling of raw materials, consumables and supplies in order to be capable of meeting peaks in demand that are hard to predict.

Investments

SMA will adjust its investment behavior in view of the high level of market uncertainty. For the fiscal year 2012, SMA is planning investments in land and buildings of up to € 60 million. SMA will invest up to € 80 million in machinery and equipment. Investments in intangible assets primarily concern the capitalization of development projects and in the medium term amount to up to € 40 million. The aim of SMA is that total annual investments do not surpass 10% of sales in the medium term.

Dividend Policy

SMA attaches great importance to a balanced dividend policy. By setting a target dividend payout ratio of between 20% and 40%, related to the annual net income determined in SMA Solar Technology AG's separate commercial statements, we want to ensure that the SMA Group has enough funds both for future growth and for temporary crises. At the same time, we want to secure a fair share of the profits for our shareholders.

NON-FINANCIAL PERFORMANCE INDICATORS

Research and Development

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. Part of this is expanding existing production series and augmenting them with innovative new functions, or developing the product portfolio with new families of devices. In addition, SMA's development activities focus on three areas of utmost importance for the future of photovoltaics: grid integration, energy management and the reduction of system costs.

Grid Integration

Planning Security for Grid Operators

As they are responsible for the stable supply of electrical power, transmission grid operators must maintain a balance between electricity generation and consumption on the grid at all times of day or night. In this regard, the ability to forecast weather-dependent PV output a day in advance is extremely important, because, next to wind power, photovoltaics in Germany has the largest installed power generation capacity (almost 25 GW as of the end of 2011) among renewable energies.

This means that, with optimal weather conditions, PV plants generate as much as approximately 16 nuclear power plants. It is understandable that this potential has to be taken into account in the schedules of conventional power plants. Together with partner companies, SMA has therefore designed a solution to allow grid operators just as much planning security as they have already achieved for wind power. The wide data pool of SMA's Sunny Portal enables the projection of current solar output in individual areas of the grid and forecasting for the upcoming hours and days. In the German territory alone, approximately 35,000 PV plants with overall installed capacity of 3.4 GW are registered in this portal, the largest in the world for plant monitoring and visualization. The forecasting possibilities offered by this instrument from SMA were presented to the public at a press conference in February 2011.

Grid Stability with the Power Plant Controller

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, which is required in Germany by the BDEW Medium Voltage Directive. The device also enables the rapid collection and adjustment of local grid parameters – such as the automatic provision of voltage-lowering reactive power depending on the voltage measured at the grid connection point.

New Low Voltage Directive from 2012 Onwards

Developments in the Medium Power Solutions segment concentrated on the transfer of the complete product portfolio to the new VDE application guide 4105 (Low Voltage Directive), binding in Germany since January 1, 2012. In addition to further grid management functions, this directive requires that even smaller PV plants supply reactive power. As part of a substantial development effort, SMA accordingly adapted all current product families of the Medium Power segment at the end of 2011, so that inverters complying with the new requirements have been available for all areas of application from the start of 2012.

A particularly important point is the continuous reduction of output as power frequency increases. Because of its importance for the stability of the European power distribution grid, SMA delivered all new inverters with appropriately adapted settings as early as May 2011, in accordance with a transitional standard coordinated with the VDE. For PV plants from 30 kVA, the VDE application guide also requires central grid and plant protection. Plant operators can fulfill this new requirement with the new SMA Grid Gate, without the need to call in a third-party provider.

Energy Management

Sunny Backup System to Increase Self-Consumption

Another focal point for development is decentralized storage solutions. With the Sunny Backup system, available since September 2011, SMA is offering a product for the decentralized storage of solar power. It enables fail-safe, grid-quality power supply and the intermediate storage of solar power for increasing the self-consumption rate. The self-consumption rate is the proportion of self-generated solar power that is used on-site or in the direct vicinity. In order to guarantee users the maximum degree of security in the future, the Sunny Backup system is compatible with various different battery types and ready to operate with lithium-ion batteries.

Sunny Home Manager – Intelligent Energy Management in the Household

One of the most important products relating to energy management is the Sunny Home Manager coming onto the market in 2012. The upcoming product solution for the optimization of self-consumption is simpler, more precise and more thorough than every comparable product from our competition. The device can significantly increase lucrative self-consumption and enables comprehensive and intelligent energy management in the household. In combination with the Sunny Backup system, the intermediate storage of solar power is also a possibility. The use of location-based weather forecasting to predict one's own solar power generation provides an example, as does the intelligent "schedule" created by the device for controlled appliances on the basis of these forecasts and analysis of usage patterns. As soon as supply and demand-dependent electricity prices are offered, the Sunny Home Manager can take these into account when controlling household appliances, providing the operator with another financial advantage.

Furthermore, SMA has begun cooperating with the household appliance manufacturer Miele in this area. In the future, the Sunny Home Manager will therefore 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.

Reduction of System Costs

Solar power will only become more competitive with conventionally generated power if PV system costs are reduced continuously. SMA is rising to this challenge with an interdisciplinary development project set to last several years. This project focuses on two aspects: testing completely new technological concepts and steadily improving current products.

Sunny Tripower 20000TL High Efficiency with 99% Efficiency

With the Sunny Tripower 20000TL High Efficiency, SMA has launched the first series inverter with silicon carbide circuit breakers, exceeding the 99% efficiency mark for the first time in a series device. By consistently reducing components, this 20 kVA-performance-class inverter is also lighter and, in terms of output, better value for money than the standard version of the Sunny Tripower. This means the device is ideally suited for setting up highly efficient, medium- to very-high-power photovoltaic plants.

Higher Energy Yield with Thin-Film PV Modules

As the optimal addition, SMA has 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. Compared with the operation of inverters with transformers, which used to be a necessity, this solution enables permanent yield increases of up to 3 percentage points.

Innovative Plant Monitoring for Large-Scale Solar Projects

The Optiprotect option for inverters of the Sunny Central CP series likewise increases yields. A monitoring system in the center of the inverter monitors up to 1,600 module strings, where the intelligent algorithm can differentiate actual defects from numerous temporary events. The decentralized and therefore costly monitoring of all strings is no longer required. Furthermore, the inverter can independently remove defective strings and continue the feed-in operation with the remaining PV array (i.e. around 94% generator power).

General Expansion of the Product Portfolio

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. Therefore, SMA has rounded off the power range of the three-phase Sunny Tripower series by launching the Sunny Tripower 8000TL at the lower end. In the first quarter of 2011, tests with Underwriter Laboratories (UL) on the first SMA PV inverter series with high-frequency transformers, Sunny Boy 2000HFUS to Sunny Boy 3000HFUS for the North American market were completed and production began.

The claim to a product portfolio covering all performance classes is also supported by the new micro inverter Sunny Boy 240, which SMA introduced at Solar Power International in Dallas in October 2011. It is the ideal solution for very small or heavily shaded PV plants as well as systems with extremely varying PV array surface orientations, and complements the lower end of the SMA product range perfectly.

Following the successfully concluded development of the full Compact Power series (CP) in the 500 kVA to 800 kVA output range, High Power Solutions is focusing on the completion of the product portfolio for the North American market. For this region of strong growth, SMA is now offering SMA MV Blocks. This is a standardized modular assembly system for large-scale PV plants, consisting of inverters, a medium-voltage transformer, switchgear and control and monitoring systems designed specifically for the project.

Research and Development Expenses

in € million	2011	2010	2009	2008	2007
Research and development expenses	99.9	82.9	56.3	35.0	20.0
of which capitalized development projects	16.1	10.9	7.2	2.0	0.0
Depreciation of capitalized development projects	5.6	1.1	–	–	–
Research and development ratio in %	6.0	4.3	6.0	5.1	6.0

Employees

1,000 New Employees

In 2011, the SMA Group increased the number of employees worldwide by 1,066 to 5,532 (2010: 4,466 employees). In Germany, a total of 613 jobs were created, mainly concentrated in the development, service and administration departments. The major increase in employee numbers in Germany took the staffing requirements that had resulted from the rapid growth of recent years into account. Abroad, there were 453 new employees, bringing the total up to 862 (2010: 409 employees). This growth is due firstly to the acquisition of dtw (280 employees) and secondly to the establishment and expansion of foreign companies (173 employees). In 2012, SMA will continue to strengthen the foreign companies with new staff. The regions USA, India, Chile and South Africa are of particular strategic importance.

Employees

	12/31/ 2011	12/31/ 2010	12/31/ 2009	12/31/ 2008	12/31/ 2007
Employees (excl. temporary employees)	5,532	4,466	2,954	2,220	1,906
of which domestic	4,670	4,057	2,736	2,080	1,822
of which abroad	862	409	218	140	84
Temporary employees	943	1,140	1,277	489	385
Total Employees (incl. temporary employees)	6,475	5,606	4,231	2,709	2,291

Flexibility Instruments in Human Resources

The photovoltaics market is characterized by high fluctuation in demand during the year. Because the changes in demand are difficult to predict, SMA has developed appropriate flexibility instruments in consultation with the works council. SMA uses limited-term employment contracts in order to be able to react to changes in demand in the medium term. Furthermore, SMA has been making use of flexitime for many years with great success. In times of high demand, employees can build up a considerable amount of flexitime hours. During the months of low demand, they can then use up their flexitime balance.

Employees can also amass minus hours in order to bridge the low-demand months. However, short-term peaks in demand are absorbed by the use of temporary employees. In this regard, it is very important to SMA that temporary employees are paid the same hourly rate as SMA employees. In addition, temporary employees employed at SMA are given the same work clothes as SMA employees. Furthermore, they have access to the communal areas and other facilities offered by SMA. The global requirement for temporary employees peaked at up to 2,000 in 2011.

Recruiting Young Talent

In view of demographic change, recruiting young talent is very important for SMA. For this reason, we continued to build up our partnerships with various universities throughout Germany and the world in 2011. Approximately 31% of the employees recruited in the area of development in 2011 had already completed an internship as part of their studies and subsequently wrote their thesis at SMA.

In 2011, we also developed innovative concepts to get young people interested in technical occupations at an early stage. As of December 31, 2011, 360 young people are training at SMA for six commercial-technical and six business occupations (2010: 333 trainees).

In order to put across our qualities as an employer to potential candidates authentically and in a way that is suited to the target group, we have been making more use of social media since 2011. The new media used by SMA include the employee blog "Sonnenallee," the careers page on Facebook, the company profiles on XING and the employee evaluation portal Kununu. In addition, we make active use of the SMA Twitter account and the YouTube channel to publish videos.

More Opportunities for Women ("Gender Diversity")

SMA's corporate culture is characterized by the values of fairness, equal treatment and respect. We publicly emphasized this stance in November 2011 by signing up to the German "Diversity Charter." SMA has committed itself to promoting the diversity of its employees and creating a working environment in which all employees enjoy equal opportunities regardless of gender, nationality, religion or ideology, disability, age and sexual orientation.

As part of our newly designed Gender Diversity project, we are aiming steadily and sustainably to increase the numbers of female employees at all levels of the Company – with particular focus on management positions and technical areas. This is a particular challenge in industries focused on technology like the solar industry. Our objective is for the number of women in management positions at all levels to correspond to the number of female employees in that area.

To achieve this goal, we will take comprehensive measures over the next few years to improve the working environment for our female employees. These include, for example, flexible working hours and workspace models in all areas of the Company and a personnel development concept based on phase of life. SMA's Supervisory Board and Managing Board have also set themselves the target of increasing the number of women in the Company. They intend the proportion of female Supervisory and Managing Board members to be at least 25% by the regular Supervisory Board election after next.

Gender Diversity: SMA Employees

in %	12/31/2011	12/31/2010
Female	25.8	25.1
Male	74.2	74.9

Gender Diversity: SMA Managers

in %	12/31/2011		12/31/2010	
	Female	Male	Female	Male
Domestic Managers	14.2	85.8	13.9	86.1
General Managers/ Vice Presidents	7.0	93.0	8.3	91.7
Directors	18.2	81.8	14.6	85.4
Senior Managers and Managers	13.8	86.2	14.1	85.9
General Managers abroad	26.0	74.0	21.3	78.7
SMA Managers	**15.7**	**84.3**	**14.5**	**85.5**

SMA Health Management

In order to reinforce the foundations for long-term and enduring economic success among our employees, we developed SMA health management in 2011. As another component in the employee-oriented corporate culture, it helps employees stay healthy and fit to work even as they get older and keeps the absence rate from sickness at its current gratifying low. SMA health management's primary objective is to avoid chronic stress, thus reducing the risk of chronic illness. SMA employees appreciate our commitment. 92% of those surveyed in the Great Place to Work® competition agreed with the statement that SMA provides its employees with helpful measures for promoting health.

Cooperative Corporate Management Culture

With the strong corporate growth of recent years, new management positions have come into being, with the result that internal or external employees have taken on management duties at SMA for the first time. To begin the systematic development of management staff, we have made all executives thoroughly familiar with the SMA management principles.

Every year, the Great Place to Work® Institute investigates the best employers at the national and international level. What is special about this competition is that the majority of the assessment and thus success in the competition is based on an extensive anonymous survey of a representative sample of the employees. In 2011, we had three results to be very proud of:

- Great Place to Work® Deutschland: No. 1 in the "over 5,000 employees" category
- Great Place to Work® Europe: No. 9 in the "over 500 employees" category
- Great Place to Work® España: Our Spanish company came in fifth in its first year of participation

Furthermore, SMA also received these awards in 2011:

- Axia Award Rhine-Main region in the category "Innovation Culture – Success Factor in Mid-Sized Companies"
- The "Top Employer for Engineers 2011" award
- Special prize from the Verein für Innovative Berufsbildung e.V. (Society for Innovative Vocational Qualification) for the support of young people in training for the vocation of electrical fitter with particular consideration for secondary modern school pupils.

Corporate Social Responsibility

Social and ecological responsibility has been an important part of corporate culture since SMA was founded. For SMA, Corporate Social Responsibility (CSR) means combining long-term economic success with the protection of the environment and social responsibility.

We pursue a CSR strategy in which protection of the environment and climate as well as corporate responsibility and our employees are placed at the center. We continually develop our strategy and adjust it to new challenges as they come to the fore.

The strategic guiding principles of our CSR activities are: promotion of the use of photovoltaics in projects as a social task, keeping environmental burdens in our production and daily activities to a minimum, assumption of social responsibility in the region together with support for cooperative management.

Environmental Protection

SMA develops and distributes products that make an important contribution to climate protection and promote the use of renewable energies. By continually optimizing the use of materials and the efficiency of SMA inverters, we ensure particularly high energy efficiency and, as a result, the careful use of natural resources. There are no special environmental requirements for production at SMA since materials harmful to the environment are generated only in very small quantities and recycled by certified disposal companies.

SMA would not only like to make a contribution to climate protection with its products but also during their manufacture and within the Company itself. Therefore, SMA pursues a comprehensive sustainable energy concept in which energy efficiency and the use of renewable energies play an important role. Fundamental elements of the energy concept are: consistent expansion of photovoltaics in the construction of new buildings on the Company's sites, CO_2-neutral inverter production at "Solar-Werk 1," the world's largest inverter factory (since 2009) and supplying the SMA Solar Academy, which began operating in 2010, with off-grid electricity and heat based on decentralized renewable energy. SMA will also employ a sustainable energy concept at its new site in the industrial park "Sandershäuser Berg" in Niestetal, which will be based on the greatest possible reduction in energy consumption, on a high degree of efficiency both of the building and production, and on energy supplied from renewable sources.

SMA Solar Technology AG has had an environmental management system certified in accordance with DIN EN ISO 14001 since 2010. This enabled environmental protection at the Kassel/Niestetal site to be spurred on and strengthened. The measurable environmental performance is evaluated, analyzed, improved and communicated by means of regular internal audits. This fosters a high level of environmental awareness among the employees. Mobility management within SMA is also part of climate and environmental protection. It comprises various measures to improve mobility at the Company and is intended to foster environmentally friendly mobility behavior amongst employees. It includes both in-house measures and measures with external players in the sense of integrated mobility management.

Corporate Social Responsibility

SMA promotes charitable projects, organizations and initiatives in the fields of culture and social matters and education and research, and in third-world regions. In doing so, SMA uses both donations and sponsoring as well as direct personal support, for example through voluntary work by employees.

As one of the biggest companies in the region of North Hesse, SMA is well aware of its social responsibility and would therefore like to make a contribution to regional development. Here, SMA is not only focused on the maintenance and promotion of culture in North Hesse, but also on social issues in the region. In 2011 for example, SMA supported the North Hesse Culture Summer, Kassel Museum Night, the Kassel Music Days and the Kassel Volunteer's Center, as well as Soziale Hilfe e.V. and the "Jumpers – Jugend mit Perspektive" society's MENSCH mentoring program. In the area of education and research, SMA supported the "Jugend forscht," "Hessen SolarCup" and "Solar Decathlon" competitions, as well as the "Solarenergie macht in Sachsen-Anhalt Schule" project.

Since the Company's foundation, SMA has pursued the goal of supporting decentralized power supply on the basis of renewable energy. This matter has special importance for the billions of people in regions that are either disconnected or only partially connected to the power distribution grid. In 2011, SMA, together with its employees and project partners, was still involved in various development aid projects aimed at making people's access to electricity easier or simply even possible. These included, for example, constructing PV plants for a literacy and youth center in Boboyo, Cameroon, for hospital premises with an operating theater in Rwanda and for two educational establishments in Fiji. Also in 2011, a 15-strong SMA team of engineers, business people and trainees again traveled to Uganda for two weeks to install two PV plants and to train the local people.

Values, Standards and Guidelines

Our actions are shaped by clearly defined values and principles, which are enshrined in our mission statement. The mission statement is a point of reference for our employees and makes it clear after which values and principles we model our relationships to business partners, customers and the public.

Furthermore, as an internationally operating company, we also align our activities to nationally and internationally recognized standards. In January 2011, SMA opted in to the UN Global Compact (UGC). By signing, SMA publicly pledged itself to the Compact's ten principles and to responsible corporate governance. Our social and ecological responsibility increasingly extends to our choice of suppliers and business partners. In addition to quality, price and flexibility, SMA also takes social and environmental standards into account when making the selection. In this regard, as early as 2009 SMA signed the cross-sector Code of Conduct issued by the German Association Materials Management, Purchasing and Logistics. In 2010, this Code of Conduct was supplemented by SMA's own guidelines for suppliers (Supplier Code). Suppliers must confirm their compliance with the Supplier Code in writing. Selected suppliers and partners' compliance with agreed guidelines. It is being monitored that selected suppliers and partners comply with the agreed guidelines.

Networks, Cooperation, Initiatives

Apart from activities in the area of Corporate Social Responsibility, SMA is also involved in numerous networks, cooperation projects and initiatives in North Hesse, because these activities play an increasingly important role in the further development of the region.

SMA made a decisive contribution to the foundation of the "Kompetenznetzwerk dezentrale Energietechnologien (deENet)". The association's goal is to create around 20,000 new jobs by 2020 through technological progress and sustainable regional development in North Hesse.

In 2006, SMA began participating in the Incubator Project at the University of Kassel. The founding team from the university paves the way for the application of science in the economy. Against this backdrop, in 2011 SMA also supported the founders' competition "Promotion North Hesse" with a special prize for decentralized energy.

SMA also participates in the project "Regional Energy Supply 2020," in which a municipal energy supply system with a high share of regional renewable energies and an intelligent power distribution grid (smart grid and smart metering) will be developed and presented in a selected municipality in the region.

In 2011, SMA also committed itself as an active member to the "German Industry Climate Protection and Energy Efficiency Group." This group brings together companies from different sectors and of differing sizes that take a leading role in climate protection and energy efficiency. The member companies want to use their activities to convince other companies that energy efficiency pays for itself and can be a real competitive advantage.

Likewise in 2011, SMA was active in the learning network of the "CO_2-neutral regional state administration" project run by the federal state of Hesse. The regional government of Hesse will operate on a CO_2-neutral basis up to the year 2030. In order to achieve this goal, it will exploit potential for making energy savings and increasing energy efficiency as well as spur the use of renewable energies.

CORPORATE STRATEGY

Strategy Photovoltaics Technology

Technology Leadership

SMA will continue to pursue its successful strategy of continually expanding its technological leadership in the years to come. Our uppermost development goals are a significant reduction in the life cycle costs of solar power systems, the

implementation of all important functions to enable the optimal grid integration of photovoltaic plants, and the ongoing development of energy management systems. The reduction in life cycle costs not only encompasses lower investment costs due to lower selling prices but also lower installation and operating costs for PV plants. Opportunities for reducing average selling prices are provided by increased integration of components, weight savings, reductions in volume and higher outputs. The installation and operating costs of a PV plant can be reduced with maintenance-free system components, a service life designed to last over 20 years, as well as the integration of components that otherwise have to be additionally installed. In addition, we will expand our range of products in order to better serve the needs of the various submarkets and regions. Thus, SMA will once again unveil significant product innovations at the leading industry trade fairs to be held in Germany and the USA in 2012.

In the Medium Power Solutions segment, for example, we will launch Sunny Boy 240, a micro inverter the size of a box of chocolates, tapping the market for small PV plants. This market segment will perfectly suit the general trend toward more self-consumption of solar power, because the comparatively low level of power generation of smaller plants is largely consumed on-site without further steps. Self-consumption is in vogue because of its effect of reducing load on the distribution grid. Therefore, this market segment is likely to grow dynamically. In the High Power Solutions segment, SMA will present new system concepts for constructing large-scale photovoltaic power stations. This will enable a further reduction in life cycle costs.

Internationalization

SMA recognized the international dimension of the photovoltaics market early on, and to date it has set up foreign companies in 19 foreign markets. This presence will be of incalculable worth, above all in 2012. With over 1,300 sales and service employees, SMA is prepared like no other PV inverter manufacturer for the rapid internationalization of this business. In 2012, SMA will continue to build up its international presence and plans to found companies in Chile and South Africa. The company in Chile will also cultivate the neighboring markets of Brazil, Argentina and Peru. Furthermore, we will expand our existing organizations abroad and/or adapt them to changed market conditions. For example, our company in the Czech Republic will also cultivate the Central and Eastern European markets.

Cost Awareness

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 capital base and a high level of freely available funds. SMA is thus perfectly positioned in the solar sector for the future. In view of altered market and competitive conditions, SMA will make increasing efficiency a higher priority. For this purpose, the Managing Board together with the executives from Germany and abroad has developed a universal policy in order to sell more inverter capacity globally and to ensure profitability at the same time. When implementing this program we will benefit from our unique corporate culture, which for many years has called for and supported personal responsibility on the part of the employees.

Acquisitions

SMA occupies a unique position in the PV inverter manufacturers market. The SMA Group masters all the decisive inverter technologies and is represented in all important markets with its own companies. Therefore, SMA is not reliant on strengthening or expanding its market position by acquiring other companies. In view of our expected growth prospects, the Managing Board also believes that there is no reason to expand into adjacent business fields in the medium term. SMA will consider opportunities to optimize the value-added and supply chains through small acquisitions.

Strategy Railway Technology

Internationalization

The Railway Technology division will continue to expand its market position for energy supply systems for railway coaches and multiple-unit trains by setting up companies in Brazil and Asia. In the medium term, the management is expecting strong growth impulses in these regions inparticular.

Customer-Specific Development

In 2012, Railway Technology will concentrate on the development of customer-specific applications and quality-assurance measures. New technologies will also be pushed forward, including for example the use of energy supply systems for the active compensation of harmonics in AC grid feeds.

Acquisitions

Railway Technology operates in an attractive niche market and is a fixed component of the SMA Group. SMA Railway Technology concentrates on its organic growth while continually evaluating opportunities for external growth. Here, SMA Railway Technology has in mind profit-bearing system housings for on-board converters, which from a technological or regional point of view would be a logical extension to established business in Railway Technology.

ENTERPRISE MANAGEMENT

Leading Indicators

In order to be able to react to market developments in time, it is very important for us to recognize opportunities and risks early on. For this purpose, we discuss what are commonly referred to as operative leading indicators both at Board level and with the Vice Presidents and the General Managers of the subsidiaries. Such leading indicators include for example changes in incentive programs for PV plants and their effect on regional market potential, the development and competitive position of SMA in regional markets, the acceptance by our customers of new products as well as market-relevant information from discussions with customers, suppliers and associations. The myriad influencing factors and the complex way they interact make it difficult to produce a detailed forecast that holds up in the long term. Therefore, on the basis of operative leading indicators, we have drawn up scenarios for annual and medium-term planning. The Managing Board, Vice Presidents and General Managers of the subsidiaries are informed on a monthly basis both about the financial development of the SMA Group and about operative leading indicators.

The monthly reporting includes detailed comments on, for example, the development of orders placed and order volumes, the amount of inverter output sold, sales figures, the operating result, cash flow statements, research and development activities, investments, net working capital and the number of employees. There are also other important key figures. The aim is to compare the changes in decisive items on the income statement and balance sheet both with the budget and with the previous month and to take any corrective measures as required. Annual planning and medium-term planning are both checked and adjusted if necessary every six months. The basis of the information used for reporting is provided by an electronic management information system (SAP Business Warehouse).

Intra-Group Management System

The basic elements of the intra-Group control system are the Managing Board meetings that take place twice a week, the monthly joint meetings of the Managing Board and Vice Presidents and the monthly discussions with the General Managers of the subsidiaries. During these meetings, the individual departments and subsidiaries give strategy reports that inform about the implementation of the corporate strategy and whether corporate goals have been attained, on a quarterly or monthly basis depending on their relevance. In addition, the intra-Group control system encompasses the regular risks and opportunities report and the report prepared by the Internal Auditing Department.

THE FISCAL YEAR 2011

ECONOMIC CONDITIONS

General Economic Conditions

The recovery of the global economy continued in the 2011 fiscal year. The newly industrialized countries showed a rapid growth in production, resulting in very high economic momentum. However, in the euro zone the situation varied. Whereas Germany and some of its neighbors registered strong growth in the reporting period, in the Mediterranean countries the economy stagnated due to the financial crisis. The US also generated only modest economic growth with unemployment rates rising and high national debt. The International Monetary Fund (IMF) forecasts 4.0% growth for the global economy in 2011. Momentum varied greatly throughout the world. Growth in newly industrialized countries was 6.4%, while it was a mere 1.6% in industrialized countries.

According to the IMF, the German economy performed the best of all euro zone countries. According to data from the German Federal Statistical Office, real gross domestic product increased by 3% in 2011. This was triggered by increased foreign demand as well as a strong domestic economy. After sentiment clouded over in the third quarter of 2011 in view of the financial crisis and weaker growth, and the Ifo Business Climate Index, the most important barometer of German economic sentiment, fell in September to its lowest figure since June 2010, sentiment brightened again in the fourth quarter of 2011. The Index increased month on month until December 2011. The Ifo Expectations Index, which measures business expectations for the upcoming six months, rose in the fourth quarter of 2011, thus making the positive assessment of companies' business situation clear. The German economy thus proved robust in comparison with other euro zone countries. The positive assessment continued in January 2012.

Economic Conditions in the Sector

Following the natural catastrophe and reactor disaster in Fukushima, Japan, the discussion about sustainable and ecologically justifiable energy supply picked up momentum throughout the world. After intense political discussion, many countries resolved to expand renewable energies further. Germany has a leading role in questions of energy policy and, in summer 2011, approved the incremental phase-out of unpredictable nuclear power by 2022. Despite increased support for photovoltaics in society in Germany and abroad, the rapid growth of global demand for PV systems seen in 2011 has not continued. According to the SMA Managing Board, new PV plants with a total output of more than 23 GW were installed (2010: approximately 23 GW). The stagnating demand is mainly attributable to the changes to solar subsidies in important photovoltaics countries as well as the global financial crisis.

Germany was once again the world's largest photovoltaics market in 2011 with approximately 7.5 GW of newly installed capacity (2010: approximately 7.4 GW). A significant portion of the new installations occurred in the last months of the year with more than 3 GW. According to the SMA Managing Board's appraisal, the unexpectedly high level of new installation rests on two factors: the significant 15% cut to the feed-in tariff on January 1, 2012, and the public discussion about a fixed limit to future installations.

In 2011, due to changes in political conditions international photovoltaics markets developed in a mixed fashion. As a result, the decline in demand in some photovoltaics markets such as the Czech Republic was offset by other regions such as North America. The SMA Managing Board estimates that more than 15 GW capacity (2010: approx. 15 GW) was newly installed abroad. The most important foreign markets in 2011 included Italy, North America, Belgium, Australia and India.

The regional shift of demand also led to a change in the size of installations. The SMA Managing Board estimates that the residential and commercial submarkets shrank in 2011. Their share in the overall market sank from above 80% to less than 70% in 2011, according to our own estimates. In contrast, the large-scale solar project market segment (industrial) gained markedly in momentum over this period. The main reason for this development is the high level of new installation in North America and Asia, where more large-scale solar projects are carried out.

After the record year of 2010, numerous new providers have entered the market. The global production capacity for PV inverters thus grew considerably despite stagnant demand. We estimate that an average of 50% of the global production capacity available over the year was used. This development encouraged consolidation in the industry and the price competition.

Impact of General Conditions on Business Development in 2011

With sales of € 1.7 billion and EBIT of € 240.3 million, the fiscal year 2011 was the second-best year in the Company's history. After weak business at the start of the year, demand for SMA products jumped up from the second quarter and stabilized at this level. SMA benefited from the regional shift and the change of demand toward large-scale solar projects. Foreign sales increased by 3.1% to € 919.6 million, and sales from project business rose by 47.5% to € 496.4 million.

The fluctuations in demand during 2011 were enormous. The output volume in the first quarter of 2011, at 1 GW, was approximately 50% less than the previous quarter. In the second quarter, SMA implemented production growth of more than 100% to 2.1 GW. SMA coped with this dramatic change within just six months with our highly flexible manufacturing and purchasing organization and high employee motivation. We estimate that SMA defended its high market share of approximately 35% in 2011. This is an excellent result and underscores SMA's outstanding position on the photovoltaics market.

Comparison of the Actual with the Forecast Business Development

The SMA Managing Board first published a forecast for the 2011 fiscal year on September 15, 2010, which it confirmed in the 2010 Consolidated Management Report. On the basis of the attractive subsidy condition in many countries and the significantly lowered prices for PV plants, the management were optimistic for 2011 as a whole, and for the solar sector's medium-term prospects. Accounting for increased demand in the second half of the year and lower prices for SMA inverters, SMA Managing Board expected sales revenue of € 1.5 billion to € 1.9 billion in 2011. With the change in the product mix and altered cost structures, the SMA Managing Board anticipated EBIT between € 315 million and € 475 million in 2011.

In the first half of the year, global photovoltaics markets recorded weaker growth than was forecast in September 2010. Our customers' high inventory levels had a negative impact on demand for SMA products. However, on the condition of a considerable increase in demand in the second half of the year, the SMA Managing Board confirmed the sales and earnings forecast with the presentation of the Half-Yearly Financial Report on August 12, 2011.

The considerable pick-up in demand that had been expected failed to materialize in the third quarter of 2011. In this context and in view of the fourth quarter of 2011, 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 SMA Managing Board now expects sales of € 1.5 billion to € 1.7 billion and EBIT of € 220 million to € 300 million. It was not possible to provide a specific assessment of the sales and earnings situation up to 2013 because of the significant changes in the global market and the competitive situation.

With sales of € 1.7 billion achieved in 2011, SMA is at the upper end of its adjusted sales forecast. EBIT amounted to € 240.3 million and was thus somewhere in the lower third of the adjusted earnings forecast.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of Operations

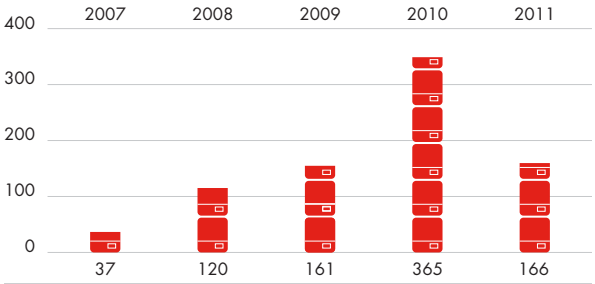
Group Sales and Earnings

Second-Best Result in the History of the Company
In the 2011 fiscal year, the SMA Group achieved the second-highest sales in the Company's thirty-year history with € 1,676.3 million (2010: € 1,920.1 million). The sales forecast of € 1.5 billion to € 1.7 billion adjusted in September was therefore completely fulfilled. The year-on-year 12.7% decline in sales is attributable to sluggish demand in the volume-based retail business and the reduction of selling prices.

In 2011, SMA profited from its excellent market position abroad and increased gross foreign sales by 3.1% to € 919.6 million (2010: € 891.6 million). Our export ratio of 53.6% was significantly higher than the previous year's figure (2010: 44.9%). Important foreign markets were Italy, North America, Belgium, Australia and India.

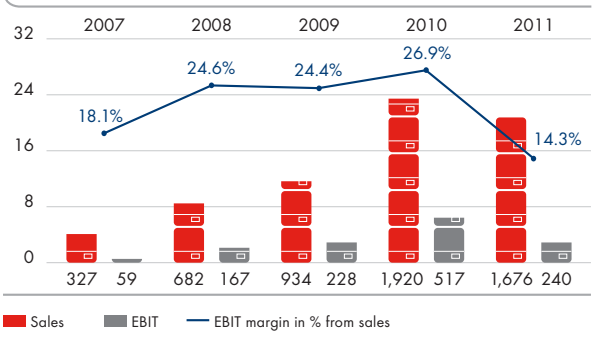
Once again, Medium Power Solutions was the segment with strongest sales; the most successful products in this segment were SMA inverters with high outputs (Sunny Boy 5000TL, and Sunny Tripower 17000TL and 15000TL). The High Power Solutions segment boosted a significant increase in sales and therefore partially offset the sales decrease in the Medium Power Solutions segment. Sunny Central 800CP was one of the most important products in this segment.

