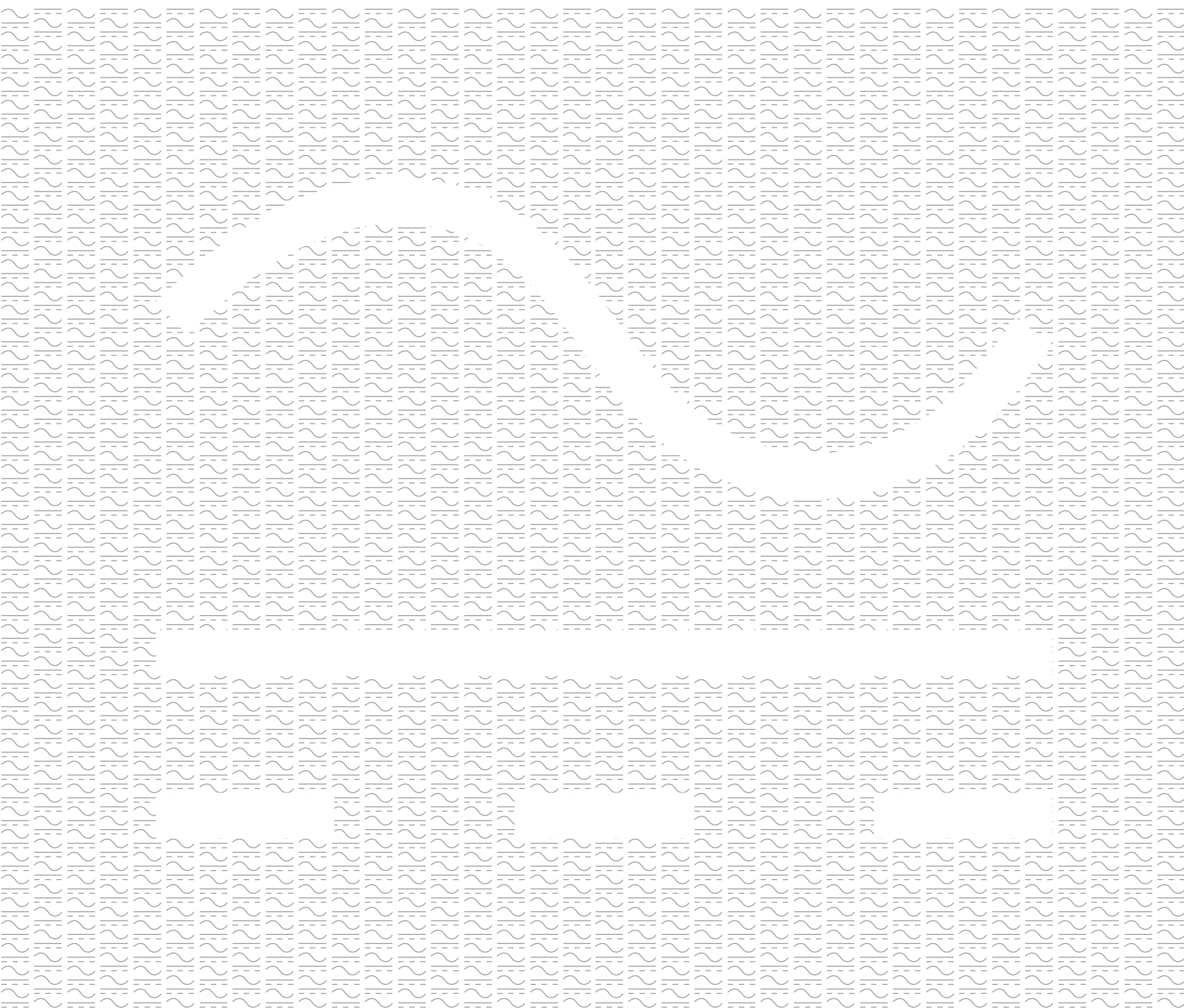


ENERGY  
THAT  
CHANGES



# Quarterly Financial Report January to September 2012



## SMA AT A GLANCE

SMA Group		Q1-Q3 2012	Q1-Q3 2011	Change	Year 2011
Sales	€ million	1,196.4	1,192.2	0%	1,676.3
Export ratio	%	53.4	53.4		53.6
Inverter output sold	MW	5,870	5,361	9%	7,591
Capital expenditure	€ million	80.6	121.4	-34%	161.3
Depreciation	€ million	48.4	34.7	39%	50.4
Operating profit (EBIT)	€ million	116.0	178.3	-35%	240.3
EBIT margin	%	9.7	15.0		14.3
Consolidated net profit	€ million	81.0	126.4	-36%	166.1
Earnings per share <sup>1</sup>	€	2.33	3.64		4.79
Employees <sup>2</sup>		6,846	6,268	9%	6,366
in Germany		5,509	5,592	-1%	5,568
abroad		1,337	676	98%	798

SMA Group		09/30/2012	12/31/2011	Change
Total assets	€ million	1,404.5	1,374.3	2%
Equity	€ million	829.3	789.3	5%
Equity ratio	%	59.0	57.4	
Net working capital <sup>3</sup>	€ million	346.1	281.7	23%
Net working capital ratio <sup>4</sup>	%	20.6	16.8	
Net Cash	€ million	425.8	473.3	-10%

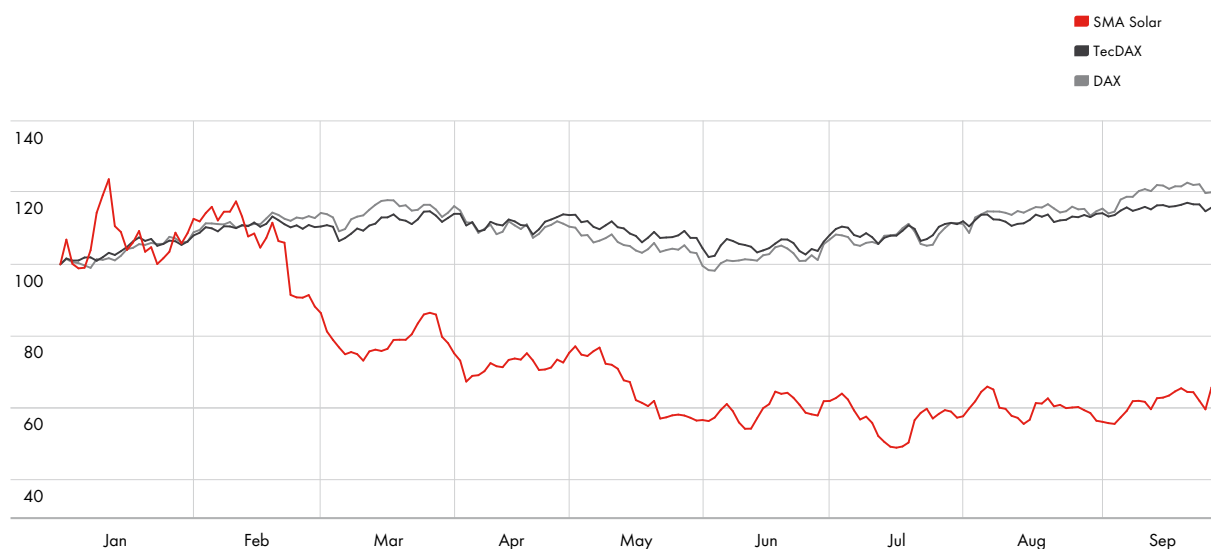
<sup>1</sup> Converted to 34,700,000 shares

<sup>2</sup> Average during the period; incl. temporary employees

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

<sup>4</sup> Relating to the last 12 months (LTM)

### Performance of the SMA Share Q1-Q3 2012 in %, rebased to 100 points



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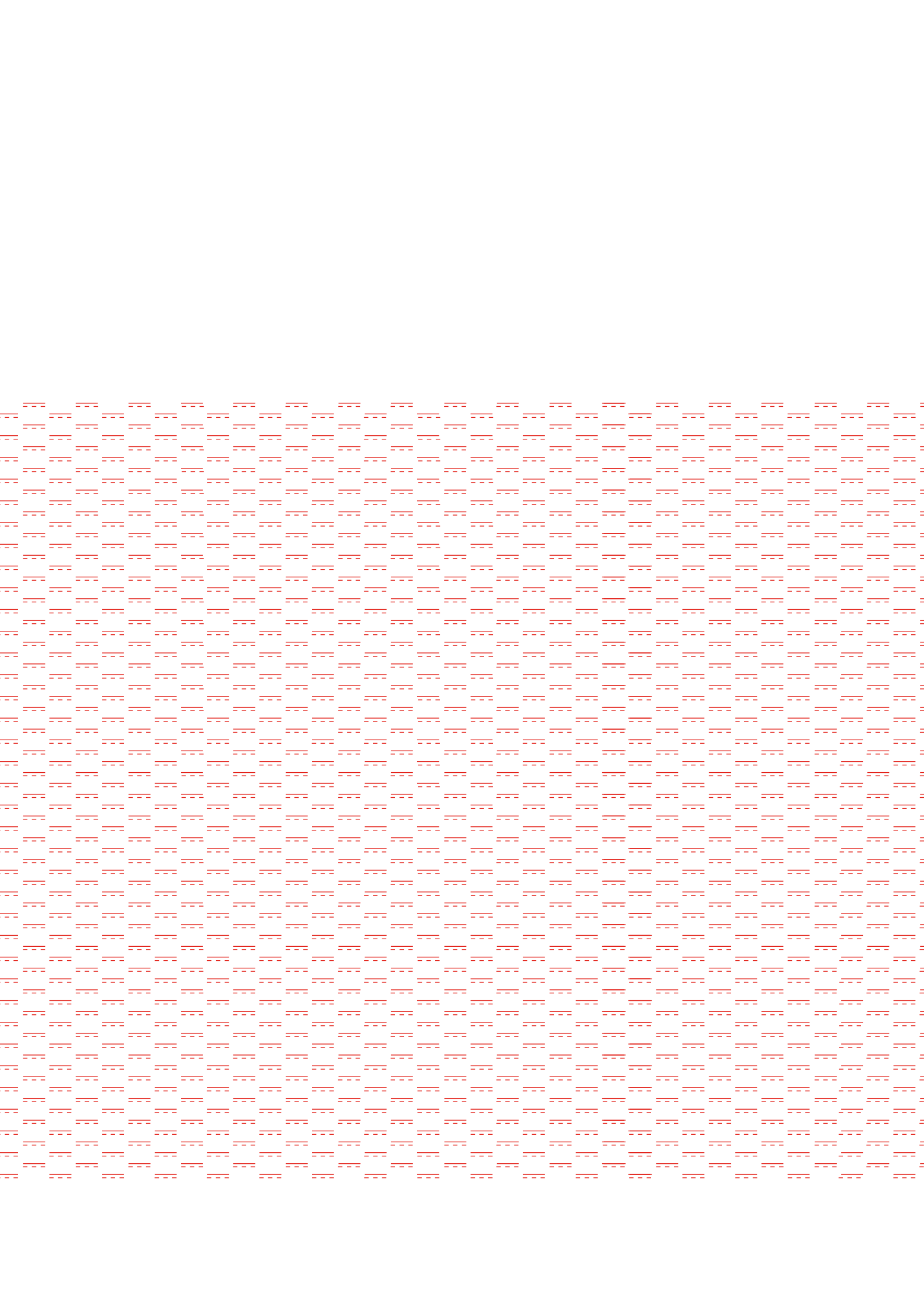
# THE SHARE

## Quarterly Financial Report January to September 2012 – Facts to Our Share

**€944.4** Million Market Capitalization

**33.8** Percent Payout Ratio

**29.15** Percent Free Float



# THE SHARE

## GERMAN INDICES DEFY THE EURO CRISIS

In the first nine months of 2012, the performance of the stock market indices was influenced in particular by the EU financial crisis and the U.S. economy. After a successful start to 2012 at 6,075.52 points, the DAX climbed toward the 7,000 mark. The German leading index breached this barrier on March 14, 2012. The 7,000 mark did not hold long due to the deteriorating business outlook. The DAX fell at the beginning of April and reached its low of 5,969.40 points on June 5, 2012. The DAX then recovered and achieved an interim high of 6,758.39 on July 19, 2012.

A poor outlook for some European countries caused the DAX to fall to 6,390.41 points by July 24, 2012. The German leading index only attained the 7,000 mark repeatedly in August. Good news on the preservation of the euro zone was a crucial factor here. The DAX was also positively

influenced by the German Constitutional Court's approval of the European Stability Mechanism (ESM) which is part of the euro rescue facility. On September 12, 2012, the German leading index rose to 7,343.53 points, reaching its 9-month high, at 7,451.62 points, on September 21, 2012. The DAX was under pressure up to the end of the third quarter because of doubts regarding the easing of US monetary policy and the smoldering euro crisis. The German leading index closed at 7,216.15 points on September 28, 2012. This is a price increase of 18.8% on the start of the year.

