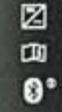
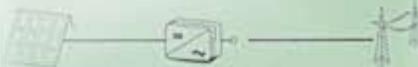




ANNUAL REPORT 2009
SMA SOLAR TECHNOLOGY AG



SUNNY BOY

BUSINESS GROUP FIGURES

SMA Group		2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 HGB
Sales	€ million	934.3	681.6	327.3	192.9	172.2
Export ratio		38.4%	42.3%	29.4%	20.1%	12.3%
Inverter output sold	MW	3,381	2,180	950	430	344
Capital expenditure ¹	€ million	74.9	62.2	12.3	15.0	7.0
Depreciation	€ million	16.3	8.9	16.0	9.0	3.0
Operating profit (EBIT)	€ million	228.4	167.4	59.3	33.4	35.2
Operating profit margin		24.4%	24.6%	18.1%	17.3%	20.4%
Consolidated net profit	€ million	161.1	119.5	36.8	20.5	18.1
Earnings per share ²	€	4.64	3.44	1.06	0.59	0.52
Employees (average during the period) ³		3,412	2,513	1,600	1,164	928
in Germany		3,236	2,400	1,535	1,133	910
abroad		176	113	65	31	18
SMA Group		12/31/2009 IFRS	12/31/2008 IFRS	12/31/2007 IFRS	12/31/2006 IFRS	12/31/2005 HGB
Total assets	€ million	718.6	469.6	163.2	112.3	84.0
Equity	€ million	407.6	280.8	64.4	40.7	32.9
Equity ratio		56.7%	59.8%	39.5%	36.2%	39.2%
Net working capital ⁴	€ million	98.6	78.0	59.4	34.3	22.6
Net working capital ratio		10.6%	11.4%	18.1%	17.8%	13.1%
Cash and cash equivalents	€ million	365.0	261.0	52.8	33.5	35.8

Performance of the SMA share 2009 percent⁵

(SMA share TecDax ÖkoDax)



¹ excl. finance leases, excl. R&D

² converted to 34,700,000 shares

³ incl. temporary employees

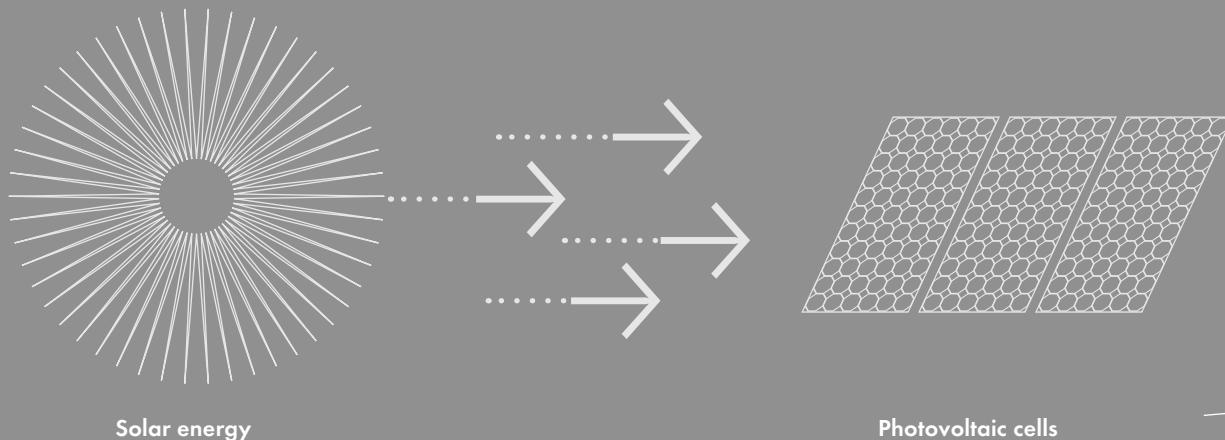
⁴ inventories and trade receivables minus trade payables

⁵ rebased to 100%



THE HEART OF THE CONVERSION PROCESS

The inverter is the heart of every solar energy system: it converts the direct current generated in photovoltaic cells into an alternating current suitable for the grid. In addition, it is an intelligent system manager responsible for yield monitoring and grid management. Whether with or without transformer, whether for small systems or for entire solar power plants – SMA has always been setting the standards for quality, reliability and efficiency. This means maximum stability of yield. Solar inverters from SMA are highly efficient, user-friendly and durable. The high quality of our inverters has also been confirmed by "Stiftung Warentest", the leading German consumer safety group.