Consolidated Net Profit in € million



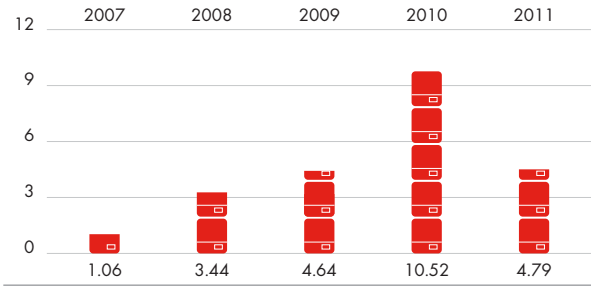
EBIT generated in the 2011 fiscal year amounted to € 240.3 million, remaining considerably below the record figure of the previous year (2010: € 516.8 million). EBIT was in the lower third of the adjusted earnings forecast. The operative earnings margin (EBIT margin) was 14.3% (2010: 26.9%). Earnings before taxes (EBT) decreased to € 243.6 million (2010: € 518.1 million). Consolidated net profit was € 166.1 million (2010: € 365.0 million) and earnings per share in the SMA Group were € 4.79 (2010: € 10.52).

Sales and EBIT in € million



€ 1.30 Dividend Payout Recommended
In the year under review, SMA Solar Technology AG as the parent company of the SMA Group registered annual net income of € 133.2 million (2010: € 361.0 million) in its separate commercial statements. The Managing Board will recommend that the Supervisory Board propose a dividend payout of € 1.30 per qualifying bearer share at the Annual General Meeting on May 22, 2012. The amount paid out in dividends will thus amount to a total of € 45.1 million (2010: € 104.1 million). The pay out ratio of 33.8% is the highest since the initial public offering in 2008. With the recommended dividend, SMA is one of the highest-dividend solar stocks on the TecDax.

Earnings per Share in €



Key figures, see Financial Glossary page 137

Sales and Earnings per Segment

In 2011, the Photovoltaics Technology division achieved a similar amount of inverter output sold as the previous year with 7.6 GW (2010: 7.8 GW). Based on the size of the global photovoltaics market estimated by the Managing Board of more than 23 GW, the market share of the SMA Group in the reporting year was around the same level as in the previous year with approximately 35%. The total for internal and external sales revenue decreased by 13.1% to € 1,718.7 million (2010: € 1,978.1 million).

69.5% (2010: 82.2%) of the sales in Photovoltaics Technology corresponded to the Medium Power Solutions segment. This segment primarily serves the residential and commercial markets with product lines including Sunny Boy, Sunny Mini Central, and Sunny Tripower. In 2011, the sales share of the High Power Solutions segment rose from 17.8% in 2010 to 30.5% due to the trend toward large-scale solar projects. This segment offers solutions for large-scale installations with the Sunny Central product line.

The sluggish demand in the high-volume retail business and lower average inverter prices reduced external sales revenue in the **Medium Power Solutions segment** to € 1,133.7 million (2010: € 1,553.6 million). Again in 2011, the German photovoltaics market was by far the most important sales market with a share of 54.0% (2010: 58.8%). Important foreign markets included Australia, Italy, Belgium and North America. The product mix has changed year-on-year.

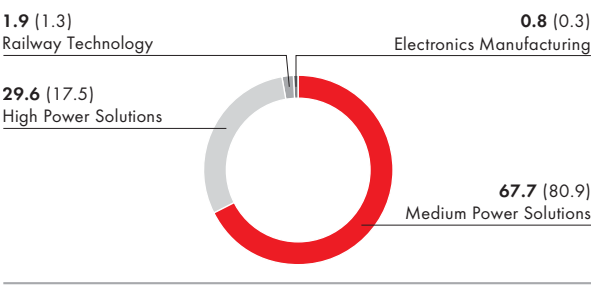
The inverter types Sunny Tripower 12000TL to 17000TL and Sunny Boy 3000TL to 5000TL were important sales drivers. The new Sunny Boy 3000HF was among the top products shortly after its market launch. As expected, the inverter product family Sunny Mini Central, which had the highest sales in 2010, was only of minor significance.

EBIT decreased considerably to € 111.7 million (2010: € 392.4 million) due to the changed product mix and higher structural costs. In relation to internal and external sales revenue, this corresponds to an EBIT margin of 9.3% (2010: 24.2%).

The High Power Solutions segment generated 49.1% of the earnings in Photovoltaics Technology. EBIT rose to € 107.9 million (2010: € 92.1 million). In relation to internal and external sales revenue, this corresponds to an EBIT margin of 21.0% (2010: 26.0%).

In this segment, SMA achieved worldwide success with the technologically innovative Sunny Central CP product line and significantly increased external sales revenue by 47.5% to € 496.4 million (2010: € 336.6 million). The strong sales growth in 2011 is based on the successful development of important foreign markets, above all in North America and India. Further important markets were Germany, Italy and France.

Sales per Segment 2011* in % (previous year value)



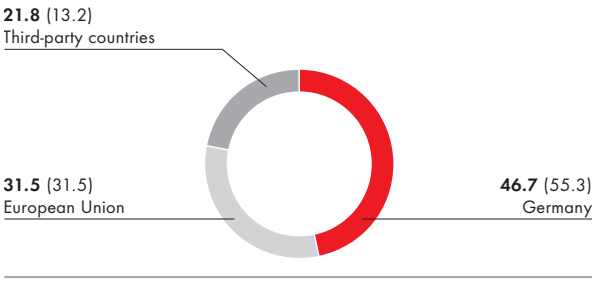
*Gross sales revenue before sales deductions.

Apart from the weak first quarter of 2011, the Electronics Manufacturing segment was well utilized throughout. The share of externally produced electronic components was properly adjusted to demand. The total figure for external and internal sales was € 398.8 million in the 2011 fiscal year (2010: € 417.9 million). EBIT was € 19.5 million (2010: € 32.3 million). In relation to internal and external sales revenue, this corresponds to an EBIT margin of 4.9% (2010: 7.7%).

In **Railway Technology**, external sales revenue rose during 2011 by 27.0% to € 32.5 million (2010: € 25.6 million). In this division, characterized by larger individual projects, we increased international business by increased marketing activities. The foreign market share was 69.9% (2010: 65.2%). The internal sales revenue of € 7.6 million (2010: € 15.4 million) was mainly attributable to supplies of cable

and mechanical components to the High Power Solutions segment. The operating EBIT was € 0.8 million because of a warranty case, and therefore considerably below the previous year's figure (2010: € 4.5 million). In relation to internal and external sales revenue, this corresponds to an EBIT margin of 2.0% (2010: 11.0%).

Sales Revenue* by Region: Photovoltaics Technology
in % (previous year value)



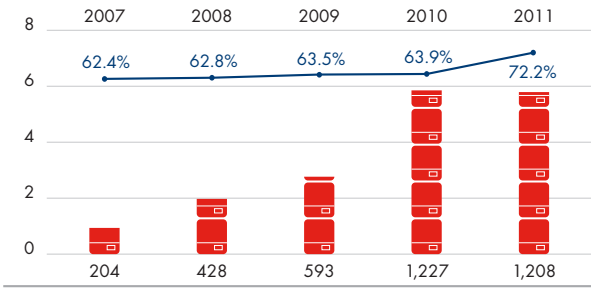
*Gross sales revenue before sales deductions.

Development of Significant Comprehensive Income Items

Changed Product Mix Influences Gross Income

In 2011, cost of sales was € 1,208.2 million (2010: € 1,226.9 million). This equates to 72.1% of sales (2010: 63.9%). The considerable reduction in the gross margin is primarily caused by a shift in the product mix. The decrease was partially compensated by the discontinuation of liabilities and the payment of insurance claims. Without this non-recurring compensation, the year-to-date development of the current fiscal year shows that the gross margin has improved steadily quarter-on-quarter. This is primarily due to our product optimization and process improvement programs. In 2011, the cost of sales was attributable as follows: 75.1% to material expenses, 14.8% to personnel expenses and 10.1% to other expenses as well as depreciation and amortization.

Cost of Sales in € million

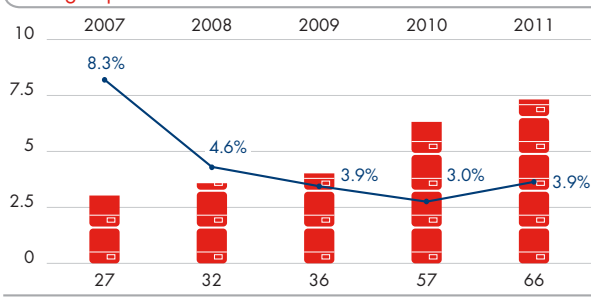


— Cost of sales in percent of sales.

Selling Expenses Increased As Planned

Selling expenses increased according to plan by 15.2% to € 65.8 million. The increase results primarily from the increase in other expenses. This is due to the fact that, from the beginning of the fiscal year, expenses for Facility Management and IT were allocated to all functional areas of activity based on their utilization. Furthermore, SMA showed increased presence at domestic and international trade fairs. Above all, sales and marketing functions abroad as well as the global structures for supporting solar power professionals were enhanced. In addition, companies were founded in Thailand and Japan and other locations were expanded. The increase in personnel, caused by factors including the establishment of further subsidiaries, was partially offset by the decrease of variable compensation. Overall, the selling expenses ratio increased to 3.9% (2010: 3.0%).

Selling Expenses in € million



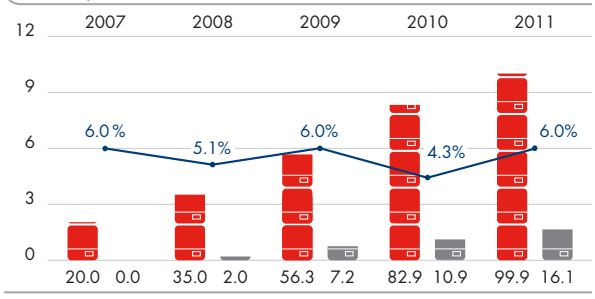
— Selling expenses in percent of sales.

Research and Development Expenses Reflect the High Importance of the Department

SMA is a technology-driven enterprise. This is why we deliberately expanded the development department in 2011 in order to enable the Company to present new products in key markets within a short space of time, now and in the future. In addition, we have firmly anchored questions of the future of the solar industry in our development, and are already working on solutions that the market will need when photovoltaics has reached its full competitive capacity.

Research and development expenses amounted to € 83.8 million in 2011 (2010: € 72.0 million). Total expenses including capitalized development projects in the reporting year amounted to € 99.9 million (2010: € 82.9 million). Scheduled depreciation of capitalized development projects amounted to € 5.6 million in 2011 (2010: € 1.1 million). See also Point 16 in the Notes. In total, research and development expenses, including capitalized development projects, amounted to 6.0% of sales (2010: 4.3%) and were therefore in line with the figure for the electronics industry in Germany. Total expenses are within the range predicted in our published forecast.

R&D Expenses in € million

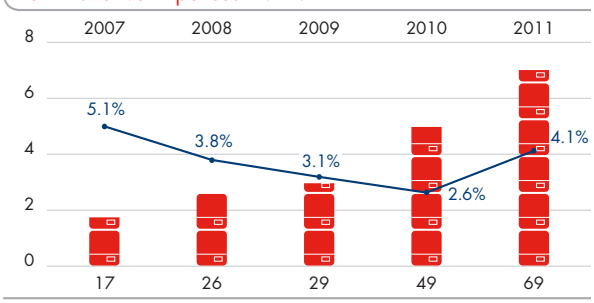


R&D expenses including capitalized development projects.
Of which capitalized development projects. — R&D expenses in percent of sales.

SMA has Expanded Administrative Structures in a Targeted Manner

Administrative expenses in the reporting period amounted to € 68.8 million (2010: € 49.0 million). This corresponds to an administrative expenses ratio of 4.1% (2010: 2.6%). The sharp rise in administrative expenses is particularly due to the increase in staff in the corporate functions of human resources, finance, legal and compliance. During the time of strong growth, the corporate functions were not adapted at the same speed, with the result that new structures were created in 2011. The increase in staff is reflected in the € 4.2 million increase in personnel expenses. Other expenses increased by € 17.8 million due to projects carried out for the purposes of internationalization and transaction effects.

Administrative Expenses in € million



— Administrative expenses in percent of sales.

Other Operating Income and Expenses

The balance of other operating income and expenses amounted to € –9.6 million in 2011 (2010: € 1.7 million). This line of reporting reflects primarily the effects of foreign currency valuation. A small portion of the changes on the previous year can be explained by income and expenses from impairment losses on receivables.

Second-Best EBIT in the Company's History

In a difficult overall market, SMA generated EBIT of € 240.3 million (2010: € 516.8 million), achieving the second-highest earnings in the Company's thirty-year history. At 14.3%, the EBIT margin is below the previous year's figure of 26.9%. The decrease in earnings is primarily due to the change of the product mix and the high structural costs.

See also Notes page 107

Financial Result

The financial result improved in 2011 due to a significant increase in interest income to € 3.3 million (2010: € 1.3 million). The substantial change related to interest income that rose by € 3.7 million to € 6.5 million (2010: € 2.8 million) as a result of an average of freely available funds that increased slightly year-on-year, increased market interest rates as well as further professional investment management. The latter was also a significant factor leading to the increase in other financial expenses to € 1.6 million (2010: € 0.027 million). Interest expenses for loans increased by € 0.2 million year-on-year to € 0.9 million.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) of € 290.7 million resulted in an EBITDA margin of 17.3% (2010: 28.5%). SMA achieved a Return on Sales (EBT in relation to Sales) of 14.5% (2010: 27.0%). The Return on Equity after Taxes (consolidated net profit in relation to average equity in the reporting period) was 21.9% in the reporting year (2010: 64.3%), the Return on Assets after Taxes (consolidated net profit in relation to average total assets in the reporting period) was 12.7% (2010: 37.1%).

Multi-Period Overview of Results of Operations

Key figures in %	2011	2010	2009	2008	2007
EBIT margin	14.3	26.9	24.4	24.6	18.1
EBITDA margin	17.3	28.5	26.2	25.9	24.6
EBT margin (return on sales)	14.5	27.0	24.9	25.1	18.1
Return on Equity after Taxes	21.9	64.3	46.8	69.2	57.0
Return on Assets after Taxes	12.7	37.1	27.1	37.8	22.5

Value Added

Low Capital Intensity Clearly Emerges from the Value Added Statement

The value added statement shows the overall performance of the SMA Group minus intermediate input. Gross value added defines the material expenses, changes in inventories, and other expenses as intermediate input. When determining net value added, depreciations are also considered as intermediate input. The distribution statement shows the share of those participating in the value added process.

In 2011, net value added was € 560.7 million (2010: € 847.6 million). The decrease is mainly due to reduced sales revenue and higher material costs resulting from changes in the product mix. With declining sales, SMA did not make such good use of the economies of scale arising from the business model as in the previous year. Therefore, a higher share of 56.0% of net value added was attributable to SMA employees in comparison with the previous year (2010: 38.6%). The lower income in the reporting period is also reflected in taxes paid to the government and the payout to the shareholders. The proportion of net value added levied by the government has decreased to 13.8% (2010: 18.1%). With the same payout ratio as the previous year, the shareholders' share of net value added is 8.0% (2010: 12.3%).

Value Added Statement

Output method	2011 in € million	2011 in %	2010 in € million	2010 in %	Change in %
Sales revenues	1,676.3	95.6	1,920.1	97.1	
Financial income	6.6	0.4	3.2	0.1	
Other income	48.1	2.7	29.1	1.5	
Own work capitalized	22.8	1.3	24.8	1.3	
Company performance	**1,753.8**	**100.0**	**1,977.2**	**100.0**	**–11.3**
Material expenses	902.6	51.5	897.9	45.4	
Changes in inventories	11.1	0.6	–39.4	–2.0	
Other expenses	229.0	13.1	239.8	12.1	
Prepayments	**1,142.7**	**65.2**	**1,098.3**	**55.5**	**4.0**
Gross value added	**611.1**	**34.8**	**878.9**	**44.5**	**–30.5**
Depreciations	50.4	2.9	31.3	1.6	
Net value added	**560.7**	**31.9**	**847.6**	**42.9**	**–33.8**
Distribution statement					
Employees	313.8	56.0	327.6	38.6	–4.2
Lenders	3.4	0.6	1.9	0.2	78.9
Government	77.5	13.8	153.1	18.1	–49.4
Shareholders	45.1	8.0	104.1	12.3	–56.7
SMA Group	120.9	21.6	260.9	30.8	–53.7
Net value added	560.7	100.0	847.6	100.0	–33.8

Financial Position

Principles and Objectives of Financial Management

The SMA Group maintains both a strong financial basis and a high operative earnings potential. This allows SMA to take constant advantage of opportunities that arise in the photovoltaics market flexibly and independently from banks and credit institutions.

Our financial management is adjusted to both the short- and medium-term requirements of our operative business and to long-term business strategy. The objective of our financial management is to retain sufficient liquidity reserves. Particularly in a growth industry, where development is still determined by political conditions, our conservatively oriented financial management is of great value. With our strong financial basis, we can bypass short-term fluctuations and benefit from the long-term positive prospects of photovoltaics.

Responsibility for financing and liquidity control in the Group lies with the Corporate Treasury department. The structure and process-oriented organization of the Corporate Treasury is designed to deliver professional financing management and guarantee adherence to prevailing Group-wide guidelines. Further Corporate Treasury tasks are the strategic orientation of customer credit management and the Group's insurance business.

Inflows of funds from our current business activities constitute our most important source of financing. The Corporate Treasury controls cash holdings centrally unless restrictions in the movement of capital in any individual country prevent this from occurring. The Corporate Treasury also invests the cash holdings and in so doing, the bank partners selected must comply with strict creditworthiness criteria. We treat counterparty risks related to supplier credits granted to our customers according to supply volumes and specific risks (see section "Hedging Policy" in the Risk Report); the most important indicator in this respect is provided by the customer's payment practices vis-à-vis SMA.

We recognize market risks that might jeopardize the results of operations – above all currency risks – in a systematic fashion and preclude such risks through hedging operations, provided this is economically expedient.

Financing Analysis

Following the successful restructuring of the real estate financing in the previous fiscal year, SMA used the favorable interest rate environment in 2011 to finance new buildings at the Niestetal headquarters with further long-term real estate loans. Thereby, the level of financial liabilities rose from € 21.2 million to € 33.9 million. The new volume was financed by the Kasseler Sparkasse as a reliable local partner. Most of the provisions set aside by the SMA Group are for warranty obligations from our various product families. The other financial liabilities basically comprise bonus obligations to employees and obligations related to vacation and flexitime commitments.

See also Hedging Policy in the Risk Report page 60

Credit lines (incl. payment guarantees) for current business amounting to € 45.7 million remain available unchanged from the five core banks. Thanks to our continuing good liquidity position, no significant cash credits were drawn upon using these credit lines in 2011. In comparison to December 31, 2010, equity rose by € 60.9 million to € 789.3 million. The high equity ratio of 57.4% (2010: 58.2%) underlines the solidity of the balance sheet structure.

Liquidity Analysis

In 2011, SMA achieved a positive cash flow. That is a great result, as SMA invested heavily in infrastructure in 2011. The positive cash flow of 2011 also emphasizes that our business models puts us in a position to transfer sales into cash, even in a challenging market environment.

In the reporting period, gross cash flow amounted to € 240.7 million, below the record figure of the previous year (2010: € 497.1 million). With lower sales, the sharp decline is due to higher production and structural costs. Gross cash flow is calculated by considering earnings before income taxes and the financial result plus interest payments received, depreciation and amortization, changes in provisions, profit/loss from the disposal of fixed assets and other non-cash expenses/income received minus interests paid and income taxes paid.

From the third quarter, SMA generated positive net cash flow from operating activities. Over the entire reporting period, net cash flow from operating activities reached € 238.9 million (2010: € 386.3 million).

Net cash flow from investing activities amounted to € –129.1 million in the reporting period (2010: € –210.7 million). Among the most important investments in fixed assets were the construction of the world's largest service center for PV 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 mainly concern research and development projects.

In 2011, a significant item in the net cash flow from financing activities amounting to € –91.4 million (2010: € –46.8 million) was SMA Technology AG's dividend payout of € 104.1 million and real estate financing totaling € 16.5 million.

Cash and cash equivalents amounting to € 371.1 million (December 31, 2010: € 354.1 million) include cash in hand, cash held at banks and short-term deposits with an original term to maturity of less than three months. With time deposits with a termto maturity of more than three months and fixed-interest-bearing securities as well as financial liabilities, this resulted in Net Cash of € 473.3 million (December 31, 2010: € 523.4 million). This means that SMA has excellent liquidity reserves.

Multi-Period Overview of Financial Position

in € million	2011	2010	2009	2008	2007
Equity	789.3	728.4	407.6	280.8	64.4
Equity ratio in %	57.4	58.2	56.7	59.8	39.5
Non-current liabilities	241.1	167.2	95.1	58.6	30.7
Current liabilities	343.9	355.8	215.9	130.2	68.1
Share of non-current other provisions in total assets in %	7.9	6.4	5.7	4.5	5.8
Financial liabilities (incl. finance lease liabilities)	33.9	21.2	20.2	21.6	11.6
Net Cash	473.3	523.4	344.8	239.4	41.2
Net working capital	281.7	284.6	98.6	78.0	59.4
Net cash flow from operating activities	238.9	386.3	221.5	188.8	53.2
Net cash flow from investing activities	–129.1	–210.7	–201.5	–94.5	–20.8
Net cash flow from financing activities	–91.4	–46.8	–36.1	93.3	–13.0

Investment Analysis

SMA's business model is not capital-intensive. Significant investments in recent years went on the construction of new production sites, the service center, the Solar Academy and new administrative buildings. With its present infrastructure and the measures still in progress, SMA is well-positioned for the future.

In 2011, the volume of investment in fixed and intangible assets not including additions from the acquisition of dtw amounted to € 160.2 million (2010: € 158.3 million not including additions from the acquisition of SMA Immo), and was thus at around the same level as the previous year. This equates to an investment ratio in relation to sales of 9.6% (2010: 8.2%).

With € 132.9 million, a large part of investments corresponded to investments in fixed assets (2010: € 167.9 million). Investments in prepayments/assets under construction increased by 20.9% year-on-year to € 107.5 million. € 21.3 million went on land and buildings. The construction of the world's largest service center for solar inverters at the "Sandershäuser Berg" industrial park was the largest expansion investment in 2011 at € 37.1 million (2010: € 25.8 million). The commencement of operations is planned for the first half of 2012. Further investments of € 9.5 million went on new buildings at the Niestetal headquarters. Due to the high level of investing activity in recent years, the scheduled depreciation of fixed assets increased considerably to € 39.5 million after € 28.7 million in the previous year.

The investments in intangible assets of € 27.3 million included 59.1% of capitalized development expenses and 40.9% of other intangible assets. With € 10.9 million, the scheduled amortization of intangible assets was clearly above the previous year's figure (2010: € 4.7 million). This was due to the depreciation of capitalized development projects.

Investments Compared to Depreciations and Net Cash Flow from Operating Activities

	2011	2010	2009	2008	2007
Net cash flow from operating activities	238.9	386.3	221.5	188.8	53.2
Investments	160.2	158.3	82.1	63.9	12.3
Depreciations	50.4	31.3	16.3	8.9	16.0

Net Assets

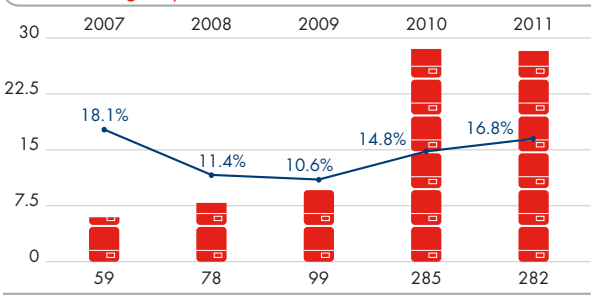
Analysis of the Asset Structure

The total assets of the SMA Group rose on December 31, 2011 by € 9.8 million to € 1,374.3 million (2010: € 1,251.5 million).

Non-current assets increased by € 176.6 million to € 502.0 million. This increase is mainly due to the high level of investment in fixed and intangible assets as well as the purchase of dtw. Moreover, other financial assets increased from to € 3.9 million to € 57.9 million year-on-year.

As of December 31, 2011, net working capital decreased slightly to € 281.7 million (December 31, 2010: € 284.6 million). This amounted to 16.8% of sales, significantly below the range of 18% to 20% forecast by the SMA Managing Board.

Net Working Capital in € million



Net working capital in percent of sales.

Overall, with € 256.4 million on December 31, 2011, stock value was higher than the previous year (December 31, 2010: € 237.8 million). Within stock value, various effects caused changes in inventories. SMA increased inventories of raw materials, consumables and supplies to € 179.8 million in the reporting period (December 31, 2010: € 151.1 million). These inventories took the raw materials, consumables and supplies of dtw into account for the first time.

Inventories of unfinished goods and work in progress also increased to € 31.5 million (December 31, 2010: € 17.9 million). With the increase in inventories of raw materials, consumables and supplies and unfinished goods, SMA can guarantee short delivery times, even in cases of sudden peaks in demand.

An opposing effect can be identified in finished goods. Here, SMA has systematically reduced inventories, mainly of Sunny Central inverters. On the reporting date, the inventory of finished goods and goods for resale was valued at € 44.3 million (December 31, 2010: € 68.5 million).

Trade receivables amounted to € 141.1 million on the reporting date (December 31, 2010: € 117.3 million). This included receivables of € 9.8 million that were written down. Due to increasing project business and internationalization, the portfolio of receivables increased by 20.3% in comparison with the previous year. At the end of the reporting period, days sales outstanding totaled 28 days (December 31, 2010: 22 days).

The higher inventories of raw materials, consumables and supplies are reflected in the trade payables. On the reporting date, these were at € 115.8 million (December 31, 2010: € 70.6 million).

Importance of Off-Balance Sheet Financing Instruments

The SMA Group uses lease agreements in the case of plant and office equipment. Future obligations under tenancy and lease agreements are shown in the Notes in section 29 "Obligations under leases and other financial obligations."

SMA is not involved in any other off-balance-sheet transactions that might have a significant impact on the financial position, the results of operations, investment expenditure, net assets or capital expenditure – neither now nor in the future.

Multi-Period Overview of Net Assets

in € million	2011	2010	2009	2008	2007
Fixed assets and intangible assets	417.7	297.7	164.5	99.6	33.2
Financial assets and long-term securities (incl. deposits with a total term to maturity of more than three months)	135.6	190.0	140.0	20.6	0.0
Cash and cash equivalents (incl. deposits with a total term to maturity of less than three months)	371.1	354.1	225.0	240.7	52.8

OVERALL STATEMENT BY THE MANAGING BOARD ON THE TREND OF BUSINESS 2011

In 2011, the SMA Group achieved its second-best result in the thirty-year history of the Company. Sales amounted to € 1.7 billion. We could not quite reach the level of the record year 2010. With EBIT of € 240.3 million (14.3% EBIT margin), we were within the range forecast by the SMA Managing Board.

The development of business in 2011 was once again marked by high dynamism in the various photovoltaics markets and subsegments. The Managing Board responded quickly and flexibly to sudden changes in demand. In this way, SMA succeeded in more than doubling its output volume in the second quarter compared with the previous quarter. We only coped with this change thanks to the high degree of flexibility of our manufacturing and purchasing organization and the high motivation shown by our employees.

SMA benefited from the internationalization that continued in 2011, because we are represented in all important photovoltaics markets with our own sales and service companies and, moreover, offer a complete range of products. Once again, we increased our export ratio, which is now 53.6%, and are taking large steps toward the billion mark. We established new companies in Japan and Thailand.

However, the regional shift of demand also led to a change of power classes toward large-scale projects. Our innovative products and effective organization enabled us to benefit from this development above the average. The share of the High Power Solutions business increased to 29.6%, thus partially compensating for the decline in demand in the high-volume retail business.

With the acquisition of dtw on August 1, 2011, we took an important step toward the development of powerful products and further extended our technological leadership. In addition, we invested almost € 100 million in research and development and introduced numerous product innovations to market. With the Sunny Tripower 20000TL High Efficiency, SMA launched the first inverter with silicon carbide circuit breakers achieving the 99% efficiency mark for the first time in a series device. At the same time, we adapted the functionality of this product for the target market of commercial photovoltaic installations.

SMA presented the Sunny Home Manager, a manufacturer-independent platform for energy management, at the Intersolar trade fair in Munich. The device can significantly increase lucrative self-consumption and enables comprehensive and intelligent energy management in the household. In combination with the Sunny Backup system, the intermediate storage of solar power is also a possibility. The use of location-based weather forecasting to predict solar power generation is as yet unparalleled, as is the intelligent "schedule" created by the device for controlled appliances on the basis of these forecasts and analysis of usage patterns. For the rapidly growing large-scale solar project, we introduced the "Optiprotect" function for the Sunny Central CP product line. A control system in the center of the inverter monitors up to 1,600 module strings, where the intelligent algorithm can differentiate actual defects from numerous temporary events. This option makes the costly monitoring of all module strings, which used to be a necessity, superfluous.

Overall in 2011, SMA once again honed its unique selling points in technology, quality, sales and service. Furthermore, we began converting to a divisional organizational structure. We are thus well prepared for the various possible market scenarios and will benefit from the global development of photovoltaics.

SUPPLEMENTARY REPORT

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD WITH EFFECTS ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

New Organizational Structure from 2012

Because of the rapid growth in recent years, the present organizational structure has reached its limits. Therefore, the SMA Group will organize itself by divisions in future, shifting focus even more directly onto the customer and the various market segments. The divisions have the functions required for operating business. They are also responsible for international business. The finance, human resources, legal, internal auditing, corporate communication, technology development, information technology and facility management functions are bundled in the corporate functions. The divisions report directly to the Managing Board. This organizational structure will ensure that the Group's interests are always in the foreground.

Founding New Foreign Companies

Important growth impulses originate from foreign markets. Therefore, SMA will establish its own sales and service companies in South Africa and Chile in 2012. The company in Chile will also cultivate the neighboring markets of Brazil, Argentina and Peru. Our subsequent global presence in 20 foreign markets will be of great value in 2012.

Changes in Subsidy Conditions in Important Markets

Germany: On February 23, 2012 Federal Minister for the Environment Dr. Norbert Röttgen and Minister for Economics Dr. Phillipp Rösler presented their joint proposal for the future organization of solar subsidies. The changes provide for a radical cut in solar subsidies with an annual expansion target of 2.5 GW to 3.5 GW. According to the Federal Ministers' proposal, only three subsidy categories would remain. Electricity from small rooftop systems up to 10 kW is to be remunerated at 19.5 eurocents per kilowatt hour, systems up to 1 MW at 16.5 eurocents and large rooftop and ground-based plants up to 10 MW at 13.5 eurocents. There will be an additional monthly cut of 0.15 eurocents from May 2012. For new systems, a "market integration model" is added to the Renewable Energy Sources Act (EEG). This will make only a certain percentage of the electricity generated in a system eligible for compensation. It amounts to 85% for small PV plants and 90% for larger ones. In addition, the bonus for self-consumption will be dropped. The Bundestag and Federal Council are to make a quick decision, so that the measures can be implemented in March 2012.

The SMA Managing Board estimates that the changes will have serious effects on the solar sector in Germany. The heavily lowered feed-in tariff will negatively impact demand for medium-sized and large PV plants. Thousands of jobs are likely to be lost in the solar sector, especially among skilled solar power professionals, as a consequence of the changes.

Spain: In January 2012, the Spanish government resolved to suspend support for all renewable energies until further notice due to its high budget deficit (moratorium). However, because of the high level of solar irradiation and energy demand in Spain, it is conceivable that photovoltaics projects will go ahead even without subsidies. This market development depends significantly on the production costs for the PV plant and the financing terms and conditions.

Italy: The Italian government has resolved to suspend support for PV plants on agricultural land with a capacity of more than 1 MW. As in Spain, a market for unsubsidized solar projects could arise due to the high level of solar irradiation and energy demand in Italy. This market development also depends on the production costs for the PV plant and the financing terms and conditions.

RISK AND OPPORTUNITIES REPORT

RISK AND OPPORTUNITIES MANAGEMENT

RISK MANAGEMENT SYSTEM

In the context of its global business activity, the SMA Group is exposed to a range of risks that could lead to deviations from the planned EBIT. Although SMA must accept risks to a certain extent, suitable countermeasures can be used to control and influence them.

The risk management system helps to identify risks at an early stage and communicate them in an understandable manner. The system is oriented toward the COSO ERM Framework, which was named after a private-sector organization in the USA (Committee of Sponsoring Organizations of the Treadway Commission) and is today the best-known international standard for establishing and systematically developing a Company-wide internal control system (ICS).

Additionally, the COSO ERM framework was published in 2004, in order to allow the integration of risk management systems and ICS. That includes not only strategic risks (products, technologies, markets, customers and changes in environmental factors), but also all downstream risks on the operational and procedural level. As an integrated approach, it covers everything that occurs in the Company and combines corporate goals and processes, organizational levels, risk management and the ICS. COSO ERM serves as an aide for formulating a risk strategy and for establishing and operating systematic risk management in order to identify potential risks at an early stage and thus to manage them proactively.

INTEGRATION IN THE EXISTING STRUCTURE AND PROCESS-ORIENTED ORGANIZATION

The Managing Board of SMA Solar Technology AG bears the overall responsibility for effective risk and opportunities management, to ensure that all risks and opportunities are considered comprehensively and uniformly. The Supervisory Board is responsible for monitoring the efficacy of the Group-wide risk management system. This role is taken on by the Supervisory Board's Audit Committee. As part of its regular activities, the internal auditing department verifies compliance with the guidelines and the relevant matters in the risk notifications. The task of implementing and developing the system further was transferred to the Group risk management function, which is responsible for the centrally controlled risk and opportunities management process.

IDENTIFYING RISKS AND OPPORTUNITIES

The SMA Group is exposed to an array of risks in the course of its worldwide business activities. A risk is defined by SMA as an event that ensues from a decision taken by Management (strategic), an action (operative) or external circumstances and – if the risk transpires – results in a negative deviation from the planned earnings (EBIT). The Company must accept risks to a certain extent in order to utilize opportunities.

The Managing Board laid down the objectives of risk management and the principles of organization, risk analysis and risk communication in a risk handbook that applies to the entire SMA Group and is available to all employees.

Responsibility for identifying risks and opportunities lies primarily with the corresponding risk officer. The inclusion of employees in their areas of expertise ensures active identification, analysis and measurement, and creates the appropriate transparency in a potential risk situation. To support them, a catalog of potential risks is created to guarantee the recognition of all risks to the Company as a going concern.