The TecDAX performed similarly to the DAX in the first nine months of 2012. The key index for technology stocks started successfully into 2012 at 699.66 and to the middle of February moved up by over 10% (792.49 on February 20, 2012). On March 26, 2012, it exceeded the 800-mark and reached 801.93 points. The technology index trended downwards in the second quarter of 2012 and posted an interim low, at 713.90 points, on June 4, 2012. In the course of the third quarter of 2012, the TecDAX headed back

Performance of the SMA Share Q1-Q3 2012 in %, rebased to 100 points



Difficult conditions influence SMA's share price performance

towards the 800-point mark and breached this barrier on September 6, 2012 at 804.01 points. On September 21, 2012, the TecDAX posted its highest level since the beginning of the year at 819.13 points. The index closed at 809.48 points on September 28, 2012.

#### Basis Data

WKN	A0DJ6J
ISIN	DE000A0DJ6J0
Stock market symbol	S92
Reuters	S92G.DE
Bloomberg	S92 GR
Listing	Prime Standard of Frankfurt Stock Exchange
Initial public offering	June 27, 2008
Share class	No-par-value ordinary bearer shares
Share capital	€34.7 million
Number of shares	34.7 million
Index	TecDAX, ÖkoDAX, CDAX, Prime All Share

## DIFFICULT CONDITIONS INFLUENCE THE SMA PRICE PERFORMANCE

SMA shares began 2012 positively at a price of €43.48 (January 2, 2012, closing price Xetra trading platform).

In February 2012, the German Federal Government announced the premature and drastic reduction of solar subsidies in Germany. The price of the SMA share subsequently fell to €39.80 on February 29, 2012 (closing price Xetra trading platform). The Managing Board adjusted the prospects for sales and earnings in 2012 because of the changes to subsidy conditions. Over the next few days, the price dropped further, reaching €31.88 on March 12, 2012 (closing price Xetra trading platform). On March 29, 2012, SMA announced the final figures for fiscal year 2011 and confirmed the sales and earnings forecasts for 2012. The German Bundestag also adopted the amendment to the EEG (Renewable Energy Sources Act) relating to photovoltaics. The SMA share price dropped sharply and fell below the

€30 mark by the beginning of April 2012 (€29.35 closing price Xetra trading platform on April 4, 2012). Investors became less and less willing to invest in solar stocks because of numerous insolvencies in the solar sector. The SMA share price sank to €23.33 on June 12 (closing price Xetra trading platform). The renewed confirmation of the sales and earnings forecast for 2012 and the presentation of numerous innovations at Intersolar had a positive influence on the price, pushing it to €28.03 in mid-June. The upward trend was not maintained for long. In July, further insolvencies in the solar sector depressed solar stocks significantly. Finally, the SMA share posted its lowest level since the IPO in 2008, at €21.38 (closing price Xetra trading platform) on July 17, 2012. On August 9, 2012, SMA announced the figures for the first half of the year. On publication, the Managing Board raised the lower end of the sales and earnings forecast. The price of the SMA share weakened by 7.7% on this date to €26.20 (closing price Xetra trading platform).

In September 2012, the EU authorities decided to examine the complaint about Chinese manufacturers' dumping prices, whereupon the price of SMA shares rose by around 3% to €25.03 and consequently topped the TecDAX (September 6, 2012, closing price Xetra trading platform). The share price was given more positive impetus by the anticipated announcement of provisional sales and earnings figures during the Capital Markets Day planned for the end of September 2012. On the final trading day of the third quarter of 2012, the SMA share closed at €27.22 (September 28, 2012, closing price Xetra trading platform).

## STABLE SHAREHOLDER STRUCTURE

The shareholder structure remained constant in the reporting period. Thus, 29.15% of the shares are in free float and 25.20% are bundled in a pooling agreement. Approximately 28% of the shares are held by the founders of SMA Solar Technology AG Günther Cramer, Peter Drews, Reiner Wettlaufer and Prof. (em.) Dr.-Ing. Werner Kleinkauf. The first three of those named hold voting rights as sole Managing Board members for their foundations with a further approximately 17% of the shares.

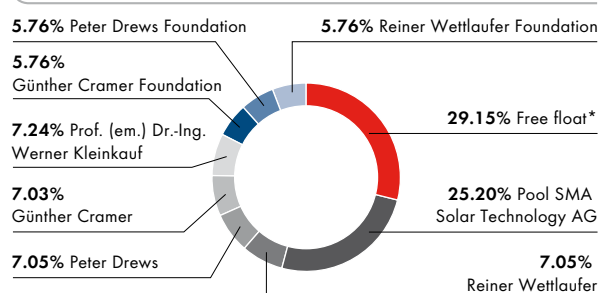
## COVERAGE OF THE SHARES IS FALLING

As a manufacturer for solar inverters, SMA operates in a volatile market environment. In recent months, listed solar stocks posted significant falls with regard to their market capitalization worldwide. As a result many investment banks have adjusted their research capacities. Although SMA, as market leader, remains an object of interest for analysts, we are seeing a reduction in coverage of the SMA share. At the end of the third quarter, the number of banks and securities houses, which report on the SMA share regularly, decreased from the previous figure of 22 to 18 analysts.

### Research Coverage

Institution	Name
Bank of America/Merrill Lynch	Claus Roller
Barclays Capital	Rupesh Madhani
Bryan, Garnier & Co	Julien Desmaretz
Citi	Jason Channell
Commerzbank	Lauren Licuanan
Deutsche Bank	Alexander Karnick
DZ Bank	Sven Kürten
Equinet Bank	Stefan Freudenreich
HSBC Trinkaus & Burkhardt	Christian Rath
Independent Research	Sven Diermeier
Landesbank Baden-Württemberg	Erkan Aycicek
Macquarie Group	Robert Schramm-Fuchs
Main First	Andreas Thielen
Metzler	Daniel Seidenspinner
Morgan Stanley	Allen Wells
Natureo Finance	Ingo Queiser
UBS	Jean-Francois Meymandi
Warburg Research	Christopher Rodler


### Shareholder Structure in %



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

## ANNUAL GENERAL MEETING RESOLVES HIGHEST PAYOUT RATIO SINCE THE IPO

The Annual General Meeting of the SMA Group was held at Kongress Palais Kassel on May 22, 2012 with more than 450 shareholders attending. The shareholders granted discharge to the Managing Board and Supervisory Board by a large majority and approved payment of a dividend of €1.30 per qualifying bearer share by a majority of almost 100%. This equates to a payout ratio of 33.8% and is therefore the highest payout ratio since the IPO in 2008. SMA will continue to attach a great deal of importance to the participation of shareholders in the Company's development and therefore targets a payout ratio of 20% to 40%.

All relevant information and documents regarding the 2012 Annual General Meeting as well as the speech of Pierre-Pascal Urbon, CEO, are available on the Web site at [www.SMA.de/AnnualGeneralMeeting](http://www.SMA.de/AnnualGeneralMeeting). 

The next SMA Solar Technology AG Annual General Meeting will be held on May 23, 2013 at Kongress Palais Kassel.





## GREAT INTEREST AT THE CAPITAL MARKETS DAY


The Capital Markets Day 2012 took place on September 26, 2012 on the margin of the 27th EU PVSEC in Frankfurt/Main. As part of the management presentation, Pierre-Pascal Urbon, Chief Executive Officer and Chief Financial Officer, spoke about the changes in demand for solar inverters in the current fiscal year because of significant changes in the subsidy conditions in major European solar markets. He also explained how demand will be driven differently as the solar industry evolves from a subsidized market to an economic energy supply. He also announced the sales and earnings forecast for the third quarter of 2012 and confirmed the outlook for 2012 as a whole. Pierre-Pascal Urbon also explained that the planning figures for 2013 are being specified in detail at present and the Company will only be able to provide a forecast for the coming fiscal year once the analysis has been completed.

Volker Wachenfeld, Executive Vice President Off-Grid Solutions division presented solutions for controlling solar diesel hybrid systems and their potential in sunny countries. Using the example of the first flagship project in South Africa, Volker Wachenfeld explained SMA's intelligent system solution. This reduced consumption of fuels to a minimum and ensured optimal economic efficiency was achieved.


Subsequently, Greg Smith, Trainer at the U.S. Solar Academy, presented the latest products developed specially for the rapidly expanding North American market and explained SMA's technological unique selling points with the help of numerous examples.

Following the management presentation, Roland Grebe, Chief Technology Officer, presented SMA's product solutions for important topics of the future in a tour of the SMA stand at the EU PVSEC.

## CONCENTRATION ON SELECTED EVENTS

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 Web site [www.IR.SMA.de](http://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. In addition to these publications, Pierre-Pascal Urbon, Chief Executive Officer and Chief Financial Officer, addresses the capital market regularly via video message.

The Managing Board expected interest in solar stocks to decrease as early as the beginning of fiscal year 2012. This was also apparent from the diminishing number of analysts who cover solar companies on a regular basis. This is why the Managing Board and the Investor Relations team concentrated their activities on essential conferences and participated in two investor conferences in Frankfurt in the first nine months of 2012. 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. On September 26, 2012, SMA organized its Capital Markets Day and presented suitable solutions for important topics for the future to analysts and institutional investors. An investor conference followed in London in October 2012.

In addition to numerous teleconferences with institutional investors, SMA is also making stronger use of new media channels such as the SMA Corporate Blog [www.SMA-Sunny.com](http://www.SMA-Sunny.com)  to keep shareholders informed.

SMA will also adhere to this strategy in the coming year and only participate in essential conferences as well as limiting road shows to the financial centers of Frankfurt, London and Zurich. Lydia Sommer will be responsible for Investor Relations and communication with analysts and investors as the new Chief Financial Officer in future. During the first few months, Pierre-Pascal Urbon and Lydia Sommer will participate in events jointly.



# INTERIM MANAGEMENT REPORT

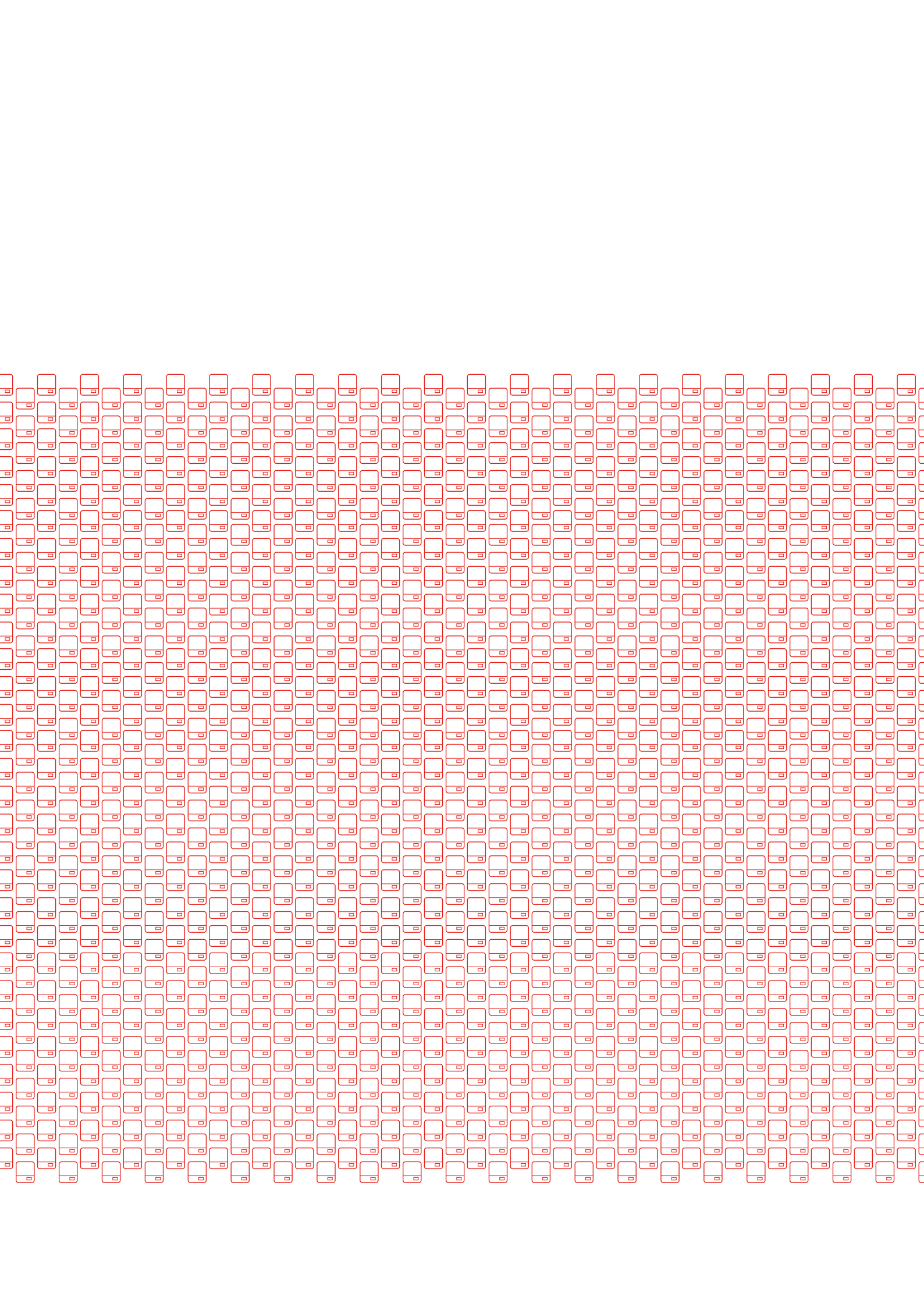
**Quarterly Financial Report January to  
September 2012 – Managing Board  
Confirms 2012 Sales and Earnings Guidance**

**5.9** Gigawatts Inverter Output Sold

**€1.2** Billion Sales

**€116.0** Million EBIT

**€425.8** Million Net Cash



# INTERIM MANAGEMENT REPORT JANUARY TO SEPTEMBER 2012

## ECONOMIC CONDITIONS

### GENERAL ECONOMIC CONDITIONS

#### Euro Crisis Continues to Cast a Pall Over Forecasts for the Global Economy

The global economy lost further momentum in the third quarter of 2012 and corporate and consumer sentiment deteriorated further. The leading German economic research institutes<sup>1</sup> came to this conclusion in their fall statements. Having forecast an economic growth of 2.0% in spring, they now expect the macroeconomic situation to have weakened towards the year-end. The International Monetary Fund (IMF) also identified a marked slowdown in the global economy and revised its forecasts downward. In its World Economic Outlook, the IMF cut its forecast for growth in 2012 from 3.9% to 3.3%. The International Monetary Fund expects growth of 3.6% for 2013. At the same time, however, it has raised the probability that global growth could fall below 2%, thus reaching the threshold for a global recession. The experts of the IMF cite the increased risks emanating from the euro crisis and the possible consequences of the budget being blocked in the USA.