SOLAR INVERTERS FOR EVERY REQUIREMENT – WORLDWIDE

for all photovoltaics applications

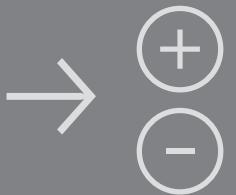
- grid connection
- stand-alone power supply
- backup operation

for any power class

- from less than 1 kilowatt
- up to the megawatt range

for all module types

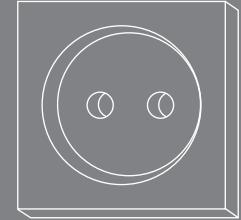
- thin-film technology
- crystalline technology
- concentrator technology



Direct current

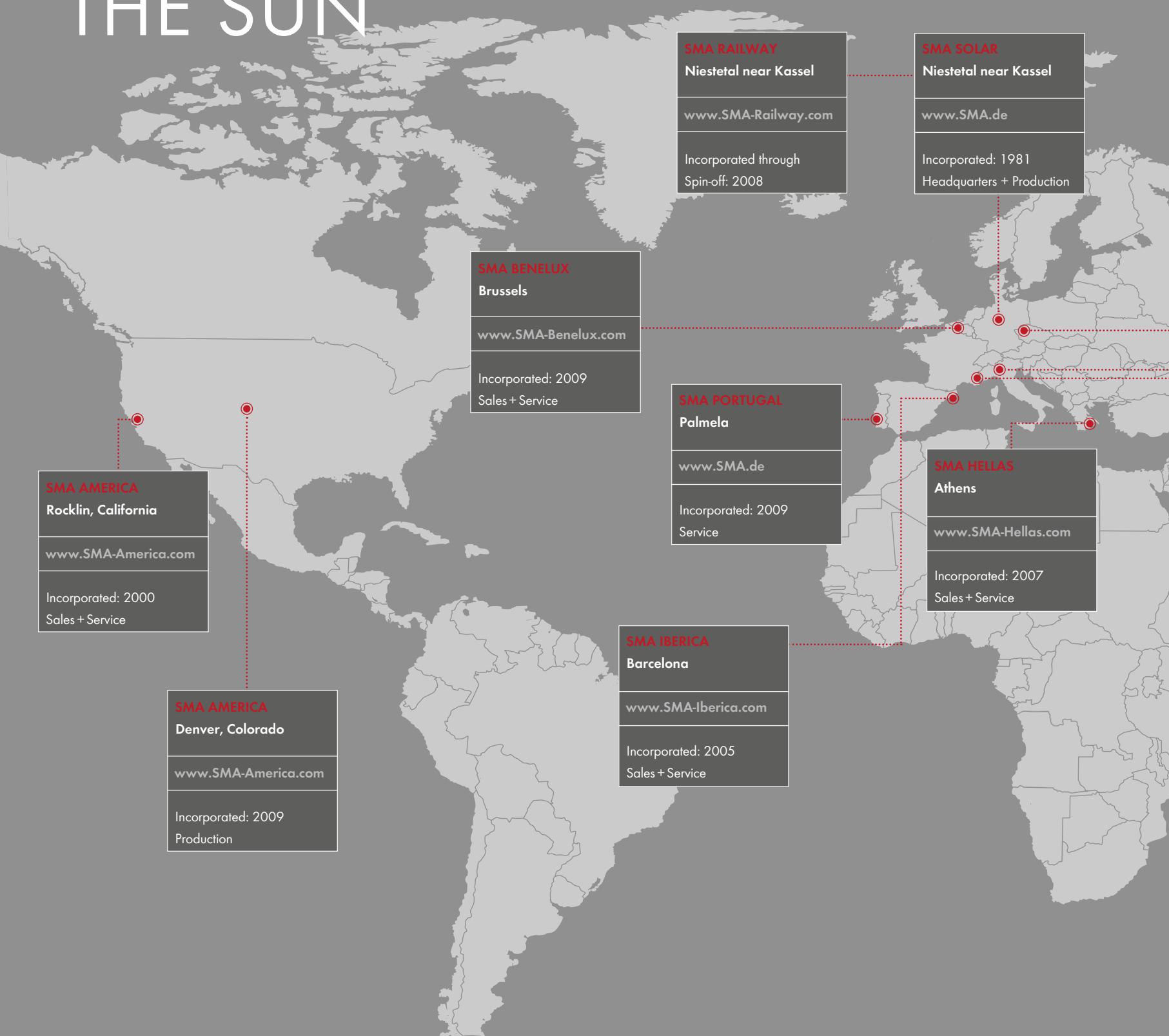


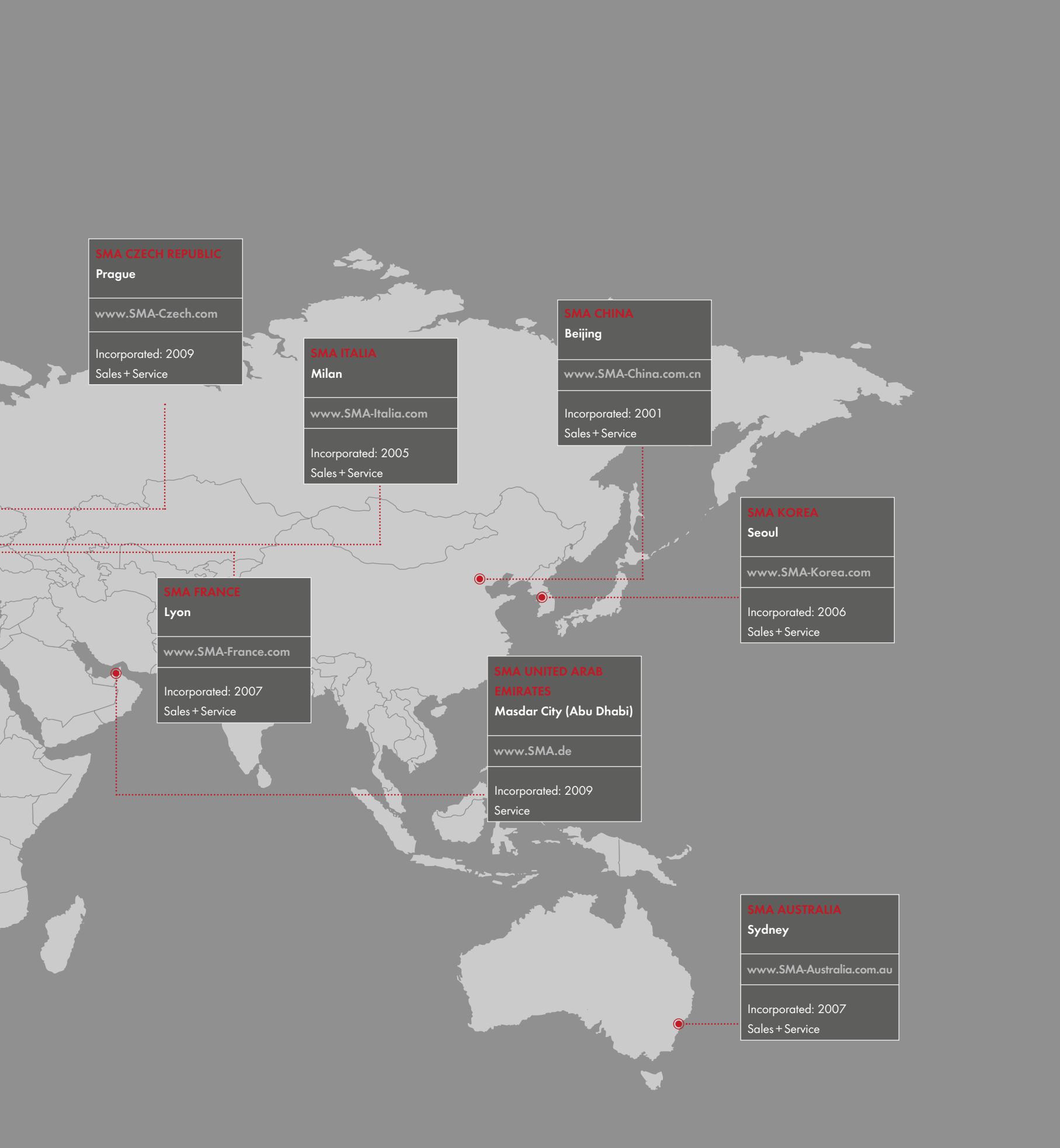
SMA solar inverters



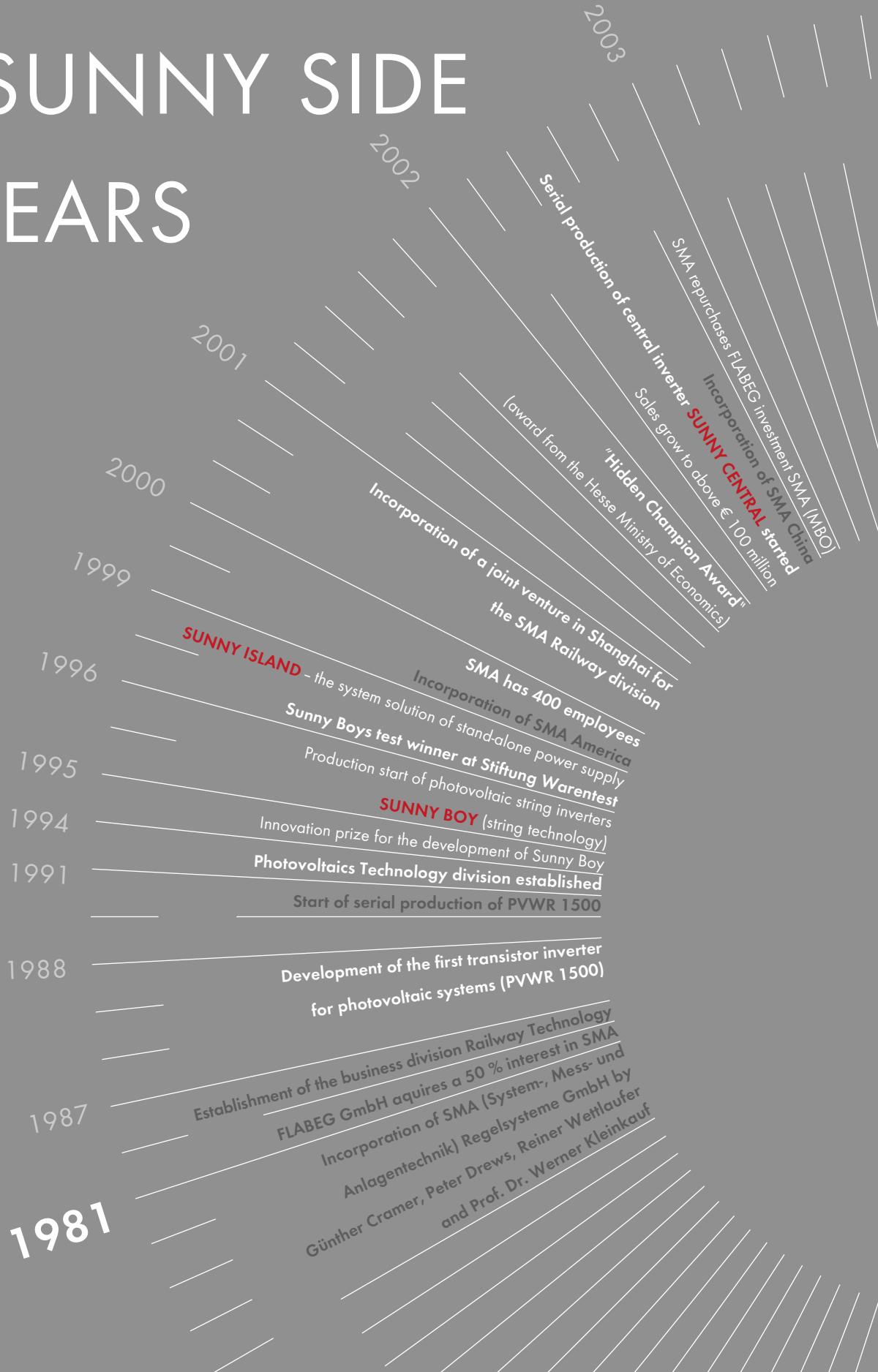
Alternating current

SMA - FOLLOWING THE SUN





ON THE SUNNY SIDE FOR 29 YEARS



SUNNY BEAM – radio-controlled communication device
for plant monitoring

2004

Incorporation of SMA Iberica and SMA Italia
SMA has 1,000 employees