RISK AND OPPORTUNITY ASSESSMENT

In the quarterly risk identification process, the divisions determine the risk situation in a standardized bottom-up process. With the aid of a systematic assessment method, risks are prioritized and resources allocated. The relevant risk officer, by compiling a risk analysis, assesses the probability of a risk occurring and the amount of damage that might by caused by any risks that are detected. The risk officer does this by carrying out gross and net risk evaluations and considering possible countermeasures.

The likelihood of the risk transpiring is classified according to the evaluation categories "unlikely, possible, likely, very likely." The effect of risks on the Group's earnings is measured according to the categories "slight, medium, high, very high."

Gross and net risk values are to be determined for every individual risk. Gross risk value represents the largest possible negative financial effect before measures are taken to influence the risk. Net risk value accounts for the implementation of risk-reduction activities. This shows what influence the countermeasures and possible development scenarios will have. Changes in framework conditions between reporting dates may result in a reevaluation of individual risks.

RISK AND OPPORTUNITY MANAGEMENT

SMA must accept risk to a certain extent to utilize opportunities. In order to achieve this, it must control such risks, e.g. through damage prevention or damage limitation actions, the formation of sufficient security reserves or the transfer of individual risks to third parties (insurance companies, for example). The decision to implement the corresponding plans also takes into account costs in conjunction with the effectiveness of any planned risk-reduction measures.

CONTINUOUS RISK AND OPPORTUNITY MONITORING AND REPORTING

The development of residual risks is monitored regularly using suitable early-warning tools and indicators. If a risk increases, the Managing Board must be notified in good time in order to be able to take countermeasures. Our Risk Management System is designed to ensure that risks for the future development of SMA are identified by the relevant employee early on and communicated in a systematic and comprehensible manner to the competent decision-makers in the enterprise. Timely communication of risks to those responsible is meant to ensure that adequate countermeasures to deal with any risks detected are taken in order to minimize or eliminate such risks and to prevent damage to the enterprise, employees and customers.

Under the terms of the risk analysis, foreign companies, departments and vice presidents report both to the risk manager and to the Managing Board according to defined risk categories for further prioritization and aggregation. Apart from quarterly risk notifications, immediate reporting duties have been laid down for General Managers of the foreign subsidiaries, Directors and Vice Presidents and for the risk manager, who must all report to the Managing Board if the risk situation changes significantly.

SMA can also recognize short-term deviations from business objectives through detailed, uniform and timely reports submitted by the Accounting department containing all the necessary information for assessing the Group's situation. All information is submitted to the Group management in good time: Depending on the degree of urgency, reporting takes place on a daily, monthly or quarterly basis. Further methods for detecting risks are systematic market and competitive analyses and monitoring of economic, legal and subsidy-related framework conditions in target markets.

The significant individual risks on the reporting date are shown on page 64 et seqq. The evaluation here refers to a horizon of two years.

See also Significant Individual Risks on the Reporting Date on page 64 et seqq.

HEDGING POLICY

The Treasury department controls Group financing and the limitation of financial risks. The principle underlying our hedging policy is to protect the SMA Group against sharp changes in prices, exchange rates and interest rates by means of contracts and hedging transactions to an economically feasible extent. The permissible hedging instruments have been laid down by the Managing Board in Group-wide guidelines that also regulate the entire process-oriented organization including hedging strategies, responsibilities and control mechanisms.

The SMA Group calculates important sales transactions in euros. However, the portion of sales in foreign currencies gradually increased in the fiscal year 2011. In addition to the main foreign currency, the U.S. dollar, notable sales were also generated in Canadian dollar for the first time in 2011. This means that our business is partially exposed to exchange rate fluctuations in the euro/U.S. dollar and euro/Canadian dollars exchange rate. This can mean on the one hand that for certain transactions, the value of the services provided does not coincide with the consideration received because expenses and income are incurred in different currencies (transaction risk).

On the other hand, currency effects are felt above all in U.S. business where a large part of earnings and the cash flow are generated in U.S. dollars and are recalculated in the Group's currency, the euro (translation risk). Such translation risks also affect the net assets of foreign companies whose functional currency is not the euro. This can lead to fluctuations in the value of equity that depend on the relevant date.

In order to counteract transaction risks, we employ what are referred to as derivative financial instruments: By means of internal hedging operations, we transfer risk items from the foreign companies affected to the Group's parent company thus bundling the risks. We do this by employing the opposing foreign currency cash flows of a currency in what is referred to as "natural hedging." The remaining risk items are hedged to an economically feasible extent by means of hedging transactions – above all forward transactions – with banks. We only engage in such financial transactions with banks which have first-class credit ratings.

We conclude hedging transactions on invoiced receivables and on the expected net positions of planned sales. As regards current events, we consider the risk of possible currency fluctuations to be small.

We request collateral for deliveries to customers depending on the volume and the credit rating of the customer and the country, and also evaluate historical data from our previous business relationship in order to preclude non-payment. If it can be shown that payment practices in our past business relationship have been impeccable, then SMA allocates each customer a standard credit limit determined by sales in the last 12 months, the market growth factor and the agreed payment terms. If it is envisaged that the credit limit calculated in this manner will not be sufficient for our future business relationship, then we examine whether we should ask the customer to furnish collateral or whether we can cover the gap by means of defined risk reserves.

We use financial planning tools in order to recognize our future liquidity requirements in good time. According to our current plans, we assume that our financing needs for fiscal year 2012 have been covered. We invest our extensive liquid funds (incl. financial assets), amounting to € 506.7 million as at December 31, 2011, in an extremely diversified manner primarily with different domestic credit institutions. Our securities and fund shares amounting to € 135.6 million as of the end of the fiscal year are managed by reputable commercial banks. We pay particular attention to the credit rating of the bank and the type of investment in order to minimize potential risks.

Provided this is possible and sensible, we cover liability and damage risks via insurance. We continually adjust the insured sums to current demands in order to ensure that we have appropriate insurance cover. We examine the measures we take to prevent damage claims on a regular basis and set aside sufficient provisions in the Annual Financial Statements for identifiable risks.

MANAGEMENT OF OPPORTUNITIES

Making use of existing opportunities is one of the core tasks of each and every enterprise. Identifying these opportunities early on and regularly is above all the task of management but also involves all the employees. In this respect, the Group-wide planning process and the annual strategy meeting, held by the Managing Board and attended by all Directors, General Managers of the foreign subsidiaries and Vice Presidents, and which leads to strategy reports for all departments and foreign companies, are significant cornerstones. We employ continuous market and competitive analysis, systematic knowledge management, an open information policy within the Group and the promotion of creative employees in order to detect our potential for utilizing opportunities.

More explanations on the opportunities during the next two fiscal years may be found by referring to the section Forecast Report.

COMPLIANCE MANAGEMENT SYSTEM

In view of the strong growth and internationalization of business activity in the last two years, SMA began in 2011 to expand and enhance its Group-wide compliance organization as well as to realign its Compliance Management System. The Compliance department is responsible for managing the SMA Group's Compliance Organization and for the global implementation of the SMA Compliance Management System. The Supervisory Board's Audit Committee receives a report from the Compliance department once a year to ensure the efficacy of the Compliance Management System. The Compliance Steering Committee, consisting of the Chief Executive Officer, the Chief Human Resources Officer and the heads of the Compliance and Internal Auditing departments, reviews and decides upon compliance issues of fundamental importance. The key projects for 2012 are the implementation of the new SMA business principles defining the standard of lawful conduct for the SMA Group and providing all employees worldwide with the corresponding compliance training.

INTERNAL CONTROL SYSTEM

The SMA's Group Internal Control System includes all the principles, procedures and measures designed to ensure the proper course of business activities. It is made up of systematically created organizational and technical measures and controls within the Company aimed at ensuring adherence to laws and regulations, as well as the Company's own guidelines for preventing damage that might be caused by its own employees or third parties.

KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE GROUP ACCOUNTING PROCESS (SECTION 315 (2) NO. 5 HGB)

The Control System pertaining to the accounting process is part of the overall ICS, which is embedded in the Company-wide Risk Management System. It includes the organization, control and monitoring structures designed to ensure that subject matter related to the Company or transactions are recorded, processed and recognized and subsequently incorporated into the Consolidated Financial Statements. The ICS as it pertains to the accounting process contains the principles, processes and measures required to guarantee internal and external Group accounting and timely and reliable financial reporting. The Internal Control and Risk Management System was set up and is monitored by the Managing Board of the SMA Group.

Process-integrated and process-independent monitoring measures constitute the basis of the internal monitoring system. Automated IT process controls make up an important constituent part of these process-integrated measures. Further controls are the organizational monitoring measures such as the two-man rule, the organizational separation of administration, execution, settlement and approval functions and work instructions. Furthermore, we protect the IT systems deployed wherever possible against unauthorized access by

appropriate authorization systems and access restrictions. The Supervisory Board of the SMA Group – in particular its Audit Committee – and the Internal Auditing department are incorporated into the internal monitoring system with process-independent audit activities.

The Internal Auditing department took up its tasks at the end of 2009. As a staff unit of the Managing Board of the SMA Group, the Internal Auditing department reports directly to the Managing Board and to the Supervisory Board or the Audit Committee. As part of its auditing tasks, the internal auditing department regularly examines the effectiveness of the ICS on the basis of a risk-orientated audit plan by means of sampling and thus also checks the Internal Control and Risk Management System as it pertains to the accounting process. Alongside the Internal Auditing department, the auditor of the Annual Financial Statements also carries out an evaluation as part of his/her audit duties. Under the terms of his/her audit of the Financial Statements, the auditor is obliged to report any determined accounting-relevant risks and any fundamental weaknesses in the Internal Control and Risk Management System to the Supervisory Board's Audit Committee. The audit of the Consolidated Financial Statements by the Group auditor and the audit of the local financial statements submitted by the Group's companies included in the scope of consolidation safeguard the basic process-independent monitoring mechanism in the accounting system.

RISKS WITH REGARD TO THE GROUP'S ACCOUNTING PROCESS

Important risks in the Group's accounting process include the possibility that the local financial statements of the Group companies included in the scope of consolidation fail to properly reflect the true net assets, financial position and results of operations due to unintentional or deliberate wrongdoing, or that publication of the Quarterly Statements and of the Annual Financial Statements is late. These risks may permanently impair the confidence of shareholders or the reputation of the SMA Group. As an integral part of the SMA Group, the Risk Management System as it pertains to Group accounting is concerned with detecting the risk of misstatements in the Group's bookkeeping as well as in external reporting. The entire Risk Management System embraces the systematic early identification, management and monitoring of risks throughout the Group. In order to ensure the Group-wide systematic early identification of risks, the SMA Group has installed a "monitoring system for the early identification of risks threatening the existence of the Company" in accordance with Section 91 (2) AktG, permitting – beyond the limits of statutory regulations – the prompt identification, control and monitoring of all existence-threatening and other risks. The auditor assesses the proper functioning of the early risk identification system in accordance with Section 317 (4) of the German Commercial Code. In addition, the Internal Auditing department performs regular system checks as part of its monitoring activities to ensure that the system remains functional and effective. More detailed explanations of the Risk Management System are provided in the section on Risk Management in the Risk Report.

REGULATIONS AND CONTROLS DESIGNED TO ENSURE THE PROPRIETY AND RELIABILITY OF GROUP ACCOUNTING

The ICS measures are aimed at securing proper and reliable Group accounting and ensuring that business transactions are fully and promptly recorded in accordance with legal provisions and the Articles of Association. They also ensure that inventory stocktaking is properly implemented and that assets and liabilities are properly recognized, measured and carried in the Consolidated Financial Statements. Furthermore, the regulations ensure that accounting records provide reliable and comprehensible information.

The functions of the departments that play a major role in the accounting process, Accounting, Controlling and Treasury, are clearly separated and their areas of responsibility clearly delimited. The controls include, for instance, analysis of facts and developments on the basis of specific key indicators. The relevant departments are staffed with well-trained personnel in sufficient numbers; the two-man rule has been defined consistently for accounting-relevant processes.

SMA constantly evaluates laws, accounting standards and other agreements as regards their relevance and effect on the Group accounting process. We communicate relevant requirements promptly to the companies in the SMA Group. In 2011, the various local account plans drafted by the individual companies were incorporated into a uniform account plan. The uniform IT platform, uniform Group account plan and standardized accounting processes ensure the proper and timely recording of important business transactions. There are binding rules for the additional, manual capture of business transactions.

SMA has an accounting manual that specifies the provisions on accounting in accordance with the International Financial Reporting Standards (IFRS). The accounting manual applies to all employees involved in the accounting process; the accounting provisions also apply to all external service providers involved in the accounting process. Besides general accounting principles and methods, these provisions above all include rules concerning the balance sheet, income statement, statement of comprehensive income, Notes, Management Report, cash flow statement, statement of changes in equity and segment reporting in compliance with EU legislation. By laying down clear requirements, the accounting manual limits the degree of discretion that may be exercised by employees when recognizing, measuring and carrying assets and liabilities, and thus reduces the risk of non-uniform practices. The SMA accounting manual also contains detailed definitions of the components of the reporting packages to be prepared by the subsidiaries. The preparation and aggregation of additional data for the preparation of the Notes and the Management Report (incl. reporting on subsequent events) takes place at Group level. At Group level, the controls to ensure the propriety and reliability of the Group accounts include the analysis and, where necessary, correction of the reporting packages submitted by the subsidiaries. In addition, a check is carried out centrally on the financial statements submitted by the companies included in the scope of consolidation while referring to the audit reports drafted by the local auditors.

Each month upon submission of the reporting packages, the relevant employees at the subsidiaries at home and abroad also confirm the propriety of each financial statement in the form of an internal declaration of completeness. The process of preparing the Group accounts is coordinated and monitored centrally according to a defined deadline and action plan. During this process, centralized contact persons in the accounting and controlling departments (help desks) support those responsible for preparing the financial statements at the subsidiaries at home and abroad.

THE USE OF IT SYSTEMS

Transactions at SMA and at all the larger subsidiaries are recorded using ERP systems produced by SAP AG, Walldorf. These are protected from misuse by appropriate authorization systems and access restrictions. The authorizations granted are reviewed and amended regularly. The centralized control and monitoring of nearly all IT systems, centralized change management and regular system backups minimize not only the risk of data loss but also the risk of failure of IT systems relevant to accounting. External service providers with their own IT systems are engaged in the case of smaller companies.

When preparing the Consolidated Financial Statements for the SMA Group in accordance with IFRS and other Group requirements, the subsidiaries at home and abroad prepare their respective separate financial statements and record additional information that is required for the Consolidated Financial Statements in the form of standardized reporting packages. As part of Web-based reporting, these reporting packages are then transferred to an IT consolidation system based on SAP SEM-BCS. The application can be accessed via an encrypted data cable and security token. The reported data pertaining to the financial statements is checked on the basis of system controls. The use of the Group-wide IT consolidation system ensures that all accounting-relevant data is recorded properly and completely and that business transactions within the Group are eliminated. All the consolidation processes required to prepare the Consolidated Financial Statements are carried out and documented within the IT consolidation system. This is where the various components of the Consolidated Financial Statements including important data for the Notes to the Consolidated Financial Statements are prepared. From 2010 onwards, all companies using SAP R/3 can transfer the report data directly to the SEM-BCS IT consolidation system, whereby most manual work stages are no longer required. With the introduction of a uniform account plan

in 2011, SMA succeeded in further unifying the structure. The deployment of the new General Ledger in SAP ERP Financials supports matrix consolidation and combines the data distributed across several applications in SAP R/3. It is based on one expanded uniform data pool: G/L account, functional area and profit center are included in one data record. This increases data quality, reconciliation measures are no longer needed, and period-end closing can be carried out more efficiently.

DISCLAIMER

The Internal Control and Risk Management System enables risks that might otherwise prevent the Consolidated Financial Statements from being properly drawn up to be controlled. This enables financial statements in compliance with rules to be drawn up notwithstanding any detected risks. However, the Company-wide application of the regulatory and control measures cannot guarantee absolute reliability as regards the accurate, complete and timely recording of facts in Group accounting and the detection of irregularities. The Internal Control and Risk Management System as it pertains to accounting undergoes continual refinement.

INDIVIDUAL RISKS

Important risks for the Company are described in the following section. The possibility of occurrences as well as accompanying effects after countermeasures have been taken, are assessed.

Individual Risks

	Probability of occurrence	Potential financial impact	Risk development
External and industry-specific risks			
Regulatory risks	Very likely	Very high	↗
Competition risks	Likely	High	↗
Market risks	Possible	Medium	→
Strategic risks			
Investment risks	Unlikely	Slight	↘
Risks from research and development activities	Possible	Medium	→
Patent risks	Possible	Medium	→
Compliance risks	Unlikely	Slight	→
Operating risks			
Procurement risks	Possible	Medium	↘
Production risks	Unlikely	Medium	→
Product risks	Possible	Medium	→
Personnel-related risks	Possible	Medium	→
IT risks	Unlikely	Medium	→
Risks from environmental damage	Unlikely	Slight	→
Financial risks			
Financing and liquidity risks	Unlikely	Slight	→
Risks from exchange rate fluctuations	Possible	Slight	→
Risks from changes to general interest rates	Possible	Medium	↗
Risks from customer bad debt	Possible	Medium	↗

The probability of occurrences and the possible effect of a risk, as well as its year-on-year development, are assessed by the following criteria:

Probability of occurrence	Potential financial impact	Risk development
Unlikely	Slight	↑ Higher than in the previous year
Possible	Medium	→ Same as previous year
Likely	High	↓ Lower than in the previous year
Very likely	Very high	

EXTERNAL AND INDUSTRY-SPECIFIC RISKS

Regulatory Risks

The photovoltaics sector worldwide depends to a large extent on state subsidies. As the world's largest photovoltaics market, Germany benefits from the Renewable Energy Sources Act (EEG). The feed-in tariff was significantly reduced at the start of 2011. However, an early further reduction at mid-year was canceled after fewer PV plants were installed in the first half of the year than the government had expected. Photovoltaics enjoys broad social support throughout Germany. At the federal level, cuts were resolved upon at the start of 2012 on the basis of changed conditions.

There are also incentive programs aimed at extending the use of photovoltaics in many foreign markets. Governments regularly examine these incentive programs and align them to the market situation. These adjustments range from bringing forward the date for reducing the feed-in tariff to withdrawing individual components of incentive programs. The possible consequences: a fall in demand for PV plants and therefore for products manufactured by the SMA Group with significant effects on our business activity, assets, financial position and results of operations.

See also the Supplementary Report on page 57.

SMA employees are engaged in different solar energy associations in order to influence political decision-makers at a national and European level. In addition, we are pursuing our internationalization in order to lessen our dependence on individual markets. This undertaking is supported by the expansion of global service activities and intensified marketing activities.

Furthermore, SMA is accelerating a reduction in system costs while at the same time increasing efficiency with the aim of attaining grid parity more quickly. This occurs when from the point of view of the end consumer, the price of a kilowatt-hour of PV electricity is at least as cheap as electricity acquired from the grid and generated by a large electricity company.

The Risk of Aggressive Competition

Many markets offer attractive incentives for PV plants. The concomitant high demand for PV plants leads to intense competition. The risk: Existing and new competitors will attempt to secure market shares through an aggressive pricing policy and advantageous payment conditions. Moreover, structured tendering processes for large-scale solar projects lead to more transparency and more intensive price competition. This can attract new and financially stronger competitors. Additionally, the ongoing degression of the feed-in tariff is creating further pricing pressure.

A cut to the feed-in tariff can lead to a significant reduction of market volume. In 2011, overcapacity, both at module and inverter manufacturers, led to a global decline in selling prices. Other possible scenarios: Competitors improve the quality, functionality or performance of their products; local competitors react more flexibly and adapt better to the prevailing market requirements in certain markets than SMA. Such competition may in the future lead to further falls in prices for products and services produced by the SMA Group and likewise to a loss in market shares.

SMA faces this price competition by offering technology and innovation leadership. This is demonstrated by certain products launched in 2011 – some of which have already won awards. The Sunny Tripower 20000TL High Efficiency was launched at an international convention for PV research and development, industry and application – a device with which SMA is the first manufacturer to reach a maximum efficiency of 99%. In addition, SMA will significantly reduce system costs over the coming years. By establishing foreign companies, SMA increases its proximity to customers where they are located and is able to react quickly to changes in specifications.

Market Risks

If market saturation occurs in our target markets, this entails a fall in demand for SMA products. The high demand for PV plants – and consequently for products and services produced by the SMA Group – is partially the result of the sharp increase in the prices of conventional energy carriers in the past. The higher the price of energy obtained from these sources, the more attractive is electricity generated by sunlight. If the market prices of conventional energy carriers fall, this may be followed by a drop in demand for PV plants and therefore for products manufactured by the SMA Group. If the Company is unable to close this gap in demand with new buyer groups or by opening up new markets, such market saturation will negatively affect the assets, financial position and results of operations of the SMA Group.

Furthermore, entry barriers to individual markets pose a risk to the planned internationalization of the Company. Certain countries for instance set high certification hurdles. However, obstacles in the way of our international expansion would have material effects on the development of the SMA Group in the future. Therefore, SMA always seeks to contact the certification authorities and energy supply companies abroad early on. Thanks to the information gleaned from such contacts, SMA is able to recognize and carry out any adjustments required in its products in good time. In addition, SMA pursues the strategy of being the first company to be represented in new photovoltaics markets, in order to reduce its dependence on individual markets.

The formation of buying syndicates can increase the dependency of the SMA Group on a few wholesalers or specialist wholesalers and other customers generating large sales. This dependency harbors the risk of the increasing negotiating power of such large customers together with more pricing pressure. SMA avoids dependency on individual customers by deploying a suitable sales strategy.

STRATEGIC RISKS

Investment Risks

If we improperly assess the development of markets in the future, this could lead to a failure to fully utilize our production capacities and to the unscheduled depreciation of production equipment. The higher relative share of fixed costs would have a negative impact on the results of our operations.

Over the years, SMA has established processes that allow it to react quickly to swings in demand. Through the use of interim solutions, we try to delay investments for as long as is economically rational. The projections in our regular forecast process allow us to recognize swings in demand early on and take corrective measures. Thanks to the high degree of production flexibility at SMA, we can largely absorb negative swings in demand.

Research and Development Risks

The SMA Group offers customers a complete range of products. Here, the risk arises that vital technology trends are identified too late or that market launch is delayed due to development stages that are too long. As this could lead to sales losses and sinking market share, the SMA Group invests large sums of money in research and development in order to develop new processes, technologies, products and services. We cannot rule out that individual development projects will fail to deliver commercially exploitable results.

With our patents and through constant monitoring of technologies and competitors relevant for SMA, we try to maintain and expand our technological edge. However, this is not possible in every case. Therefore, our employees actively contribute to new technical guidelines through, amongst other organizations, standards associations. This modus operandi allows us to recognize and implement changes in what is required of our products early on.

Patent Risks

The SMA Group is the owner of numerous patents and other industrial property rights that are important for business success. Since competitors and research institutes also file a large number of patent applications, we cannot rule out that, in spite of regular, extensive research, we will not infringe third-party patent rights or other industrial property rights or that, vice versa, patents or other industrial property rights belonging to us will be violated by third parties. If the former occurs, the SMA Group may incur considerable costs related to claims for compensation, in its defense against such claims or in relation to royalty payments to third parties. The Intellectual Property Management department actively protects proprietary technologies and monitors patent applications. By employing experienced patent attorneys, SMA also strives to avoid the risk of lawsuits and any litigation costs. In the case of disputes related to intellectual property, we make provisions if we consider it likely that such claims might be asserted against us.

Compliance Risks

Our influential position on the market as technology and innovation leader as well as our steadily increasing international business give rise to diverse tax, brand, patent, competition, anti-trust and environmental risks. However, as at December 31, 2011, SMA Solar Technology AG was not a defendant in any civil suit with a value in dispute above € 100,000.

OPERATING RISKS

Procurement Risks

Unexpected supply bottlenecks and price increases may sometimes occur when procuring raw materials, parts, components and services. The loss of suppliers is critical, in particular if they are single source suppliers.

In the event of delays in delivery or changes in terms and conditions, the SMA Group would have to pay higher prices for the input products required or – if at all possible – make use of other suppliers. The latter might lead to delays, less favorable purchasing conditions or quality impairments. The conceivable consequences would include damage to the Company's reputation or penalties due to a failure to adhere to delivery commitments. Even negative price developments affecting raw materials such as copper, steel or aluminum could have a negative impact on the results of operations.

Both SMA Solar Technology AG and SMA Railway Technology GmbH are to a large extent dependent on certain suppliers. SMA seeks to minimize these risks through market analyses, the careful evaluation and critical selection of suppliers, flexible supplier agreements, clearly defined quality standards and a reduction in the dependence on individual suppliers. In addition, in 2011 we acquired dtw, a long-standing supplier and leading manufacturer of technologically innovative core components for the production of inverters. The site is to be managed by SMA as a global competence center for electromagnetic components.

Production Risks

Production holdups – with either internal or external causes – and a delay in building up production capacities may significantly tie up working capital and lead to claims for compensation by customers for late delivery. Another possible consequence is a loss of customers. We mitigate these risks through long-term production planning, monitoring of production processes, collaboration with temporary employees and external service providers and with flexible working-time models. In addition, we stockpile large amounts of critical components.

Product Risks

The products and services of the SMA Group may be nonconforming or defective. Large delivery lots bear the risk of errors or defects affecting a product series or several product batches. Such production shortcomings may on the one hand derive from errors on the part of the SMA Group or from defects in primary products provided by suppliers of the SMA Group. This may have a negative impact on results, both directly (because of necessary recall campaigns, for example) and indirectly (through damage to reputation, for example).

If responsibility for the error lies with the supplier, then it must bear the direct costs. If SMA is responsible for the error, then product liability insurance will cover the losses incurred. However, this does not cover the cost of materials. In this respect, new developments are often subject to more failures than established products that have been tried and tested for longer periods. We are able to minimize this risk through comprehensive field testing prior to serial production, accompanying quality inspections during production and product liability insurance but we cannot completely exclude this risk.

Personnel-Related Risks

Qualified and motivated employees are the key factor for the continued development of our enterprise – above all as regards the area of technology, geographical expansion and the business success of the SMA Group. The loss of important employees could impair continued growth or the development of innovative products.

By promoting a cooperative structure, performance-based remuneration and comprehensive further training and qualification options, we are able to strengthen our position as an attractive employer both in the eyes of existing staff and potential new employees. However, the prevailing strong competition for qualified graduates and for specialist and management staff could limit SMA's opportunities for growth. We minimize the risk of losing high-performers and subject-matter experts by adopting a broad management structure and structured knowledge management.

IT-Related Risks

Both production and sales and service depend on the efficient, uninterrupted operation of data processing and telecommunications systems. Increasing connectivity and the need for permanent availability place ever higher demands on the IT system. We reduce the risks of IT breakdowns by continually reviewing and improving IT security and employing advanced hardware and software solutions. Efficient protective programs are put in place to defend against malware. Alongside securing network and server availability, it is most important to minimize information loss via employees, service providers or external attacks. Distributed data centers and mirrored databases reduce the risk of data losses.

Environmental Risks

SMA employs a small amount of hazardous substances during production that in principle pose a risk to the environment. The comprehensive measures we take in production and in quality management ensure that SMA products are manufactured in a way that is environmentally friendly and guarantees compliance with all environmental regulations. In addition, SMA has safeguarded itself against certain environmental risks.

FINANCIAL RISKS

Financing, Liquidity and Currency Risks

Since the SMA Group operates on an international scale, it is inevitably exposed to financial risks. These include risks from changes to general interest rates, risks from exchange rate fluctuations and financing and liquidity risks. For detailed information regarding the financial market risks and risk management, please refer to the Notes On the Consolidated Financial Statements on page 121 et seqq. under "(37) Objectives and Methods Concerning Financial Risk Management" and the section entitled "Hedging Policy" on page 60 of this Risk Report.

The Risk of Rising Interest Rates and Restrictions in Available Credits

PV plants – above all large-scale projects – are partially financed with credits. The share of debt capital in large-scale solar projects currently stands at between 70% and 80%. This is illustrative of the trend that traditional creditors are increasingly active in projects as investors, having a significant say in key decisions. If interest rates change together with demands on equity, this has considerable effects on the profitability of a photovoltaics project. If, for instance, banks apply credit restrictions, projects are delayed or even not realized.

If, for example, interest rates rise with increasing inflation, the higher borrowing costs reduce the profitability of PV plants and consequently the demand for both PV plants in general and for products manufactured by the SMA Group. Therefore, credit restrictions and rising interest rates can have a negative effect on business and on the assets, financial position and results of operations at the SMA Group. Our internationalization strategy allows us to spread this risk over several markets. Our comprehensive after-sales services ensure that our customers are able to reach a higher degree of technical availability of their PV plants and thus increase earnings. This has a positive effect on their financing of PV plants.

Risk of Default or Customer Insolvency

Subsidy conditions have worsened in nearly all target markets and further cuts are planned. This is compounded by the financial and economic crisis in connection with the European debt crisis as well as erratic conditions on the financial markets. For these reasons, potential risks arise with some customers due to financial problems. If customers can no longer keep up with their payment obligations, this can have a negative effect on business and on the assets, financial position and results of operations at the SMA Group. As part of our credit control, we minimize the risk of non-payment by individual customers in accordance with the Company's credit guidelines by obtaining references and credit information for the purposes of a credit check and permanently monitoring general payment practices.

See also Notes on page 121 et seqq. and Section Hedging Policy in the Risk Report on page 60.

OVERALL STATEMENT ON THE GROUP'S RISK SITUATION

The Risk Management System established by SMA pools all the risks reported by the divisions and foreign companies. On the basis of our Risk Management System in conjunction with the planning, management and control systems employed as well as the corresponding organizational requirements, we assess the overall risk situation to be manageable. There are no identifiable risks leading individually or by interacting with others to long-term or substantial adverse effects on the assets, financial position and results of operations. However, increasing competitive pressure, uncertain subsidy conditions in some core markets and erratic conditions on the financial markets predominantly influence the overall risk situation, which has thus slightly deteriorated in comparison with the previous year.

It is our objective to continue optimizing the Risk Management System in order to identify potential risks even faster and to counteract them promptly. We are confident that the SMA Group is well-positioned strategically and financially and is taking the opportunities becoming available.

OUTLOOK

Increasing internationalization and the steadily rising flexibility of business processes as well as the further standardization of case law makes interconnecting our Risk and Opportunity Management System with effective Internal Control and Compliance Systems ever more important.

Common to all approaches is the reduction of operating risks with adequate measures and controls to a level acceptable for the Company. While an efficient and transparent Internal Control System ensures proper processes and Risk Management features important interfaces and interactions for this purpose, the Compliance Organization monitors adherence to legislation and guidelines in the Company. The conflation of ICS, Risk Management and Compliance thus provides SMA with an integrated instrument for holistic management control and monitoring.

Our goal is to continue unifying the existing approaches. Risk analyses and selected elements of Risk Management safeguard the effectiveness of the method at the operating level. In addition, an adaptable design guarantees that new risk indicators resulting from changing market conditions can be identified promptly and risks can be accordingly adjusted.

FORECAST REPORT

THE GENERAL ECONOMIC SITUATION

The World Bank estimates that the global economy will gather speed in 2012 at 3.6% (2011: 3.2%), but there is a threat of overheating due to the boom in the newly industrialized countries. For newly industrialized and developing countries, the World Bank forecasts annual growth of 6.3% until 2013 (2011: +7.3%), for industrialized countries 2.6% for 2012 and 2013 (2011: 2.2%), which includes the euro zone with just 1.7% to 1.9% growth between 2012 and 2013. High unemployment and national debt continue to weigh down on industrialized nations. The strong growth has led to a variety of new global challenges, e.g. higher commodity prices and increasing inflation. The World Bank does not rule out the destabilization of capital flows if interest rates were to rise.

According to the Ifo Institute, the business climate for Germany's commercial economy improved at the beginning of 2012, even though the business situation for companies was not as good as in December 2011. Expectations have risen noticeably. In manufacturing, machinery and equipment were utilized at an above-average rate at the beginning of the year. The Zentralverband für die Elektroindustrie (Central Association of the German Electrical Industry, ZVEI) also expects further growth in 2012, as it sees the industry as an anchor of stability with its technologies central to manufacturing and the German economy.

FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

The sustained expansion of solar power is supported by incentive programs and tax allowances in many countries throughout the world. Moreover, the development of markets depends on the financing conditions for photovoltaic plants.

Despite increased support for photovoltaics by society in Germany and abroad and favorable financing conditions, the rapid growth of global demand for PV plants in 2011 did not continue. According to the SMA Managing Board, new PV plants with a total output of more than 23 GW were installed (2010: approximately 23 GW). Germany was once again the world's largest photovoltaics market in 2011 with approximately 7.5 GW of newly installed capacity (2010: approximately 7.4 GW).

In 2011, due to changes in political conditions, international photovoltaics markets developed in a mixed fashion. According to the estimates of SMA Managing Board, more than 15 GW capacity (2010: approx. 15 GW) was newly installed abroad. The most important foreign markets in 2011 included Italy, North America, Belgium, Australia and India. The regional shift of demand also led to a change in the size of installations. The SMA Managing Board estimates that the residential and commercial submarkets declined in 2011. Their share in the overall market sank from above 80% to less than 70% in 2011, according to our own estimates. In contrast, the large-scale solar project submarket (industrial) gained in momentum over this period.

The SMA Managing Board estimates that the medium-term global prospects for photovoltaics are good. The solar sector is on the home stretch for worldwide competitiveness. According to our estimates, North America, South Africa and Asia in particular display considerable potential for growth in the short term. But installation will pick up again in the medium term in European markets, too, if photovoltaics can compete for households against electricity rates.

As was the case in previous years, the differing growth rates in different photovoltaics markets including their corresponding submarkets will also lead to sharp fluctuations in demand in the future. For 2012, the SMA Managing Board expects moderate growth in global demand. Due to the many causes for uncertainty, the Managing Board cannot rule out a decline. The breadth of this forecast can be attributed to the fact that important photovoltaics markets are currently discussing a reduction in subsidies for 2012, which would slow down the rate of construction of new PV

plants. These markets include, for instance, Germany, Italy, Belgium and Great Britain. Furthermore, it cannot yet be foreseen what effect the global financial crisis might have on lending. The regional shift in demand will also lead to a change in the size of installations. The Managing Board of SMA predicts a sharp increase in the submarkets for large-scale PV plants (industrial) and commercial applications (commercial). These submarkets are more developed in the regions North America, South Africa and Asia, which are characterized by strong growth, than in Europe, for example.