The IMF has also cut its forecast for growth in the euro zone by 0.4% to 1.0% for 2012. In particular, the forecasts for Italy and Spain among the euro countries were revised downwards. The IMF economists expect meager growth of 0.2% for the eurozone next year.

The sovereign debt crisis in the euro zone has also spilt over into the German economy. This is clear from the fall 2012 economic forecast from the Institute for Economic Research (IW). Accordingly, real gross domestic product (GDP) will only grow by 0.75% in 2013. The IMF also expects GDP growth to remain static at 0.9% in 2013 compared with its previous expectations of 1.4%.

Expert opinions differ with regard to the growth forecasts for the USA. While the Kiel Institute for the World Economy (IfW) expects GDP of plus 1.2% in both 2012 and 2013 on the basis of a very restrictive financial policy, the IMF expects growth rates of 2.2% for 2012 and 2.1% for 2013.

The Monetary Fund does not believe the weakness in the global economy will leave the newly industrialized countries unscathed either. Next year, the IMF still expects growth of 8.2% (-0.2 percentage points) for China, of 6% (-0.6 percentage points) for India and 4% (-0.7 percentage points) for Brasil.

### ECONOMIC CONDITIONS IN THE SECTOR

#### Solar Sector Negatively Influenced by Massive Reductions in Incentives

The trend in global demand was characterized by marked changes in subsidy conditions in Europe in the first nine months of the current fiscal year 2012.

In Italy, the Conto Energia V, which will probably be valid until the end of the first half of 2013, came into effect in August. Compared with Conto Energia IV, the feed-in tariff for power from PV plants was reduced very strongly and annual new PV plant installations limited to between 1 GW and 2 GW (2011: approximately > 8 GW). In Germany, too, at the end of June the Mediation Committee reached agreement about the future design of support for PV plants within the framework of the German Renewable Energy Sources Act (EEG). Especially for small and medium scale photovoltaic rooftop systems, the originally planned subsidy cuts were softened, while in the large-scale plant segment the deadlines for subsidy adjustments of the end of June and the end of September were maintained. The range of 2.5 GW to 3.5 GW annual new installations established in the EEG was also maintained (2011: approximately > 7 GW). However, support is to stop entirely if a total installed photovoltaic capacity of 52 GW is reached. In view

<sup>1</sup> Kiel Institute for the World Economy, Ifo in Munich, Rheinisch-Westfälisches Institut für Wirtschaftsforschung in Essen and Institut für Wirtschaftsforschung in Halle

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of the changes to subsidy conditions in Europe, the first nine months of the year are significantly marked by pull-forward effects. However, in the opinion of the SMA Managing Board, already from the second half of the year, subsidy cuts mandated in Europe will lead to a drop in demand for PV plants. In Spain, after the moratorium at the beginning of the year, the introduction of a tax on income from electricity production of 6% beginning in 2013 will be discussed. In Great Britain, after subsidy cuts in August, a further reduction of the feed-in tariff is pending in November.

Outside the euro zone, several new subsidy schemes came into operation. In Japan, there has been a converted feed-in tariff of 41.88 cents per kWh over a duration of 20 years for power from PV plants of more than 10 kW. The government forecasts a newly installed PV capacity of 2.5 GW for 2012. The Australian government has raised its aims with regard to the expansion of renewable energies. In 2012, the photovoltaic market's development surpassed expectations. Installed capacity is expected to exceed the 800 MW threshold. India also announced ambitious expansion targets. According to forecasts of the Ministry of New and Renewable Energy (MNRE), total photovoltaic capacity in India is to exceed the 2 GW threshold in 2012. In June, the Chinese government also raised its minimum expansion targets for 2015 again, from 15 GW to 21 GW. In addition, the Chinese PV industry was significantly favored by advantageous loans and non-repayable subsidies.

The sharp fall in production costs for solar power will provide important growth impulses from applications in which photovoltaics is the more cost-effective solution in future. In sunny countries in particular, solar power is often more attractive economically than generating electricity with fossil fuels. However, photovoltaics can also compete successfully with the electricity rates for households in some European markets today. With the change in the areas of application, topics such as the regulations governing solar diesel hybrid systems, energy management, improving self consumption and intermediate storage of solar power are becoming increasingly important.

## IMPACT OF GENERAL CONDITIONS ON BUSINESS DEVELOPMENT

### SMA Managing Board Confirms Sales and Earnings Forecast for 2012

In the first nine months of 2012, SMA benefited mostly from the favorable market conditions in Europe and from growth abroad.

In the same period, business development in the **Medium Power Solutions** segment was also influenced by catch-up effects and demand brought forward. Purchases were also brought forward in the **Power Plant Solutions** segment in the first three quarters of 2012 because of the massive cuts in incentives in key European markets such as Germany and Italy, in particular, and the changes to subsidy conditions in North America. For example, in the reporting period, numerous projects were carried out in North America that still benefited from the subsidy conditions that were effective last year. The transitional period – which expires in September – for ground-based PV plants in Germany also had a positive effect on sales. The business development in the **Service** segment is influenced significantly by product sales. For this reason, positive stimuli came from the high level of commissioning in North America and Europe.

On the Capital Markets Day in Frankfurt/Main on September 26, 2012, the Managing Board confirmed again its sales and earnings guidance for the current fiscal year. The guidance forecasts an operating profit of €100 million to €150 million on sales of €1.3 billion to €1.5 billion. This corresponds to an EBIT margin of 8% to 10%.

## RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

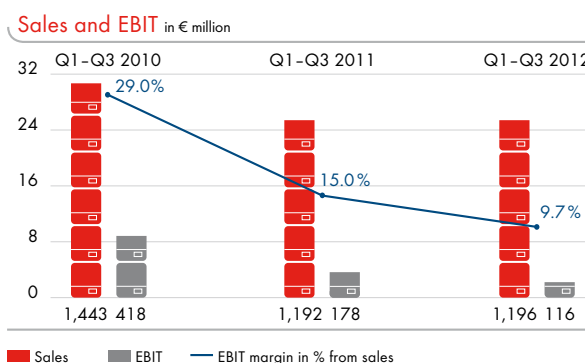
### RESULTS OF OPERATIONS

#### Group Sales and Earnings

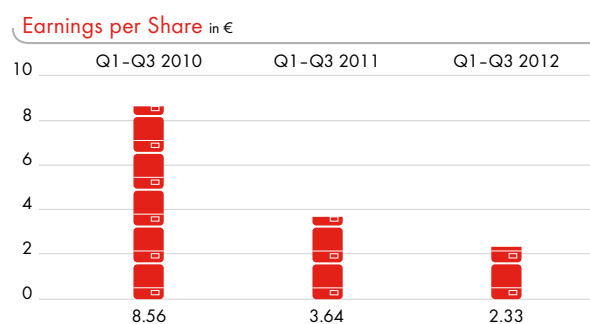
#### SMA Increases Volume and Achieves Sales at the Level of the Previous Year

Following a positive start to fiscal year 2012, the SMA Group also continued its growth in the third quarter. In total, SMA sold solar inverters with an output of 5,870 MW from January to September 2012. This equates to an increase of 9.5% compared with the same period in the previous year (Q1–Q3 2011: 5,361 MW). The SMA Group's sales remained virtually constant compared with the previous year at €1,196 million (Q1–Q3 2011: €1,192 million).

In the first three quarters of 2012, gross foreign sales amounted to €659.7 million and consequently matched the previous year's level (Q1–Q3 2011: €656.0 million). This underscores SMA's outstanding international position with its excellent sales and service structures and full range of products. In the first nine months of 2012, the most important foreign markets for the SMA Group were North America, Australia, Belgium and Great Britain.



An EBIT of €116.0 million was generated in the first nine months of 2012 (Q1–Q3 2011: €178.3 million). With an EBIT margin of 9.7%, SMA is consequently at the upper end of the earnings forecast (Q1–Q3 2011: 15.0%). The fall in the operating result is attributable particularly to higher expenses for risk provisioning, impairment losses on receivables and inventories and higher amortization. Consolidated net profit was €81.0 million (Q1–Q3 2011: €126.4 million). Earnings per share fell to €2.33 (Q1–Q3 2011: €3.64).



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## Sales and Earnings per Segment

### Medium Power Solutions Division Benefits from Sales Being Brought Forward and Catch-up Effects in Germany

The Medium Power Solutions division comprises the former segment of the same name and the former Electronics Manufacturing segment. Off-Grid products for off-grid PV plants, which previously belonged to the Medium Power Solutions segment, are managed in the Off-Grid Solutions division as of 2012. The Off-Grid Solutions division is shown under the "Complementary Divisions".



The Medium Power Solutions division is responsible for the Sunny Boy, Sunny Mini Central and Sunny Tripower product families. The division also develops and distributes products used for monitoring PV plants and for energy management. The product families comprise 60 inverters and 17 communication products in total. SMA offers single-phase and three-phase inverters with outputs ranging 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. The division mainly serves retail customers.

In the first three quarters of 2012, the Medium Power Solutions division achieved external sales revenue of €817.5 million and consequently matches the previous year's level (Q1–Q3 2011: €828.3 million). With a share of SMA Group sales of 68.3% (Q1–Q3 2011: 69.5%), it was the division with the strongest sales. Already in the third quarter, the first signs of the massive subsidy cuts in Europe could be seen from the development of sales. Thus, the division posted external sales of €218.6 million in the third quarter of 2012. This is a fall of 30.2% on the previous quarter (Q2: €313.3 million).

The performance of the Medium Power Solutions division was marked by catch-up effects and sales being brought forward as well as strong international business in the first nine months of 2012. The catch-up effects are the result of the commercial commissioning of many PV plants in Germany in the fourth quarter of 2011. A large number of these PV plants were not equipped with inverters until the first half of 2012. The announcement of cuts in incentives in key European solar markets also led to demand for inverters being brought forward. There was further positive demand particularly from the US, Belgian, British and Australian markets. The key sales drivers in the first nine months of 2012 were the inverters in the Sunny Tripower and Sunny Boy product families.

In the first nine months of 2012, EBIT was €100.7 million (Q1–Q3 2011: €120.8 million). In relation to internal and external sales revenue, this corresponds to an EBIT margin of 11.2% (Q1–Q3 2011: 13.6%).

### Power Plant Solutions Doubles Volume in North America and Achieves Market Entry in Japan

With the central inverters from the Sunny Central product family, the Power Plant Solutions division, formerly the High Power Solutions segment, serves the market for large-scale PV plants with outputs ranging from 100 kW to several megawatts. The product family contains 29 central inverters with numerous variants providing optimal technical solutions for any large-scale project. As the global market leader in this segment, SMA also offers central inverters that feed directly into the medium-voltage grid of energy suppliers. Moreover, SMA offers central inverters which can be installed without the usual compact concrete substations. This is – above all – important in regions with poor transport routes. The exceptional efficiencies of these devices achieve up to 98.7%. The division predominantly serves project business customers.



In the first nine months of 2012, external sales matched the previous year's level of €312.8 million (Q1–Q3 2011: €316.3 million). Project business in North America in particular developed very well. In the second and third quarter, the division benefited from the transitional standard for ground-based plants in Germany. The Power Plant Solutions division's share in total SMA Group sales was unchanged at 26.1% (Q1–Q3 2011: 26.5%). The most important markets in the first nine months of the year included North America, Germany, Thailand and Greece. The first large order in Japan was also billed in the third quarter. The most successful products included the Sunny Central Compact Power series of inverters.

In view of the shift in demand toward larger inverters, the SMA Group has further strengthened the Power Plant Solutions division with new staff throughout the world. The operating profit before interest and taxes (EBIT) was €28.7 million in the reporting period (Q1–Q3 2011: €62.7 million). In relation to internal and external sales revenue, the EBIT margin was 8.6% (Q1–Q3 2011: 18.6%). The structural expansion as well as one-time items such as impairments on inventories are the main reasons for the decline in the operative earnings margin.