2005

SUNNY BOY again best winner at Stiftung Warentest

Industrial Category
Incorporation of SMA Korea

SUNNY MINI CENTRAL 8000TL with an efficiency
of 98 % achieves a world record
SMA is one of the five best employers in Europe
(GREAT PLACE TO WORK™ Institute)

2006

Innovation Award for **SUNNY BACKUP**
(solar power in case of a grid failure)

Incorporation of SMA France, SMA Hellas and SMA Australia
Annual production reaches approx. 1 GW inverter output

2007

First listing of SMA shares at the Frankfurt Stock Exchange
SUNNY BOY 3800 and **SUNNY MINI CENTRAL 8000TL**
are the winners in a product
comparison by PHOTON magazine

2008

SUNNY CENTRAL 630HE – lowest specific price,
grid management included

SUNNY TRIPower 17000TL – the three-phase solar inverter
The largest CO₂-neutral inverter plant

worldwide starts operations in Niestetal
SMA has more than 4,000 employees

2009

2010

008	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statements
184	Other Information

Table of Contents

008

TABLE OF CONTENTS

TO OUR SHAREHOLDERS

002

- 002 The heart of the conversion process
 - 004 SMA – following the sun
 - 006 On the sunny side for 29 years
 - 008 Table of Contents
 - 010 Letter to our Shareholders
 - 016 Report of the Supervisory Board
-

CORPORATE GOVERNANCE STATEMENT

022

- 022 Corporate Governance Report
 - 023 Declaration of conformity concerning the German Corporate Governance Code
 - 029 Corporate Governance Practices
 - 030 Functions of the Managing Board and the Supervisory Board

 - 034 The Share
-

PERSPECTIVES

038

- 040 Foresight
 - 050 Insight
 - 064 Respect
-

Table of Contents

To our Shareholders	008
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

009

CONSOLIDATED MANAGEMENT REPORT

078

- 082 Business and general conditions
 - 099 Results of operations, financial position and net assets
 - 107 Supplementary report
 - 109 Risk report
 - 116 Other reports
 - 120 Forecast report
-

CONSOLIDATED FINANCIAL STATEMENTS

124

- 128 Income statement and statement of comprehensive incomes of the SMA Group
 - 129 Balance sheet of the SMA Group
 - 130 Cash flow statement of the SMA Group
 - 131 Statement of changes in equity of the SMA Group
 - 132 Notes to the Consolidated Financial Statements
 - 183 Auditor's Report
-

OTHER INFORMATION

184

- 184 Income statement and balance sheet of SMA Solar Technology AG
- 186 Glossary
- 188 Disclaimer