OVERALL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE SMA GROUP

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

With its wide range of products, high product quality, high flexibility, presence in 19 countries and rapid service structure, SMA is uniquely positioned in the photovoltaics markets. In terms of the amount of inverter output sold, which amounted to 7.6 GW in 2011 (2010: 7.8 GW), SMA is a world market leader. According to our own estimates, the SMA Group's market share was at the same high level as last year with 35%. The SMA Managing Board plans to maintain this high market share in established photovoltaics markets in 2012 or even to increase this share. With a Chinese market growing more strongly, the Managing Board estimates that SMA's global market share will be diluted overall in 2012 and subsequent years. In China, SMA only has a small market share due to the local competitive conditions.

For 2012, the SMA Managing Board expects moderate growth in the global photovoltaics market. However, the Managing Board cannot rule out a decline in global demand. The sales forecast is based on various assumptions regarding market development in the different photovoltaics markets and submarkets. All the scenarios predict a fall in specific selling prices in 2012. The upper end of the sales forecast, € 1.5 billion, assumes that there will be a slight rise in global demand. In this scenario, the established foreign photovoltaics markets compensate for the expected decline in demand in Europe, particularly in Germany. In addition, due to the current price level for PV plants, young photovoltaics markets are growing more quickly. The lower end of the sales forecast, € 1.2 billion, assumes that there will be a worldwide fall in overall demand for PV plants.

The trend to larger PV systems will also be reflected in the distribution of sales. According to estimates by the SMA Managing Board, the **Medium Power Solutions segment** (in future Medium Power Solutions division) will generate approximately 60% to 70% of sales in 2012. The predictions are that in 2012 approximately 50% of the segment's sales will be generated by the product family Sunny Boy, which is principally deployed in PV plants with an output of up to 10 kW.

Large-scale PV plants with an output of over 500 kW will make up between approximately 30% and 40% of our sales in 2012. Above all, a decisive contribution to sales in the **High Power Solutions segment** (in future Power Plant Solutions division) in 2012 will be made by international business in North America, India and South Africa. The Sunny Central Compact Power will probably be one of the products that generate the greatest sales in this segment in 2012. This product family is characterized by its especially low system costs, its advantageous input voltage range and easy installation at the site.

Our service business will continue to benefit in 2012 from the high level of commissioning in the Power Plant Solutions division. However, the SMA Managing Board does not anticipate that service business will contribute significantly to sales in 2012. Because the standard warranty period for the years of high volume will not expire for another two to three years, the new Service division will only make a positive earnings contribution in the medium-term.

The Managing Board predicts an increase in sales in all divisions during the coming years. However, due to foreseeable changes in different incentive programs and the generally high dynamism of global photovoltaics markets, exact forecasts for the years to come are currently not possible.

According to estimates by the SMA Managing Board, the regional shift in demand will result in a shift in the product mix. This development will also be reflected in gross earnings. Therefore, the Management of SMA predicts that the gross earnings margin will fall away slightly in 2012. In order to counteract this trend, SMA will carry out a systematic analysis of production costs aimed at identifying potential for savings and thus lowering manufacturing costs. At the same time, the product portfolio will be adjusted.

SMA plans to continue expanding its technology leadership with product innovations. The focal points of research and development are further reduction of system costs, grid integration and energy management. The products and solutions are launched at the leading trade fairs in Germany and the USA. In order to attain this goal, we will increase our research and development expenditure (incl. capitalized development projects) in 2012 to up to € 110 million. In addition, SMA will expand its network of strategic research and development cooperation in a targeted fashion.

Important growth impulses will in the future come from foreign markets. In the years to come, we will therefore continue with our tried and tested strategy of being among the first PV inverter manufacturers to be represented in developing markets. For 2012, we are planning to establish sales and service companies for photovoltaics business in Chile and South Africa. For SMA Railway Technology GmbH, we are founding companies in Brazil and Asia in 2012.

SMA will pursue its successful strategy of only producing once an order has been placed. It is not currently planned to expand the global production capacity of 11.5 GW. In order to fully utilize our production capacity in the short term, we will stockpile large quantities of raw materials, consumables, supplies and unfinished goods in 2012. This stockpiling strategy will be reflected in a slightly higher net working capital ratio of between 19% and 21%. The completion of buildings under construction and the acquisition of machinery and equipment will result in investments of approximately € 100 million to € 150 million in 2012. The aim of SMA is that total annual investments do not surpass 10% of sales in the medium term.

In the last few years, SMA has consistently taken advantage of the possibilities and opportunities that have arisen in the photovoltaics market. In order to increase our effectiveness, we will convert our corporate structure into a divisional organization and expand the corporate centers starting from the 2012 fiscal year. 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 pursuit of our internationalization strategy and our focus on the development of innovative products for solar applications and energy management will lead to higher fixed costs. We expect that we will be unable entirely to offset the decrease in sales and the high pricing pressure with new products, lower cost prices and adjusted organizational structures. The SMA Managing Board predicts a declining EBIT margin of 5% to 10% in 2012. In the medium term, SMA has set an EBIT margin target of approximately 10%. The SMA Managing Board's profitability targets are thus above average in the German electronics industry. In our opinion, the key to high profitability in comparison with the rest of the industry lies in the continuing technological development and cost optimization of PV inverters as well as our range of energy management solutions.

Niestetal, March 2, 2012

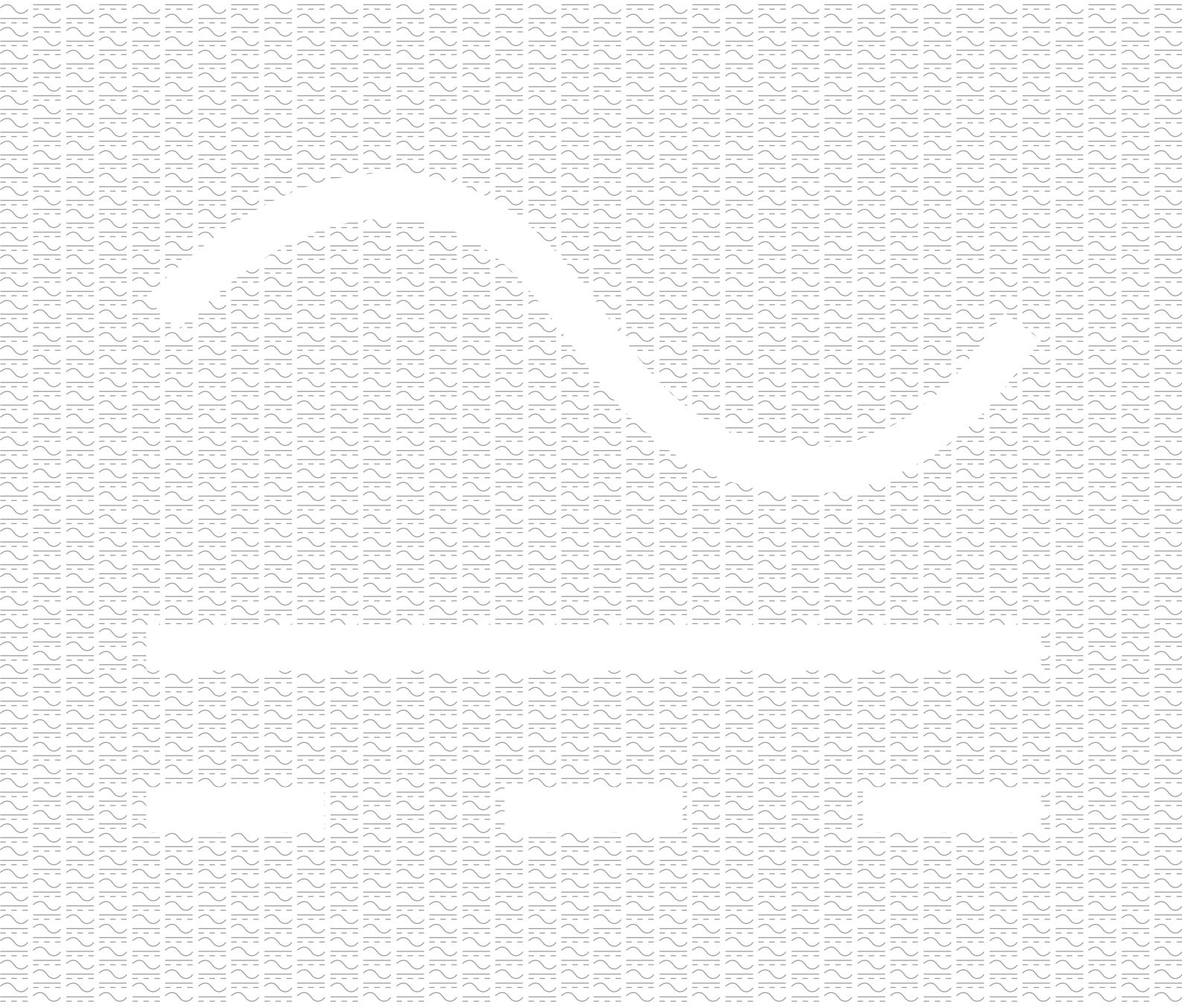
SMA Solar Technology AG

The Managing Board

ENERGY
THAT
CHANGES

SMA

Bringing About Change!



SMA SOLAR TECHNOLOGY AG

Bringing About Change!


SMA
ENERGY
THAT
CHANGES

Dear Readers,

The energy transition has reached critical momentum – and offers commensurately vast opportunities for the technologies and products "made in Germany," which are seen around the world as exemplifying clean and safe energy supplies. A new decentralized energy sector has been born – and conventional energy suppliers must adapt their business models so that they, too, can actively move toward decentralized systems.

Eco-friendly, safe and decentralized generation based on renewable energies, for example in combination with self-consumption of solar power, is democratizing the energy supply market. This strategy not only cuts the cost to the consumer, but also results in greater independence from the major energy suppliers – be they in Japan, India or Germany. For this reason, increasing numbers of consumers are turning to renewable energies and calling for their further expansion.

Photovoltaics, for example, is already able to compete successfully with domestic electricity in industrialized countries and with diesel aggregate in developing and emerging countries. Consequently, we have focused our activities well in advance not just in Europe, but in the major growth markets of the U.S. and Asia in particular. SMA operates in 19 countries in these markets across four continents, and offers the perfect solution for virtually every power class and country requirement.

To exploit the available opportunities to our best advantage, our top priority must be to invest in technologies for grid and energy management and in sustainable storage solutions. The inverter is the decisive component and intelligent key function here. Thanks to the use of innovative technologies, SMA inverters are already capable of almost doubling grid capacity, for example. This is of major significance in terms of security of supply – and helps cut the cost of expansions to the energy grid.

The people who feature in these pages are working hard to bring about change. They are developing alternatives to high-risk technologies such as nuclear power. They are working so that we can decentralize and democratize our energy supply – and in the process, put our faith entirely in renewable energies. And they are committed to ensuring that technologies such as photovoltaics are on the final straight toward achieving competitiveness.

In short, they all want to move things forward with energy that changes.

Pierre-Pascal Urbon
Chief Executive Officer and Chief Financial Officer
SMA Solar Technology AG

WAVE OF THE FUTURE?

The Alheim community exemplifies the way in making the energy transition feasible

5,300 inhabitants. 10 districts. 1 biogas plant. 1 hydroelectric power plant. 3 solar parks. And photovoltaic modules in countless homes and barns. In the community of Alheim near Rotenburg an der Fulda, Germany, the energy transition is already well underway. It is an example of citizens taking their energy supply into their own hands – through an intelligent combination of renewable energies. Photovoltaics are not only being integrated into the historic town center with outstanding results – it is also a mark of the successful interaction between energy generation in close proximity to consumers and modern technologies. Sven Bremicker, Platform Development director at SMA, has therefore chosen the ideal address. He inaugurated his own photovoltaic system in 2003. Since then, he has been vying with his neighbors to achieve the highest yields.

The energy transition in practice: The citizens of the municipality of Alheim cover around 80% of their energy needs using renewable resources from their own generators.

Germany is a pioneering role model when it comes to the expansion of renewables

At Sven Bremicker's home, the lights never go out. "My solar system produces more electricity at midday than we consume here at home. The excess energy not only flows into the grid, but into a storage system as well," explains the electrical engineer. "This means that energy is available to us around the clock – and we are more independent from the major energy suppliers. It's a great feeling, as I stopped believing in the dream of clean and cheap electricity from nuclear power plants a long time ago."

More and more people are taking responsibility for their own energy supply

More and more people are following Sven Bremicker's example by taking control of their own energy supply, and not just in the solar stronghold of Alheim. No surprise, as electricity generated from solar and other renewable sources is getting steadily cheaper. In contrast, the costs of coal and nuclear electricity continue to rise. It is not simply the fact that fossil fuels and uranium are largely being imported from politically unstable countries, but global reserves are also slowly but surely dwindling. A study[1] by Shell forecasts that, by as early as 2015, production of readily accessible oil and gas will no longer be able to keep pace with rising demand.

According to a survey conducted by TNS Infratest in July 2011, 94% of citizens in the Federal Republic of Germany favor the greater expansion of renewable energies. Along with ensuring a safe future for their children and environmental concerns, they cite the opportunity to participate directly in the supply of electricity as important reasons. This is exactly what is already taking place in Sven Bremicker's home and in Alheim.

Storage systems ensure full supply of renewable energies

"By contrast, the energy sent to earth by the sun alone is far greater than the global energy demand," says Sven Bremicker. "So it would be a waste not to exploit such a limitless and clean source of energy." In addition to the sun, his fellow citizens in Alheim are tapping into other renewable sources of energy such as biogas and hydropower. If you include wind power, this produces the exact combination required for the energy supply of the future. When combined with energy storage systems, renewable energies can guarantee a full supply of clean electricity around the clock. The technology used to do this is becoming more advanced and cost-effective. "Renewable energy is the way forward," assures Bremicker.

Renewable energies will create jobs in an emerging industry

There is another positive effect of renewable energies that has not yet been taken into account: the creation of secure jobs in an emerging industry. More than 300,000 people are employed in the renewable energy sector in Germany. They export cutting-edge technology to all corners of the globe. This is because global acceptance of renewables is rapidly

[1] Shell Energy Scenarios to 2050.

expanding. And German companies lead the way in developing the technology to exploit them. “We’re already generating over 50% of our sales outside Germany. We will continue to expand this figure,” confirms Lars Kirchner, founder and managing director of the Kirchner Solar Group, which is based in Alheim and plans and installs solar projects worldwide.

If these stories can set a precedent, then events such as the nuclear incident in Fukushima can hopefully at long last become a thing of the past. One day, we will all be living in our own version of Alheim. ■

A firm believer in photovoltaics, and not just because of his job: SMA electrical engineer Sven Bremicker generates his own electricity from his PV system.

A UTOPIAN VISION?

People across the globe want renewable energy – now!

It is March 11, 2011. An earthquake strikes just off the coast of Japan. Stronger and more prolonged than Japan has ever seen before. But what happens then shocks people the world over: A devastating tsunami destroys existences and entire tracts of land, and the fractured reactor blocks at Fukushima Daiichi plant contaminate the northeast of the country. Afterwards, nothing is as it was before. Japan is in a state of emergency.

The Japanese, traditionally regarded as being exceptionally diplomatic, disciplined and sensible, take to the streets. They protest against nuclear power and its consequences. Because at this point, it is clear to everyone: nuclear energy is finite, hazardous and unpredictable. And there are alternatives. A decentralized, reliable and 100% energy supply based on renewable resources is feasible in the short term. Both in Japan and worldwide. The time is ripe.

High time for the energy transition: In Japan, opposition to unpredictable nuclear power plants is growing.


STOP!
GENPATSU
STOP!
RADIOACTIVITY
IS IN THE AIR
FOR YOU AND ME
STOP!

Innovative technologies are the key to a successful energy transition

Makiko Hayashi-Witolla is concerned. "Our fear of nuclear energy is growing," says the Japanese citizen, originally from Nagoya and now living in Luxembourg. However, her parents, family and friends are still living in Nagoya and have to contend with a completely new reality: the fear of irradiated vegetables and the constant worry of radiation. "Children take radiation detectors when they go out to play, and even the youngest know they must come home if the radiation reaches a certain level." Her family also worries about the nuclear plant, which is located around 160 kilometers away and – just like Fukushima – built near the coast. "The tsunami and Fukushima was the first catastrophe. The uncertainty under which my family and friends must now live is the second."

Awareness of renewables is growing

The catastrophe at Fukushima highlighted the dangers of nuclear power. "Before this disaster, I never stopped to think about energy. It was simply there. Now, many people in Japan are asking why the country didn't focus more on electricity from renewable energies at an earlier stage," adds Makiko Hayashi-Witolla. It is a valid question. Until recently, Japan was a leading force in the development and production of solar modules, for example.

Energy supplies from 100% renewables is possible

Now Japan is turning its attention once again to renewable energies. Makiko Hayashi-Witolla is also hopeful: "We will work even more intensively with wind, hydro and solar power in future – in the same way as Germany has been doing for many years. In industrialized countries such as Japan, the U.S. and Germany, a timely switch to 100% renewables is possible. "In hindsight, I just cannot understand why we didn't try much earlier to switch entirely to renewables," Makiko Hayashi-Witolla adds.

The energy transition is feasible – through innovative technologies and intelligent energy management

But how will the energy transition be achieved? By a process of collective effort and adjustment to a new paradigm, and through continued investment in research and development. Pioneers in the field of renewable energy, such as Germany, are working to ensure that the necessary conditions for the energy transition are fulfilled in a timely manner.

Condition 1: Energy management and storage systems

Intelligent control systems in households ensure that energy consumption is synchronized as closely as possible with energy generation. This will allow them to operate flexible household appliances such as washing machines when sufficient self-generated energy is available. The benefits are obvious: less strain on the regional distribution network, less reliance on the energy supplier and – as a consequence – a more conscientious approach to available energy resources. Ideally, any excess electricity generated is absorbed by storage systems, from where it can be made available again to meet subsequent demand.

Condition 2: Smart metering with variable electricity tariffs

Happy hour for electricity: What currently applies to airline tickets and fuel prices will eventually become the norm for electricity as well – prices that are oriented toward supply and demand. The concept is: if the supply of electricity exceeds demand, the price reduces automatically. Conversely, electricity customers would have to pay more at times of high energy demand and scarce supply. In the future, these indirect consumer controls will enable the energy flows to be optimized not only in one's own home, but throughout the entire electricity grid.

Condition 3: The intelligent electricity grid

A key prerequisite for achieving the energy transition is ultimately the creation of an "intelligent" electricity grid. The decentralization of electricity generation from a few major power plants to countless generation plants of various types and sizes will render the centralized hierarchical structure and control of the electricity grid obsolete. By contrast, the smart grid of the future operates on the basis of intelligent exchange of energy and information between the most disparate participants: Generators, consumers, storage operators and forecasting providers are all in contact with one another, while a highly flexible infrastructure allows energy to be distributed and exchanged in all directions. In the end, sufficient energy is available at all times – cheap, environmentally friendly and safe.

"There is no alternative to renewable energies." Makiko Hayashi-Witolla is hopeful for the energy transition.

Renewables in Japan: the first step has been taken

Be it intelligent grid management or a conscientious approach to energy – concepts that are now part of everyday life in German model communities such as Alheim are only just beginning to take root in Japan. To date, only around 3.5% of energy consumption is covered by renewable resources. By comparison, some 17% of electricity in Germany comes from renewable sources.

However, the first step has been taken: From energy efficiency programs to waste minimization and a more conscientious attitude toward energy – Japan is gradually changing tack. So it is only fitting that SMA also recently opened a Japanese foreign company. "Despite all the uncertainty, I am also filled with hope. Simply because it has finally dawned on us that we have to change our sources of energy," adds Makiko Hayashi-Witolla. "Our energy must be safe and useful, but most importantly it must never harm us again." ■

TOO COSTLY?

Solar power will be competitive by as early as 2017. The fact that prices of PV plants have already came down by 60% since 2006 can be attributed primarily to the development of innovative technologies

Photovoltaics are costly and inefficient. So much for the popular prejudice. The reality is that costs are falling faster than any other new technology. Since 2006, the cost of solar power plants has tumbled by almost 60%.

While the costs of coal and nuclear energy continue to rise, solar power is becoming cheaper. No wonder that increasing numbers of people are using this inexhaustible energy supply to generate their electricity – and are becoming increasingly independent from the major energy providers. The necessary cost reductions are driven by innovative technologies from German companies who are systematically investing in development – companies such as SMA. The issue of "cost reduction" not only relates to the component prices, but to the system as a whole as well.

It reduces the costs of the overall PV plant by 35%: The Sunny Central CP from SMA makes solar electricity cheaper.

It is not about individual component prices. It is about the "PV plant" as a whole.

Product Manager Frank Niebling takes the pragmatic approach: "When it comes to the issue of costs, most people only think about individual components. However, that's a much too short-sighted view. When we develop solutions here at SMA to cut costs, we always view the PV plant as a complete package." It is obvious: If the energy transition is to succeed, the price of solar systems must decrease further over the next few years. "And the key to this," says Niebling, "is technology." How do they do it? For example, by focusing on component integration, external components and functions, weight reduction and ease of installation – as was done with one of the largest SMA central inverters, the Sunny Central CP. "Up until now, inverters in this power class were housed in solid concrete stations – weighing 30 tons. In some cases, this required the construction of paved access routes on the installation site before the units could be transported to their installation location." At just 1,800 kilograms, the Sunny Central CP – CP stands for Compact Power – is almost a featherweight by comparison. "We have also fully integrated system monitoring into the device, which saves additional installation time and costs," adds Niebling.

Sunny Central CP – 35% cost reduction for the entire system

Compact Power describes the advantages of the central inverter, which is used in PV power stations. The latest technologies guarantee higher yields, longevity and low weight thanks to the omission of the concrete station. A further advantage is that system monitoring functions are also integrated into the unit. These functions were previously installed on-site on a distributed basis – the Sunny Central CP also eliminates this additional cost and time outlay. All of this not only reduces the pure component prices of a PV system, but also all costs associated with operating the system – from transport to installation service and even recycling. "With the Sunny Central CP, we have brought a product to market that is currently unsurpassed by any other manufacturer. Many customers immediately recognized the benefits of the new central inverter and went so far as to reschedule their pending projects to incorporate the new unit," recalls Frank Niebling. By using the Sunny Central CP, investors are actually saving up to 35% of the costs for the complete system.

The SMA maxims: reducing the costs of solar power through innovation

And it is far from the first cost reduction that SMA has realized through innovative technologies. That is because innovations and investment in research and development are two key factors when it comes to making solar power cheaper and therefore more competitive compared with fossil energy sources. SMA has been following these maxims for over 30 years with obvious success: "Our innovations have made a signification contribution to the ongoing reduction in the overall cost of solar systems and therefore of solar power," explains Niebling. Since 2006 alone, the price of PV systems has fallen by more than 60%.

The discovery of string technology is the breakthrough enabling the widespread use of PV

SMA laid the foundation for the comprehensive use of photovoltaics almost 20 years ago. In 1995, a team of technicians and engineers developed what is referred to as string technology, which served as the basis for the first inverter of the SMA

Another achievement for more than 1,000 employees in the technology development department at SMA: Since 2006, the cost of solar power plants has tumbled by almost 60% (source: BSW).

Sunny Boy family. Whereas a PV system could previously only be planned and installed by electrical engineers, both of these tasks are now simpler and cheaper – and can also be carried out by an electrician. With this innovation, SMA is making an important contribution to the widespread use of photovoltaics.

Groundbreaking technologies come from SMA

Over the years, SMA has developed numerous products that have led the way for the entire sector: inverters that revolutionized the installation and commissioning processes because they were handy, lightweight and easy to operate – like the Sunny Boy 5000TL. Or products that enable wireless remote monitoring of PV systems, such as the Sunny WebBox with *Bluetooth*®. All of these innovations have helped make solar systems easier and quicker to install. They have reduced the number of components to be installed on-site, i.e. outside of the inverter. They have also made it possible to customize devices more and more precisely to different customer and national requirements.

Falling system costs boost the appeal of photovoltaics to investors

The established track record of boosting efficiency and cutting costs now also includes the Sunny Tripower, for which SMA has become the first manufacturer to achieve 99% peak efficiency. As a result, the Sunny Tripower is now extracting more power from each sunbeam than any other device on the market to date. This was reason enough for the specialist German magazine "Photon Profi" to issue the inverter with a "very good plus" rating and to praise it as a "top device." Thanks to its attractive specific price and high peak efficiency, the inverter contributes in turn to cutting costs, and in the process enhancing the investment appeal of photovoltaics. And so the energy transition is becoming a reality. Because expensive is a thing of the past. ■


Ø. K.

UNPREDICTABLE?

Solar forecasts and intelligent energy management make solar power a dependable resource. And grid expansion costs remain manageable

It is bitterly cold. The midday sun is shining brightly. A picture postcard winter's day in Bad Wünnenberg. The perfect time to wash the laundry. This is what the Sunny Home Manager, which Christian Höhle and his family are testing for SMA, has already determined several hours ago based on the weather forecast. And as we speak, the washing machine starts, followed by the dishwasher. That is because the photovoltaic system on the roof of the family house produces exceptionally high levels of cheap and clean solar power in sunny conditions at low temperatures. The Höhles are saving money and gaining a little independence from the major energy suppliers. This is what intelligent energy management looks like in practice.

Intelligent energy management is fit for everyday use: The SMA Sunny Home Manager knows exactly when it is most efficient to wash the laundry using electricity from the home PV system.

SMA is turning normal homes into "smart homes," thus easing the burden on the grid

Scheduled washing days are a thing of the past for the Höhle family. Instead, the timing of the laundry washing is determined by the weather conditions and current electricity requirements of other household appliances. "It's all controlled by the Sunny Home Manager in our basement," explains Christian Höhle. "It makes sure that the appliances only run when it makes most financial and ecological sense. And that we maximize the share of electricity generated by our photovoltaic system in our overall consumption. And we don't have to lift a finger, now that's convenient!"

The Sunny Home Manager has "learned" the household's typical consumption behavior and knows, for example, when energy is required for cooking. It also receives regular weather forecasts for Bad Wünnenberg, which it uses to calculate the solar power output for the next few hours. On this basis, the intelligent energy manager then schedules and controls the Höhle family's electrical appliances.

Generating and using your own solar power – sparing your wallet and the environment

Christian Höhle can track the use of his electrical appliances and their exact electricity consumption in real time via the Internet or on his smartphone. From anywhere in the world. All the data is combined in SMA's Internet portal "Sunny Portal." Here, he can also see how much electricity is flowing between his PV plant, the power distribution grid and the various electrical appliances. The developers at SMA have gone one step further by future-proofing the design of the energy manager: "As soon as variable electricity tariffs are introduced, the Sunny Home Manager will also take these into account in controlling my appliances. Which means my electricity bill will be even lower," the software developer enthuses. In this way, the Höhle's single-family home is gradually becoming a smart home, in which all appliances operate on the basis of an optimized schedule.

The future of energy supply? Independence for consumers

The Sunny Backup system from SMA, which is also installed in the family's basement, is already helping the Sunny Home Manager to manage the household's energy consumption. "The storage system allows me to buffer excess electricity from my photovoltaic system, which I can then use during the evenings or at night, for example. In scheduling operation

times for the electrical appliances, the Sunny Home Manager takes the charging time of the batteries into account. On days with bright sunshine, we can therefore cover all our electricity requirements and don't draw any power from the grid. Not only does this save us money, it also makes us increasingly independent from the major energy suppliers," reports Christian Höhle. Generating electricity in direct proximity to the consumers also relieves the burden on distribution grids. That is because electricity generated directly at the site where it is consumed does not need to be transported in the first place.

Innovative technologies: the key to success of the energy transition

"Local storage systems are a key element on the way to achieving full supply with renewable energies," emphasizes Volker Wachenfeld, Executive Vice President of Off-Grid Solutions at SMA. "As the energy transition progresses, increasing amounts of energy from renewable sources are flowing into the grid. Power supplies are becoming decentralized; I would go so far as to describe it as the democratization of energy supplies. To control energy flows and to balance feed-in and

consumption in the power distribution grid, storage systems are of course the ideal solution. If there is too much energy in the grid, they are charged; if there is too little power available, they release their energy into the grid. A massive expansion of the grid is therefore rendered unnecessary and the costs remain at a moderate level."

From integrated storage to intelligent energy consumption optimization: Volker Wachenfeld (center), Executive Vice President of Off-Grid Solutions, is a firm believer in democratizing energy supplies at SMA and is involved in developing products for the energy transition.

Renewable energies are already competitive in sunny regions

Mr. Wachenfeld and his team are working hard to integrate the storage system into the electricity grid of the future. SMA developments are already tailored to future requirements after competitiveness has been reached. "There is strong international demand for the new technologies we are developing here in Niestetal, Germany. Renewable energies are already competitive in sunny regions. What we need now are corresponding technologies to implement the energy transition. It's great to be involved in shaping such a gigantic project of the future," Wachenfeld smiles as he returns to his work. At the end of the day, the global energy transition is an unstoppable movement – one that he will have helped create. ■

Experience reports in the blog
On the SMA Corporate blog, www.SMA-Sunny.com, Christian Höhle reports his experiences with the consumption of self-generated electricity and the Sunny Home Manager.


3801
ENTERPRISE
PARK
SMA

A GERMAN PIPE DREAM?

The energy transition is a global movement

It has what it takes to become a cornerstone of our energy supply: Photovoltaics are poised to achieve competitiveness internationally and can function anywhere. SMA recognized at an early stage that environmentally friendly energy generation using solar power in close proximity to consumers also offers global potential. After all, the sun does not just shine on Germany.

In 2000, the company made the leap "across the pond" and opened its first foreign company in California, in what was the successful prelude to a targeted internationalization strategy. Today, SMA is recognized in the U.S. and in 19 other countries spread across four continents. In Australia, Japan, India or South Africa – wherever attractive solar markets emerge, SMA opens a service and distribution company. In most cases, they are the first mover in the respective country. And this is a trend that is on the rise.

Global player: The first foreign company of its type in the U.S. was the successful prelude to a profitable strategy of internationalization. SMA is now represented in 19 countries across four continents.

SMA is at home around the world

Jeffrey Philpott is employee number 12 in the U.S.. And an early adopter of solar power. Together with 11 of his colleagues, he established SMA America: "We started out in a little container," smirks Philpott. The Sunny Boy inverter "made in Germany" rapidly became a best seller in America. "At that time, we had an estimated market share of over 80% – not bad for a small subsidiary from the Californian hills." Current top sellers include the Sunny Boy HF, whose slim housing makes it ideal for use in American homes. There is also the new Sunny Boy 240, which performs particularly well in small PV systems of less than two kilowatts. All devices destined for the American market are now manufactured by SMA in Denver, Colorado.

Global success with "German engineering"

Both photovoltaics and the U.S. subsidiary went on to become a success. Growing awareness of the finite nature of fossil energies is driving interest in the possibility of generating electricity from limitless, renewable resources. Despite the fact that the U.S. does not currently have a standardized incentive program at national level, there is a growing dynamic in this area. Be it California, Nevada or New Jersey – many federal states are launching their own PV initiatives.

For example, many U.S. states have defined so-called Renewable Portfolio Standards (RPS), which are specifically designed to make large-scale systems attractive to energy suppliers. California has set itself the target of meeting 33% of its energy needs entirely from renewable sources by 2020. "In 2011, the solar market in New Mexico grew by 1,700% year on year. 1,700%! That's absolutely unbelievable," declares Philpott. He himself demonstrates just how effectively a power supply based on photovoltaics can function: He and his family live in a self-sufficient solar power house, which is supplied with electricity exclusively by SMA inverters. "I'm still working in the PV sector because the idea of setting up a PV module in the sunshine and using it to generate electricity continues to fascinate me."

With the "blessing from above": solar power is becoming an attractive alternative to fossil energy sources

Photovoltaics are also developing rapidly elsewhere. In particular, governments in numerous developing and emerging countries in Asia and South America are increasingly recognizing the potential of photovoltaics: A safe and reliable supply of energy is the key to economic growth and social development. Renewables and photovoltaics, in particular, are capable of meeting the steady rise in demand for energy. The emerging solar nations include many South American states. Growing energy demand and good radiation values, combined with a lack of domestic fossil energy resources in some cases, make the prospect of generating energy from solar power an attractive alternative. And with the "blessing from above," as governments of countries such as Chile, Peru or Brazil regard photovoltaics as being an integral part of the environmentally friendly energy supply of the future.

South Africa is also moving toward a cost-effective, clean supply of energy

A sunny future for South Africa as well: The country ranks among the economic heavyweights of Africa and acts as a role model for other African states – also with regard to its energy supply. Strong economic development is causing energy demand and the costs of meeting it to rise. For the government of South Africa, photovoltaics in particular play a decisive role when it comes to establishing cost-effective supplies of clean energy. South Africa has the potential to become a dynamic PV market of the future. Numerous Asian countries such as Japan have similar potential. Notwithstanding the recent events in Fukushima, there are also new incentives here to generate energy using photovoltaics. For SMA, it is sufficient reason to establish our own subsidiaries in all of these countries at an early stage.

Power supply that meets people's needs

SMA has also long since recognized the enormous potential of photovoltaics in India: "We have a vast appetite for energy and photovoltaics could satisfy it," believes Rakesh Khanna, who heads up the SMA foreign company established in Mumbai in 2011. India has adopted numerous incentive programs at local and national level in order to accelerate development of PV. With 300 days of sunshine a year, the subcontinent offers exceptional radiation conditions and possible solar yields around 60% higher than those in Germany. SMA India supplies services, a broad range of training courses and a product range tailored specifically for use in India. The country has a strong market for large-scale plants with numerous planned and existing projects in the megawatt range. In addition to this, the sales potential in the area of power supplies for off-grid regions in India is extremely promising. This is because most of the Indian population is still forced to live with daily power cuts or has no access whatsoever to the power distribution grid. SMA products such as the Sunny Island inverter are the solution.