### **The Service Division Benefited from Warranty Extensions**

SMA offers customers in Germany and abroad various after-sales services to guarantee the technical availability of SMA products during a lifespan of more than 20 years. The services encompass warranty extensions, service and maintenance contracts as well as commissioning. Through a global network of 90 service hubs, SMA can guarantee a rapid reaction time for the SMA inverters installed throughout the world with a total capacity of more than 20 GW. In the view of the Managing Board, SMA's service structure and processes represent a considerable competitive advantage.

In the first nine months of 2012, external sales revenues amounted to €19.0 million (Q1–Q3 2011: €12.3 million). Notable sales drivers were especially services subject to charge, the commissioning of PV plants, and repairs as well as service and maintenance contracts subject to a charge. Earnings before interest and taxes (EBIT) amounted in the reporting period to €–14.5 million (Q1–Q3 2011: €–4.5 million). The obvious decline in earnings is in particular attributed to higher staff expenditures as well as scheduled infrastructure costs of the new Service Center at Sandershäuser Berg. As of 2014, the Managing Board of SMA expects to make the Service division profitable following the expiry of the standard warranty period for the years of high volume.

### **Complementary Divisions with Positive Development**

The operations of dtw, Off-Grid Solutions and Railway Technology are combined under the "Complementary Divisions".

dtw Sp. z o.o. ("dtw"), acquired in August 2011, concentrates on the manufacture of technologically innovative core components for the production of inverters, such as inductors and transformers. The Off-Grid Solutions division primarily develops stand-alone inverters for the "Sunny Island" series for PV-supported off-grid power supply. Railway Technology GmbH manufactures converters as individual devices and complete energy supply systems for railway coaches and multiple-unit trains for short- and long-distance railway traffic.

The "Complementary Divisions" posted a positive development in the first nine months of 2012. In particular, the acquisition of dtw in the third quarter of 2011 is reflected in sales and earnings. External sales increased by 33.4% to €47.1 million (Q1–Q3 2011: €35.3 million). EBIT also developed positively and rose to €9.8 million (Q1–Q3 2011: €–1.4 million). In relation to internal and external sales revenue, this corresponds to an EBIT margin of 8.5% (Q1–Q3 2011: –2.4%).

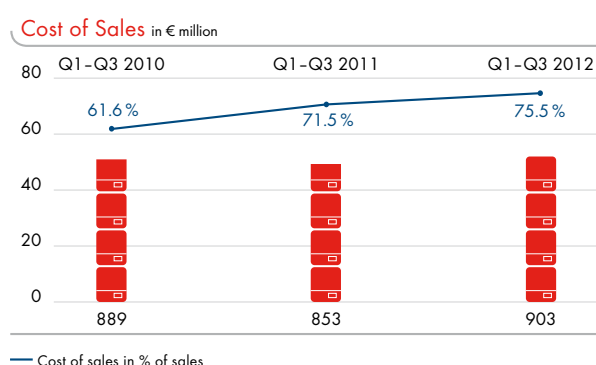


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## Development of Significant Income Statement Items

### Risk Provisioning Depress Gross Margin

In the first nine months of 2012, the cost of sales totaled €903.2 million (Q1–Q3 2011: €853.0 million). SMA's strategy of reducing costs through technical innovations already began to pay off in the reporting period. Material expenses adjusted for impairment on inventories improved by €27.8 million to €615.4 million (Q1–Q3 2011: €643.2 million). This means that the material expenses ratio improved by 2.6 percentage points to 51.4%. In relation to the quantity of sales, this is an improvement of 12.5%. The fall in the gross margin to 24.5% (Q1–Q3 2011: 28.5%) is mainly attributable to higher expenses for risk provisioning because of additional work to purchased components used in various product families. In addition, the higher impairment losses for inventories and scheduled amortization had a negative impact on the gross margin. The cost of sales was attributable as follows: 70.0% to material expenses, 15.8% to personnel expenses and 14.2% to depreciation and amortization as well as other expenses.



With the expansion of international sales and marketing structures, selling expenses increased as expected year on year to €52.5 million (Q1–Q3 2011: €45.5 million). The ratio of selling expenses to sales was 4.4% in the first nine months of 2012 (Q1–Q3 2011: 3.8%).

Development expertise is a major strategic unique selling proposition of SMA and therefore expanded rigorously. Total research and development expenses, including capitalized development projects, in the first nine months totaled €81.4 million (Q1–Q3 2011: €73.2 million). Research and development expenses excluding capitalized development projects amounted to €66.0 million (Q1–Q3 2011: €63.6 million). Thus SMA invested in the reporting period 6.8% of sales revenue in the development of new products (Q1–Q3 2011: 6.1%). Scheduled depreciation of capitalized development projects amounted to €7.5 million in the first nine months of 2012 (Q1–Q2 2011: €3.4 million).

The increase in research and development expenses is based primarily on the increase in employees. At the end of the third quarter of 2012, the SMA Group had 1,050 employees in the research and development department (September 30, 2011: 851 employees). The increase in other costs is mainly attributable to the further expansion of development cooperation and an intensification of the measures to protect intellectual property. SMA is currently working on some 400 new patents being granted globally. The rise in capitalized development projects reflects the enormous amount of activity in the development of new devices.

Administrative expenses totaled in the reporting period €57.8 million (Q1–Q3 2011: €51.7 million). In view of increasing internationalization, SMA has created new structures in a targeted manner and set up the divisions accordingly. The ratio of administrative expenses to sales amounted to 4.8% in the first nine months of 2012 (Q1–Q2 2011: 4.3%).

The balance of other operating income and expenses totaled €0.9 million in the first nine months of 2012 (Q1–Q3 2011: €0.2 million). In addition to the effects of foreign currency valuation, the impairment losses on receivables and other miscellaneous expenses and income are included here. Owing to our active receivable management, impairment losses on receivables from preceding periods of €1.9 million were reversed in the first nine months (Q1–Q3 2011: €0.2 million). Accruals in impairment losses on new receivables stood at €3.1 million in the reporting period (Q1–Q3 2011: €2.8 million).

## FINANCIAL POSITION

### Net Cash of Nearly €426 Million

In the first nine months of the fiscal year 2012, SMA strongly increased gross cash flow to €149.5 million compared to the previous year (Q1–Q3 2011: €124.6 million). The increase of almost 20% year-on-year once again underlines SMA's ability to generate cash even under challenging competitive conditions.

In view of the changes to market conditions, the Managing Board updated the strategic provisioning solution and reduced inventories of raw materials, consumables and supplies. The increase in finished goods and commodities as well as unfinished goods and work in progress is largely the result of the targeted increase in delivery capacity in individual markets and the project business. Overall, the increase in inventories (before impairment losses) in the first nine months of fiscal year 2012 is far lower, at €35.8 million, than in the same period in the previous year (Q1–Q3 2011: €72.0 million).

Trade payables decreased by €23.7 million because of the reduction in purchasing activity. The change in the other net working capital results primarily from effects from an increase in trade receivables, the payment of variable salary components to employees, future benefit obligations from warranty extensions as well as liabilities to customers from bonus agreements.

Net cash flow from operating activities totaled €93.9 million in the first nine months of fiscal year 2012 and is considerably above the level of the previous year (Q1–Q3 2011: €65.0 million). The net cash flow from investing activities increased to €–214.8 million in the period under review (Q1–Q3 2011: €–80.2 million). The investment volume in fixed and intangible assets totaled €80.6 million, down on the previous year's level of €121.4 million. Here, the majority, at €60.6 million, was attributable to investments in buildings such as the new service center. Investments in intangible assets amounted to €20.0 million (Q1–Q3 2011: €17.5 million).

Net cash flow from financing activities includes SMA Solar Technology AG's dividend payout of €45.1 million.

Cash and cash equivalents amounting to €206.7 million (December 31, 2011: €371.1 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 term to maturity of more than three months and fixed-interest-bearing securities as well as financial liabilities, this resulted in net cash of €425.8 million (December 31, 2011: €473.3 million). Thus, SMA has excellent liquidity reserves and can finance future development from its own resources. Particularly in periods of extreme uncertainty on capital and financial markets, SMA's financial independence is an enormous competitive advantage from the Managing Board's perspective.

## NET ASSETS

### SMA Increases Its Equity Ratio to 59.0%

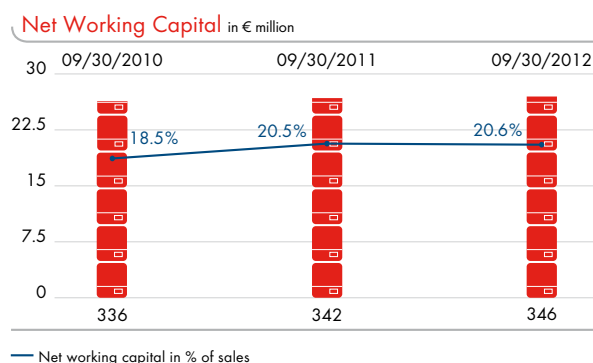
As of September 30, 2012, total assets rose to €1,404.5 million (December 31, 2011: €1,374.3 million).

As of September 30, 2012, net working capital has risen to €346.1 million (December 31, 2011: €281.7 million) and consequently amounted to 20.6% in relation to the last twelve months' sales. This ratio was thus at the top end of the range of 19% to 21% expected by the management. The increase in net working capital is mainly attributable to the increase of trade receivables. In comparison, the increase in inventories was much lower.

In the third quarter of 2012, trade receivables amounted to €159.8 million and had thus increased by 13.3% against December 31, 2011 (December 31, 2011: €141.1 million). In the reporting period, impairment losses on receivables increased by €1.2 million and added up to €9.1 million on September 30, 2012. As of the reporting date, days sales outstanding rose moderately to 32.7 days (December 31, 2011: 28.1 days).

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On the reporting date, inventories amounted to €278.3 million (December 31, 2011: €256.4 million). The rise in finished goods and commodities as well as unfinished goods and services was not entirely offset by the reduction in inventories of raw materials, consumables and supplies. Trade payables decreased by €23.8 million to €92.0 million (December 31, 2011: €115.8 million). The share of supplier credits in total assets fell to 6.6% (December 31, 2011: 8.4%).



The Company's equity capital base rose despite a dividend payout of €45.1 million by 5.1% to €829.3 million as of September 30, 2012 (December 31, 2011: €789.3 million). With an equity ratio of 59.0%, SMA has a very comfortable equity capital base and therefore a solid balance sheet structure.

## CAPITAL EXPENDITURE

### SMA REDUCES INVESTMENTS

Following the commissioning of the world's largest service center for solar inverters in the second quarter of the fiscal year, SMA will reduce its investing activity significantly in future and adjust it to the changes in conditions. In 2012, it is planned to carry out ongoing construction projects as well as urgently required expansion and replacement investments. For fiscal year 2012, the SMA Group plans investments in fixed assets and intangible assets of less than €110 million. The expansion of infrastructure in recent years will allow us to reduce capital expenditure in future. Next year, investments must not exceed €80 million.

In the first nine months of fiscal year 2012, investments in fixed assets and intangible assets amounted to €80.6 million (Q1–Q3 2011: €121.4 million). Of the investments in fixed assets amounting to €60.6 million (Q1–Q3 2011: €104.0 million), 33.2% went toward machinery and equipment and 66.8% on land and buildings. Of the investments in intangible assets of €20.0 million (Q1–Q3 2011: €17.5 million), 96.7% was attributable to capitalized development projects (including intangible assets in progress) and 3.3% to other intangible assets.

## RESEARCH AND DEVELOPMENT

### THE UPHEAVAL IN THE ENERGY SECTOR REQUIRES INNOVATIVE SYSTEM TECHNOLOGY

The change facing solar markets, namely to evolve from subsidized markets to a competitive PV energy supply markets, demands suitable solutions and innovative products. At the same time, prices for solar power are cheaper in many places than the prices for domestic energy generated through conventional means. SMA has set itself the goal here of playing an active role in shaping the energy transition, in pressing ahead with concepts for a decentralized energy supply such as optimizing self-consumption and integrating storage and setting trends. The third quarter of 2012 was dominated by international events at which SMA presented innovations for intelligent energy management as well as new technologies and products for international markets. SMA again demonstrated its technological leadership at Solar Power International in Orlando, Florida, in particular, and at the European Photovoltaic Solar Energy Conference and Exhibition (EU PVSEC) in Frankfurt/Main.

### INTELLIGENT ENERGY MANAGEMENT TO INCREASE SELF-CONSUMPTION

In the Medium Power Solutions, attention was focused on the development of solutions to increase self-consumption. These include the development of the SMA Smart Home. The aim of the Smart Home is to consume the highest possible proportion of solar power directly in one's own home. This leads not only to substantial savings on electricity costs but also eases the burden on networks. The significance of self-consumption will increase considerably in Europe and America in particular. With the Sunny Boy 5000 Smart Energy, which stores solar power temporarily, and the successful Sunny Home Manager, which intelligently controls appliances in the household, as well as the integration of solar forecasts, SMA will offer a solution for energy management that is unique in the solar market and consequently successfully distinguishes itself from its competitors. Presentation of the SMA Smart Home was met with great interest among customers and the international specialist press. Evidence of the fact that SMA recognizes trends in good time and is optimally positioned for important topics for the future. In future, SMA will also integrate control of heat pumps in the Sunny Home Manager to support water heating and heating with photovoltaics. The integrated concept will ultimately include the integration of electric cars in the energy management concept. This will constitute a further focal point for our research and development activities.