Inside: Financial Calendar, Imprint, Contact Details



To our Shareholders	008
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

LETTER TO OUR SHAREHOLDERS

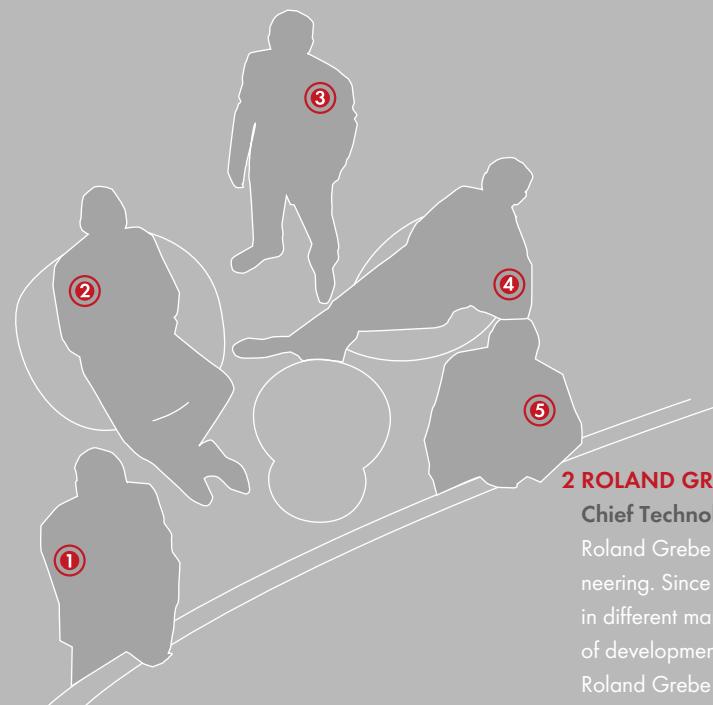
Dear Shareholders,

SMA succeeded in continuing on its path of growth and success. A short overview of the key figures of this record year: In a highly dynamic market environment, sales increased by 37 % to € 934 million. This means that sales is above the upper end of our forecast of € 850 to 900 million, which we raised a second time in the fourth quarter of 2009. EBIT increased to € 228 million, the EBIT margin of 24.4 % being within the earnings forecast of 23 % to 25 % and at about the level of the previous year (2008: 24.6 %). This means that 2009 replaces fiscal 2008 as the most successful year in the history of our Company. This would not have been possible without the great commitment of all employees in Germany and worldwide. We herewith thank all of them for their excellent services!

Market leadership expanded significantly

SMA is both world market leader and technology leader for solar inverters. In 2009, we increased our global market share from approx. 38 % to above 40 % according to our own estimates. We succeeded in enlarging the distance to our competitors again, which is the result of SMA's special positioning. No other enterprise can claim to be the technology leader in the field of solar inverters, to offer a product portfolio for all applications, all power classes and all module types, to be able to benefit from a strong international sales and service network and to respond quickly to the market's fluctuations with the maximum flexibility.

We would like to mention a few of the many product innovations that helped us to expand our market leadership in 2009: Sunny Central 630HE and Sunny Central 500U Outdoor for the use in large-scale solar installations as well as the Sunny Boy 8000U for the US market, which is a powerful product for commercial solar applications. At the Intersolar trade fair, we presented the "all-rounder" Sunny Tripower, a device that can be used in all photovoltaic systems from 10 kW up to the megawatt class. Other innovations presented include the Sunny Boy 3000HF and *Bluetooth®* communication. To complete our portfolio, we acquired a technology platform for micro inverters in 2009. These devices will be used in the niche market of power ranges below 1 kW. The distinguishing characteristics of all our new products: they are even easier to install, their efficiency has been improved again, they have extended functionality and – in relation to the sales price per watt – they are cheaper than the relevant predecessor generation. SMA aims to remain the technology leader for solar inverters in the future as well. Our technological edge is a substantial competitive advantage and is a significant market entry barrier, in particular, for new competitors. Accordingly, we will expand our development capacities. We plan to increase our development budget for 2010 by more than 40 % to approx. € 70 to 80 million.

**1 MARKO WERNER****Chief Sales Officer**

Marko Werner (*1963) is an Electrical Engineer. He began his career at SMA in 1987 and until 2009 he worked in different leadership roles in Product Management, Sales and Marketing. Marko Werner has developed a global sales organization for SMA as well as innovative marketing concepts. In 2009, he was appointed Chief Sales Officer.