This unit enables the establishment of alternating current voltage grid far away from public grids. These grids can then easily be adapted to the needs of the local population.

Despite the fact that SMA India and SMA Japan have only just started to capture their markets, their chances of success appear to be good. After all, even SMA America can look back to its humble beginnings in a container. ■

Photovoltaics offer a reliable way of generating energy: Jeffrey Philpott's home runs on off-grid power generated by his own PV plant.

ONLY FOR THE CHOSEN FEW?

Solar energy delivers quality of life to millions of people worldwide

It is hard to imagine: In India, Bangladesh, China and Mali – roughly two billion people worldwide still have to survive without access to electricity. Most of them live in the most appalling conditions and often completely without hope. The absence of a power grid means that no lights can be powered in schools, no medical devices can be operated in hospital wards and absolutely no radio. However, a cost-effective, convenient solution is available: electricity from renewable energies. Particularly in developing and emerging countries, which still have to get by without reliable energy supplies, SMA products facilitate participation in economic development and create the preconditions for education and wellbeing.

Rising demand for energy: In "boom countries" such as India, renewables such as photovoltaics are the key to continuing economic development.

SMA is tapping into new, promising markets worldwide – and delivering solar power wherever it is needed

Matthias Hermes is everywhere that SMA is not (yet). The Deputy Director of Sales at SMA is doing real pioneering work: he looks after the new markets in the Sales department. These are regions which have recorded initial demand for SMA inverters but do not yet have their own SMA foreign company. As part of his role, Hermes establishes contact with potential customers, authorities as well as political and business representatives, for example. "Our New Markets team prepares these markets, also to determine whether and when it is economically viable for SMA to establish a foreign company."

Being where SMA is not (yet)

Hermes' primary role is therefore to make himself superfluous. "Once SMA sets up a subsidiary in the country, my job there is done," he says. A rather unsatisfactory situation, you might think. But not for Hermes, who sees his job as a major challenge: "I help to ensure that solar power becomes more popular in what are referred to as emerging and developing countries. This makes sense as the innovative technologies developed at SMA help people to implement sustainable solutions for their energy supply needs. By founding foreign companies, SMA can then provide on-the-ground support to its customers in all key areas: Technical consultation, training courses, service and planning PV systems.

Vast spaces and high levels of solar irradiation: India is an extremely promising market for large-scale solar projects

And that is how it turned out in India. The Sales Manager looked after the subcontinent for a long time before the foreign company was actually founded. Today, he still supports Indian colleagues in certain areas or as the need arises. "India is a major solar market that is just starting to wake up. In order to compare it, you'd have to imagine the entire European solar market developing more or less from scratch in a very short space of time." Hundreds of investors, developers, system integrators and companies as well as thousands of installers want to be successful in this market. "But unlike Europe, you have to contend with an almost total lack of technical expertise, high import duties and crippling bureaucracy," explains Hermes. And despite all of this, the projects initiated and completed have already proved to be the first successes in India. SMA is the leading supplier of solar inverters in India. In particular, the market for large-scale solar projects has enormous potential in India – not least due to the enormous areas available and the excellent irradiation, which ranges to over 1,600 kilowatt hours per square meter. By way of comparison, in Germany, the sun delivers around half this amount per year on average, depending on the region.

The vision: reliable power supplies for everyone – based on renewable energies

However, Matthias Hermes also sees enormous potential for emerging and developing countries in the off-grid sector, i.e. supplying areas located far from the nearest public power grid.

Making progress toward capturing promising solar markets: Mathias Hermes' job is to turn countries like India or Thailand into solar nations.

Approximately two billion people worldwide are still living without electricity. "People frequently get by with diesel, but they don't always have the money to pay for it. Apart from that, diesel generators make a lot of noise and have only a limited service life. Solar power could play an important role in the future in providing a reliable source of energy." By using what are described as island and diesel hybrid systems, it is possible to realize an off-grid electricity supply with the help of photovoltaics and other renewable resources such as wind. Sunny Island inverters by SMA enable these kinds of stand-alone systems to be set up and expanded on a modular basis as required. The vision of a reliable electricity supply for everyone – incidentally also one of the founding ideas of SMA – is gradually becoming a reality.

The objective is clear: capturing new markets

But Matthias Hermes' thoughts are already elsewhere. That is because the salesman is embarking on yet another journey this evening. Where to? Asia. "In a few years, we will see many Asian countries emerging as real solar nations. When that happens, we at SMA will most definitely have a presence there." Hermes is not yet allowed to tell us which countries. But one thing is certain: Anywhere Matthias Hermes and the New Markets team have been will soon develop into a market for photovoltaics. ■

UNRELIABLE?

SMA inverters have a service life of 20 years or more – even under the toughest conditions

Minus 25 degrees and snow storms. Humid heat at 40 degrees in the shade. From desert sand to salt water – SMA inverters are equipped to deal with the challenges of virtually every climate zone on the face of the planet. That is because the devices are used in more than 100 countries – in Uganda and on the North Sea coast, in hina or at the Princess Elisabeth polar station at the South Pole.C Every installation site presents different environmental and climatic conditions. There are also the various power distribution grids and connection conditions across the world, which must be taken into account. In spite of all this, each SMA inverter must operate reliably for 20 years or more. How can this be ensured? In principle, it is very straightforward. SMA inverters are sent around the world – so SMA brings the world to Niestetal, Germany.

Reliable operation under the toughest conditions: SMA inverters are designed to last for 20 years and overcome the challenges of every climate zone.

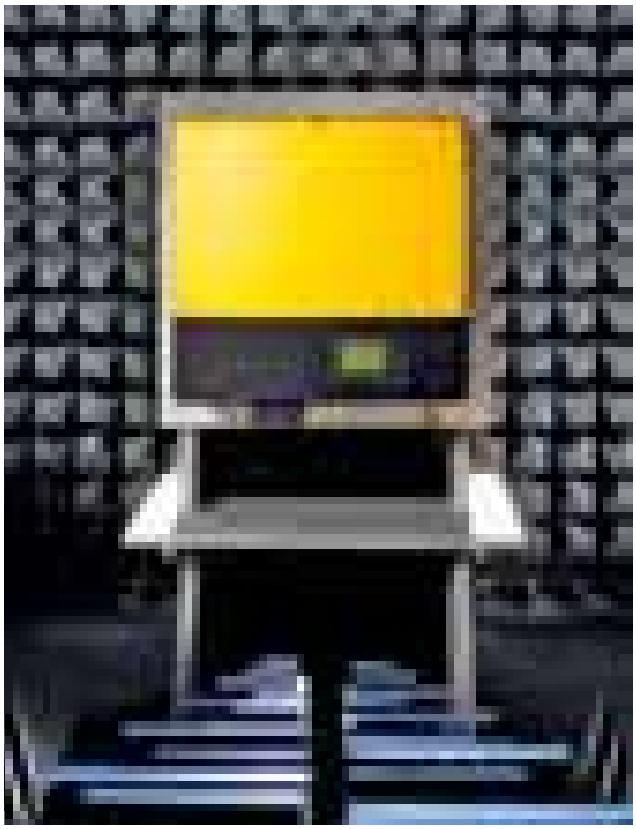
SMA products are tested from tip to toe

Billy Akpebu is a hard taskmaster. The head of the test center at SMA misses nothing. It is here that the inverters must prove what they are made of – under the toughest test conditions. "The test center," says Billy Akpebu, "is basically also a quality assurance center. Our job is to ensure that SMA inverters will function for at least 20 years – in any country, in any climate and in any power grid." How do they do it? "We accelerate the aging process, for example," explains Akpebu. "Those of us who are subjected to high levels of stress tend to age quicker. Fortunately, the same also applies to inverters," he remarks with a grin. "Certainly we can not wait around for 10 or 20 years to see if everything performs as it should," he says, outlining the challenge. "We have to speed the process up a little – and the best way to do this is under extreme conditions."

20 years at fast-forward speed – from Death Valley to the South Pole

The latest piece of test equipment looks like a giant two-story oven. The enormous gray metal box emits a quiet hum, an indicator lamp flashes on the control panel: 96 degrees Celsius. Through the viewing window made of insulating glass, a circuit board with various electronic components is visible. "The test item has only been in there for two hours," Billy Akpebu explains. "It will now be subjected to another

15 alternating periods of heating and cooling – what's known as a stress test." So what looked at first like an oven turns out to be a shock test chamber. It subjects inverters or individual components alternately to temperatures of +200 to –70 degrees Celsius. As a result, every climate zone from Death Valley in the U.S. all the way to the South Pole is covered. An internal lifting mechanism transports the test items in six seconds from the heated to the cold zone – which is equivalent to a temperature change of almost 50 degrees per second. "This rapid temperature change constitutes an extreme stress for the components because different materials expand to different degrees," says Akpebu, explaining the principle. "So this kind of thermal shock test will very quickly pinpoint where a fault could at some stage occur."



Left: The SMA quality commitment. Only those that pass all the endurance tests conducted by Billy Akpebu, head of the SMA test center, can become real SMA inverters.

Top: The latest technologies in the EMC chamber. EMC stands for electromagnetic compatibility testing.

The opposite of mediocrity: maximum stress for optimum quality

And now a change of scene: SMA inverters are being delivered for a PV plant in central China. After making their way more than 20,000 kilometers by sea container, the units complete the final part of the journey by truck along winding roads. It is a veritable walk in the park compared to what the inverters had to endure in the shaker at the test center. The shaker is a gigantic vibrating machine. "Mechanical Stress Test" is what is says on the door. And it is here that the inverters must demonstrate that they are capable of withstanding the stresses and strains of their intended applications across the globe. "They certainly are," asserts Akpebu drily. "By the time we're finished, each new SMA inverter has been subjected to pretty much everything that could happen to a solar inverter."

The SMA formula for reliability? Precision paired with unique technology

Billy Akpebu stands in front of one of the five huge black cabinets that take up virtually all the space in the adjoining laboratory. Here, his colleagues investigate the electrical functions of the SMA inverters – this includes, for example, meeting the requirements of the German medium-voltage directive or precisely determining the European degree of efficiency. The measurements relate to current variations of the order of fractions of a thousandth of a second, i.e. the very highest level of precision. "Two hundred thousand measurements per second," emphasizes a wide-eyed Billy Akpebu. In reality the black cabinets represent the heart of the test center. "The system here is probably unique at the present time. Nobody else has anything like it. Above all, a vast pool of experience has gone into it," he says. His colleague pulls out a keyboard drawer and enters the initial values for the next test sequence. "Now we're testing the emergency cut-out in the event of a power outage," he says and switches the grid simulator to Madagascar. It works on the first try.

And somehow it comes as no surprise that the PV-WR 1500 is still in operation to this day. The predecessor to the current Sunny Boy generation was the first solar inverter to enter series production. And it has been in use for twenty years. ■

LACKING IN SERVICE CULTURE?

We are not everywhere, but we are always where we are needed

The Murcia region in Spain. Vast without end. Clear blue skies. Unbearable heat. No wind. Who is going to find their way here to maintain the PV power station? Rather a dilemma, you might think. Not for SMA. Thanks to a worldwide service network, SMA is always close to the customer – in regions such as Murcia, but also in Australia, India or with its 40 service stations in Germany. And because good service is second nature to us at SMA, we are constructing a new service and repair center on the outskirts of Kassel, Germany, which will bring all our activities together under one roof. This will guarantee quick replacement times and excellent service, even in the face of rising numbers of inverters delivered.

Close to the customer: Thanks to the close-knit international service network, SMA Service technicians are quickly on the ground when the need arises – like here in Murcia, Spain.


SMA

Our Service Center bundles expertise and guarantees short replacement times

SMA inverters are known for their exceptional quality and the global installed basis is growing constantly. Because it is obvious that service, too, is gaining in importance. Pascal Jäger has strengthened the team since 2010 and travels worldwide on behalf of customers. "Anyone going on a service trip needs to be relaxed, flexible, inquisitive and extremely optimistic." We are represented all over the world and strive to provide our customers with a comprehensive service and to rapidly be on-site when needed. In short, we are always where we are needed," says the 23-year-old industrial electrician.

Always on-site with the customer: from Arizona to Lower Bavaria

Global reach and proximity to customers – not just empty promises, but rather the main pillars of SMA Service. With a current total of 85 international support offices in 19 countries, SMA Service is available to its customers worldwide. In countries with foreign companies, local SMA employees operate the services on the ground and respond with customer queries to the respective Service Line. In Germany alone, SMA operates 40 service support offices – from the North Sea to Lower Bavaria. Whenever international colleagues require additional support or in regions where SMA inverters are already operating but no SMA Service company has yet been established, the Global Support Team and colleagues like Pascal Jäger come into play. This results in a close-knit service network that can provide swift and reliable support to customers across the globe. Eight weeks spent commissioning a PV power station in Arizona, U.S., a fortnight's stint in Bulgaria, one week's maintenance in France – Pascal Jäger certainly gets around. "My favorite place is Eastern Europe. Bulgaria, for example, is a great country. The people there are open and down-to-earth; they don't beat around the bush. There's not much discussion over there, people prefer to get stuck in and get the job done. I like that," says Jäger.

The installed base is growing – and the service quality with it

SMA inverters are in demand worldwide – and the number of devices installed in the field is steadily increasing. To ensure that Pascal Jäger and his colleagues at SMA Service can carry out their work quickly, reliably and efficiently all over the world in the future, even in the face of an expanding installed base, SMA has constructed the biggest Service Center so far for solar inverters at its headquarters in Germany.

"Times are changing, and our service department is also evolving. We are now producing the same number of inverters in a week that we used to produce in an entire year," explains SMA Project Manager Konrad Wunderlich.

Efficiency on just under three soccer fields

The infrastructure that guarantees rapid, worldwide service is becoming increasingly important and is therefore being expanded accordingly. The new building covers 24,000 square meters, which makes it almost as big as three soccer fields. In this way, all processes are bundled at a single location because quick service is one of the unique selling poitns of SMA. Inverters are replaced within 24 hours in Germany and no later than 48 hours worldwide. This is critically important to customers – and a challenge to service technicians such as Pascal Jäger, who must plan their work with corresponding efficiency. That is because service work involves overcoming very particular challenges: On the one hand, around 120 device models – in some cases with several variants – must be permanently available for replacement and it must be possible to deliver these without delay. On the other hand, the outgoing devices must be immediately replenished so that the range of replacement devices remains complete. For this purpose, the inverters returned by the customer are tested, cleaned and then either repaired or completely refitted with new components.

1,000 orders per day – with worldwide deliveries

"With the new facility, our colleagues ensure that this service continues to run smoothly and quickly even as the number of inverters delivered worldwide continues to increase," explains Wolfgang Royer, who is responsible for international service at SMA. Accordingly, the facility incorporates a component warehouse, a production line and in-house testing facilities. "In reality, the service facility operates a full-scale inverter production plant for up to 250 units per day. The only difference is that we have a much greater number of variants," adds Royer. The new Service Center is designed with these requirements in mind. This is also reflected by the possible number of units handled. "Our planning objective envisages up to 1,000 orders per day on a two-shift schedule," Royer explains.

The new Service Center will benefit customers all over the world. And, of course, service employees such as Pascal Jäger, who is already looking forward to his next trip. "After Eastern and Southern Europe, my absolute dream service destination would be Africa. A trip to Uganda, for example. Just because Uganda is a country that's totally different to anything I have seen before. A job in Africa would be awesome." ■

Building the largest Service Center for solar inverters: Konrad Wunderlich (left) and his colleagues tour the new halls.

UNINVOLVED?

Whether it is the current market position, strategic decisions or financial success – SMA employees are actively involved

In the atrium in building 61, all the seats are taken. Today, SMA Chief Executive Officer Pierre-Pascal Urbon and Chief Sales Officer Marko Werner are informing staff at Electronics Manufacturing of the latest developments in the international photovoltaic markets and how this impacts on SMA. Afterwards, the two SMA Managing Board members answer numerous questions from their audience. At the same time, their Managing Board colleagues are talking to and answering questions from the service employees a couple of buildings away. At SMA, direct and open communication is an important element of the corporate culture. Bringing all employees on board is every bit as important as ensuring their participation in the Company's success.

"For people to take responsibility for decisions, they must also be permitted to participate and speak out." Pierre-Pascal Urbon, SMA Chief Executive Officer and Chief Financial Officer, favors dialog and transparency.

Regular communication between the Managing Board and employees

Motivated employees are the key to our success

"Employee information: changed conditions for photovoltaics" reads the heading projected onto the screen. A group of 250 SMA employees listen attentively to the presentation by Pierre-Pascal Urbon and Chief Sales Officer Marko Werner. Among them is Hartmut Meyer. He raises his hand. He wants to know whether SMA is planning to enter additional business fields. "Manufacturing power electronics for photovoltaics is what we can do really well. And as part of the energy transition, we'll be working on a whole range of exciting opportunities in this area in particular. So for this reason, we will also be maintaining our focus here going forward," responds Urbon. Meyer, who works in circuit board assembly and has been with SMA for 12 years, regards this regular dialog with the Company management as a positive thing: "SMA is a very cooperative and socially minded company. I think it's great that I can speak openly to the Managing Board. From what I hear, employees in other companies are not as involved as they are here."

Numerous nationalities – one corporate culture

Openness, tolerance and transparency at all levels have not only been important pillars of the corporate culture since the foundation of SMA, but are also decisive factors behind the Company's success. And they have been since become an export commodity. That is because the principles practiced at the headquarters in Niestetal are being applied in the 20 foreign companies spread across the globe. Despite cultural differences. "Working in my office, I feel as if I am sitting just next door to my colleagues in Germany. Naturally, we don't always agree on everything. But somehow, all our colleagues seem to deal very fairly with one another. It's important that we cooperate to find the best solution," says David Lawson, Marketing director at SMA France, about the working atmosphere at SMA.

Management has a key role to play: Manager Muhamed Karalic and director Bernd Gäbler regularly exchange views on assembly processes.

Seeing where we have to work harder: management has a key role to play

A successful strategy that is reflected in exceptionally high staff motivation and high rankings achieved for many years in the Great Place to Work® competition. In 2011 and 2012, SMA even came first in the large companies' category. "Two-thirds of our success in Great Place to Work® is based on an anonymous survey of our employees," stresses Chief Human Resources Officer Jürgen Dolle. "That makes the competition particularly valuable to us. That's because we don't just see where we're performing well, we also see the things we have to work on a little harder." In this regard, management has a key role to play: "Managers who assume they know best have got it all wrong, and are missing the opportunity to be successful by involving proactive employees. The precondition for this is that everyone is kept fully informed. We are constantly reminding our managerial staff of this," explains Stefan Brinck, vice president of Human Resources for Germany.

Dialog with all interest groups – swift and direct communications at all levels

Information is an important factor influencing decisions even at the job-hunting stage – potential applicants are already taking a close look at their potential new employers during the application process. Anyone interested in gaining an insight into the SMA mindset will find all the information they need on the employee blog "Sonnenallee." At www.SMA-Jobblog.com, SMA colleagues report on everyday events at the Company and give potential applicants tips about the application process or about life in North Hesse. Other exciting insights can be found in the Company blog, www.SMA-Sunny.com, which is coordinated by Social Media Manager Leonie Blume. How does she view the culture at SMA? "At this Company, we're working together to bring about the energy transition, and that alone is a great thing. And by using social media, we are able to communicate directly, quickly and transparently with all interest groups, be they internal or external. The dialog created in this way is in tune with the new communication requirement – and in tune with us." ■

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CONSOLIDATED FINANCIAL STATEMENTS

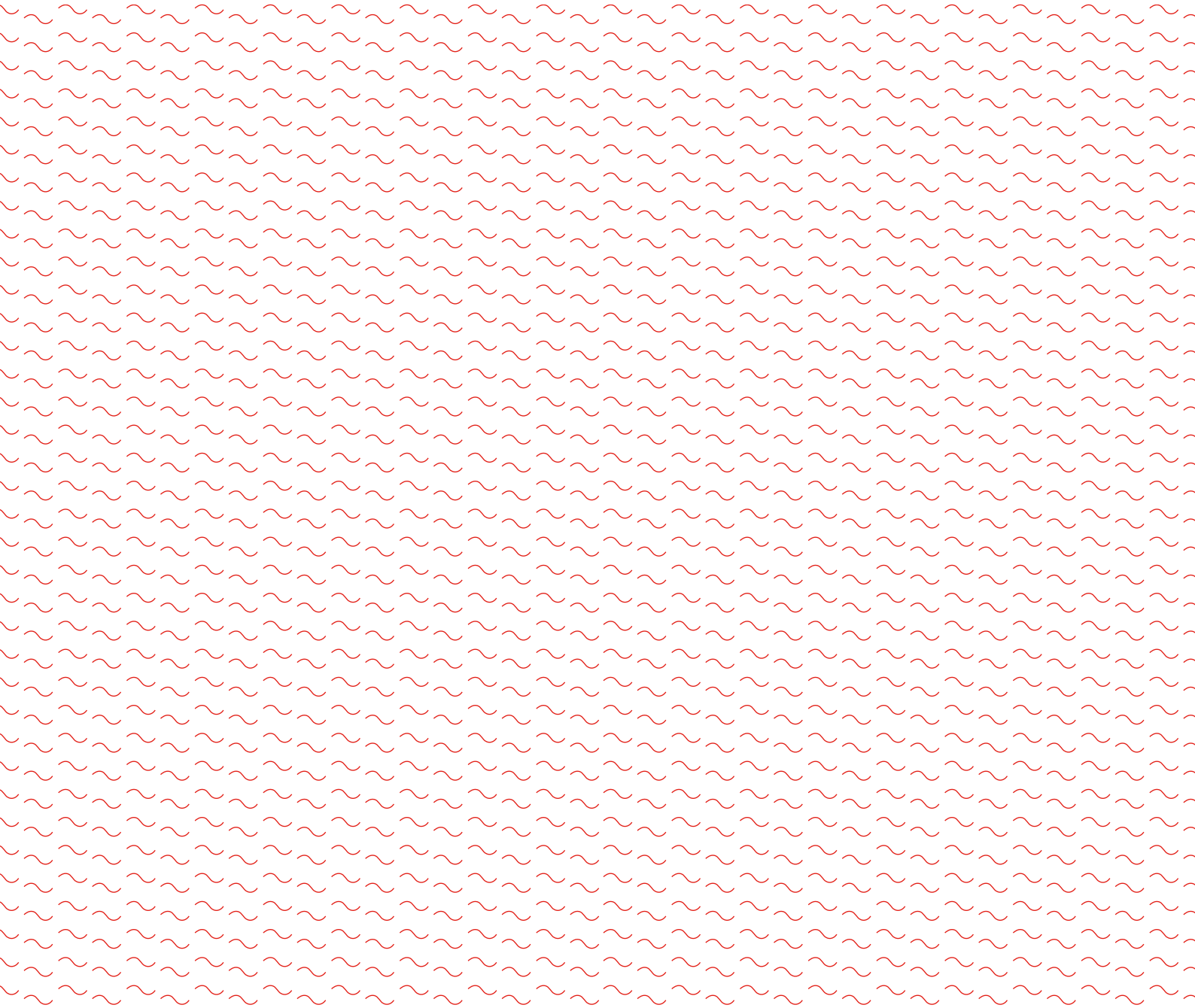
Fiscal Year 2011 – Successful Internationalization

20 Foreign Companies

35 Percent Market Share

54 Export Ratio

1,000 New Employees Worldwide



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INCOME STATEMENT SMA GROUP

€ '000	Note	2011	2010
Sales	**5**	**1,676,342**	**1,920,117**
Cost of sales	6	1,208,205	1,226,914
Gross profit		**468,137**	**693,203**
Selling expenses	7	65,779	57,118
Research and development expenses	8	83,758	71,953
General administrative expenses	9	68,765	49,067
Other operating income	10	23,307	16,445
Other operating expenses	11	32,860	14,704
Operating profit (EBIT)		**240,282**	**516,806**
Financial income		6,635	3,151
Financial expenses		3,368	1,850
Financial result	**13**	**3,267**	**1,301**
Profit before income taxes		**243,549**	**518,107**
Income tax expense	14	77,495	153,066
Consolidated net profit		**166,054**	**365,041**
of which attributable to non-controlling interest		0	0
of which attributable to shareholders of SMA AG		166,054	365,041
Earnings per share, basic (in €)	15	4.79	10.52
Earnings per share, diluted (in €)	15	4.79	10.52
Number of ordinary shares (in thousands)		34,700	34,700

STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

€ '000	2011	2010
Consolidated net profit	**166,054**	**365,041**
Changes in fair values of available-for-sale assets	–67	0
Income taxes	20	0
Changes recognized outside profit or loss (available-for-sale financial assets)	**–47**	**0**
Unrealized gains (losses) from currency translation of foreign subsidiaries	–1,011	890
Changes recognized outside profit or loss (currency translation differences)	**–1,011**	**890**
Total comprehensive income	**164,996**	**365,931**
of which attributable to non-controlling interest	0	0
of which attributable to shareholders of SMA AG	164,996	365,931

CONSOLIDATED BALANCE SHEET SMA GROUP

€ '000	Note	12/31/2011	12/31/2010
Non-current assets			
Goodwill	16	311	0
Other intangible assets	16	56,489	29,242
Fixed assets	17	360,932	268,507
Other financial investments		75	73
Other financial assets	20	57,864	3,890
Deferred taxes	14	26,309	23,687
		501,980	**325,399**
Current assets			
Inventories	18	256,402	237,838
Trade receivables	19	141,101	117,268
Other financial assets	20	86,149	196,798
Claims for income tax refunds	14	6,832	4,161
Other receivables		10,697	15,901
Cash and cash equivalents	21	371,101	354,083
		872,282	**926,049**
Total assets		**1,374,262**	**1,251,448**
Shareholders' equity			
Subscribed capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		635,404	574,508
Equity attributable to non-controlling interest		2	2
	22	**789,306**	**728,410**
Non-current liabilities			
Provisions	23	108,502	80,651
Financial liabilities	24	31,475	19,452
Other financial liabilities	26	2,078	0
Other liabilities	27	80,693	53,840
Deferred taxes	14	18,369	13,292
		241,117	**167,235**
Current liabilities			
Provisions	23	68,260	86,686
Financial liabilities	24	2,420	1,748
Trade payables	25	115,760	70,554
Other financial liabilities	26	75,030	133,279
Income tax liabilities	14	36,970	39,468
Other liabilities	27	45,399	24,068
		343,839	**355,803**
Total equity and liabilities		**1,374,262**	**1,251,448**

CONSOLIDATED STATEMENT OF CASH FLOWS SMA GROUP

€ '000	Note	2011	2010
Consolidated net profit		166,054	365,041
Income tax expenses		77,495	153,066
Financial result		-3,267	-1,301
Depreciation and amortization		50,381	31,318
Change in other provisions		9,424	95,641
Losses from the disposal of assets		1,441	1,158
Other non-cash expenses/revenue		13,694	344
Interest received		5,771	2,682
Interest paid		-87	-33
Income tax paid		-80,209	-150,827
Gross cash flow		**240,697**	**497,089**
Increase of inventories		-14,801	-126,455
Increase in trade receivables		-27,341	-59,680
Increase/decrease in trade payables		40,412	-2,200
Change in other net assets/other non-cash transactions		-93	77,559
Net cash flow from operating activities	**31**	**238,874**	**386,313**
Payments for investments in fixed assets		-134,213	-139,725
Proceeds from the disposal of fixed assets		470	135
Payments for investments in intangible assets		-27,128	-18,615
Payments for investments in financial assets		-2	0
Payments for the acquisition of companies net of cash/ Payments for the acquisition of business units	4	-23,020	-2,500
Proceeds from the disposal of securities and other financial assets		190,000	0
Payments for the acquisition of securities and other financial assets		-135,152	-50,000
Net cash flow from investing activities	**32**	**-129,045**	**-210,705**
Changes in minority interests		0	2
Proceeds from increase of financial liabilities		16,502	0
Redemption of financial liabilities		-3,807	-1,649
Dividend payments of SMA Solar Technology AG		-104,100	-45,110
Net cash flow from financing activities	**33**	**-91,405**	**-46,757**
Net increase/decrease in cash and cash equivalents		18,424	128,851
Change in cash and cash equivalents due to exchange rate effects		-1,406	222
Cash and cash equivalents as of 01/01		354,083	225,010
Cash and cash equivalents as of 12/31	**34**	**371,101**	**354,083**

STATEMENT OF CHANGES IN EQUITY SMA GROUP

		Equity attributable to the shareholders of the parent company						
€ '000	Note	Share capital	Capital reserves	Market valuation of securities	Other retained earnings	Total	Equity attributable to non-controlling interest	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2010		34,700	119,200	0	253,687	407,587	0	407,587
Dividend payments of SMA Solar Technology AG		0	0	0	-45,110	-45,110	0	-45,110
Consolidated net profit		0	0	0	365,041	365,041	0	365,041
Differences from currency translation	22	0	0	0	890	890	0	890
Overall result								365,931
Changes in minority interests	22	0	0	0	0	0	2	2
Shareholders' equity as of December 31, 2010		**34,700**	**119,200**	**0**	**574,508**	**728,408**	**2**	**728,410**
Dividend payments of SMA Solar Technology AG		0	0	0	-104,100	-104,100	0	-104,100
Consolidated net profit		0	0	0	166,054	166,054	0	166,054
Changes not shown in the income statement	22	0	0	0	-1,011	-1,011	0	-1,011
Differences from currency translation	22	0	0	-47	0	-47	0	-47
Overall result								164,996
Changes in minority interests		0	0	0	0	0	0	0
Shareholders' equity as of December 31, 2011	**22**	**34,700**	**119,200**	**-47**	**635,451**	**789,304**	**2**	**789,306**

NOTES SMA GROUP

1. BASIC INFORMATION

The Consolidated Financial Statements of SMA Solar Technology AG for the year ended December 31, 2011 were prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as in compliance with the regulations of Section 315a of the German Commercial Code (HGB). The requirements of the standards applied were fulfilled completely and provide a fair view of the net assets, financial position and results of operations of SMA Solar Technology AG and the subsidiary companies included in the scope of consolidation (hereinafter: the SMA Group or the Group).

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, they have been listed in the technology index TecDAX.

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

The income statement is classified according to the cost of sales method. The Consolidated Financial Statements were prepared in euros. Unless indicated otherwise, all amounts stated are rounded to full thousands of euros (€ '000) or millions of euros (€ million).

The Managing Board of SMA Solar Technology AG authorized the Consolidated Financial Statements on March 2, 2012 for submission to the Supervisory Board. The Supervisory Board has the duty of reviewing the Consolidated Financial Statements and declaring whether it approves the Consolidated Financial Statements.

The SMA Group develops, produces and distributes PV inverters, transformers, choke coils, and monitoring and energy management systems for PV plants and power-electronic components for railway technology.

More detailed information on segments is provided in section 5.

See also section 5 page 99 et seqq.

2. CONSOLIDATION

2.1. Principles of Consolidation

All domestic and foreign subsidiaries in which SMA Solar Technology AG, directly or indirectly, has the option of controlling the financial and operating policies of these subsidiaries are included in the Consolidated Financial Statements of the SMA Group.

Subsidiaries are fully consolidated from the date of acquisition, i. e. from the date on which the Group obtains control. Consolidation takes place according to the purchase method of accounting. In line with the purchase method of accounting, the cost of acquisition of the business combination is offset against the fair value of the assets acquired and liabilities assumed from the subsidiary at the date of acquisition. The cost of acquisition of the business combination consists of the fair value of the purchase price paid and the carrying amount of any non-controlling interests. The non-controlling interests may either be recognized at the proportionate value of the assets acquired and liabilities assumed (applied at SMA) or at their fair value. Transaction costs that are directly attributable to the acquisition are recognized in the consolidated profit provided they do not refer to the issue of shares in the SMA Group.

In case of a business combination as a result of the successive acquisition of shares, the existing shares are revalued at their fair value and any effects are recognized in the consolidated profit.

Conditional components of the acquisition price are valued at their fair value at the date of acquisition.

A positive difference resulting from the offsetting is capitalized as goodwill. It may, if applicable, also include the goodwill corresponding to non-controlling interests. Negative differences resulting from the consolidation at the date of acquisition are recognized directly in the income statement.

Intercompany transactions, balances, sales, expenses and income, profits and losses as well as receivables and payables amongst the consolidated companies are eliminated. In the event of consolidation measures affecting income, the income-tax-related effects are measured and deferred taxes are recorded.

The included Financial Statements of SMA Solar Technology AG and of the subsidiaries are prepared as at identical reporting dates using uniform accounting and valuation methods.

2.2. Scope of Consolidation

The scope of consolidation as at December 31, 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). More information is provided in chapter 4. See also section 4 page 98 et seq. All companies were fully consolidated. The existing investments are not consolidated due to their subordinate importance. The company so far operating under the name of SMA Czech Republic s.r.o. was renamed SMA Central and Eastern Europe s.r.o (Prague). Non-controlling interest's share in equity of the consolidated companies is shown separately within equity.