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## REDUCED SYSTEM COSTS MAKE LARGE-SCALE PLANTS AN ATTRACTIVE INVESTMENT FROM A BUSINESS PERSPECTIVE

In the large-scale plant segment, research and development activity focused on product innovations for the expanding U.S. market, the further reduction in system costs and the successful start to the first large-scale project in Japan. At the Solar Power International in Orlando/USA, SMA presented the new Sunny Central CP-US, an efficient and versatile central inverter for PV projects in the USA and Canada. With peak efficiencies of up to 98.7%, the new devices achieve the highest efficiencies in the PV power station class. As a result, they offer an attractive, specific price. With their UL certification, the outdoor housing and top-class features, the new Sunny Central CP-US can be deployed with great flexibility. They are available in several power classes from 500 kW to 800 kW and are suitable for larger rooftop systems and industrial ground-based plants.

SMA also offers a new solution for controlling PV parks intelligently and flexibly: The SMA Power Plant Controller is suitable for all PV power plants of over 1 MW and controls plant architectures with Sunny Central as well as systems with Sunny Tripower. The SMA Power Plant Controller is particularly characterized by fast reactions and data exchange for intelligent and flexible farm control. This means that it guarantees maximum plant availability at any time.

Having been the first European or U.S. manufacturer to obtain JET certification for the sale of two inverter models for rooftop systems in Japan in June 2012, SMA posted another success in the area of industrial solar projects with its entry into the promising Japanese market: SMA was selected as the sole supplier of inverters for Japan's largest PV power plant. The 70 MW project operated by the Kagoshima Mega Solar Power Corporation will be constructed in the city of Kagoshima in the south of the country and is to be completed in fall 2013.

## DEVELOPMENT OF NEW AREAS OF BUSINESS WITH SOLAR DIESEL HYBRID SYSTEMS

The presentation of the Fuel Save Controller for use in solar diesel hybrid systems also met with great interest among customers and the media. Because of the sharp fall in prices for photovoltaic systems, this technology is already competitive for companies in many sunny regions from a diesel price of USD 1 per liter. In view of the ongoing reduction of system prices, the appeal of hybrid solutions will continue to increase. With that said, SMA will expand the hybrid systems business in order to use power-station-class PV systems to reduce the running time of stationary diesel generators.

SMA will also offer the new stand-alone inverter Sunny Island 6.0H/8.0H for the energy supply of off-grid areas with immediate effect. The two devices are robust, can be deployed flexibly and are easy to manage. With OptiUse, they have an operating concept which makes installation, commissioning and daily handling as simple as possible.

With these innovations, SMA is outstandingly placed for the demands of the energy supply of the future and will play an active role in shaping the energy transition with the development of future-orientated system technology.

## EMPLOYEES

### CONCENTRATION ON THE ESSENTIALS

The photovoltaic market has always been characterized by substantial fluctuations in demand. Foreseeable cuts in different incentive programs and the considerable degree of dynamism generally in global photovoltaic markets resulted in modified requirements for resource planning in the first three months of 2012. In its strategic personnel planning, the SMA Group is adapting to the changes in conditions. The effects of personnel planning will be seen in employee numbers in future reporting periods.

To ensure it remains focused on technology and maintains its leadership in innovation, the research and development activities will be concentrated on new areas of application such as solar diesel hybrid system solutions, energy management, improving self-consumption and storing solar power temporarily. The R&D department, which numbers approximately 1,000 employees, is also designing entirely new product platforms with a modular range of functions that can be expanded in order to implement the requisite reduction in manufacturing costs on the basis of innovative technologies. SMA will also use development resources for new developments to a greater extent than was previously the case by decreasing variants and reducing the existing product portfolio.

The Medium Power Solutions, Power Plant Solutions, Off-Grid Solutions and Service divisions have different requirements because of the differences in their orientation and growth rates. The HR management in the divisions takes account of specific requirements such as filling strategically relevant positions by attracting external specialist or management staff or by training internal employees through their consistent, demand-oriented human resources work.

The flexibility of our employees has always been a material factor in our success. SMA has used flexitime for many years, for instance. By using fixed-term employment contracts, SMA also exploits the opportunity of reacting to changes in demand in the medium term. SMA cushions peaks in demand by using temporary staff. The temporary employees receive the same hourly wage as permanent SMA employees.

#### Employees

	09/30/ 2012	09/30/ 2011	09/30/ 2010	09/30/ 2009	09/30/ 2008
Employees (excl. temporary employees)	5,688	5,396	4,096	2,707	2,118
of which domestic	4,760	4,574	3,721	2,523	1,993
of which abroad	928	822	375	184	125
Temporary employees	973	1,747	2,178	1,165	767
Total employees (incl. temporary employees)	6,661	7,143	6,274	3,872	2,885

### DOWNSIZING OF ALMOST 500 EMPLOYEES

The number of employees has been reduced by 482 employees (including temporary employees) within the period of 12 months.

At the end of the third quarter of 2012, the SMA Group had 5,688 employees (September 30, 2011: 5,396 employees, figures exclude temporary staff). The number of temporary and permanent employees therefore increased by 292 employees or 5.4% year-on-year. Since the beginning of 2012, the SMA Group has created 156 jobs at home and abroad.

In Germany, SMA increased its headcount by 186 employees or 4.1% to 4,760 employees (September 30, 2012: to 4,574 employees, figures exclude temporary employees).

SMA boosted its international presence further. The establishment and development of foreign companies increased the headcount by 12.9%. The number of employees abroad increased by 106 employees to 928 employees (September 30, 2012: 822 employees, figures exclude temporary employees). SMA has satisfied regional shifts in demand in the first nine months of 2012 through a consistent policy of internationalization. Markets of particular strategic significance here are North America, Japan, India, Chile and South Africa.

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## SUPPLEMENTARY REPORT

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

The SMA Supervisory Board has named Lydia Sommer to the Company's Managing Board on October 17, 2012. From November 1, 2012, Ms. Sommer will take over responsibility for Finance and Legal from Pierre-Pascal Urbon, who was previously responsible for these areas as part of his combined role as Speaker of the Managing Board and Chief Financial Officer. As Speaker of the Managing Board, Mr. Urbon will concentrate on business strategy and internationalization. Lydia Sommer joins SMA from the Siemens Group, where she has held various management positions over the past 30 years in the field of finance and controlling, both in Germany and abroad.

The Managing Board published a specific sales forecast for 2013 for the first time on October 18, 2012. This envisages a sharp fall in sales to between €900 million and €1.3 billion for 2013. In the best case scenario, the Managing Board expects a balanced operating result for 2013. A loss cannot be ruled out at the current date. The Managing Board has therefore decided to cut approximately 450 employees worldwide and to end the employment of approximately 600 temporary employees worldwide. More precise details of the sales and earnings forecast can be found in the forecast report.

### RISK AND OPPORTUNITIES REPORT

The Group's risks and opportunities management as well as possible individual risks are described in detail in the Annual Report 2011. The comments made there remain essentially unchanged. In the opinion of the Managing Board, the competition risks have increased since the Annual Report 2011. Chinese inverter manufacturers are receiving non-repayable subsidies from the government or para-governmental organizations, for instance. This allows our Chinese competitors to quote at far lower prices. This competition, which the Managing Board views as unfair, has material repercussions on the results of operations and financial position of SMA.

Should our competitors succeed in being able to quote well below SMA's prices on a sustained basis, its business development will be severely impaired. SMA will therefore press ahead still more intensively with the development of new technologies in order to reduce manufacturing costs via technological innovations. SMA will also make greater use of standard components in future innovations to strengthen its negotiating position with suppliers and increase flexibility. Targeted projects to increase productivity in manufacturing and service will be implemented at the same time. To succeed in distinguishing itself further from its competitors, SMA will continue to implement the internationalization strategy it has pursued for many years consistently and will strengthen its companies outside Europe further.

## FORECAST REPORT

### THE GENERAL ECONOMIC SITUATION

#### Economic Uncertainty Curbing the Global Economy

The macroeconomic situation has deteriorated further in the third quarter because of the lack of growth in industrialized countries. In its fall forecast, the International Monetary Fund (IMF) therefore warns of a new global economic crash and has cut its forecasts for growth in the global economy for the second time in succession. The Fund is forecasting growth rates of 3.3% and 3.6% for 2012 and 2013. This is 0.2 and 0.3 percentage points less than the forecast in July. This is caused by the European debt crisis and the lack of growth in the U.S., which are still suffering from significant budget consolidation and private debt. The IMF economists have also revised their forecasts for the euro zone downwards. In the opinion of the IMF, the economy in the euro zone will contract by 0.4% in 2012 and will grow slightly, namely by 0.2%, in 2013. The forecasts for the euro countries, Italy and Spain as well as Great Britain, were cut particularly sharply. With regard to Germany, the International Monetary Fund only expects gross domestic product (GDP) to grow by 0.9% in 2012 and 2013 because of the uncertain situation. In July, it was still assuming growth of 1.4% for 2013. The IMF forecasts the strongest growth among the industrialized countries for the USA with growth



rates of 2.2% for 2012 and 2.1% for 2013 but, at the same time, warns of the impact of unresolved fiscal problems in particular. The newly industrialized countries are likely to grow by around 5.3% on average this year and by around 5.6% in 2013. This is 0.3 and 0.2 percent points less than the forecast in July.

## FUTURE GENERAL ECONOMIC CONDITIONS IN THE PHOTOVOLTAICS SECTOR

### The PV Industry is Faced with Enormous Challenges in the Short Term

In the short and medium term, developments in the photovoltaics industry will be determined significantly by the terms and conditions of the various incentive programs. Financing conditions also play a major role in many countries and applications. In the opinion of the SMA Managing Board, future growth in demand is subject to considerable uncertainty.

In the opinion of the SMA Managing Board Europe will account for almost half of global demand in 2012. Many European markets, in particular Germany and Italy, have adopted massive reductions in incentives this year. As forecast in the half-yearly report 2012, the cuts in the solar subsidy are already being felt in the third quarter. The Managing Board therefore assumes that demand in Europe will continue to fall sharply in 2013, particularly in the areas of application of smaller PV plants, and large-scale PV plants. will come to a standstill. At the same time, far greater price pressures on smaller and medium-sized PV plants are expected because comparatively large numbers of inverter manufacturers are competing in a far smaller market.

The solar markets in North America and China will, in the opinion of the SMA Managing Board, account for around one-third of global demand. These regions can probably compensate for the fall in volume in Europe. Especially the Chinese market will provide significant impetus for growth here. The Chinese solar market is dominated by PV plants

for the power station class and is, because of the particular certification requirements and the tendering process, not accessible to all internationally active inverter manufacturers. The North American markets will also grow in the opinion of the Managing Board. The driving forces for this growth in demand are the tax concessions applicable nationally and the expansion targets for PV plants defined for each state. The vast majority of the North American market is attributable to large-scale PV plants. One is also expecting price pressures to increase in the expanding regions of North America and China.

For 2013, a newly installed capacity of between 27 GW and 33 GW (2012: 31 GW to 33 GW) is predicted. Compared with the previous year, this would correspond at best to stagnation in demand for PV capacity. In recent years, the solar sector was largely able to prevent a fall in the market – measured in euros – through global growth in volume. Taking account of the price pressure expected by the SMA Managing Board, the solar market will post a sharp fall in growth for inverter manufacturers for the first time in many years in 2013. This is a situation which represents an enormous challenge for the sector as a whole, and will also be exacerbated by limited access of non-Chinese manufacturers to the Chinese market.

### In the Medium Term, the Covering of Power Requirements in a Cost-effective Manner Assesses the Demand Situation

The SMA Managing Board believe that the medium- and long-term prospects for global photovoltaics remain good. The loss of incentives is converting the motives driving demand from exclusively yield-related considerations (financial investment) to investments covering power requirements in a cost-effective manner (cost savings). Innovative system technology is absolutely essential in this process of transforming to a decentralized energy supply. In future, it will be a matter of networking various technologies with each other intelligently, storing energy and providing a reliable electricity supply.



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In this connection, the SMA Managing Board sees good opportunities for business in countries which have an increasing energy requirement because of their growth and which are looking for economical access to electrical energy. In many countries in the regions of South America, the Middle East, Asia/Pacific and Africa, electricity is supplied via comparatively expensive diesel electricity generators. Intelligent system technology allows photovoltaics to be integrated well in existing diesel networks. A solar-diesel hybrid system of this kind would produce electricity in sunny regions far more cheaply and effectively than simple combustion engines. The SMA Managing Board estimates that the amortization periods for augmenting an existing diesel system with a PV plant are between two and four years in some countries, meaning that the solution is extremely attractive from a business perspective. But installation will pick up again in the medium to long term in European and North American markets if households can cover their electricity requirements almost entirely through photovoltaics. This will be possible when photovoltaic systems store energy and also support water heating and heating with photovoltaics when there are high levels of solar irradiation.

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

### Global Demand is Beyond the Control of SMA

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

With its wide range of products, high product quality and flexibility, presence in 21 countries and unique service structure, SMA is well-positioned in the global photovoltaics market. SMA also has more than 20 years' experience in the generation of electricity from the combined use of renewable energies and fossil fuels and offers intelligent system

solutions. Measured by the 7.6 GW of inverter output sold in 2011, SMA is the global market leader. We estimate that SMA covered in 2011 around a third of the global demand. The Managing Board expects to lose market share in 2012 because of increasing price competition and the Chinese market's share of the global market. In China, SMA only has a very small market share due to the local competitive conditions.