3 PIERRE-PASCAL URBON**Chief Financial Officer**

Pierre-Pascal Urbon (*1970) studied Business Administration. From 1997 to 2005, he worked at the investment bank Drueler & Co. in M&A and Corporate Finance, lastly as Vice President. Pierre-Pascal Urbon has been working for SMA since 2005 and was appointed to the Managing Board in 2006. Since 2009, Pierre-Pascal Urbon has been responsible on the Managing Board for the areas of Finance as well as Legal and Investor Relations. He is also a member of the Central Regional Advisory Council of Commerzbank AG.

4 PETER DREWS**Chief Operating Officer**

Peter Drews (*1956) is an Electrical Engineer and was co-founder of SMA in 1981. He established the section of microelectronics (hard and software), which today is an important base technology for decentralized energy supply systems. Peter Drews is responsible for the areas of Production, Service, IT, Purchasing and Facility Management. He is also Managing Director of SMA Immo GmbH and SMA Technologie Holding GmbH.

5 GÜNTHER CRAMER**Chief Executive Officer**

Günther Cramer (*1952) established SMA in 1981 after studying Electrical Engineering. He significantly shaped the development of power electronics expertise at SMA and developed solutions for decentralized energy supply. Günther Cramer has been responsible for the areas of Strategy and Legal Counsel since 2009. He is Managing Director of SMA Immo GmbH and SMA Technologie Holding GmbH. He is also President of the German Solar Industry Association (BSW-Solar), a member of the Board of Directors of the European Photovoltaic Industry Association (EPIA) and deENet e. V. Günther Cramer is a member of the University Advisory Council of the University of Kassel and has been a member of the Supervisory Board of Seeger Engineering AG in Hessisch Lichtenau since 2005.

International expansion continued

Germany was the most important market for our products and related services in 2009. However, as evidenced by the rising export share of about 40 %, SMA is active in all major photovoltaics markets of the world. In general, we aim to be the first enterprise in emerging markets with our own presence on site. In this way, we are able to establish the brand SMA in young markets early on and adapt our products optimally to the specific market conditions. Hence, SMA benefits from the local market growth right from the beginning – our international expansion strategy has proven to be a clear success factor in the record year 2009 as well.

In order to exploit all opportunities of the largest Eastern European solar market, the Czech Republic, we established a sales and service company in Prague in 2009, which also serves the Slovakian market. The Belgian solar market was also characterized by an excellent development and, like the Czech Republic, offers good growth potential in the medium to the long term. To cover this potential, we established a company in Mechelen near Brussels. We also incorporated further companies in Portugal (Palmela near Lisbon) and in the United Arab Emirates (Masdar City, Abu Dhabi).

We see the largest potential in North America. We expect that the USA will become the most important photovoltaics market in the medium term. This was the reason why we decided in 2009 to establish there the first production site outside Germany. We selected Denver, Colorado, as the location. This location – which more than any other allows us to implement our special concept of flexibility – offers an excellent logistic connection and access to qualified staff, and expands SMA's presence in the USA. Our US sales and service subsidiary has its headquarters in Sacramento, California.

The construction of a new plant in the USA has almost been finalized and the US employees received comprehensive training in Niestetal with regard to SMA's flexible production model. The new plant will commence production in the middle of this year. It has been designed for an annual capacity of about 1 GW inverter capacity in its initial phase.

While Denver will produce devices for the North American market, Germany will remain our largest production site. We will underline this by significant capacity expansions during this year and by substantive investments in 2011 and 2012. As previously, we will align our expansion activities with relevant market conditions.

Flexible production concept, expansion of capacities

The production of SMA is exclusively order-based, and in view of the high market dynamics of the solar sector, maximum flexibility was demanded in 2009 as well. We were able to increase the produced inverter output at a ratio of significantly more than 1:4 from the first to the fourth quarter: from 243 MW in the first to 1,415 MW in the fourth quarter. Owing to our unique flexibility concept, we are able to adapt production quickly in record time both to regional shifts and to product-related and market-driven changes in demand.

In April 2009, we reached an important milestone in our capacity expansion: the new CO₂-neutral inverter plant in Kassel commenced its operations. It reached its capacity limit as early as in the second half of 2009. Due to repeated optimization of our production processes and thanks to the outstanding commitment of our staff, we succeeded in increasing the plant's annual capacity to about 5 GW.