The scope of consolidation of the SMA Group may be seen in the complete list of shareholdings shown below pursuant to Section 313 of the German Commercial Code:

Name	Registered office	Holding	Consolidation
Parent company			
SMA Solar Technology AG	Niestetal, Germany		F
Shares in affiliated companies			
dtw Sp. z o.o.	Zabierzów, Poland	100%	F
SMA America Holdings LLC	Denver, USA	100%	F
SMA America Production LLC	Denver, USA	100%	F
SMA Beijing Commercial Co. Ltd.	Beijing, China	100%	F
SMA Benelux BVBA	Brussels, Belgium	100%	F
SMA Central and Eastern Europe s.r.o.	Prague, Czech Republic	100%	F
SMA France S.A.S.	Lyon, France	100%	F
SMA Ibérica Technología Solar, S.L.	Barcelona, Spain	100%	F
SMA Immo Beteiligungs GmbH	Niestetal, Germany	94%*	F
SMA Immo GmbH & Co. KG (formerly SMA Immo GmbH)	Niestetal, Germany	100%	F
SMA Italia S.r.l.	Milan, Italy	100%	F
SMA Japan Kabushiki Kaisha	Tokyo, Japan	100%	F
SMA Middle East Limited	Abu Dhabi, United Arab Emirates	100%	F
SMA Railway Technology GmbH	Kassel, Germany	100%	F
SMA Solar India Private Limited	Mumbai, India	100%	F
SMA Solar UK Ltd.	Milton Keynes, Great Britain	100%	F
SMA Solar Technology America LLC	Rocklin, USA	100%	F
SMA Australia Pty. Ltd.	Sydney, Australia	100%	F
SMA Solar Thailand Co. Ltd.	Bangkok, Thailand	100%	F
SMA Solar Technology Beteiligungs GmbH	Niestetal, Germany	100%	F
SMA Solar Technology Canada Inc.	Vancouver, Canada	100%	F
SMA Technology Hellas AE	Athens, Greece	100%	F
SMA Technology Korea Co., Ltd.	Seoul, South Korea	100%	F
Niestetal Services, Unipessoal LDA	Lisbon, Portugal	100%	F
Investments			
Changzhou SMA Electronics Co., Ltd.	Changzhou, China	10%	N
IdE Institut dezentrale Energietechnologien gemeinnützige GmbH	Kassel, Germany	10%	N
Uni Kassel International Management School KIMS GmbH; Kassel	Kassel, Germany	10%	N

F= fully consilidated; N= not consilidated
* The remaining shares are held by SMA Technologie-Holding GmbH

All companies of the SMA Group prepare their local Annual Financial Statements as at December 31 with the exception of our Indian subsidiary SMA Solar India Private Limited, which prepares its Financial Statements as at March 31.

SMA Immo GmbH & Co. KG has made use of the exemption clause pursuant to Section 264b of the German Commercial Code.

2.3. Translation of Financial Statements in Foreign Currencies

The Consolidated Financial Statements are prepared in euros, which is the reporting currency of the Group. Each company within the Group defines its own functional currency, which is normally the local currency. The items contained in the Financial Statements of the relevant company are valued using this functional currency.

Transactions denominated in foreign currencies are translated initially to the functional currency by applying the spot rate valid at the time of the transaction. On each subsequent due date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency by applying the spot rate valid on that day. All translation differences are recognized through profit or loss.

Assets and liabilities of subsidiaries preparing their balance sheets in a currency other than the euro are translated using the current exchange rate at the balance sheet date. Items of the income statement are translated periodically using the average rate of the relevant month. The equity components of subsidiaries are translated at the corresponding historical exchange rate applicable upon accrual. Any resulting translation differences are recorded under other income within equity as adjustment items for foreign currency translation or in shares of other shareholders. The accumulated amount recorded in equity is recognized through profit or loss upon the disposal of the relevant foreign subsidiary.

The relevant exchange rates for translating the Financial Statements prepared in foreign currencies have evolved as follows in relation to the euro:

in €	Average rate		Closing rate	
	2011	2010	12/31/2011	12/31/2010
1 U.S. dollar (USD)	0.71890	0.75470	0.77567	0.74968

3. ACCOUNTING METHODS AND AMENDMENTS TO ACCOUNTING STANDARDS

3.1. New IASB Accounting Standards

Standards and interpretations to be applied for the first time in the fiscal year

Standard/Interpretation			Date of compulsory application[1]	Endorsement (until 12/31/2011)[2]
Amendment	IAS 1	Amendments to IAS 1 First-time adoption	01/01/2011	yes
Amendment	IAS 24	Related Party Disclosures	01/01/2011	yes
Amendment	IAS 27	Amendments to IAS 27 (2008)	07/01/2010	yes
Amendment	IAS 32	Classification of Rights Issues	02/01/2010	yes
Amendment	IAS 34	Amendments to IAS 34	01/01/2011	yes
Amendment	IFRS 1	First-Time Adoption of IFRS: – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters – Amendments resulting from annual improvements to IFRS of May 2010	07/01/2010 01/01/2011	yes yes
Amendment	IFRS 3	Amendments to IFRS 3 (2010)	07/01/2010	yes
Amendment	IFRS 7	Amendments to IFRS 7	01/01/2011	yes
Amendment	IFRIC 13	Amendments to IFRIC 13	01/01/2011	yes
Amendment	IFRIC 14	Voluntary Prepaid Contributions under Minimum Funding Requirements	01/01/2011	yes
New	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	07/01/2010	yes

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

IAS 1 Presentation of Financial Statements

Reconciliation of other income per item can occur in the Statement of Changes in Equity or in the notes. SMA has decided to show this in the Statement of Changes in Equity.

IAS 24 Related Party Disclosures

IAS 24 has seen the clarification of the definition of a related party. In addition, the disclosure requirements for government-related entities were simplified. The amendments had no effect on the Group's disclosure requirements.

IAS 27 Consolidated and Separate Financial Statements Pursuant to IFRS

The IASB issued the revised IAS 27 in January 2008. This standard deals with consolidated and separate Financial Statements. The new IAS 27 stipulates that a change in interests that does not involve a loss of control must be recorded as an equity transaction. Therefore, such a transaction has no impact on goodwill or profit or loss. In addition, the regulations governing the distribution of losses to the owners of the parent company and to non-controlling interest and the accounting policies for transactions involving a loss of control have been amended. The SMA Group has applied IAS 27 (revised) to non-controlling interest transactions from January 1, 2010. Depending on the type and scope of future transactions, the amendments will have effects on the net assets, financial position and results of operations of the SMA Group which cannot be estimated at present.

IAS 32 Classification of Rights Issues

If certain requirements specified by IAS 32 are met, rights, options and rights issues can be treated as equity instruments if they enable exchange for the issuer's own non-derivative equity instruments. This had no significance for SMA in the period under review.

IFRS 3 Business Combinations

This standard introduces amendments in the measurement of non-controlling interests. It clarifies that the choice between fair value and proportionate share only exists when the non-controlling interests currently exist. Furthermore, it regulated the measurement of share-based payments and the treatment of contingent considerations. The new regulations had no effect on the application of IFRS 3 on the business combination with dtw Sp. z o.o.

IFRS 7 Financial Instruments: Disclosures

New disclosure requirements are put in place for transfers of financial instruments, with particular regard to risks remaining at the transferring company, as well as disproportionate transfers at the end of the reporting period.

IFRIC 13 Customer Loyalty Programs

The amendments as part of the annual improvements related to the determination of fair value, in which special considerations received by customers that are not participating in the customer loyalty program are to be taken into account. In 2011, SMA applies IFRIC 13 in this form to the SMA bonus program for the first time. Significant influences on the Consolidated Financial Statements did not occur.

The other new accounting standards and interpretations have no effect on the Consolidated Financial Statements 2011 prepared by the SMA Group.

Standards and interpretations that have been published but are not yet mandatory

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

Standard/Interpretation			Date of compulsory application[1]	Endorsement (until 12/31/2011)[2]
Amendment	IAS 1	Amendments to IAS 1 (2011)	07/01/2012	no
Amendment	IAS 12	Recovery of Underlying Assets	01/01/2012	no
Amendment	IAS 19	Amendments to IAS 19	01/01/2013	no
Amendment	IAS 27	Separate Financial Statements (2011)	01/01/2013	no
Amendment	IAS 28	Investments in Associates and Joint Ventures	01/01/2013	no
Amendment	IAS 32	Offsetting Financial Assets and Financial Liabilities	01/01/2014	no
Amendment	IFRS 1	Date of Transition for First-Time Adoption of IFRS	07/01/2011	no
Amendment	IFRS 1	Severe Hyperinflation	07/01/2011	no
Amendment	IFRS 7	Offsetting Financial Assets and Financial Liabilities	01/01/2013	no
Amendment	IFRS 7	Disclosures – Transfers of Financial Assets	07/01/2011	yes
New	IFRS 9	Financial Instruments – Classification and Measurement	01/01/2015	no
New	IFRS 10	Consolidated Financial Statements	01/01/2013	no
New	IFRS 11	Joint Arrangements	01/01/2013	no
New	IFRS 12	Disclosure of Interests in Other Entities	01/01/2013	no
New	IFRS 13	Fair Value Measurement	01/01/2013	no
New	IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	no

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

Of the applicable standards and interpretations that have been published but are not yet mandatory, only the following are expected to have an impact on the Financial Statements of the SMA Group. They will be implemented at the very latest in the year of compulsory first-time application.

IFRS 9 Financial Instruments – Classification and Measurement

In November 2009, the IASB adopted the Standard for the Classification and Measurement of Financial Assets and added a corresponding regulation for financial liabilities in November 2010. The standard is part of the comprehensive IASB project to replace IAS 39 Financial Instruments – Recognition and Measurement. The adopted version stipulates that in the future, financial assets should in principle be

recorded at amortized cost or at fair value through profit or loss. In addition, it provides for a non-reversible choice on a case-by-case basis for the measurement of equity instruments at fair value. The category of financial instruments is determined upon acquisition and may not be changed subsequently. In addition, the standard contains related regulations concerning for instance embedded derivatives, the fair value option and impairment losses/reversal of impairment losses. It is envisaged that the standard will apply mandatorily from 2015 onwards following its endorsement by the EU. SMA Solar Technology AG will observe the further development of the entire project to revise IAS 29 Financial Instruments – Recognition and Measurement.

IFRS 10 Consolidated Financial Statements

Expected to be applicable from 2013, IFRS 10 supersedes the SIC 12 assessment of opportunities and risks. The sole decisive factor for consolidation is control over the investee. IFRS 10 is to be applied retrospectively. From the current standpoint, this will not lead to any changes in the presentation of the SMA Group.

IFRS 11 Joint Arrangements

IFRS 11 deals with joint ventures and joint operations and the different ways they are recognized. It eliminates the possibility of proportionate consolidation. It is expected to be applicable from 2013. Whether joint arrangements will be relevant for SMA in the future cannot presently be foreseen.

IFRS 12 Disclosure of Interests in Other Entities

The new IFRS 12 summarizes the disclosure requirements from IAS 27, 28 and 31 and adds additional ones. SMA will apply IFRS 12 when it is adopted by the EU.

IFRS 13 Fair Value Measurement

IFRS 13 defines the approach to measuring fair value as a kind of basic standard. Whether fair value measurement is required will continue to be regulated in the individual standards. The measurement is primarily to be based on an active market and thus on sale price. If there is no active market, three other lower-priority measurement methods can be used.

3.2. Disclosures to the Accounting Policies

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

Intangible assets acquired with a finite useful life are valued at cost. They decline via straight-line amortization over their useful lives and accumulated impairments.

The costs for internally generated intangible assets are recognized in the period in which they accrue, with the exception of development costs that can be capitalized.

Research and development expenses include all expenses that can be attributed directly to research or development activities. Expenditure on research is recognized as expenditure in the period in which it is incurred. The development costs of a project are capitalized as an intangible asset only after the SMA Group can demonstrate both the technical feasibility of completing the intangible asset so that it will be available for internal use or sale and the intention to complete the intangible asset and either use or sell it. In addition, the SMA Group must demonstrate how the intangible asset will generate future economic benefits, the

availability of resources to complete the intangible asset and the ability to reliably measure the expenditure attributable to the intangible asset during its development. Development costs are recognized at cost pursuant to IAS 38.66, less accumulated amortization and accumulated impairment losses. Amortization commences at the end of the development phase and from the moment the asset can be used. Amortization is effected over the period during which future benefit is to be expected. Incomplete development projects are tested annually for impairment. When the reasons that have resulted in impairment cease to exist, a corresponding addition is made.

With the purchase of dtw Sp. z o.o., the Group formed **goodwill**. More information is provided in section 4. There were no other intangible assets with an indefinite useful life in the periods under review.

Intangible assets with a finite useful life are written down over three to five years using straight-line amortization. In the case of intangible assets with a finite useful life, the period of amortization and the amortization method are reviewed at least at the end of each fiscal year. Any changes in the amortization period that become necessary because of changes in the expected useful life are accounted for as changes to estimates. Amortization is recorded under the expense category that corresponds to the function of the intangible asset in the enterprise.

Any gains or losses from derecognition of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset. They are recognized in profit or loss in the period in which the asset is derecognized.

Fixed assets are valued at cost less straight-line depreciation and accumulated impairment losses. Borrowing costs are added to cost in the event of qualifying assets. The cost of replacement of a part of a fixed asset is included in the carrying amount of this asset when incurred if the criteria for recognition are fulfilled. When major inspections are carried out, the costs are capitalized according to the carrying amount of the relevant assets if the criteria for recognition are fulfilled. All other maintenance and repair costs are expensed immediately.

The depreciation period is based on the expected useful life. Depreciation is recognized under the expense category that corresponds to the function of assets in the enterprise. Scheduled straight-line depreciation is based on the following useful life of assets:

	Useful life
Leasehold improvements	10 years
Buildings	25 to 33 years
Finance lease for buildings	up to 15 years
Technical equipment and machinery	6 to 8 years
Business and office equipment	5 to 10 years

A fixed asset is derecognized either upon its disposal or when no further economic benefit is expected from the further use or sale of the asset. Gains or losses from derecognition of the asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized through profit or loss in the income statement as other operating income or other operating expenses in the period in which the asset is derecognized.

See also section 4 page 98 et seq.

The residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

Impairment of intangible assets and fixed assets: On each balance sheet date, the Group reviews whether there are any indicators that the value of an asset might be impaired. If such indicators exist or if an annual impairment test of an asset is required, the Group makes an estimate of the recoverable amount of the relevant asset. The recoverable amount of an asset is its fair value less costs to sell or its value in use, whichever is higher. As a rule, the recoverable amount is to be determined for each individual asset. If it proves impossible to determine the recoverable amount for individual assets because the cash flows depend upon those of other assets, the cash flows are determined for the next higher group of assets (cash-generating unit) for which such a cash flow can be determined. If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, the asset or the cash-generating unit is impaired and written down to the recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments regarding the interest effect and the risks specific to the asset. In order to determine the fair value less costs to sell, an adequate valuation model is used. This is based on valuation multipliers, stock prices of quoted shares of entities or other available indicators for the fair value. Impairment costs are recognized under the expense category that corresponds to the function of the impaired asset in the enterprise. There were no indicators for a possible impairment in the fiscal years of 2011 and 2010.

In the case of assets, a test is carried out on each balance sheet date to determine whether there are any indicators that a previously recognized impairment loss has ceased to exist or has diminished. Additions are made if the recoverable amount has increased in subsequent periods. An impairment loss recognized in prior periods is only reversed if there is a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An addition is limited to the amount that would have resulted based on scheduled depreciation without recognizing an impairment. The addition is immediately recognized in the income statement. This was not the case in the year under review and in the previous year.

Inventories are stated at the lower of cost of acquisition or production and net realizable value. The costs of acquisition or production include all costs incurred during acquisition and production as well as other costs incurred in bringing the inventories to their present location and condition. Borrowing costs are not taken into account here. In general, when determining the acquisition costs of raw materials, consumables and supplies, moving average prices are used. The cost of production of work in progress and finished goods is determined using detailed cost accounting. The net realizable value consists of the estimated sales proceeds that can be achieved in the ordinary course of business, less the estimated costs incurred up to completion and the estimated necessary selling expenses. If the reasons that have resulted in an impairment of inventories no longer exist, a corresponding addition is made.

A **financial instrument** is a contract that gives rise to both a financial asset held by one entity and a financial liability or equity instrument held by another entity. If the trading date and the settlement date of financial assets are different, then the settlement date is decisive for initial recognition. The date of contract conclusion is only decisive in the case of financial derivatives.

As a rule, financial instruments are reported as soon as an entity of the SMA Group becomes a contracting party to the provisions of the financial instrument. In the event of purchases or sales usual in the market (purchases or sales in the context of a contract, the conditions of which provide for the delivery of the asset within a certain period which is usually defined by the regulations or conventions of the relevant market), the settlement date, i.e. the date on which the asset is delivered to or by a company of the SMA Group, is decisive for its initial recognition in the balance sheet and for its removal from the balance sheet. Financial assets and financial liabilities are measured at fair value upon their initial recognition. In respect of financial assets and financial liabilities for which there is no measurement at fair value through profit or loss, the transaction costs that are directly attributable to the purchase of the financial asset or the issue of the financial liability are also included. Financial assets and financial liabilities are generally stated separately and only netted if there is a right of offsetting these amounts at the relevant date and if there is an intention to perform the settlement on a net basis.

For subsequent measurements, financial assets as defined in IAS 39 are classified as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments or as available-for-sale financial assets. Financial liabilities as defined in IAS 39 are classified as financial liabilities at fair value through profit or loss or as other financial liabilities. Financial assets are designated to measurement categories upon their initial recognition. If permitted and necessary, re-designations are made at the end of the fiscal year.

For the SMA Group, the measurement categories loans and receivables, financial assets and liabilities measured at fair value and other financial liabilities are especially relevant. Any loans and receivables granted by the enterprise and other financial liabilities are measured at amortized cost using the effective interest method. These are primarily trade receivables and payables, other financial receivables and assets, long-term loans, and other financial liabilities.

Held-for-trading assets are measured at their fair value. These include primarily derivative financial instruments that are not part of an effective hedging relationship as defined in IAS 39 and which must therefore be designated mandatorily as held for trading . Derivative financial instruments are reported as assets if their fair value is positive and as liabilities if their fair value is negative. Gains and losses resulting from changes in the fair value of derivative financial instruments are recognized directly through profit or loss, since no hedging relationship was created for them. Gains or losses resulting from subsequent measurement are recognized through profit or loss in the income statement. The derivative financial instruments held by the SMA Group are not part of effective hedging relationships in accordance with IAS 39.

On each balance sheet date, the carrying amounts of financial assets which are not measured at fair value through profit and loss are tested to determine whether objective substantial indicators for an impairment exist (such as considerable financial difficulties of the debtor, high probability of bankruptcy proceedings being initiated against the debtor, elimination of an active market for the financial asset, significant changes in the technological, economic, legal or market environment of the issuer or a permanent fall in the fair value of the financial assets below the amortized cost of acquisition). A possible impairment loss which is due to the fair value being lower than the carrying amount is recognized through profit and loss. If impairments of the fair values of financial assets available for sale have been recognized previously directly in equity, these are eliminated from equity up to the amount of the identified impairment and transferred to the income statement. If subsequent measurements show that the fair value

has increased objectively due to events occurring after the impairment loss was originally recognized, the impairment loss is reversed by applying the relevant amount through profit and loss. Impairments relating to unquoted available-for-sale equity instruments that are reported at cost may not be reversed.

A financial asset is removed from the books if the enterprise has relinquished control of the contractual rights that are related to the financial asset. A financial liability is removed from the books if the obligation underlying the liability is discharged, cancelled, or has expired.

Cash and cash equivalents reported in the balance sheet include cash in hand as well as bank balances, checks, payment instruments in transit and short-term deposits with a total term to maturity of less than three months. The cash and cash equivalents in the Consolidated Statements of Cash Flows are accrued in line with the aforementioned definition and include any bank overdrafts that have been granted.

Government grants for assets are accrued under other liabilities and written back at identical annual installments through other operating income over the estimated useful life of the related asset. Government grants are only recorded if there is reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received.

Provisions account for all recognizable present (legal and constructive) obligations of the Group to third parties as a result of past events which are expected to lead to an outflow of resources with an economic benefit to settle the obligation, and the amount of which can be determined reliably. The provisions are recognized in line with IAS 37 at the estimated amount required to settle them. Insofar as the Group expects to receive a repayment, at least in part, for a reported provision (such as for an insurance contract), the repayment is recorded as a separate asset if the inflow of the payment is highly probable. The expense for the formation of the provision is recognized in the income statement. Non-current provisions are carried in the balance sheet at their settlement amount discounted to the balance sheet date using corresponding term-dependent market interest rates. If the amount is discounted, the increase of provisions caused by expiration is recorded under finance costs.

The determination as to whether an agreement contains a lease is made based on the economic content of the agreement on the date of its conclusion and requires an assessment of whether fulfillment of the agreement depends upon the use of a specific asset or specific assets and whether the agreement grants a right to use the asset:

Assets leased under **finance leases,** which transfer to the Group substantially all the rewards and risks incidental to ownership of the leased asset, are capitalized at the inception of the lease. The leased asset is stated at its fair value or at the present value of the minimum lease payments, whichever is lower. Lease payments are apportioned between the finance costs and the redemption portion of the lease liability so as to achieve a constant rate of interest over the lease period on the remaining balance of the lease liability. Finance costs are taken to profit or loss immediately.

If the transfer of ownership to the Group at the end of the lease period is not reasonably certain, then the capitalized leased assets are written down fully over the estimated useful life or the lease term, whichever is shorter.

An **operating lease** exists if the substantial rewards and risks regarding the leased object are retained by the lessor. Lease payments on operating leases are recorded over the term of the lease as an expense in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets refer to those assets that necessarily require a longer period of time before they are available for their intended use or sale. All other borrowing costs are recognized as profit or loss in the period in which they are incurred. No borrowing costs were capitalized in the current period under review.

Employee benefits are, as a rule, reported as a liability if an employee has provided work in exchange for benefits payable in the future and are recognized as an expense if the entity has received the economic benefit resulting from the work provided by an employee in exchange for future benefits.

Long-service and death benefits are granted on the basis of a company agreement. Measurement of obligations to pay benefits is carried out by applying the projected unit credit method. This method takes into account both the claims for payment of long-service rewards and death benefits and the acquired pension rights known as of the balance sheet date and payments of long-service rewards and death benefits expected in the future.

In 2009, SMA Solar Technology AG introduced value-based lifelong working-time accounts. Under certain conditions, employees may have time credits or special benefits reposted to these value accounts and may later take paid leave of absence using the credit balances extrapolated based on income. The employees' value claims are protected against insolvency and reinsured.

Revenue is recognized if it is probable that the economic benefit will flow to the Group and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received. Discounts, rebates and other deductions are not taken into account. Revenue from the sale of goods and products is recognized if the material rewards and risks associated with the ownership of the goods and products sold have passed to the buyer. This is normally the case upon delivery of the goods and products. Revenue from services is recognized as soon as the services are rendered. Interest income is recognized when interest has accrued (using the effective interest rate, i. e. the internal rate used to discount estimated future cash inflows over the expected term of the financial instrument to the net carrying amount of the financial asset). Dividends are recognized when the right to receive payment is established.

Current tax receivables and tax liabilities for the ongoing and for previous periods are measured at the amount which is expected to be reimbursed from the tax authority or to be paid to the tax authority. In order to calculate this amount, the tax rates and tax laws applicable at the balance sheet date are used. Current taxes that relate to items stated directly in equity are not recognized in the income statement but rather, they are recognized in equity.

Deferred taxes are formed using the balance sheet oriented liability method for temporary differences existing at the balance sheet date between the carrying amount of an asset or a liability in the balance sheet and the tax-carrying amount. The following temporary differences are not taken into account here: goodwill non-deductable in the tax balance sheet, differences from the initial recognition of assets or liabilities in a transaction which impacts neither the taxable nor the accounting profit as well as posting differences due to investments in subsidiaries, interests in joint ventures and associates insofar as a reversal of these differences is not envisaged in the foreseeable future.

Deferred tax assets are formed for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is probable that there will be sufficient taxable profit in the future against which the deductible temporary differences, unused tax loss carryforwards and tax credits can be offset. The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is improbable that there will be sufficient taxable profit in the future against which the deferred tax asset may be offset, at least in part.

Unrecognized deferred tax assets are reviewed on each balance sheet date and recognized to the extent that it has become probable that there will be sufficient taxable profit in order to realize the deferred tax asset. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply for the period in which an asset is realized or a liability is fulfilled. The tax rates and tax regulations that are applicable or adopted as of the balance sheet date are used. Deferred taxes that relate to items recorded directly in equity are not recorded in the income statement. Rather, they are also listed in the equity. Deferred tax assets and deferred tax liabilities are netted if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and if these relate to income taxes levied on the same taxable entity by the same taxation authority.

3.3. Significant Judgments, Estimates and Assumptions

The preparation of the Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the amounts of revenues and expenses, assets and liabilities reported on the reporting date as well as the disclosure of contingent liabilities. Uncertainty related to these assumptions and estimates may lead to results that require material adjustments to the carrying amounts of the relevant assets or liabilities in the future.

When applying the accounting and valuation policies, the management made the following **judgments**, which had a significant effect on the amounts recognized in the Consolidated Financial Statements. Judgments containing estimates are not taken into account here.

Management made a judgment on the first-time categorization of other financial assets. More information is provided in section 28.

See also section 28 page 114 et seqq.

The key **assumptions** concerning the future and other key sources of **estimation uncertainty** on the reporting date associated with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next fiscal year are explained below:

Development costs are capitalized in line with the accounting policies presented when all required conditions are given. Initial capitalization of costs is based on an estimate by management that a project's technical and economic feasibility has been proven. This is normally the case when a development project has reached a specific milestone or a specific quality gate in the development process. When determining the amounts to be capitalized, management makes further valuation assumptions regarding the amount of expected future cash flows from the assets, the discounting rates to be applied and the period of inflow of expected future cash flows generated by the assets. With this in mind, € 16.1 million (2010: € 10.9 million) were capitalized during the fiscal year. The increase in capitalization reflects the increasing development activities carried out by SMA in order to retain its technology leadership. The research and development costs recognized as expenses are presented in section 8.

In addition to individual circumstances, provisions for overall warranty risks are also taken into account when setting aside provisions for warranty obligations. In the case of warranty risks, an obligation of five or ten years is generally adopted as a base. The expected warranty expenditure is based on historical values from the past. The expected warranty expenditure is calculated by referring to a weighted percentage determined by comparing actual warranty expenditure in the last five to ten years leading up to the previous year's sales and applying these percentages to the sales covered by warranty obligations. The warranty provisions are used up equally over the five- to ten-year warranty period. The value of these provisions amounted to € 149.5 million (2010: € 118.1 million) as at December 31, 2011. Accrued payments received for non-gratuitous warranties are collected over the warranty period as sales revenues on a straight-line basis since, in this case, a linear progression of warranty costs is also adopted as the best possible estimation method.

On each balance sheet date, the Group examines whether there are indicators for an impairment of non-financial assets. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of these cash flows. There were no indications of impairment in the fiscal years under review.

Deferred tax assets are formed for all unused tax loss carryforwards to the extent that it is probable that there will be sufficient taxable profit to enable the loss carryforwards to be actually used. Determining the amount of deferred tax assets requires management to use significant discretion regarding the expected time of accrual and the amount of taxable income in the future as well as regarding the future tax planning strategies. Deferred tax assets for loss carryforwards amounting to € 0.4 million (2010: € 6.9 million) were fully recorded.

See also section 8 page 101

4. BUSINESS COMBINATIONS

As at August 1, 2011, 100% of the shares carrying voting rights in dtw Sp. z o.o. (Zabierzów, Poland) were acquired. With the acquisition of its long-standing supplier, SMA has secured technological leadership in the area of PV inverters. dtw specializes in the manufacture of technologically innovative core components for the production of inverters, such as inductors and transformers. 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 fair value of the identifiable assets and liabilities of dtw Sp. z o.o. as at August 1, 2011 was comprised as follows:

Acquired Assets and Liabilities

€ million	Carrying amounts before acquisition	Adjustment	Fair values at date of acquisition
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
Accounts receivable	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
Net assets	**25.6**	**7.9**	**33.5**
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 € 1.1 million and the net profit for the year by € 0.3 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 € 6.6 million and € 1.8 million higher, respectively.

No tax deductibility is expected for the goodwill resulting from this acquisition. The impairment test of goodwill carried out on the reporting date confirmed its value.

5. SEGMENT REPORTING

The SMA Group identified four reportable segments, which are organized and managed largely independently in accordance with the type of products offered, brands, marketing channels and customer profiles.

Segment	Activities
Photovoltaics Technology	
Medium Power Solutions	Development, production and distribution of system technology for photovoltaic applications in the grid-tied and off-grid building and commercial field. This includes mainly the product groups Sunny Boy, Sunny Mini Central, Sunny Tripower, Sunny Backup and Sunny Island as well as communication products.
High Power Solutions	Development, production and distribution of system technology for photovoltaic applications in the power plant sector. This includes the product group Sunny Central.
Railway Technology	
Railway Technology	Development, production and distribution of power-electronic components for rail-bound short- and long-distance traffic.
Electronics Manufacturing	
Electronics Manufacturing	Production of electronic assemblies for the other segments, especially Medium Power Solutions and third parties.

The operating result of the segments is monitored separately by the Managing Board in order to make decisions on the allocation of resources and to determine the profitability of the segments. Group financing, currency and interest rate hedging and the income tax burden are controlled at Group level and are therefore not allocated to the individual operating segments.

As regards information about geographical segments, sales are assigned to countries using the destination principle. The Company waives to present non-current assets based on this classification. SMA Solar Technology AG develops and manufactures its products mainly in Germany. The production sites in North America and Poland are not capital intensive and therefore immaterial. Accordingly, a division of assets by regions is likewise not a part of internal management reporting.

The Group measures the performance of its segments through a measurement of segment profit or loss, which is referred to as "EBIT" in the internal management and reporting system. This measurement comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs as well as other operating income (expense). Since sales from services are of minor significance, they were not presented separately, but jointly with product sales.

Segment assets include the intangible assets attributed to the relevant segments and fixed assets, inventories, and trade receivables. Segment liabilities include trade payables that are directly attributable to the relevant segments. There are no asymmetric allocations to the individual segments.

Internal management reporting is in line with the accounting policies of external reporting.

The transfer prices between the business segments are determined assuming usual arm's length market conditions. Income from external third parties is reported using the same valuation parameters as shown in the income statement.

Sales in the Photovoltaics Technology division are among other factors subject to fluctuations because of discontinuous incentive programs.

Financial Ratios by Segments and Regions

Segments	**Photovoltaics Technology**			
	Medium Power Solutions		High Power Solutions	
€ '000	2011	2010	2011	2010
External sales	1,133.7	1,553.6	496.4	336.6
Internal sales	70.6	70.1	18.0	17.8
Total sales	1,204.3	1,623.7	514.4	354.4
Depreciation and amortization	20.1	22.5	2.9	3.5
Operating profit (EBIT)	111.7	392.4	107.9	92.1
Segment assets	270.4	217.9	161.0	156.6
Segment liabilities	40.8	18.2	30.6	19.6
Investments	27.5	41.2	5.0	7.9
Sales by regions				
Germany	632.9	951.3	146.0	131.3
European Union	350.2	455.2	176.6	161.1
Third-party countries	188.6	211.1	175.9	47.1
Sales deductions	–38.0	–64.0	–2.1	–2.9
External sales	**1,133.7**	**1,553.6**	**496.4**	**336.6**

	Railway Technology		Electronics Manufacturing					
	Railway Technology		Electronics Manufacturing		Reconciliation		Continuing operations	
	2011	2010	2011	2010	2011	2010	2011	2010
	32.5	25.6	12.5	4.3	1.2	0.0	1,676.3	1,920.1
	7.6	15.4	386.3	413.6	-482.5	-516.9	0.0	0.0
	40.1	41.0	398.8	417.9	-481.3	-516.9	1,676.3	1,920.1
	0.5	0.4	4.1	4.9	22.8	0.0	50.4	31.3
	0.8	4.5	19.5	32.3	0.4	-4.5	240.3	516.8
	18.5	14.0	90.0	99.3	834.4	763.7	1,374.3	1,251.5
	2.0	1.9	15.6	11.4	496.0	472.0	585.0	523.1
	0.7	0.7	1.9	6.9	112.5	130.7	147.6	187.4
	9.8	8.9	8.1	4.0	0.0	0.0	796.8	1,095.5
	15.7	10.0	0.0	0.1	1.2	0.0	543.7	626.4
	7.0	6.7	4.4	0.3	0.0	0.0	375.9	265.2
	0.0	0.0	0.0	-0.1	0.0	0.0	-40.1	-67.0
	32.5	**25.6**	**12.5**	**4.3**	**1.2**	**0.0**	**1,676.3**	**1,920.1**

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

€ million	2011	2010
Total segment earnings (EBIT)	239.9	521.3
Eliminations	0.4	–4.5
Consolidated operating profit (EBIT)	240.3	516.8
Financial result	3.3	1.3
Profit before income taxes	**243.6**	**518.1**
Total segment assets	539.9	487.7
Other central items and eliminations	275.4	165.1
Cash and long-term time deposits	506.3	544.1
Financial instruments not designated and other assets	19.5	30.8
Deferred tax assets and income tax receivables	33.1	23.7
Other financial investments	0.1	0.1
Group assets	**1,374.3**	**1,251.5**
Total liabilities	89.0	51.1
Other central items and eliminations	26.8	19.5
Financial instruments not designated, liabilities and provisions	413.9	399.8
Income tax liabilities and deferred tax liabilities	55.3	52.7
Group liabilities	**585.0**	**523.1**

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

In 2011, as in the previous year, no customer accounted for a share of more than 10% of Group sales.

NOTES TO THE INCOME STATEMENT SMA GROUP

6. COST OF SALES

€ '000	2011	2010
Material expenses	907,033	854,570
Personnel expenses	178,710	192,464
Depreciation and amortization	44,082	21,778
Others	78,380	158,102
	1,208,205	**1,226,914**

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 decrease of 2.1% in inverter output sold, following the shift in the product mix, material expenses increased by 6.1% year-on-year in the period under review. In 2011, 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 7.1%.

The depreciation development is marked in particular by the investments in buildings and machinery during the last twelve months. This item also includes depreciation of capitalized development projects amounting to € 5.6 million (2010: € 1.1 million).

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.

7. SELLING EXPENSES

€ '000	2011	2010
Material expenses	926	890
Personnel expenses	34,292	33,914
Depreciation and amortization	508	1,538
Others	30,053	20,776
	65,779	**57,118**

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 current 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. As of the beginning of the year, other expenses include proportional costs for facility management and IT, which are allocated to all functional areas of activity based on their utilization. The increase of € 9.3 million is attributable to this change of apportionment procedure and increased global market activities. SMA supports solar power professionals in the distribution of PV plants with specific marketing measures, thereby influencing the decision-making process.