We expect that the differing growth rates in different photovoltaics markets will continue to lead to sharp fluctuations in demand. For 2012, the Managing Board expects growth in global demand for PV systems and expects newly installed capacity of between 31 GW and 33 GW worldwide. We expect growth in global demand measured in euros. In the current fiscal year, positive impetus for growth is emerging particularly from the North American, Japanese, Indian and Chinese markets.

For 2013, we expect a newly installed capacity of between 27 GW and 33 GW worldwide. As a result, global demand for PV systems would stagnate at best. Taking account of the expected price pressures, the Managing Board is expecting a sharp fall in demand measured in euro. While demand in European markets will decrease significantly because of the massive cuts in subsidies, the solar markets in North America, China, Japan and India will continue to post positive growth.

The concentration of competition amount inverter manufacturers in the solar sector remains at a high level in comparison with other parts of the value-added chain. In 2011, the three largest inverter manufacturers accounted for around 45% of total demand in the opinion of the Managing Board. However, the challenging conditions have already led to changes in the competitive environment. While some competitors have left the market or announced that they will do so, Chinese inverter manufacturers are becoming increasingly important because of the rapidly expanding domestic market.

## The Managing Board Confirms Sales and Earnings Forecast for 2012

Because of the positive business development in the first nine months, the SMA Managing Board confirms the sales and earnings forecasts for 2012. For the current fiscal year, we expect sales of between €1.3 billion and €1.5 billion with an operating result (EBIT) of between €100 million and €150 million. This corresponds to an EBIT margin of 8% to 10%.

In the opinion of the Managing Board, the trend towards larger PV systems will also be reflected in the distribution of sales. Accordingly, the Medium Power Solutions division will account for 60% to 70% of total sales. The Managing Board assumes that the Sunny Tripower product family will generate about 50% of divisional sales. Sunny Tripower products are primarily used in medium-sized PV plants. The European solar markets number among the most important sales regions for the Medium Power Solutions division.

According to estimates by the Managing Board, the Power Plant Solutions division, in which central inverters for large-scale PV plants are produced, will achieve some 20% to 30% of SMA Group sales in 2012. The foreign markets in North America and India will make a crucial contribution here, as will Germany. The Sunny Central Compact Power will be one of the products that generate the greatest sales in 2012, because this product family is characterized by especially low system costs and easy installation at the site.

The Managing Board expects that the Service division business will benefit in 2012 from the high level of commissioning in the Power Plant Solutions division. Because the standard warranty period for the years of high volume will not expire for another two to three years, the Service division will make a positive earnings contribution presumably as of 2014.

Overall, the Managing Board expects a positive performance for the Complementary Divisions in 2012. For Railway Technology, we see growth potential through further internationalization. For the Off-Grid Solutions division, business with solar diesel hybrid solutions will produce attractive opportunities for growth in the medium term.

## In 2013, the Managing Board Expects a Decline in Revenues and Earnings

For 2013, we expect a sharp fall in sales because of the massive cuts in incentives in the European solar markets and the anticipated pressure on prices. The Managing Board therefore published a specific sales forecast for 2013 for the first time on October 18, 2012. This envisages sales of between €900 million and €1.3 billion. In the opinion of the Managing Board, sales in the Medium Power Solutions division, which was previously the crucial sales driver in European markets, will fall in particular. We are expecting particularly intense pressure on prices for this division because a comparatively large number of inverter manufacturers are battling for a smaller global market. The Managing Board is also expecting a moderate fall in sales for the Power Plant Solutions division because of the pressure on prices.

In the opinion of the SMA Managing Board, SMA will close fiscal year 2013 with a loss unless countermeasures are adopted. SMA will therefore intensify development activities in order to reduce production costs with completely new products. In addition, standard components will be used to a greater extent to lower purchasing prices. By expanding the international structure, SMA can reduce its dependence on individual markets. Furthermore the Managing Board has decided to cut approximately 450 employees worldwide and to end the employment of approximately 600 temporary employees worldwide. The Managing Board expects to break even, at best, in the next fiscal year. At present, the Managing Board cannot exclude the possibility of a loss.

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## The Managing Board Has Focused Strategy on the Changes to Market and General Conditions

Our consistent focus on technology is the cornerstone of our corporate strategy. In the Development area at SMA, approx. 1,000 employees work on solutions for the future of photovoltaics. SMA is more innovative than ever and is working on some 400 new patents being granted globally. To extend our technological edge further, we shall invest around €100 million in research and development in 2012 (including capitalized development projects). We have also planned an equal amount of investment for the following year. With the aim of reducing production costs further, development will concentrate on the design of entirely new product platforms. In addition, SMA will make greater use of its network of strategic research and development co-operation.

Important growth impulses will in the future come from foreign markets. SMA will therefore press ahead with internationalization outside Europe and pursue its proven strategy of being one of the first PV inverter manufacturers represented in attractive markets. In the first nine months of 2012, new foreign branches were established in Japan, Chile and South Africa, for example. For 2012, the Managing Board expects a foreign market share of about 60%. This share will probably increase to over 75% next year because of the sharp fall in German business.

SMA will pursue its successful strategy of continuing to produce primarily order-by-order. SMA will only deviate from this strategy in exceptional cases. There are no plans to expand the current global production capacity of 11.5 GW. According to the Managing Board, the net working capital ratio will be between 17% and 20% due to targeted measures to reduce inventories. This corridor should also be adhered to in the next fiscal year.

SMA has adjusted investment to the change in conditions. Including investment for machinery and equipment, the SMA Managing Board expects investment of less than €110 million (previously up to €130 million). In 2013, investments are to amount to no more than €80 million.

The entire solar sector is faced with enormous challenges in the short term. In recent months, the Managing Board has adjusted its strategy on the changes to market and competitive conditions. We are absolutely clear about our common goal: we shall not only extend our leadership in innovation by 2015 but also reduce significantly the costs of solar inverters. We shall defend our leading position in the global market.

We shall approach the market with entirely new and above all cost-effective products. Through the consistent use of standard components and strengthening our purchasing in China, we will reduce the specific inverter costs significantly. We shall only be able to survive in Germany if we distinguish ourselves from our competitors through technological progress. From the perspective of the SMA Managing Board, renewable energies offer numerous opportunities for growth for this strategic approach.

Thanks to our strategy of internationalization, which we introduced early on, we are already generating over 50% of our sales abroad. We intend to continue on this path and expand our foreign activities. This will allow us to respond to rapid changes in demand and take advantage of developments in nearly every market.

We have consistently focused our organization on customer requirements and made it even more effective in recent months. With the structural adjustments, SMA will become far more compact and will therefore emerge more strongly from the changes to the sector. We believe that the consolidation of the PV market will give new opportunities for the SMA Group.

Niestetal, October 31, 2012

SMA Solar Technology AG

The Managing Board

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Quarterly Financial Report January to September 2012

**53.4** Percent Export Ratio

**59.0** Percent Equity Ratio

**5,688** Employees (Excl. Temporary Employees)



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## CONSOLIDATED INCOME STATEMENT SMA GROUP

€'000	Note	July - Sep. (Q3) 2012	July - Sep. (Q3) 2011	Jan. - Sep. (Q1-Q3) 2012	Jan. - Sep. (Q1-Q3) 2011
<b>Sales</b>	<b>4</b>	<b>362,710</b>	<b>477,225</b>	<b>1,196,400</b>	<b>1,192,203</b>
Cost of sales	5	273,768	346,130	903,182	852,975
<b>Gross profit</b>		<b>88,942</b>	<b>131,095</b>	<b>293,218</b>	<b>339,228</b>
Selling expenses	6	17,431	16,782	52,496	45,475
Research and development expenses	7	21,758	23,724	65,990	63,554
General administrative expenses	8	18,428	19,549	57,808	51,704
Other operating income	9	11,285	3,998	37,965	12,130
Other operating expenses	9	10,299	372	38,916	12,292
<b>Operating profit (EBIT)</b>		<b>32,311</b>	<b>74,666</b>	<b>115,973</b>	<b>178,333</b>
Financial income		1,395	1,417	4,535	4,558
Financial expenses		602	1,491	1,418	2,581
<b>Financial result</b>	<b>11</b>	<b>793</b>	<b>-74</b>	<b>3,117</b>	<b>1,977</b>
<b>Profit before income taxes</b>		<b>33,104</b>	<b>74,592</b>	<b>119,090</b>	<b>180,310</b>
Income tax expense		11,569	21,716	38,116	53,912
<b>Consolidated net profit</b>		<b>21,535</b>	<b>52,876</b>	<b>80,974</b>	<b>126,398</b>
of which attributable to non-controlling interest		0	0	0	0
of which attributable to shareholders of SMA AG		21,535	52,876	80,974	126,398
Earnings per share, basic (in €)	12	0.62	1.52	2.33	3.64
Earnings per share, diluted (in €)	12	0.62	1.52	2.33	3.64
Number of ordinary shares (in thousands)		34,700	34,700	34,700	34,700

## STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

€'000	July - Sep. (Q3) 2012	July - Sep. (Q3) 2011	Jan. - Sep. (Q1-Q3) 2012	Jan. - Sep. (Q1-Q3) 2011
<b>Consolidated net profit</b>	<b>21,535</b>	<b>52,876</b>	<b>80,974</b>	<b>126,398</b>
Changes in fair values of available-for-sale assets	674	686	437	-35
Income taxes	-204	0	-132	0
<b>Changes recognized outside profit or loss (available-for-sale financial assets)</b>	<b>470</b>	<b>686</b>	<b>305</b>	<b>-35</b>
Unrealized gains (+)/losses (-) from currency translation of foreign subsidiaries	-165	-1,021	3,875	-1,994
<b>Changes recognized outside profit or loss (currency translation differences)</b>	<b>-165</b>	<b>-1,021</b>	<b>3,875</b>	<b>-1,994</b>
<b>Total comprehensive income</b>	<b>21,840</b>	<b>52,541</b>	<b>85,154</b>	<b>124,369</b>
of which attributable to non-controlling interest	0	0	0	0
of which attributable to shareholders of SMA AG	21,840	52,541	85,154	124,369



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## CONSOLIDATED BALANCE SHEET SMA GROUP

€'000	Note	09/30/2012	12/31/2011
<b>Non-current assets</b>			
Goodwill	13	311	311
Other intangible assets	13	65,266	56,489
Fixed assets	14	384,951	360,932
Other financial investments		75	75
Other financial assets	16	57,062	57,864
Deferred taxes		28,185	26,309
		<b>535,850</b>	<b>501,980</b>
<b>Current assets</b>			
Inventories	15	278,261	256,402
Trade receivables		159,833	141,101
Other financial assets	16	207,932	86,149
Claims for income tax refunds		3,793	6,832
Other receivables		12,076	10,697
Cash and cash equivalents	26	206,734	371,101
		<b>868,629</b>	<b>872,282</b>
<b>Total assets</b>		<b>1,404,479</b>	<b>1,374,262</b>
<b>Shareholders' equity</b>			
Subscribed capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		675,448	635,404
Equity attributable to non-controlling interest		2	2
	<b>17</b>	<b>829,350</b>	<b>789,306</b>
<b>Non-current liabilities</b>			
Provisions	18	118,333	108,502
Financial liabilities	19	29,830	31,475
Other financial liabilities	20	3,333	2,078
Other liabilities	21	92,907	80,693
Deferred taxes		20,858	18,369
		<b>265,261</b>	<b>241,117</b>
<b>Current liabilities</b>			
Provisions	18	93,431	68,260
Financial liabilities	19	4,514	2,420
Trade payables		92,048	115,760
Other financial liabilities	20	88,823	75,030
Income tax liabilities		2,860	36,970
Other liabilities	21	28,192	45,399
		<b>309,868</b>	<b>343,839</b>
<b>Total equity and liabilities</b>		<b>1,404,479</b>	<b>1,374,262</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

## SMA GROUP

€'000	Note	Jan. - Sep. (Q1-Q3) 2012	Jan. - Sep. (Q1-Q3) 2011
Consolidated net profit		80,974	126,398
Income tax expenses		38,116	53,912
Financial result		-3,117	-1,977
Depreciation and amortization		48,383	36,176
Change in other provisions		35,003	-4,107
Losses from the disposal of assets		378	117
Other non-cash expenses/revenue		16,416	6,568
Interest received		2,923	2,377
Interest paid		-988	-471
Income tax paid		-68,574	-94,394
<b>Gross cash flow</b>		<b>149,514</b>	<b>124,599</b>
Increase of inventories		-35,754	-72,027
Increase in trade receivables		-20,072	-36,600
Decrease(-)/increase in trade payables		-23,712	55,165
Change in other net assets/other non-cash transactions		23,939	-6,137
<b>Net cash flow from operating activities</b>	<b>23</b>	<b>93,915</b>	<b>65,000</b>
Payments for investments in fixed assets		-60,595	-103,975
Proceeds from the disposal of fixed assets		31	392
Payments for investments in intangible assets		-19,975	-17,464
Payments for investments in financial fixed assets		0	-2
Payments for the acquisition of companies net of cash		0	-23,020
Proceeds from the disposal of securities and other financial assets		157,214	190,000
Payments for the acquisition of securities and other financial assets		-291,500	-126,155
<b>Net cash flow from investing activities</b>	<b>24</b>	<b>-214,825</b>	<b>-80,224</b>
Redemption of financial liabilities		-1,509	-181
Dividends paid by SMA Solar Technology AG		-45,110	-104,100
<b>Net cash flow from financing activities</b>	<b>25</b>	<b>-46,619</b>	<b>-104,281</b>
Net increase in cash and cash equivalents		-167,529	-119,505
Net increase/decrease due to exchange rate effects		3,162	-1,531
Cash and cash equivalents as of 01/01		371,101	354,083
<b>Cash and cash equivalents as of 09/30</b>	<b>26</b>	<b>206,734</b>	<b>233,048</b>