8. RESEARCH AND DEVELOPMENT EXPENSES

€ '000	2011	2010
Material expenses	5,637	2,900
Personnel expenses	58,786	63,468
Depreciation and amortization	4,983	4,872
Others	30,481	11,626
	99,887	**82,866**
Capitalized development projects	–16,129	–10,913
	83,758	**71,953**

Research and development expenses include all costs that may be attributed to the areas of product development, development-related testing and product management. In order to strengthen its technological leadership even further, SMA systematically expanded the development department. SMA employed 30% more staff in comparison to the previous year. The increased expenses for current wages and salaries are more than offset by the reduced variable compensation and result in a 7.4% reduction in personnel expenses. As of the beginning of the year, other expenses include proportional costs for facility management and IT, which are allocated to all functional areas of activity based on their utilization. The increase in this item is caused by this change to the apportionment procedure. In addition, SMA relies on development cooperations to reduce development times. As part of this process, development services are outsourced.

9. GENERAL ADMINISTRATIVE EXPENSES

€ '000	2011	2010
Material expenses	128	123
Personnel expenses	41,998	37,753
Depreciation and amortization	808	3,128
Others	25,831	8,063
	68,765	**49,067**

Administrative expenses include expenses for the Managing Board and for the finance, human resources, legal and compliance, corporate communications and quality management departments. The sharp rise in administrative expenses is particularly attributable to the increase in staff in the central areas of human resources, finance, legal and compliance. During the time of strong growth, the central areas were not adapted adequately, with the result that new structures were created in 2011. The increase in personnel is partially offset by the decrease of variable compensation. Overall, personnel expenses increased by € 4.2 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 at the beginning of the year as well as the realization of strategically important projects.

10. OTHER OPERATING INCOME

€ '000	2011	2010
Revenues from foreign currency translation	20,997	12,900
Government grants	715	790
Other revenues	1,595	2,755
	23,307	**16,445**

Other operating income mainly comprises income from the reversal of impairment losses on receivables.

11. OTHER OPERATING EXPENSES

€ '000	2011	2010
Expense from foreign currency translation	19,739	12,022
Other expenses	13,121	2,682
	32,860	**14,704**

Other operating expenses include primarily expenses for additions to impairment losses on receivables.

12. BENEFITS TO EMPLOYEES AND TEMPORARY EMPLOYEES

€ '000	2011	2010
Wages and salaries	232,741	221,831
Expenses for temporary employees	42,895	70,096
Social security contributions and welfare payments	38,150	35,672
	313,786	**327,599**

In 2011, voluntary contributions to private pensions amounted to € 1.3 million (2010: € 0.8 million).

The average number of employees in the Group amounted to:

	2011	2010
Research and Development	867	665
Production and Service	2,631	1,860
Sales and Administration	1,108	874
	4,606	**3,399**
Apprentices and interns	444	384
Temporary employees	1,316	1,736
	6,366	**5,519**

13. FINANCIAL RESULT

€ '000	2011	2010
Interest income	6,486	2,829
Other financial income	106	21
Income from interest derivatives	43	301
Financial income	**6,635**	**3,151**
Interest expenses	944	720
Other financial expenses	1,572	27
Expenses from interest derivatives	463	689
Interest portion from valuation of provisions	389	414
Financial expenses	**3,368**	1,850
Financial result	**3,267**	**1,301**

Total interest income from financial assets not classified as at fair value through profit or loss amounted to € 6.5 million (2010: € 2.9 million) in the fiscal year. Interest expenses from financial liabilities not classified as at fair value through profit or loss amounted to € 0.9 million (2010: € 0.7 million). The effect of changes in interest rates have had no significant influence on consolidated profits.

14. INCOME TAXES

Income taxes include the income taxes paid or payable as well as deferred taxes. Income taxes include trade tax, corporation tax, and the solidarity surcharge in Germany, and the corresponding income taxes abroad. They are divided as follows:

€ '000	2011	2010
Current income tax		
for current fiscal year	78,411	162,772
for previous years	–1,516	–1,152
Deferred taxes		
from temporary differences	–5,916	–1,844
from tax loss carryforwards	6,516	–6,710
Income taxes	**77,495**	**153,066**

Expected income tax expense that would result from applying the tax rate of the parent company SMA Solar Technology AG to the IFRS consolidated result before taxes can be reconciled as follows to income taxes shown in the income statement:

€ '000	2011	2010
Consolidated earnings before income taxes	**243,549**	**518,107**
Tax rate of the parent company	30.3%	30.2%
Expected income taxes	**73,796**	**156,468**
Differences related to differing tax rates domestic and abroad	–302	–1,319
Effects due to changes in tax rates	57	44
Tax-free income	–12	–7
Non-deductible expenses	557	700
Taxes relating to previous years	2,618	–1,162
Other tax effects	781	–1,658
Actual income taxes	**77,495**	**153,066**
Effective Group tax rate	31.8%	29.5%

The corporation tax rate of 15% and the solidarity surcharge rate of 5.5% are to be applied for corporations based in Germany. In addition, domestic companies and partnerships are subject to trade tax, which is influenced by assessment rates specific to the particular municipality. The average trade tax rate to be applied at the level of the Group's parent company increased slightly to 14.5% (2010: 14.4%). The overall tax rate of the Group's parent company is thus 30.3% (2010: 30.2%).

The effects of deviations between the relevant tax rates at the level of the domestic and foreign Group subsidiaries and the tax rate at the level of the Group's parent company are shown in the reconciliation statement under tax-rate-related deviations in Germany and abroad. Taxes relating to previous years include an amount of € 4.1 million, which is based on a realization of corresponding deferred tax assets which is already possible in advance due to loss carryforwards.

No deferred taxes were formed aside for the undistributed profits of foreign subsidiaries, including accrued currency translation differences, since this income and these translation differences are either not subject to corresponding taxation or must not be distributed in the foreseeable future.

As at December 31, 2011, there were current income tax receivables amounting to € 6.8 million (2010: € 4.2 million) and current income tax liabilities of € 37.0 million (2010: € 39.5 million).

The deferred tax assets and deferred tax liabilities were recorded directly in equity at € 0.02 million (2010: € 0.00 million). Deferred tax assets and liabilities are distributed across the following items:

	12/31/2011		12/31/2010	
€ '000	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	184	–10,740	202	–5,673
Fixed assets	864	–3,981	147	–5,617
Financial assets	0	–3	197	0
Inventories	4,142	–1,140	6,212	–1,268
Other assets	1,016	–1,057	142	–493
Other provisions	13,599	–716	8,661	–236
Other liabilities	6,123	–732	1,229	–5
Loss carryforwards	381	0	6,897	0
	26,309	**–18,369**	**23,687**	**–13,292**
there of long-term	10,869	–15,440	10,190	–11,290

Deferred tax assets are recorded fully and regarded as fully realizable, since a sufficient amount of taxable income is expected in the future.

15. 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 number of shares in the fiscal year 2011 amounted to 34.7 million, as in the previous year.

The consolidated earnings attributable to the shareholders are the consolidated net profit after tax. 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 to the number of shares in circulation.

The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 yields earnings of € 4.79 per share for the period from January 1, 2011 to December 31, 2011 with an average weighted number of shares of 34.7 million, and earnings of € 10.52 per share for the period from January 1, 2010 to December 31, 2010 with an average weighted number of shares of 34.7 million.

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

Pursuant to the German Stock Corporation Act, the distributable dividend is based on the net profit, which is recorded in the Annual Financial Statements of SMA Solar Technology AG prepared according to the provisions of the German Commercial Code and the Stock Corporation Act.

NOTES TO THE BALANCE SHEET SMA GROUP

16. INTANGIBLE ASSETS

Intangible assets evolved as follows in the fiscal years under review:

€ '000	Goodwill	Development projects	Licenses	Software	Prepayments	Total
Acquisition costs						
01/01/2011	0	20,923	3	17,996	1,000	39,922
Change in currency	0	-473	0	0	0	-473
Additions from acquisitions	311	8,815	0	78	0	9,204
Additions	0	16,129	0	11,181	0	27,310
Disposals	0	0	0	89	0	89
Transfers	0	4,566	0	-1,658	-383	2,525
12/31/2011	311	49,960	3	27,508	617	78,399
Amortisation						
01/01/2011	0	1,074	3	9,603	0	10,680
Change in currency	0	-8	0	4	0	-4
Additions from acquisitions	0	0	0	78	0	78
Additions	0	5,599	0	5,314	0	10,913
Disposals	0	0	0	76	0	76
Transfers	0	6,681	3	14,915	0	21,599
12/31/2011						
Net value 12/31/2010	**0**	**19,849**	**0**	**8,393**	**1,000**	**29,242**
Net value 12/31/2011	**311**	**43,279**	**0**	**12,593**	**617**	**56,800**
Acquisitions costs						
01/01/2010	0	8,955	3	11,849	500	21,307
Additions	0	10,913	0	2,377	6,242	19,532
Transfers	0	1,055	0	3,770	-5,742	-917
12/31/2010	0	20,923	3	17,996	1,000	39,922
Amortisation						
01/01/2010	0	0	3	5,932	0	5,935
Additions	0	1,074	0	3,671	0	4,745
12/31/2010	0	1,074	3	9,603	0	10,680
Net value 12/31/2009	**0**	**8,955**	**0**	**5,917**	**500**	**15,372**
Net value 12/31/2010	**0**	**19,849**	**0**	**8,393**	**1,000**	**29,242**

In relation to development projects, amortization of intangible assets is posted in the income statement under cost of sales. Amortization of software is allocated to the functional areas dependent on use. The goodwill is the result of the first-time consolidation of dtw Sp. z o.o. as of August 1, 2011 the SMA Consolidated Financial Statements of SMA.

17. FIXED ASSETS

Fixed assets evolved as follows in the fiscal year 2011:

€ '000	Land and buildings including buildings on third-party property	Technical equipment and machinery	Other equipment, fixtures and furniture	Advance payments made and assets under construction	Total
Acquisition costs					
01/01/2011	125,932	46,299	116,714	42,369	331,314
Change in currency	572	–71	352	32	885
Additions from acquisitions	157	2,905	925	230	4,217
Additions	21,373	838	3,233	107,459	132,903
Disposals	77	498	6,840	735	8,150
Transfers	33,289	2,794	36,132	–74,740	–2,525
12/31/2011	181,246	52,267	150,516	74,615	458,644
Depreciation					
01/01/2011	11,752	11,593	39,462	0	62,807
Change in currency	128	–18	166	0	276
Additions from acquisitions	15	1,027	371	0	1,413
Additions	9,984	4,627	24,857	0	39,468
Disposals	74	425	5,753	0	6,252
Transfers	0	0	0	0	0
12/31/2011	21,805	16,804	59,103	0	97,712
Net value 12/31/2010	**114,180**	**34,706**	**77,252**	**42,369**	**268,507**
Net value 12/31/2011	**159,441**	**35,463**	**91,413**	**74,615**	**360,932**

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

The prepayments as at December 31, 2011 include investments for the construction of the new Service Center at Sandershäuser Berg and for the construction of office buildings amounting to € 43.9 million.

Further investments of € 3.8 million were made for the expansion of the production site in the United States.

Of the financial liabilities, approx. € 27.6 million (2010: € 25.4 million) are secured by mortgage liens.

Fixed assets evolved as follows in the fiscal year 2010:

€ '000	Land and buildings including buildings on third-party property	Technical equipment and machinery	Other equipment, fixtures and furniture	Advance payments made and assets under construction	Total
Acquisition costs					
01/01/2010	62,921	40,409	62,656	24,421	190,407
Change in currency	366	23	25	276	690
Additions[1]	55,064	3,230	20,699	88,930	167,923
Disposals	26,661	499	1,389	74	28,623
Transfers	34,242	3,136	34,723	–71,184	917
12/31/2010	125,932	46,299	116,714	42,369	331,314
Depreciation					
01/01/2010	8,881	7,976	24,431	0	41,288
Change in currency	–7	8	25	0	26
Additions[1]	8,605	4,040	16,047	0	28,692
Disposals	5,727	404	1,068	0	7,199
Transfers	0	–27	27	0	0
12/31/2010	11,752	11,593	39,462	0	62,807
Net value 12/31/2009	**54,040**	**32,433**	**38,225**	**24,421**	**149,119**
Net value 12/31/2010	**114,180**	**34,706**	**77,252**	**42,369**	**268,507**

[1] Including changes to "additions to the scope of consolidation"

18. INVENTORIES

Inventories of the SMA Group were made up as follows:

€ '000	12/31/2011	12/31/2010
Raw materials, consumables and supplies	179,831	151,103
Unfinished goods, work in progress	31,472	17,895
Finished goods and goods for resale	44,326	68,536
Prepayments	773	304
	256,402	**237,838**

Inventories are measured at the lower value of acquisition or production costs and net realizable value. In 2010, SMA began to build up stocks of raw materials, consumables and supplies in a targeted fashion in order to guarantee a higher degree of delivery capacity. The impairment on inventories, included under expenses as production costs, amounts to € 8.1 million (2010: € 1.2 million).

19. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables are non-interest-bearing and are usually due between 30 and 90 days. No significant extensions to payment terms were granted in the reporting period.

The other receivables mainly comprise prepaid expenses and other receivables due from tax authorities which were not overdue at the reporting date.

The ageing structure of trade receivables was as follows on the reporting dates:

			overdue, but not impaired			
€ '000	Book value	Neither overdue nor impaired	<30 days	30 to 60 days	60 to 90 days	> 90 days
2011	141,101	98,641	18,336	12,786	4,298	6,449
2010	117,268	76,538	22,441	15,052	312	2,834

As at December 31, 2011, value adjustments with a nominal value of € 9.8 million (2010: € 1.2 million) were carried out on trade receivables.

The value adjustment account evolved as follows:

€ '000	Individual value correction	Value correction on portfolio basis	Total
As of 01/01/2010	1,243	88	1,331
Additions with effect on the expenses (net)	605	166	771
Usage	–593	0	–593
Disposal	–229	–121	–350
Exchange rate difference	8	0	8
as of 12/31/2010	1,034	133	1,167
Additions with effect on the expenses (net)	6,981	2,103	9,084
Usage	–75		–75
Disposal	–447	0	–447
Exchange rate difference	53	11	64
As of 12/31/2011	7,546	2,247	9,793

Apart from this, there was no need to carry out value adjustments on the other receivables and financial assets. The maximum non-payment risk corresponds to the carrying amount disclosed in the balance sheet.

20. OTHER FINANCIAL ASSETS

As at December 31, 2011, other current financial assets include in particular financial assets, time deposits with a term to maturity of over three months and accrued interest totaling € 80.0 million (2010: € 190.0 million). The other non-current financial assets primarily include financial assets of € 55.6 million (2010: € 0.0 million) and a rent deposit for buildings in the USA amounting to USD 2.5 million (2010: USD 5.0 million).

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, bank balances, checks, payments in transit, deposits with term to maturity of less than three months and overdrafts on current accounts, if any. Bank balances bear interest at variable interest rates applicable to deposits subject to call.

As at December 31, 2011, the Group had unused credit lines amounting to € 22.0 million (2010: € 27.0 million) in respect of which all the conditions for using them had been fulfilled. The credit lines have been provided on an "until further notice" basis.

22. SHAREHOLDERS' EQUITY

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

Shares in SMA AG are no-par-value bearer shares.

The Managing Board, with the consent of the Supervisory Board, is authorized to increase the issued capital by up to € 10.0 million in total on one or several occasions in the period up to December 31, 2012 by issuing new bearer shares in return for cash and/or in-kind contributions (Authorized Capital II).

The Managing Board is entitled, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in the following cases: in the case of capital increases in return for contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or investments in companies; for the purpose of issuing shares to employees of the Company and companies affiliated with the Company as set out in Sections 15 ff. of the German Stock Corporation Act (AktG); to exclude possible fractions from the subscription right; in the case of capital increases in return for cash contributions if the issue amount of the new shares does not fall significantly below (as set out in Section 203 (1) and (2), and section 186 (3), sentence 4 AktG) the market price of shares of the same class and terms that are already listed at the time the Managing Board sets the final issue amount and the pro-rata amount of the issued capital attributable to the new shares, in respect of which the subscription right is excluded, does not exceed 10% of the issued capital available at the time the new shares are issued.

The Managing Board is entitled, with the consent of the Supervisory Board, to determine the further details of the relevant capital increases and their implementation including the content of the share rights and the conditions of the share issue.

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 € 3.00 per qualifying bearer share (2009: € 1.30).

At the next Annual General Meeting, the Managing Board will propose that a dividend of € 1.30 per qualifying bearer share be distributed. This corresponds to a dividend payout ratio of 33,8%.

The objective of capital management is to maintain SMA's financial substance and ensure the necessary flexibility.

The equity ratio is used to measure the financial security of SMA. This is the ratio of equity shown in the consolidated balance sheet to total assets. Accordingly, the financing structure is characterized by a conservative capital structure dominated by internal financing. As of the reporting date, the equity ratio is 57.4% (2010: 58.2%). External financing occurs almost exclusively through liabilities arising from operative business.

23. PROVISIONS

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

€ '000	Warranties	Other obligations from sales transactions	Others	Total
As of January 1, 2011	118,091	44,342	4,904	167,337
Additions	73,122	0	19,197	92,319
Usage	37,755	10,163	307	48,225
Release	4,982	30,793	0	35,775
Compounding	323	0	66	389
Changes in currency	671	26	20	717
As of December 31, 2011	**149,470**	**3,412**	**23,880**	**176,762**
Current in 2011	50,812	3,412	14,036	68,260
Non-current in 2011	98,658	0	9,844	108,502
	149,470	**3,412**	**23,880**	**176,762**
Current in 2010	42,332	44,342	12	86,686
Non-current in 2010	75,759	0	4,892	80,651
	118,091	**44,342**	**4,904**	**167,337**

Warranty provisions consist of general warranty obligations (periods of between five and ten years) for the various product areas within the Group. In addition, provisions are set aside for individual cases, and they are used the following year.

Other obligations deriving from sales transactions contain several claims made, 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. As of the 2010 fiscal year, SMA began strategically to increase inventories of raw materials, consumables and supplies. In this context, agreements were made with suppliers about acceptance obligations. The effects of these agreements are reflected in the changes to other provisions. In addition, other provisions include obligations for long-service anniversaries, death benefits and service-related benefits.

24. FINANCIAL LIABILITIES

€ '000	12/31/2011	12/31/2010
Liabilities due to credit institutions	32,617	20,655
Derivative financial liabilities	1,277	535
Finance lease liabilities	1	10
	33,895	**21,200**

The liabilities due to 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.

25. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally due within 30 and 90 days.

26. OTHER FINANCIAL LIABILITIES

€ '000	12/31/2011	12/31/2010
Liabilities Human Resources department	64,261	99,468
Liabilities Sales department	9,753	32,699
Other	3,094	1,112
	77,108	**133,279**
Current	75,030	133,279
Non-current	2,078	0
	77,108	**133,279**

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 worker's compensation association. The reduction of this amount is due to a lower profitability in the current fiscal year. The liabilities in the Sales area primarily contain liabilities towards customers from advance payments received and bonus agreements.

27. OTHER LIABILITIES

€ '000	12/31/2011	12/31/2010
Deferred income for extended guarantees	78,992	53,397
Liabilities from prepayments received	44,262	19,661
Liabilities due to tax authorities	1,364	3,116
Liabilities from subsidies received	1,327	1,524
Other	147	210
	126,092	**77,908**
Current	45,399	24,068
Non-current	80,693	53,840
	126,092	**77,908**

The accrual item for extended warranties includes liabilities from chargeable guarantee extensions granted for the products in the Photovoltaics Technology division. The main items included in the liabilities towards tax authorities are tax liabilities from payroll accounting. The liabilities from subsidies received relate to taxable government grants from funds under the common-task program Improvement of the Regional Economic Structure (EU GA), granted as investment subsidies. The total amount of retransfer of government grants is stated under other operating income.

28. ADDITIONAL DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

		12/31/2011		12/31/2010	
€ '000	Assessment category according to IAS 39	Market value	Book value	Market value	Book value
Assets					
Cash and cash equivalents	LaR	371,101	371,101	354,083	354,083
Trade receivables	LaR	141,101	141,101	117,268	117,268
Other financial investments	AfS	75	75	73	73
Other financial assets		**143,741**	**144,013**	**200,688**	**200,688**
of which debentures	AfS	50,608	50,608	0	0
of which institutional mutual funds	FAHfT	49,410	49,410	0	0
of which debentures	HtM	25,284	25,556	0	0
of which other	LaR	18,306	18,306	200,688	200,688
of which derivatives that do not qualify for hedge accounting	FAHfT	133	133	0	0
Liabilities					
Trade liabilities	FLAC	115,760	115,760	70,554	70,554
Financial liabilities		**33,895**	**33,895**	**21,201**	**21,201**
of which liabilities towards credit institutions	FLAC	32,617	32,617	20,656	20,656
of which under finance leases	n/a	1	1	10	10
of which derivatives that do not qualify for hedge accounting	FLHfT	1,277	1,277	535	535
Other financial liabilities	FLAC	77,108	77,108	133,279	133,279
Of which summarized by categories according to IAS 39:					
Loans and Receivables	LaR	530,508	530,508	672,039	672,039
Financial Liabilities Measured at Amortized Cost	FLAC	225,485	225,485	224,489	224,489
Financial Assets Held for Trading	FAHfT	49,543	49,543	0	0
Financial Liabilities for Trading	FLHfT	1,277	1,277	535	535
Financial Assets Held to Maturity	HtM	25,284	25,556	0	0
Available for Sale Financial Assets	AfS	50,683	50,683	73	73

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

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

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

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

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

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

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

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

2011	Level 1	Level 2	Level 3	Total
Financial assets, measured at fair value				
Debentures	50,608	–	–	50,608
Institutional mutual funds	49,410	–	–	49,410
Derivative financial instruments	–	133	–	133
Financial liabilities, measured at fair value				
Derivative financial instruments	–	1,277	–	1,277
2010				
Financial assets, measured at fair value				
Derivative financial instruments	–	–	–	–
Financial liabilities, measured at fair value				
Derivative financial instruments	–	535	–	535

The levels of the fair value hierarchy and their application to our assets and liabilities are described below:

Level 1: Quoted prices for identical assets or liabilities in active markets;

Level 2: Inputs other than quoted prices that are observable directly (e. g. prices) or indirectly (e. g. derived from prices); and

Level 3: Inputs that are not based on observable market data for assets and liabilities.

The net results 2011 for financial instruments are as follows:

	From interests	From subsequent measurement		From disposal	Net result
€ '000		Foreign currency translation	Value adjustment		
Loans and Receivables (LaR)	2,252	4,096	–8,637	–52	–2,341
Financial Liabilities Measured at Amortized Cost (FLAC)	–944	0	0	0	–944
Financial Assets Held for Trading (FAHfT)	1,557	133	–574	–2,971	–1,855
Financial Liabilities Held for Trading (FLHfT)	0	0	–339	–81	–420
Held to Maturity (HtM)	549	0	0	0	549
Available for Sale (AfS)	2,128	0	–804	0	1,324
Total	**5,542**	**4,229**	**–10,354**	**–3,104**	**–3,687**

Interests from financial instruments are shown in the financial result. The SMA Group recognizes other components of the net result in other operating expenses and other operating income.

The net results 2010 for financial instruments are as follows:

	From interest	From subsequent measurement		From disposal	Net result
€ '000		Foreign currency translation	Value adjustment		
Loans and Receivables (LaR)	2,109	813	–771	–55	2,096
Financial Liabilities Measured at Amortized Cost (FLAC)	–689	0	0	0	–689
Financial Assets Held for Trading (FAHfT)	301	65	0	0	366
Held to Maturity (HtM)	0	0	0	0	0
Available for Sale (AfS)	0	0	0	0	0
Total	**1,721**	**878**	**–771**	**–55**	**1,773**

Payment obligations resulting on the reporting date from finance leases are stated in the balance sheet as a liability at the fair value of the future minimum lease payments. In subsequent years, the lease installments payable to the lessor will reduce the liability by the redemption portion. The interest portion of payments is recognized in the income statement under the financial result.

In detail, the nominal payment obligations of financial liabilities are as follows:

€ '000	Book values	**Total**	< 1 year	1 to 3 years	4 to 5 years	> 5 years
2011						
Trade payables	115,760	**115,760**	115,760	0	0	0
Financial liabilities	33,895	**42,467**	4,359	6,729	6,533	24,846
from liabilities towards credit institutions	32,617	**41,189**	3,081	6,729	6,533	24,846
from finance lease agreements	1	**1**	1	0	0	0
from derivates that do not qualify for hedge accounting	1,277	**1,277**	1,277	0	0	0
Other financial liabilities	32,618	**32,618**	32,618	0	0	0
2010						
Trade payables	70,554	**70,554**	70,554	0	0	0
Financial liabilities	21,201	**26,224**	3,098	5,032	4,928	13,166
from liabilities towards credit institutions	20,656	**25,679**	2,553	5,032	4,928	13,166
from finance lease agreements	10	**10**	10	0	0	0
from derivates that do not qualify for hedge accounting	535	**535**	535	0	0	0
Other financial liabilities	133,279	**133,279**	133,279	0	0	0

29. OBLIGATIONS UNDER LEASES AND OTHER FINANCIAL OBLIGATIONS

The economic ownership in the leased objects is retained by the lessor if the lessor bears the main rewards and risks associated with the leased object. The obligations of the SMA Group under operating leases relate mainly to buildings and, to a minor extent, to plant and office equipment. Expenses recognized through profit and loss amounted to € 20.0 million (2010: € 16.4 million) in the year under review.

Other financial obligations arose primarily from tenancy agreements and operating leases for buildings, office containers, plant and office equipment concluded by the Group as the lessee. The terms to maturity of future payments to the end of the minimum term of the agreements are as follows:

€ '000	12/31/2011	12/31/2010
Due in less than 1 year	16,883	13,615
Due in 1 to 5 years	40,769	32,286
Due in more than 5 years	24,716	42,732
	82,368	**88,633**

In October 2009, SMA America Production LLC (Denver) concluded leasing agreements for the lease of buildings and outdoor areas. The base lease term is 11 years and commences on April 1, 2010. The agreement provides for graduated lease payments. The agreement includes an option to extend the lease three times for a period of five years in each case. As a rule, except in the case of revisions to leasing payments, the extensions will be based on previous terms and conditions. Purchase options are not envisaged. This agreement was classified as an operating lease.

The obligation from finance lease is due within a year.

In addition, there were financial obligations towards third parties under the order commitment for investment orders placed amounting to € 50.3 million (2010: € 67.3 million). There are financial obligations for intangible assets amounting to € 1.2 million (2010: € 2.1 million). The other financial obligations were within the framework customary for the business.

30. CONTINGENCIES

As at December 31, 2011, there were no changes compared to the previous year (€ 0.05 million).

NOTES TO THE CONSOLIDATED 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".

31. NET CASH FLOW FROM OPERATING ACTIVITIES

The gross cash flow of € 240.7 million (2010: € 497.1 million) reflects the operating income prior to commitment of funds.

Net cash flow from operating activities decreased in fiscal 2011 to € 238.9 million (2010: € 386.3 million). The decrease is mainly attributable to the year-on-year reduced gross cash flow (€ –252.6 million).

The change in net working capital results primarily from a targeted increase in the raw material stocks of critical components. The change to inventories relevant to the Statement of Cash Flows amounts to € 14.8 million. Furthermore, a € 40.4 million increase in trade payables relevant to the Statement of Cash Flows occurred. 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.

32. NET CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow from investing activities decreased in fiscal 2011 to € –129.1 million compared to the previous year's figure of € –210.7 million. The outflow of funds for investments in fixed assets and intangible assets amounted to € 161.3 million (2010: € 158.3 million).

As at August 1, 2011, 100% of the shares carrying voting rights in dtw Sp. z o.o. (Zabierzów, Poland) were acquired. Less 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.

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.

33. NET CASH FLOW FROM FINANCING ACTIVITIES

In fiscal 2011, net cash flow from financing activities included the dividend payment of SMA Solar Technology AG amounting to € 104.1 million (2010: € 45.1 million).

In connection with the SMA Immo real estate financing, financial liabilities amounting to € 16.5 million were incurred.

34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounting to € 371.1 million (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 € 506.7 million (2010: € 544.1 million). On the reporting date, the Group had unused credit lines amounting to € 22.0 million (2010: € 27.0 million). As in the previous year, no cash amounts were drawn using the current account credit limit in the year under review.

OTHER DISCLOSURES

35. 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 Consolidated Management Report and the Notes to the Consolidated Financial Statements.

36. RELATED PARTY DISCLOSURES

According to the definition contained in IAS 24, related parties are persons responsible for planning, controlling and monitoring the company's activities. Accordingly, related parties include the members of the Managing Board and the Supervisory Board of SMA Solar Technology AG as well as their close relatives.

In the year under review, the following persons were members of the Managing Board of SMA Solar Technology AG:

Günther Cramer, Dipl.-Ing.
Chief Executive Officer (until May 26, 2011)

Jürgen Dolle, Dipl. -Soz.Päd.
Chief Human Resources Officer

Peter Drews, Dipl.-Ing.
Chief Product Officer (until May 26, 2011)

Roland Grebe, Dipl.-Ing.
Chief Technology Officer

Uwe Hertel, Dipl.-Ing.
Chief Operating Officer (until December 31, 2011)

Pierre-Pascal Urbon, Dipl.-Kfm.
Chief Executive Officer (from May 26, 2011) and
Chief Financial Officer

Marko Werner, Dipl.-Ing.
Chief Sales Officer

In the year under review, the following persons were members of the Supervisory Board of SMA Solar Technology AG:

Günther Cramer, Dipl.-Ing.
Chairman of the Foundation Managing Board
(Chairman from May 26, 2011)

Dr. Erik Ehrentraut,
Management Consultant (Chairman until May 26, 2011,
Deputy Chairman from May 26, 2011)

Peter Drews, Dipl.-Ing.
Chairman of the Foundation Managing Board
(from May 26, 2011)

Reiner Wettlaufer, Dipl.-Ing.
Chairman of the Foundation Managing Board

Prof. (em.) Dr. Werner Kleinkauf,
University Professor

Siegfried L. Drueker,
Managing Director (until May 26, 2011)

Dr. Winfried Hoffmann,
Consultant

Dr. Martin Hoppe-Kilpper
Managing Director (until May 26, 2011)

Dr. Günther Häckl
Employee Representative

Johannes Häde, Dipl.-Ing.
Employee Representative

Mirko Zeidler
Employee Representative

Joachim Schlosser
Employee Representative

Ullrich Meßmer
Trade Union Secretary

Alexander Naujoks
Trade Union Secretary

Remuneration of key management members of the Group, which must be disclosed under IAS 24, includes remuneration of the active Managing Board and Supervisory Board.

Total compensation of the members of the active Managing Board in the year under review, including compensation for their tasks in subsidiaries, amounted to € 2.7 million, of which € 0.5 million is attributable to variable salary components (2010: € 2.5 million, of which € 1.0 million in variable salary components). Compensation paid in connection with the resignation from the Managing Board amounts to € 0.2 million. The total compensation of the members of the Supervisory Board in the year under review amounted to € 0.5 million (2010: € 0.4 million). This figure includes variable salary components amounting to € 0.3 million (2010: € 0.2 million). The remuneration paid to the members of the Managing and Supervisory Boards is shown in detail in a separate remuneration report in line with the criteria of the German Corporate Governance Code. The complete Remuneration Report is included in the Consolidated Management Report.

Members of the Supervisory Board hold the following positions in statutory supervisory boards and similar controlling bodies of commercial enterprises:

Günther Cramer, Dipl.-Ing.
Member of the Supervisory Board
of EnBW Energie Baden-Württemberg AG

Dr. Erik Ehrentraut
Member of the Supervisory Board
of Interpane Glas Industrie AG

Prof. (em.) Dr. Werner Kleinkauf
Member of the Supervisory Board
of Seeger Engineering AG

Furthermore, a related party of particular importance as defined in IAS 24 is team-time GmbH. SMA Solar Technology AG concluded an employee allocation agreement with team-time GmbH regulating the allocation of temporary employees. Its only shareholder and managing director is the wife of a member of the Managing Board. A fairness opinion was solicited to review the amounts set down in the conditions of the current agreement. Business worth € 47.1 million (2010: € 82.8 million) was conducted within the framework of this agreement in fiscal year 2011. As at December 31, 2011, liabilities towards team-time GmbH amounted to € 2.5 million (2010: € 14.2 million).

Other related parties are the Günther Cramer Foundation, Peter Drews Foundation and Reiner Wettlaufer Foundation, which together established the gGmbH SMA Stiftungsverbund. No transactions requiring disclosure under IAS 24 were made in the reporting period.

37. OBJECTIVES AND METHODS CONCERNING FINANCIAL RISK MANAGEMENT

Financial risk management is integrated into the Group-wide hedging policy. Deliberate treatment of potential risks and sound control as well as successful management of such risks when they occur are supported by an accompanying information and communication policy as well as by the further education and training of employees. The principle underlying the Group's hedging policy in the financial field is to protect against significant price, currency and interest risks by means of contracts and hedging transactions to an economically reasonable extent.

The financial instruments of the Group relate primarily to trade receivables as well as cash resulting directly from operating activities. In addition, there is a particular amount of trade payables that also arise from operating activities. The Group also uses derivative financial instruments as part of exchange rate hedging. The Group's main risks in relation to financial instruments are interest-based cash flow risks as well as liquidity, currency and credit risks. The strategies and procedures for controlling individual types of risks, which have been defined in the context of the Group's overall hedging policy, are presented below:

See also Management Report page 33 and Corporate Governance Report page 15 et seqq.

Interest Risk

Interest rate risks within the SMA Group mainly arise in the case of financial liabilities and non-current portions of certain provisions. Interest on the aforementioned liabilities is not paid by the contracting party and is therefore discounted at the interest rate usual in the market, which means that there is no separate control of the interest risk. The variable interest-bearing portion of existing financial liabilities is secured through an interest rate swap. This ensures interest rates are hedged in the long term and allows financing costs to be reliably calculated over the contract's term.

Foreign Currency Risk

At present, there are currency risks under transactions with the subsidiaries in North America in US dollar and Canadian dollar. The development of foreign currency rates is monitored continuously and the risks are hedged, provided this is economically reasonable. The risks from hedging transactions in themselves are limited to the possibility that opportunities of better price performance cannot be realized.

In order to present market risks, IFRS 7 requires sensitivity analyses, which show the effects of hypothetical changes in relevant risk variables on earnings and equity. Currency risks are caused by financial instruments that are denominated in a currency other than the functional currency and which are of a monetary nature; exchange-rate-related differences from the translation of Financial Statements into the Group currency are not taken into account. The US dollar is deemed to be a relevant risk variable. The currency sensitivity analysis is based on original financial instruments in the form of receivables. Through the use of hedging transactions (derivatives), which are designed to hedge the underlying transaction, the opposing effects that accompany changes in the exchange rate of the dollar are evened out. Accordingly, exchange rate changes have no impact on equity and minor effects on earnings if hedging transactions are made.

An increase of 5% in the euro with respect to the US dollar on December 31, 2011 would have led to a positive change in the currency derivatives of € 2.2 million (2010: € 0.0 million). A decrease of 5% in the euro with respect to the US dollar on December 31, 2011 would have led to a reduction in the value of the currency derivatives of € 2.5 million (2010: € 0.0 million). An increase of 5% in the euro with respect to the Canadian dollar on December 31, 2011 would have led to a positive change in the corresponding derivatives of € 0.2 million. In comparison, a decrease of 5% in the euro would have resulted in impairment of € 0.2 million. The accumulated result of differences in exchange rates and exchange hedging in the fiscal year amounts to € –5.3 million (2010: € 5.0 million).

Pursuant to the IFRS, currency risks affect monetary financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency. This means that the foreign currency is the relevant risk variable. Translation-related risks are not taken into account. Since the individual Group companies mainly conduct their operative business in their own functional currency, we regard the risk from exchange rate fluctuations resulting from our ongoing business activity as insignificant.

As a globally active company, the SMA Group is exposed to both transaction-related and translation-related foreign currency risks.

SMA assesses risks from an economical point of view. From an economical point of view, foreign currency risks arise in the form of direct transaction risks that derive from any (current or planned) receivable or payable denominated in a foreign currency and the resulting payment flow. The SMA Group's intense business activity in North America means that foreign currency risks mainly arise in US dollar or Canadian dollar. In view of the fact that a large portion of the added value attributable to the North American companies is generated locally and sales in the local currency are balanced by expenditure in the local currency, the operative foreign currency risk in the SMA Group is limited. An intra-Group guideline ensures that SMA companies

report their foreign currency risks to the Corporate Treasury. The remaining Group-wide risk is hedged by the Corporate Treasury through the use of currency derivatives concluded externally with banks. Forward exchange transactions are the most commonly used method in this case. The use of options as part of the hedging strategy is also envisaged. As at December 31, 2011, there were no open currency derivatives.

Translation risks mainly occur when the assets and liabilities of subsidiaries denominated in a foreign currency are converted to the parent company's domestic currency when preparing the Consolidated Financial Statements. Translation risks are not included within the scope of the active control of foreign currency risks.

Credit Risk

For all deliveries to customers, collateral is requested depending on the volume of the respective transaction and the specific customer and country risk. Data from the previous business relationship, including payment practices and credit rating information, are also used to avoid non-payment. In addition, the Group performs a customer credit check, which is based on certain financial key ratios. By the timely setting of a credit limit or by suspension of orders, the Group avoids being exposed to a significant risk of non-payment. The maximum non-payment risk is limited to the carrying amount disclosed in section 19. There are no major concentrations of non-payment risks within the Group.

In respect of all the Group's other financial assets such as cash and cash equivalents, available-for-sale financial investments and derivative financial instruments, the maximum credit risk, should the counterparty fail to pay, corresponds to the carrying amount of these instruments.

Liquidity Risk

The Company uses financial planning tools for the early detection of future liquidity requirements. Under current plans, it is expected that financial requirements will be covered within a time horizon that can be reliably planned. Insurance contracts are concluded to hedge against the financial consequences of possible liability risks and damage claims, insofar as this is reasonable and possible. The cover provided by such contracts is reviewed and adapted regularly.

Capital Management

The strategic objective of capital management within the SMA Group is to ensure financial flexibility and independence in order to make rapid use of the opportunities in a photovoltaic market characterized by strong growth. Profitable employment of the capital is measured through regular monitoring of net working capital. Within the SMA Group, net working capital is defined as the sum of inventories and trade receivables less trade payables. In order to be able to usefully measure relative capital consumption even in the event of strong corporate growth, net working capital is expressed in relation to sales. Through debtor management, which ensures that receivables are collected in good time, the linkage of the evolution of inventories to sales as well as a constant dividend policy, the Company creates the requirements for its objectives in terms of financial flexibility and independence. In accordance with our intra-Group guidelines, the net working capital ratio determined in this way has to be below 20%. In the year under review, the equity ratio of the SMA Group was 57.4% (2010: 58.2%) and the Net Working Capital ratio was 16.8% (2010: 14.8%).

38. AUDITOR FEES

The fees paid to the auditor and recorded as an expense in the year under review break down as follows:

€ '000	2011	2010
Financial statement auditing	187	148
Other audit-related services	14	13
Other services	7	0
	208	**161**

The cost of financial statement auditing comprises the fees for the audit of the Consolidated Financial Statements as well as for the audit of the Financial Statements of SMA Solar Technology AG and its domestic subsidiaries, provided they are obliged to perform an audit pursuant to Section 316 of the German Commercial Code. The fees for audit-related services and other audit work include expenses for the review of the Interim Consolidated Financial Statements. The fees for other services contain expenses for agreed single auditing and consulting activities, which were performed during the reporting year.

39. DECLARATION ON THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AKTG

The declaration required under Section 161 AktG on the recommendations issued by the Government Commission German Corporate Governance Code was given by the Managing Board and the Supervisory Board on December 6, 2011 and made permanently available to shareholders on the website: www.SMA.de.

40. CONSOLIDATED FINANCIAL STATEMENTS

As the ultimate parent company, SMA Solar Technology AG prepares Consolidated Financial Statements for the largest scope of consolidation as at December 31, 2011, which are filed with the operator of the Electronic Federal Gazette and subsequently published in the Electronic Federal Gazette.

Niestetal, March 2, 2012

SMA Solar Technology AG
The Managing Board

Jürgen Dolle — Roland Grebe

Pierre-Pascal Urbon — Marko Werner

See page www.SMA.de

RESPONSIBILITY STATEMENT

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

Niestetal, March 2, 2012

SMA Solar Technology AG
The Managing Board

Jürgen Dolle Roland Grebe

Pierre-Pascal Urbon Marko Werner

AUDITORS' REPORT

(TRANSLATION – THE GERMAN TEXT IS AUTHORITATIVE)

"We have audited the Consolidated Financial Statements prepared by SMA Solar Technology AG, Niestetal, – comprising the statement of comprehensive income, the balance sheet, the statements of cash flows, the statement of changes in equity and the Notes to the Consolidated Financial Statements – and the Consolidated Management Report for the business year from January 1, 2011 to December 31, 2011. The preparation of the Consolidated Financial Statements and the Consolidated Management Report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Section 315a (1) HGB ("German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Consolidated Management Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Consolidated Management Report are detected with reasonable assurance. Knowledge of the business activity and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related Internal Control System and the evidence supporting the disclosures in the Consolidated Financial Statements and the Consolidated Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the Annual Financial Statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Consolidated Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements of SMA Solar Technology AG, Niestetal, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Consolidated Management Report is consistent with the Consolidated Financial Statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hanover, March 2, 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

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

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Supervisory Board continuously monitored and regularly advised the Managing Board with regard to the management of the Company during the fiscal year 2011 in accordance with the law, the Articles of Incorporation and the Rules of Procedure. The Supervisory Board was involved early on in all decisions of fundamental importance for SMA. The Managing Board kept the Supervisory Board regularly, promptly and comprehensively informed by means of written and oral reports about business developments, the Company and the Group's position, turnover and results of operations, the proposed business policies and other important questions concerning corporate planning, in particular financial, investment, production and personnel planning and strategic plans, as well as about significant transactions. Any deviations in the actual evolution of events with respect to previously reported objectives were illustrated by indicating the reasons.

In addition, information was provided about the Company's and the Group's profitability, in particular the return on equity, risk management and the risk position as well as compliance. Furthermore, the Managing Board reported on the situation in markets of particular relevance to SMA, on product developments and on the quality level of products. Outside meetings, the relevant Chairman of the Supervisory Board was also in contact with the Managing Board and discussed significant business transactions and upcoming decisions with it. The members of the Supervisory Board took the training and specialized training measures necessary for their tasks on their own responsibility, whereby they received suitable support from the Company.

Consultatians of the Supervisory Board

All important business transactions were discussed during the fiscal year in six regular meetings of the Supervisory Board together with the Managing Board. At these meetings, the Supervisory Board, after examination and deliberation, adopted the necessary resolutions in accordance with the law, the Articles of Incorporation and the Rules of Procedure. At five of the six meetings, all of the members of the Supervisory Board were present. Thus, no single member of the Supervisory Board missed more than one meeting in 2011. The Supervisory Board also adopted a written resolution.

In order to prepare for the meetings, the Supervisory Board received written reports from the Managing Board on a regular basis and in time. At each meeting, the subject matter of the deliberations was current business developments, the evolution of markets of particular importance for the SMA Group and corporate planning. Members of the Managing Board participated in all meetings of the Supervisory Board and its committees.

At its meeting on February 21, 2011, the Supervisory Board dealt predominantly with the Corporate Governance Report reproduced in the Annual Report 2010 and the Report of the Supervisory Board.

At the meeting on March 10, 2011, the Supervisory Board acknowledged the Annual Financial Statements 2010 and approved the Consolidated Financial Statements. It also dealt with the agenda and the proposed resolutions for the Annual General Meeting on May 26, 2011. In accordance with the Nomination Committee's proposal, the Supervisory Board resolved to propose to the Annual General Meeting the election of Mr. Cramer and Mr. Drews to the Supervisory Board. Previously, Mr. Drueker and Dr. Hoppe-Kilpper had announced their resignation from the Supervisory Board. Furthermore, the target figures for the 2011 remuneration of the Managing Board members were determined.

from left to right: Prof. (em.) Dr.-Ing. Werner Kleinkauf, Dr. Erik Ehrentraut (Deputy Chairman), Joachim Schlosser, Mirko Zeidler, Johannes Häde, Peter Drews, Günther Cramer (Chairman), Dr. Winfried Hoffmann, Reiner Wettlaufer, Dr. Günther Häckl, Ulrich Meßmer, Alexander Naujoks

On May 25, 2011, the Supervisory Board discussions focused on the report of the Managing Board on ethical principles, corporate social responsibility and sustainability, as well as the status of the dtw Sp. z o.o acquisition.

At a meeting directly following the Annual General Meeting on May 26, 2011, the Supervisory Board elected Mr. Cramer as the new Chairman and Dr. Ehrentraut, who had previously announced his resignation from the office of Chairman, as his deputy. Mr. Drews and Dr. Ehrentraut were elected new members of the Nomination Committee, while Mr. Drews was elected as its Chairman. Furthermore, the audit mandate was granted to the auditor and the level of the remuneration of the Managing Board members was determined.

On the basis of a written resolution determined by the Chairman on July 28, 2011, the Supervisory Board unanimously approved the acquisition of all business interests in dtw Sp. z o.o.

On August 31, 2011, the report of the Managing Board on product quality and the actual status of the "Herkules" project – which aims to create a new company structure – were discussed. The Managing Board also reported on selected foreign markets. In addition, the Supervisory Board made an initial review of the list of resolutions requiring consent, which are defined in the Rules of Procedure of the Managing Board.

At the last meeting in the fiscal year on December 6, 2011 and after a detailed strategy discussion, the Supervisory Board adopted the budget for the fiscal year 2012. In addition, the Managing Board reported on the evolution of quality levels of the various product families, the development of foreign markets and on expected technological developments. Furthermore, the Managing Board and the Supervisory Board adopted a Declaration of Conformity pursuant to Section 161 (1) sentence 1 of the German Stock Corporation Act (AktG) in order to comply with the

recommendations of the German Corporate Governance Code. In this respect, the Code's stipulations regarding diversity when appointing members of the Company's corporate bodies were also discussed, and objectives regarding the composition of the Supervisory Board were set. (A presentation of the objectives and the status of their implementation is found in the Corporate Governance Report 2011, included in the Annual Report on page 15 et seqq.). Finally, the Supervisory Board resolved a clarification of the Rules of Procedure of the Managing Board.

At the meeting held on February 22, 2012, the Supervisory Board discussed the drafts of the Corporate Governance Report and of the Report of the Supervisory Board, and dealt with the preliminary financial statements for 2011.

Committee Meetings

In order to improve the efficiency of the work carried out by the Supervisory Board, the Supervisory Board maintains four permanent committees: A Presidial Committee, an Audit Committee, a Nomination Committee and a Mediation Committee. You will find the names of the persons appointed to these committees on our website www.IR.SMA.de as well as in the Corporate Governance Report 2011 (included in the Annual Report on page 15 et seqq.).

The committees prepare the topics and resolutions to be dealt with by the full Supervisory Board and, within the framework of the competences transferred to them, they resolve on those matters they have been assigned to deal with instead of the Supervisory Board. The content of the committee meetings is reported by the committees' chairmen at the following meeting of the full Supervisory Board. All members of the Supervisory Board receive the minutes on the resolutions of the committees.

The Presidial Committee met four times in 2011.

At its meeting on February 16, 2011, the Committee reviewed the remuneration of the Managing Board members and revised the drafts of the Corporate Governance Report and of the report of the Supervisory Board.

At its meeting on March 10, 2011, the Presidial Committee resolved a proposal for the target figures of the remuneration of the Managing Board members for 2011. Moreover, at its meeting on May 25, 2011, it resolved a proposal for the level of the remuneration of the Managing Board members.

At its meeting on December 5, 2011, the Presidial Committee discussed in detail the retirement of Mr. Hertel from the Managing Board and delivered a recommendation to the Supervisory Board on how to proceed. In addition, the Presidial Committee resolved a recommendation to the Supervisory Board for setting the objectives of the composition of the Supervisory Board. The Presidial Committee also reviewed the appropriateness of the remuneration of the Managing Board, in part also in the context of an analysis of comparable peer groups in other solar and TecDAX companies, and resolved to present the analyses and proposals to the entire Supervisory Board for discussion and assessment. The Presidial Committee also reviewed business with related parties and prepared recommendations for the Supervisory Board of a new Declaration of Conformity on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act as well as regarding a clarification of the Rules of Procedure of the Managing Board.

The Audit Committee convened seven times in 2011, three times via telephone conference.

On February 16, 2011, the Audit Committee discussed the report on the fiscal year 2010 by the Internal Auditing department and informed itself regarding the progress of the financial audit.

On March 9, 2011, the Audit Committee discussed the draft of the financial statements report and of the consolidated financial statement report in the presence of the auditor. Its discussions included the main points of the financial statements audit. In addition, the proposal for the election of the auditor for the fiscal year 2011 was discussed. Furthermore, the Audit Committee discussed the Risk Report for the fiscal year 2010.

See also Corporate Governance Report page 15 et seqq.
See also IR-Website www.IR.SMA.de

At its meeting on August 31, 2011, the Audit Committee dealt with the Half-Yearly Reports prepared by the Internal Auditing department and risk management. In addition, the Managing Board informed about the Company's current competitive position.

At its last meeting of the fiscal year on December 5, 2011, the financial audit plans for the fiscal year 2011 were presented to the Audit Committee by the auditor. Moreover, the audit plans of the Internal Auditing department for the fiscal year 2012 were presented to it by the head of the Internal Auditing department. After comprehensive discussion, both sets of plans were approved by the Committee. The Audit Committee also discussed the effectiveness of the Internal Control System (IKS), the Risk Management System and the Internal Auditing department. Subjects dealt with included the risk categories and limiting values of the risk management system. Afterwards, the Audit Committee informed itself regarding the status of the implementation of a Compliance Management System and discussed the budget proposal for the fiscal year 2012 as well as the results of a self review regarding the efficiency of its work.

In addition, the Audit Committee discussed the relevant Quarterly and Half-Yearly Financial Reports with the Managing Board in three telephone conferences on May 11, 2011, August 10, 2011, and November 9, 2011.

The Nomination Committee met once in 2011 – on March 10, 2011 – to discuss the proposal to the Annual General Meeting for the election to the Supervisory Board. It resolved to propose to the Supervisory Board to recommend to the next Annual General Meeting the election of Mr. Cramer and Mr. Drews to the Supervisory Board.

The Mediation Committee was not convened in the fiscal year 2011.

Corporate Governance

During 2011, the Supervisory Board dealt on many occasions with the content of the German Corporate Governance Code. In June and December 2011, the Supervisory Board and the Managing Board delivered Declarations of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) in order to comply with the recommendations of the German Corporate Governance Code. The joint report issued by the Supervisory Board and the Managing Board on compliance with the rules of the German Corporate Governance Code pursuant to clause 3.10 of the Code (Corporate Governance Report) has been made permanently available on our website www.IR.SMA.de and is mentioned additionally on pages 15 et seqq. of the Annual Report. This is also where you will find statements on conflicts of interest and how they are handled.

Annual Financial Statements and Consolidated Financial Statements

The Annual Financial Statements prepared by the Managing Board as at December 31, 2011 and the Management Report for the fiscal year 2011 as well as the Consolidated Financial Statements as at December 31, 2011 and the Consolidated Management Report for the fiscal year 2011 were audited by the auditing firm Deloitte & Touche GmbH, Hanover. The Supervisory Board granted the audit assignment in accordance with the resolution adopted by the General Meeting on May 26, 2011. Prior to submitting the corresponding proposal to the General Meeting regarding the appointment of the auditors, the Supervisory Board had obtained the auditor's certificate of independence pursuant to clause 7.2.1 of the German Corporate Governance Code. The Supervisory Board also monitored the independence of the auditor. In addition, it dealt with the assignment of orders to the auditor for non-audit-related services.

See also IR-Website www.IR.SMA.de
See also Corporate Governance Report page 15 et seqq.

The Consolidated Financial Statements of the Company were prepared in line with Section 315a of the German Commercial Code on the basis of the International Financial Reporting Standards (IFRS) as applicable in the EU. The auditor granted an unqualified audit opinion for the Annual Financial Statements and the Management Report as well as for the Consolidated Financial Statements and the Consolidated Management Report.

The reporting documents and the Managing Board's proposal on the appropriation of profits as well as the two audit reports were made available to the Supervisory Board in good time. These were first discussed by the Audit Committee at its meeting on March 12, 2012 and then by the Supervisory Board at its meeting on March 13, 2012, on each occasion in the presence of the auditor's representatives. The auditor's representatives reported on the findings of the audit and provided detailed explanations of the assets, financial position and results of operations of the Company and the Group. The questions posed by the Supervisory Board were answered and the reporting documents were reviewed in detail together with the auditor's representatives and discussed and examined by the Supervisory Board. Thereafter, the findings of the auditor were approved. The Supervisory Board raised no objections after concluding its examination. Accordingly, the Supervisory Board approved the Financial Statements prepared by the Managing Board and the related Management Reports for fiscal year 2011 at its meeting convened to adopt the accounts on March 13, 2012. Hence the Company's Annual Financial Statements have been approved as set out in Section 172 of the German Stock Corporation Act (AktG).

Finally, at its meeting held on March 13, 2012, the Supervisory Board approved the Managing Board's proposal on the appropriation of the balance sheet profit. In this respect, the Supervisory Board discussed the Company's liquidity situation, the estimated market development and financing of planned investments. In doing so, the Supervisory Board came to the conclusion that the proposal was in the interests of the Company and the shareholders.

Changes in the Supervisory Board

Mr. Drueker and Dr. Hoppe-Kilpper had laid down their mandates as members of the Supervisory Board with effect from the end of the Annual General Meeting on May 26, 2011. Therefore, a special election of the Supervisory Board had to be held at the next Annual General Meeting. At its meeting on March 10, 2011, the Supervisory Board had decided to put forward the names of Mr. Cramer and Mr. Drews for election by the General Meeting to the Supervisory Board. In so doing, it seconded a proposal made in accordance with Section 100 (2) sentence 1, no. 4 of the German Stock Corporation Act (AktG) by the shareholders who coordinate their voting rights in the "Poolvertrag SMA Solar Technology AG" agreement and who jointly hold more than 25 % of the Company's voting rights and the candidate proposal submitted by the Nomination Committee. Mr. Cramer and Mr. Drews had already announced in 2010 that they wished to lay down their Managing Board mandates at the end of the Annual General Meeting 2011 and stand for a post in the Supervisory Board. The Annual General Meeting on May 26, 2011 then elected Mr. Cramer and Mr. Drews as members of the Supervisory Board.

According to the Supervisory Board, SMA has performed exceptionally well under drastically changed market and competitive conditions. The Executive Board identified these changes early and refocused the organization. The internationalization necessary for SMA's future success was further accelerated, as was technology development. The Supervisory Board thanks the Managing Board and all those employed at SMA Solar Technology AG for what they achieved in the last fiscal year and their constant high commitment. As a result this, it was possible to meet the challenges of a market becoming insecure and to achieve a good profit for the year.

Niestetal, March 13, 2012

The Supervisory Board

Günther Cramer
Chairman

ANNUAL FINANCIAL STATEMENTS

SMA SOLAR TECHNOLOGY AG – INCOME STATEMENT IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)*

€ '000	2011	2010
Sales	**1,489,611**	**1,894,729**
Increase or decrease in finished goods and work in progress	–12,003	23,387
	1,477,608	**1,918,116**
Other own work capitalized	6,603	13,851
Other operating income	74,862	35,157
Material expenses	855,119	963,149
Personnel expenses	224,413	219,391
Amortization and depreciation of intangible and fixed assets	38,147	26,409
Other operating expenses	246,295	238,462
Financial result	4,138	2,066
Net operating income (loss)	**199,237**	**521,779**
Extraordinary net income (loss)	0	621
Taxes on income	65,618	161,377
Other taxes	399	48
Net income/net loss for the year	**133,220**	**360,975**
Accumulated income/losses brought forward	436,057	179,182
Profit available for distribution	**569,277**	**540,157**

* The complete Individual Financial Statements of SMA Solar Technology AG are available at www.SMA.de.

SMA SOLAR TECHNOLOGY AG – BALANCE SHEET IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)*

Assets € '000	12/31/2011	12/31/2010
A. Fixed assets		
I. Intangible assets	18,474	10,278
II. Fixed assets	292,194	209,130
III. Financial assets	74,829	25,980
	385,497	**245,388**
B. Current assets		
I. Inventories	185,257	181,925
II. Receivables and other assets	174,566	224,158
III. Securities	118,824	0
IV. Cash and cash equivalents	330,500	513,298
	809,147	**919,381**
C. Prepaid expenses and deferred charges	**612**	**139**
	1,195,256	**1,164,908**

Shareholders' equity and liabilites € '000	12/31/2011	12/31/2010
A. Shareholders' equity		
I. Subscribed capital	34,700	34,700
II. Capital reserves	124,200	124,200
III. Retained earnings		
1. Statutory reserve	400	400
2. Other retained earnings	3,136	3,136
IV. Profit available for distribution	569,277	540,157
	731,713	**702,593**
B. Special account with reserve characteristics	**425**	**585**
C. Provisions	**266,409**	**296,620**
D. Trade payables	**121,503**	**111,713**
E. Accrued liabilities	**75,206**	**53,397**
	1,195,256	**1,164,908**

* The complete Individual Financial Statements of SMA Solar Technology AG are available at www.SMA.de

TECHNICAL GLOSSARY

AC (Alternating Current)
Mains-compliant current.

Average Selling Price (ASP)
Sales achieved through inverters (excl. Sunny Island and Sunny Backup) divided by the sold inverter output in watts.

Backup system
In case of a power failure, Sunny Backup switches to island power supply within milliseconds.

BDEW
German Association of Energy and Water Industries (Bundesverband der Energie- und Wasserwirtschaft e. V.).

BDEW medium voltage directive
This Guideline stipulates that, from 2009 onward, solar inverters must be part of grid management to ensure the stability of supply networks.

BSW
Comprising over 800 solar energy companies, the German Solar Industry Association (Bundesverband Solarwirtschaft e. V. – BSW-Solar) represents the interests of the German solar energy sector.

Central inverter
Inverters for PV large-scale plants. These inverters are used with centralized design concepts.

Change-of-control clause
Provision in the employment contracts of board members or management providing a special termination right in case of a change of ownership or a change in majority shareholders, usually against payment of a firmly agreed compensation, continued payment of remuneration, often also a corresponding pension provision.

Commercial range
Photovoltaic inverters suitable for grid-connected photovoltaic systems with a performance range between 30 kW and 500 kW (SMA definition of the target group: tradespersons with supplementary revenue from PV systems).

Compliance
Legally compliant conduct.

Conversion efficiency
The conversion efficiency is a property of the solar inverter and describes how much of the incoming DC power is output as AC power. Top-of-the-line devices from SMA achieve conversion efficiency levels of more than 99%. By way of comparison, modern passenger car diesel engines offer efficiency levels of no more than 45%.

Corporate Governance
Procedures for managing and controlling companies in a manner that is responsible and aimed at long-term value creation.

DC (Direct Current)
Direct current must be converted to grid-compliant alternating current (AC) for the network supply.

Distribution grid
Distributes the power received from the supergrid to the relevant consumers:
High-voltage grid → Industry
Medium-voltage grid → Industry/commerce
Low-voltage grid → Households/small businesses

EPIA
European Photovoltaic Industry Association.

European power distribution grid
A closely-knit, European power grid comprising high- and ultra-high-voltage lines for distributing electrical energy.

German Renewable Energy Sources Act (EEG)
The Erneuerbare-Energien-Gesetz (EEG) is a law on the process of renewable energies with the aim of supporting the further development of technologies for the production of power from renewable sources.

Grid management
For decentralized generating plants, the participation in grid management means that they have to orientate themselves toward the current situation of the distribution grid with regard to the feed-in. It affects all solar plants feeding in at medium voltage level.

Grid parity
Grid parity exists when the production costs of power from a photovoltaic system are identical to the selling price for domestic power from the public supply network.

Industrial range
Photovoltaic inverters suitable for grid-connected photovoltaic systems with a power range > 500 kW (SMA definition of the target group: investors with the primary aim of selling energy).

Inverter
An inverter is an electrical device converting direct voltage into alternating voltage or direct into alternating current.

Island system
PV island systems are stand-alone power networks fed, for example, by the energy of a solar system; in other words, these systems are not connected to a power grid.

kVA
Kilovolt ampere (unit of measure for electrical apparent power).

Life Cycle Costs (LCC)
The total costs of an inverter from acquisition via installation, commissioning and maintenance up to disposal.

Low voltage
Voltage range up to 1,000 V.

Low voltage directive
See VDE application guide 4105.

Medium voltage
Voltage range from 1,000 V to 60,000 V.

MPP tracking
Maximum power point.

Multi-string inverter
Inverter that largely combines the advantages of multiple string inverters (separate MPP control of individual strings) and a central inverter (low performance-specific costs).

Off-grid applications
See "Island system".

OptiTrac
Optimized MPP tracking so that the solar modules can be operated even with partial shading at the point of maximum performance (Maximum Power Point – MPP).

Photovoltaics (PV)
Conversion of radiation energy – in particular solar energy – to electricity by means of photovoltaic cells.

Power frequency
This describes the frequency of the alternating current in the public power grid, that is, the speed at which the polarity of the voltage oscillates. If more energy is drawn from the grid than is fed in, the line frequency decreases; if there is surplus generative capacity, it increases. To ensure that the power grid operates safely, the frequency must be maintained within narrow limits. In Europe, the target value is 50 Hz (= 100 polarity reversals per second).

Reactive power
Reactive power is a term from electronics that describes pulsating power with an alternating positive and negative sign. The positive and negative components of the power output cancel each other out, which yields an average value of zero. This is why it is also referred to as a power grid oscillation. The counterpart to reactive power is active power. In an AC grid, it likewise has a pulsating value, although this is generally positive. Only active power can be used to operate electrical consumers. The sum of active power and reactive power is called 'apparent power'. All electrical operating resources and the entire grid infrastructure must be designed in accordance with this. Apparent power arises if the voltage and current values, likewise pulsating, are out of phase, that is, they attain their maximum or minimum offset with regard to time. This phase displacement can have two directions and is practically unavoidable in the technical application of inverters, because almost every electronic component causes a degree of phase displacement in one direction or the other. Modern inverters are capable of compensating for the phase displacement within a grid, thereby eliminating the useless reactive power from the grid. Through a certain degree of phase displacement, they are also capable of lowering the grid voltage, which usually rises undesirably when active power is fed into the grid.

Residential range
Photovoltaic inverters suitable for grid-connected photovoltaic systems with a performance range between 1 kW and 30 kW (SMA definition of the target group: private PV system operators).

Silicon-carbide circuit breaker

Circuit breakers made of semiconductor materials are central components in inverters: The intelligent arrangement of multiple circuit breakers and their precision control converts direct current to alternating current. Silicon-carbide circuit breakers are characterized by their exceptionally low switching losses. In comparison with conventional silicon circuit breakers, therefore, silicon-carbide circuit breakers enable the development of inverters that are either faster-switching (smaller, lighter, cheaper) or more efficient.

Smart grid

Spatially distributed, networked electricity generators, electricity storage facilities and consumers in combination with a flexible grid infrastructure, which apart from energy also transports information. Inverters that function as flexible control elements in power electronic systems will play a decisive role here.

Solar generator

The solar generator is the unit of electrically interconnected solar modules in a photovoltaic system. The solar modules are series-connected to form "strings". Strings of equal length can also be connected in parallel. This makes it possible to set the power, voltage and current of the solar generator to the required value. Larger solar generators are often divided into electrically independent sub-generators, which can also be differently aligned.

Solar Academy

SMA provides comprehensive training on the topic of solar technology in seminars specifically targeted to the needs of solar power professionals.

Specific sales price per watt

Sales price in euro divided by the rated power of each inverter type in watts.

String

Connection/interconnection of several solar modules.

String inverter

With string technology, the PV generator is divided into individual module areas, and each of these individual "strings" is assigned its own string inverter.

Switchgear

System in which electrical energy is distributed or transformed.

Thin-film PV modules

Compared with crystalline-silicon solar cells, thin-film PV modules require much less semiconductor material because a semiconductor layer just a few micrometers thick is placed onto a suitable mechanical carrier (e. g. a glass plate). This makes them much cheaper to manufacture, although they currently deliver less power than crystalline modules despite being the same size. Thin-film PV modules are the preferred solution in large-scale PV plants where space requirements are not usually a priority.

Total Cost of Ownership (TCO)

See Life Cycle Costs.

Transmission grid operators

Service companies that operate the infrastructure of the nationwide power grids for the transmission of electrical energy, ensure demand-driven maintenance and dimensioning and provide electricity traders/suppliers with access to these grids.

UL Certification

The Underwriters Laboratories (UL) is an organization founded in the U.S. in 1894 for the audit and certification of products and their safety (comparable to the German VDE, TÜV, and the like).

VDE application guide 4105

VDE-AR-N 4105 is a technical regulation for electricity generators that feed their energy into the low-voltage grid and is therefore applicable to all small- and medium-scale solar systems in Germany. It has been binding for all new systems installed since January 1, 2012 and describes the characteristics and settings that an inverter needs for helping to ensure the stability of the power grid.

W, kW, MW, GW

Units for power:
1 kilowatt (kW) = 1,000 watts (W)
1 megawatt (MW) = 1,000 kilowatts
1 gigawatt (GW) = 1,000 megawatts

Wp

Abbreviation for Watt peak. Unit for the standardized rated power of a photovoltaic cell or a photovoltaic module under standard conditions.

Xetra

Exchange Electronic Trading: fully electronic trading system at the Frankfurt Securities Exchange (FWB) for the spot market. More than 90% of the shares traded in Germany are traded using the Xetra platform.

FINANCIAL GLOSSARY

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBIT margin
Operating profit.

Equity ratio
Shows the share of equity in the total equity and liabilities.

Gross cash flow
Shows the operating income prior to any commitment of funds. It is calculated by considering earnings before income tax and the financial result – plus interest received, depreciation and amortization, changes in other provisions, profit/loss from the disposal of fixed assets and other non-cash expenses/revenues less interest paid and income tax paid.

Gross profit on sales
Sales minus cost of sales.

IAS
International Accounting Standards; newer standards refer to the initials IFRS.

IASB
International Accounting Standards Board.

IFRIC
Interpretations of the International Financial Reporting Interpretations Committee on IAS/IFRS.

IFRS (International Financial Reporting Standards)
IFRS are international reporting standards defined by the IASB.

Net cash
Liquid funds and securities contained within working capital less interest bearing financial liabilities.

Net cash flow from financing activities
Outflow/inflow of liquid funds from equity financing and debt financing.

Net cash flow from investing activities
Outflow/inflow of liquid funds from investments and disinvestments.

Net cash flow from operating activities
Outflow/inflow of liquid funds, unaffected by investments, disinvestments and financing activities.

Net working capital
Net working capital, i.e. the total amount of short-term, interest-free working capital (inventories plus trade receivables less trade payables).

Net working capital ratio
Net working capital in relation to net sales.

Operating profit (EBIT)
Earnings before interest and taxes.

Return on Assets (after taxes)
The Return on Assets (after taxes) is the Consolidated Net profit divided by the averaged total assets of the reporting period (average of total assets at the beginning and end of the reporting period).

Return on Equity (after taxes)
The Return on Equity (after taxes) is the Consolidated Net profit divided by the averaged total equity of the reporting period (average of total equity at the beginning and end of the reporting period).

Return on sales
Ratio of EBT to sales.

Sales
(the higher the percentage, the higher the earning power)

$$\frac{\text{EBT}}{\text{Earnings before taxes}} \times 100$$

Disclaimer

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

FINANCIAL CALENDAR 2012

March 29, 2012	Publication of the Annual Report SMA Group 2011 and the Individual Financial Statements SMA Solar Technology AG 2011 Analyst Conference Call: 9:00 a. m. CET
March 29, 2012	Press Conference on the Annual Results, Frankfurt am Main
May 10, 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 2012, Kassel, Kongress Palais
June 14, 2012	Capital Markets Day 2012, Munich
August 9, 2012	Publication of the Half-Yearly Financial Report January to June 2012 Analyst Conference Call: 9:00 a. m. CET
November 8, 2012	Publication of the Quarterly Financial Report January to September 2012 Analyst Conference Call: 9:00 a. m. CET

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