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## STATEMENT OF CHANGES IN EQUITY SMA GROUP

€'000	Equity attributable to the shareholders of the parent company					Equity attributable to non-controlling interest	Consolidated shareholders' equity
	Subscribed capital	Capital reserves	Market valuation of securities	Other-retained earnings	Total		
<b>Shareholders' equity as of 01/01/2011</b>	<b>34,700</b>	<b>119,200</b>	<b>0</b>	<b>574,508</b>	<b>728,408</b>	<b>2</b>	<b>728,410</b>
Dividend payments of SMA Solar Technology AG	0	0	0	-104,100	-104,100	0	-104,100
Consolidated net profit Q1-Q3 2011	0	0	0	126,398	126,398	0	126,398
Differences from currency translation	0	0	0	-1,994	-1,994	0	-1,994
Changes not shown in the income statement	0	0	-35	0	-35	0	-35
Overall result							124,369
Changes in minority interests	0	0	0	0	0	0	0
<b>Shareholders' equity as of 09/30/2011</b>	<b>34,700</b>	<b>119,200</b>	<b>-35</b>	<b>594,812</b>	<b>748,677</b>	<b>2</b>	<b>748,679</b>
<b>Shareholders' equity as of 01/01/2012</b>	<b>34,700</b>	<b>119,200</b>	<b>-47</b>	<b>635,451</b>	<b>789,304</b>	<b>2</b>	<b>789,306</b>
Dividend payments of SMA Solar Technology AG	0	0	0	-45,110	-45,110	0	-45,110
Consolidated net profit Q1-Q3 2011	0	0	0	80,974	80,974	0	80,974
Differences from currency translation	0	0	0	3,875	3,875	0	3,875
Changes not shown in the income statement	0	0	305	0	305	0	305
Overall result							85,154
Changes in minority interests	0	0	0	0	0	0	0
<b>Shareholders' equity as of 09/30/2011</b>	<b>34,700</b>	<b>119,200</b>	<b>258</b>	<b>675,190</b>	<b>829,348</b>	<b>2</b>	<b>829,350</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2012

## 1. BASIC INFORMATION

The Condensed Interim Consolidated Financial Statements of SMA Solar Technology AG as at September 30, 2012 were prepared – as were the Consolidated Financial Statements as at December 31, 2011 – in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as in compliance with the regulations of Section 315a of the German Commercial Code (HGB). Accordingly, the Interim Financial Statements of SMA Technology AG are prepared in line with IAS 34 Interim Financial Reporting in the 2012 fiscal year. In accordance with the regulations of IAS 34, a condensed reporting format compared with the consolidated financial statements as at December 31, 2011 was chosen. The Condensed Financial Statements do not include all the information and disclosures required for Consolidated Financial Statements and have therefore to be read in conjunction with the Consolidated Financial Statements as at December 31, 2011.

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

The Consolidated Financial Statements are prepared on the basis of amortized historical 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 Managing Board of SMA Solar Technology AG authorized the Interim Consolidated Financial Statements for submission to the Supervisory Board on October 31, 2012.

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

The SMA Group develops, produces and distributes PV inverters, transformers, 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 4.

## 2. SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

The scope of consolidation as of December 31, 2011 was expanded compared to the scope as of December 31, 2010 due to the newly founded companies SMA Japan Kabushiki Kaisha (Tokyo, Japan) and SMA Solar Thailand Co. Ltd. (Bangkok, Thailand), as well as the acquisition of dtw Sp. z o.o. (Zabierzów, Poland). All companies were fully consolidated. The investments included in the balance sheet 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, Czech Republic). Non-controlling interest's share in equity of the consolidated companies is shown separately within equity.

The scope of consolidation as at September 30, 2012 was expanded compared with December 31, 2011 to include the following companies: SMA South America SpA (Santiago, Chile), Solar Technology South Africa Pty. Ltd. (Pretoria, South Africa), SMA Service International GmbH (Niestetal, Germany) and SMA Brasil Participações Ltda. (São Paulo, Brazil). The company Niestetal Services, Unipessoal LDA was renamed to SMA Solar Technology Portugal, Unipessoal LDA. The Interim Consolidated Financial Statements are based on the Financial Statements of SMA Solar Technology AG and the subsidiaries included in consolidation, which are prepared in accordance with uniform accounting policies throughout the Group.

More detailed information is provided in the Notes to the Consolidated Financial Statements as at December 31, 2011.

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### 3. ACCOUNTING AND VALUATION POLICIES

There were no changes to the accounting and valuation policies in the present Interim Consolidated Financial Statements as at September 30, 2012 compared with the Consolidated Financial Statements of SMA Solar Technology AG as at December 31, 2011. A detailed description of these policies is published in the Notes to the Consolidated Financial Statements as at December 31, 2011.

When preparing the Interim Consolidated Financial Statements, no new accounting standards to be applied mandatorily as of the fiscal year 2012 had to be observed. The Consolidated Financial Statements as at December 31, 2011 contain a detailed description of the new accounting standards that are on principle relevant to the SMA Group.

### 4. SEGMENT REPORTING

At the beginning of fiscal year 2012, the SMA Group reorganized its photovoltaics operations and adjusted the Group structure accordingly. The SMA Group is managed via strategic business units in the form of divisions, which are organized on the basis of the nature of the customer relationship and the characteristics of the sales organization. As a consequence, the operational management of the Group and internal reporting also changed.

In accordance with the regulations of IFRS 8 "Operating Segments" (management approach), this organizational repositioning led to a change in the segment reporting for all comparative periods. As a result, the number of reportable segments changed. On the basis of the information reported to the Group's chief operating decision maker for the allocation of resources and performance, the reportable segments were identified by division according to the structure of the photovoltaics operations in line with IFRS 8. The Electronics Manufacturing segment was integrated in the former Medium Power Solutions (MPS) segment. Off-Grid Solutions (OGS) was removed from the MPS segment as an independent segment. The High Power Solutions segment (HPS) was renamed Power Plant Solutions (PPS). The new Service segment pools the functional service activities relating to photovoltaics, which were previously conducted in the previous MPS and HPS segments.

The Railway Technology, Off-Grid Solutions and dtw segments are immaterial according to IFRS 8 and are combined in the collective item "Complementary Divisions".

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

The segment information pursuant to IFRS 8 is made up as follows for the third quarters of 2012 and 2011:

#### Financial Ratios by Segments and Regions

Segments	Medium Power Solutions		Power Plant Solutions	
€ million	Q3 2012	Q3 2011	Q3 2012	Q3 2011
External sales	218.6	306.5	117.9	149.2
Internal sales	29.6	27.5	7.0	10.1
Total sales	248.2	334.0	124.9	159.3
Depreciation and amortization	8.5	5.6	0.9	0.6
Operating profit (EBIT)	20.3	39.0	8.5	31.7
<b>Sales by regions</b>				
Germany	121.0	186.6	45.7	57.3
European Union	63.2	88.6	13.3	51.0
Third-party countries	41.7	45.1	59.8	42.8
Sales deductions	-7.3	-13.8	-0.9	-1.9
<b>External sales</b>	<b>218.6</b>	<b>306.5</b>	<b>117.9</b>	<b>149.2</b>

The segment information pursuant to IFRS 8 is made up as follows for the first nine months of 2012 and 2011:

#### Financial Ratios by Segments and Regions

Segments	Medium Power Solutions		Power Plant Solutions	
€ million	Q1-Q3 2012	Q1-Q3 2011	Q1-Q3 2012	Q1-Q3 2011
External sales	817.5	828.3	312.8	316.3
Internal sales	79.2	61.5	20.8	21.1
Total sales	896.7	889.8	333.6	337.4
Depreciation and amortization	21.2	16.6	2.5	1.8
Operating profit (EBIT)	100.7	120.8	28.7	62.7
<b>Sales by regions</b>				
Germany	466.6	466.0	91.0	89.5
European Union	232.0	249.6	41.4	120.8
Third-party countries	155.3	145.0	182.5	108.9
Sales deductions	-36.4	-32.3	-2.1	-2.9
<b>External sales</b>	<b>817.5</b>	<b>828.3</b>	<b>312.8</b>	<b>316.3</b>

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Service		Complementary Divisions		Reconciliation		Continuing operations	
Q3 2012	Q3 2011	Q3 2012	Q3 2011	Q3 2012	Q3 2011	Q3 2012	Q3 2011
10.4	6.3	15.8	15.2	0.0	0.0	362.7	477.2
22.1	21.9	19.4	16.9	-78.1	-76.4	0.0	0.0
32.5	28.2	35.2	32.1	-78.1	-76.4	362.7	477.2
0.5	0.3	1.0	0.6	7.1	5.4	18.0	12.5
-2.2	5.5	2.2	0.4	3.5	-2.0	32.3	74.6
4.5	1.2	4.2	5.5	0.0	0.0	175.4	250.6
5.1	4.9	6.6	6.8	0.0	0.0	88.2	151.2
0.8	0.2	5.3	2.9	0.0	0.0	107.6	91.0
0.0	0.0	-0.3	0.0	0.0	0.0	-8.5	-15.6
<b>10.4</b>	<b>6.3</b>	<b>15.8</b>	<b>15.2</b>	<b>0.0</b>	<b>0.0</b>	<b>362.7</b>	<b>477.2</b>

Service		Complementary Divisions		Reconciliation		Continuing operations	
Q1-Q3 2012	Q1-Q3 2011	Q1-Q3 2012	Q1-Q3 2011	Q1-Q3 2012	Q1-Q3 2011	Q1-Q3 2012	Q1-Q3 2011
19.0	12.3	47.1	35.3	0.0	0.0	1,196.4	1,192.2
63.0	51.6	67.9	24.2	-230.9	-158.4	0.0	0.0
82.0	63.9	115.0	59.5	-230.9	-158.4	1,196.4	1,192.2
1.4	0.8	2.4	0.9	20.9	14.5	48.4	34.6
-14.5	-4.5	9.8	-1.4	-8.7	0.7	116.0	178.3
5.6	4.0	12.8	11.9	0.0	0.0	576.0	571.4
11.6	8.1	19.3	16.4	0.0	0.0	304.3	394.9
1.8	0.2	15.8	7.0	0.0	0.0	355.4	261.1
0.0	0.0	-0.8	0.0	0.0	0.0	-39.3	-35.2
<b>19.0</b>	<b>12.3</b>	<b>47.1</b>	<b>35.3</b>	<b>0.0</b>	<b>0.0</b>	<b>1,196.4</b>	<b>1,192.2</b>

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

€ million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011
Total segment earnings (EBIT)	28.8	76.6	124.7	177.6
Eliminations	3.5	-2.0	-8.7	0.7
Consolidated EBIT	32.3	74.6	116.0	178.3
Financial result	0.8	-0.1	3.1	2.0
<b>Profit before income taxes</b>	<b>33.1</b>	<b>74.5</b>	<b>119.1</b>	<b>180.3</b>

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

Segment assets as of September 30, 2012 did not change significantly as against the reporting date of the last Consolidated Financial Statements (December 31, 2011).

## SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT SMA GROUP

### 5. COST OF SALES

€'000	Q1-Q3 2012	Q1-Q3 2011
Material expenses	632,008	649,240
Personnel expenses	142,512	132,633
Depreciation and amortization	43,699	30,863
Other	84,963	40,239
	<b>903,182</b>	<b>852,975</b>

Cost of sales include, as direct costs, the product-related material expenses as well as all other expenses for Production, Purchasing, Service, Facility Management and IT. In spite of higher value adjustments for inventories (section 15), material expenses could be reduced by 2.7% due to technical innovations, while sales increased slightly by 0.3% (Q1-Q3 2011: €1,192 million, Q1-Q3 2012: €1,196 million). Due to the targeted expansion of the Purchasing and Service departments, personnel expenses increased to €142.5 million. The development of depreciation and amortization is attributable particularly to investing activities in the last 12 months. Other expenses have increased particularly as a result of risk provisioning because of additional work to purchased components used in various product families.



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## 6. SELLING EXPENSES

€'000	Q1-Q3 2012	Q1-Q3 2011
Material expenses	492	808
Personnel expenses	28,364	24,277
Depreciation and amortization	348	332
Other	23,292	20,058
	<b>52,496</b>	<b>45,475</b>

Selling expenses include expenditure for global sales activities, internal sales and marketing department. In comparison with the previous year, SMA further expanded its international sales and marketing structures. This included founding new sales and service companies in Brazil, Chile, Japan, South Africa and Thailand. The increase in personnel and other expenses is attributable to higher levels of international sales and marketing activities.

## 7. RESEARCH AND DEVELOPMENT EXPENSES

€'000	Q1-Q3 2012	Q1-Q3 2011
Material expenses	4,699	4,240
Personnel expenses	50,620	45,989
Depreciation and amortization	3,523	2,974
Other	22,514	20,031
	<b>81,356</b>	<b>73,234</b>
Capitalized development projects	-15,366	-9,680
	<b>65,990</b>	<b>63,554</b>

Research and development expenses include all costs that may be attributed to the areas of product development, development-related testing and product management. In order to strengthen its technological leadership even further, SMA systematically expanded the area of development. In comparison to the previous year, SMA employed 9% more staff in this business area. The increase in personnel expenses reflects this increase. The increase in other expenses is mainly attributable to the further expansion of development cooperation and an intensification of the measures to protect intellectual property. The rise in capitalized development projects reflects increased activity in the development of new devices.

## 8. GENERAL ADMINISTRATIVE EXPENSES

€'000	Q1-Q3 2012	Q1-Q3 2011
Material expenses	137	91
Personnel expenses	39,131	30,720
Depreciation and amortization	813	511
Other	17,727	20,382
	<b>57,808</b>	<b>51,704</b>

Administrative expenses include expenses for the Managing Board, for division management and for the areas of Finance, Human Resources, Legal and Compliance, Corporate Communications and Quality Management. The increase in personnel expenses is the result of the increase in administrative personnel within the divisions and in corporate functions. The further increase in other expenses was curbed through the targeted reduction of projects.

## 9. OTHER OPERATING INCOME/ OTHER OPERATING EXPENSES

Other operating income basically includes income from foreign currency valuation as well as non-operating income, such as assets recognized in the income statement with their fair value.

Other operating expenses include, in particular, expenses incurred from foreign currency valuation, impairment losses on receivables, expenses for the disposal of fixed assets as well as for assets classified as "at fair value through profit or loss." In the first nine months, impairment losses on receivables of €3.1 million were recognized for the first time (Q1-Q3 2011: €2.8 million).

## 10. BENEFITS TO EMPLOYEES AND TEMPORARY EMPLOYEES

€'000	Q1-Q3 2012	Q1-Q3 2011
Wages and salaries	195,707	171,865
Expenses for temporary employees	28,157	34,344
Social security contribution and welfare payments	36,762	27,410
	<b>260,626</b>	<b>233,619</b>

The average number of employees in the Group amounted to:

	Q1-Q3 2012	Q1-Q3 2011
Research and Development	970	848
Production and Service	3,142	2,720
Sales and Administration	1,127	904
	<b>5,239</b>	<b>4,472</b>
Apprentices and interns	429	426
Temporary employees	1,178	1,370
	<b>6,846</b>	<b>6,268</b>

## 11. FINANCIAL RESULT

€'000	Q1-Q3 2012	Q1-Q3 2011
Interest income	3,532	3,814
Other financial income	1,003	744
<b>Financial income</b>	<b>4,535</b>	<b>4,558</b>
Interest expenses	840	704
Other financial expenses	86	844
Interest portion from valuation	492	1,033
<b>Financial expenses</b>	<b>1,418</b>	<b>2,581</b>
<b>Financial result</b>	<b>3,117</b>	<b>1,977</b>

The lower interest portions from valuation arise from the current interest rate development.

## 12. EARNINGS PER SHARE

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

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

The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of €2.33 per share for the period from January 1 to September 30, 2012. The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of €3.64 per share for the period from January 1 to September 30, 2011 on the basis of €34.7 million shares.

At the reporting date, there are no options or conversion options as at the reporting date. As a result, there are no diluting effects so that the diluted and basic earnings per share are the same.

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## SELECTED NOTES TO THE BALANCE SHEET SMA GROUP

### 13. GOODWILL AND OTHER INTANGIBLE ASSETS

€'000	09/30/2012	12/31/2011
Goodwill	311	311
Software	9,048	12,593
Development projects	55,626	43,279
Prepayments	592	617
	<b>65,577</b>	<b>56,800</b>

The increase to the development projects reflects the intensified development activities to secure the SMA Group's technological leadership.

### 14. FIXED ASSETS

€'000	09/30/2012	12/31/2011
Land and buildings incl. buildings on third-party property	221,236	159,441
Technical equipment and machinery	40,058	35,463
Other equipment, fixtures and furniture	85,568	91,413
Prepayments	38,089	74,615
	<b>384,951</b>	<b>360,932</b>

The fall in prepayments made is the result of the completion of the new Sandershäuser Berg Service Center. The prepayments in the period from January 1 to September 30, 2012 include investments for the construction of office buildings totaling €9.4 million.

### 15. INVENTORIES

€'000	09/30/2012	12/31/2011
Raw materials, consumables and supplies	139,718	179,831
Unfinished goods, work in progress	41,168	31,472
Finished goods and goods for resale	95,356	44,326
Prepayments	2,019	773
	<b>278,261</b>	<b>256,402</b>

Inventories are measured at the lower value of acquisition or production costs and net realizable value. The increase in unfinished goods and work in progress and finished goods and goods for resale is largely the result of the targeted increase in delivery capacity in individual markets. The impairment on inventories, included under expenses as production costs, amounts to €19.4 million (Q1-Q3 2011: €6.1 million).

### 16. OTHER FINANCIAL ASSETS

As at September 30, 2012, other current financial assets include in particular financial positions, time deposits with a term to maturity of over three months and accrued interest totaling €195.5 million (December 31, 2011: €80.0 million). Other non-current assets primarily include financial positions of €54.8 million (December 31, 2011: €55.6 million) and a rent deposit for buildings in the USA amounting to USD 2.5 million (December 31, 2011: USD 2.5 million).

### 17. SHAREHOLDERS' EQUITY

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

On May 22, 2012, the Annual General Meeting of SMA Solar Technology AG passed a resolution to distribute a dividend for the fiscal year 2011 amounting to €1.30 per qualifying bearer share (2010: €3.00). Payment took place on May 23, 2012.

## 18. PROVISIONS

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

€'000	09/30/2012	12/31/2011
Warranties	196,077	149,470
Other obligations deriving from sales transactions	0	3,412
Other	15,687	23,880
	<b>211,764</b>	<b>176,762</b>

Warranty provisions consist of general warranty obligations (mainly 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 in the following period. The increase is the result, in particular, of risk provisioning because of additional work to purchased components used in various product families and the scheduled additions to general warranty provisions because of the increase in sales.

Other obligations deriving from sales transactions included claims made. By September 30, 2012, there are no pending claims. The risks from acceptance obligations shown under other provisions have reduced because of changes in market potential. In addition, other provisions include obligations for long-service anniversaries, death benefits, partial retirement and service-related benefits.

## 19. FINANCIAL LIABILITIES

€'000	09/30/2012	12/31/2011
Liabilities towards credit institutions	31,108	32,617
Derivative financial liabilities	3,235	1,277
Finance lease liabilities	1	1
	<b>34,344</b>	<b>33,895</b>

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.

For the most part, the changes of the derivative financial liabilities involve currency derivatives in the amount of €2.4 million.

## 20. OTHER FINANCIAL LIABILITIES

€'000	09/30/2012	12/31/2011
Liabilities Human Resources department	63,774	64,261
Liabilities Sales department	25,370	9,753
Other	3,012	3,094
	<b>92,156</b>	<b>77,108</b>

Liabilities in the Human Resources area contain obligations towards employees regarding performance-based bonuses, positive vacation and flexitime balances as well as variable salary components and contributions to the worker's compensation association. The liabilities in the Sales area primarily contain liabilities towards customers for bonus agreements due to year end.

## 21. OTHER LIABILITIES

€'000	09/30/2012	12/31/2011
Deferred income for extended guarantees	90,136	78,992
Liabilities from prepayments received	26,761	44,262
Liabilities due to tax authorities	2,869	1,364
Liabilities from subsidies received	1,233	1,327
Other	100	147
	<b>121,099</b>	<b>126,092</b>

The deferred income for extended warranties includes liabilities from chargeable guarantee extensions granted for the products. The main items included in the liabilities due

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to tax authorities are tax liabilities from payroll accounting as well as turnover tax liabilities. The liabilities from subsidies received relate to taxable government grants from funds of the common-task program "Improvement of the Regional Economic Structure" (EU GA), granted as investment subsidies. The total amount of retransfer of government grants is stated under other operating income.

## 22. FINANCIAL INSTRUMENTS

As of September 30, 2012, the Balance Sheet included fifteen forward transactions intended to hedge the exchange rate risks of expected future sales generated with customers. The derivatives are still classified as held for trading. They are not part of a hedging relationship as defined by IAS 39. For the interest risks arising for SMA Immo due to financial liabilities, interest derivatives were concluded for a part of these financial liabilities. The derivatives are classified as held for trading. They are not part of a hedging relationship as defined by IAS 39.

## NOTES TO THE STATEMENT OF CASH FLOWS SMA GROUP

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

## 23. NET CASH FLOW FROM OPERATING ACTIVITIES

Gross cash flow of €149.5 million (Q1-Q3 2011: €124.6 million) reflects operating income prior to commitment of funds.

Net cash flow from operating activities amounted to €93.9 million in the first nine months of fiscal year 2012 (Q1-Q3 2011: €65.0 million). The increase of the gross cash flow (+€24.9 million) is partially compensated by countervailing effects with regard to the changes of the net working capital.

The change in net working capital results mainly from an increase of inventories and accounts receivable. The building up stocks of raw materials, consumables and supplies has been stopped. Therefore the increase of inventory has more than halved compared to the first nine months of the previous year. The change to inventories relevant to the Statement of Cash Flows amounts to €35.8 million. Furthermore, a €23.7 million decrease 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 extended warranties as well as liabilities from prepayments received.

## 24. NET CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow from investing activities increased in the first nine months of fiscal year 2012 to €-214.8 million compared to the previous year's figure of €-80.2 million. The outflow of funds for investments in fixed and intangible assets amounted to €80.6 million (Q1-Q3 2011: €121.4 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.

## 25. NET CASH FLOW FROM FINANCING ACTIVITIES

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

## 26. CASH AND CASH EQUIVALENTS

The cash and cash equivalents amounting to €206.7 million (December 31, 2011: €371.1 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 remaining financial assets, this results in financial resources amounting to €456.9 million (December 31, 2011: €506.7 million).

## OTHER DISCLOSURES

### 27. EVENTS AFTER THE BALANCE SHEET DATE

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

### 28. RELATED PARTY DISCLOSURES

In comparison with December 31, 2011, the restructuring of SMA as of January 1, 2012 extended the group of related parties by the management of the divisions. The scope of transactions with team-time GmbH in the first nine months of the current year was identical to the previous extent. There were no other significant transactions with related parties.

Niestetal, October 31, 2012

SMA Solar Technology AG  
The Managing Board

Jürgen Dolle

Roland Grebe

Pierre-Pascal Urbon

Marko Werner

# AUDITOR'S REVIEW REPORT

(TRANSLATION – THE GERMAN TEXT IS AUTHORITATIVE)

To SMA Solar Technology AG, Niestetal

We have reviewed the Condensed Interim Consolidated Financial Statements – comprising the Condensed Income Statement, the Condensed Statement of Comprehensive Income, Condensed Balance Sheet, Condensed Statement of Changes in Equity, Condensed Statement of Cash Flows and Selected Explanatory Notes – together with the Interim Group Management Report of SMA Solar Technology AG, Niestetal, for the period from January 1, 2012 to September 30, 2012, which are components of the Quarterly Financial Report pursuant to Section 37x (3) of the German Securities Trading Act (WpHG). The preparation of the Condensed Interim Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's Managing Board. Our responsibility is to issue a review report on the Condensed Interim Consolidated Financial Statements and on the Interim Group Management Report based on our review.

We conducted our review of the Condensed Interim Consolidated Financial Statements and of the Interim Group Management Report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the review so that we

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

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

Hanover, October 31, 2012

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft

Scharpenberg  
Wirtschaftsprüfer  
(German Public Auditor)

Schwibinger  
Wirtschaftsprüfer  
(German Public Auditor)

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## Disclaimer

The Quarterly Financial Report January to September 2012, in particular the forecast report included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the SMA Group and SMA Solar Technology AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provision or fundamental changes in the economic and political environment. SMA does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this Quarterly Financial Report.



## FINANCIAL CALENDAR 2013

March 27, 2013	Publication of Annual Report SMA Group 2012 and Individual Financial Statement SMA Solar Technology AG 2012 Analyst Conference Call: 9:00 a.m. CET
March 27, 2013	Press Conference on Annual Report
May 15, 2013	Publication of Quarterly Financial Report January to March 2013 Analyst Conference Call: 9:00 a.m. CET
May 23, 2013	Annual General Meeting 2013, Kassel, Kongress Palais
August 8, 2013	Publication of Half-Yearly Financial Report January to June 2013 Analyst Conference Call: 9:00 a.m. CET
November 7, 2013	Publication of Quarterly Financial Report January to September 2013 Analyst Conference Call: 9:00 a.m. CET

## IMPRINT

**Publisher** SMA Solar Technology AG

**Text** SMA Solar Technology AG

**Implementation** Kirchhoff Consult AG

**Publication** November 8, 2012

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This Quarterly Financial Report was published in German and English on November 8, 2012.  
Both versions are available as downloads on our Web site:

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

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