Currently, we are raising annual capacity in Germany to up to 10 GW by means of transitional solutions in Niestetal and Kassel in the short term. This capacity expansion is intended to fulfill peak demand within the usual delivery periods. In the medium term, we plan to develop a part of the Sandershäuser Berg industrial park, which is situated in the direct neighborhood of our headquarters, for a long-term expansion of our production and for service activities. After completion of the new building, which is expected for 2012, all interim solutions will be moved to this factory. We are expecting substantial gains in efficiency as a result.

Systematic expansion of the organizational structure

The enterprise SMA sees strong growth and continues consistently its shift to a globally operating group. We take this growth into account in the Group's management structure as well. The strategic development of the organizational structure in 2009 resulted in an expansion of the Managing Board from four to five members and in the systematic building up of the second management level.

Following the General Meeting, Reiner Wettlaufer, one of the Company's founders, moved to the Supervisory Board and remains active for the Company as Deputy Chairman. His position as Chief Financial Officer was taken over by Pierre-Pascal Urbon. Marko Werner succeeded Pierre-Pascal Urbon as Chief Sales Officer. Marko Werner led the Sales division for many years, most recently as Senior Vice President. The new Chief Technology Officer is Roland Grebe, who has shaped this department decisively for more than 20 years and promoted the development of important product lines.

The second management level was enlarged to 18 divisional managers at the Niestetal headquarters. Abroad, the 13 managing directors of the 12 sales and services companies and the production company in Denver support the management team. These structures are oriented toward further growth in foreign markets and have already proven to be effective and strong.

Strategic goals for 2010 and beyond

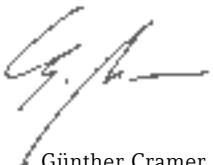
The 2009 record year has clearly revealed: SMA has an excellent position in the photovoltaics market. All milestones in the process of systematic organizational development were achieved highly successfully. The inflow of funds from the IPO in 2008 will ensure the Company's financial flexibility for future challenges as well. SMA is sustainable in every respect and will concentrate on four main strategic subjects: systematic reduction of price per watt of SMA inverters, development of system technology for optimizing decentralized energy supply by photovoltaic installations (smart grids, in-house use of solar power), further expansion of technology leadership and growth in foreign markets.

To our Shareholders	008
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

The particular advantage of energy generation with photovoltaic systems is the decentralized structure, i.e. generation in the proximity of the consumer. In addition, there is a good correlation between demand and supply in the course of a day – at noon, the time with the highest requirements, the photovoltaic system supplies the largest quantity of solar power, thus covering peak loads. In 2020, electricity from photovoltaic systems is expected to contribute up to 12 % to the electrical energy supply in Germany (SET 2020, EPIA). However, the growing expansion of photovoltaics will require further technical system approaches. For example, in the field of local consumption of solar power, which is being promoted in particular in Germany, local decentralized storage applications will be useful alongside supply regulation on the demand side. Even today, the further development of our backup systems provides the technical prerequisites for these applications. As regards grid integration of large photovoltaic systems, SMA's inverters today fulfill all the requirements for medium-voltage grid supply. In various work groups, SMA also devises a control for the low-voltage grid in cooperation with energy supply companies.

The objective of the photovoltaics industry is to make a significant contribution to power supply. This requires falling costs and easier installation of the components. The system engineering field has been technology-driven for many years. This is a material reason why only very few Asian inverter manufacturers are successful. Consequently, SMA will expand its development capacities consistently. A significant development emphasis is on the further enhancement of the three-phase inverter technology. Its advantages include low installation costs and distinctly simplified planning. This will result in a shift of market segments. Installers will now be able to penetrate the market for large solar projects. Another development emphasis will be on a performance increase in order to further reduce system costs. And, finally, the Company intends to extend the communication functions of inverters in order to enable the intelligent control of clusters and system monitoring as well as to position the inverter even more as a "system manager".

SMA sees the essential growth of the next few years in the foreign markets. The USA in particular offer huge opportunities since achieving the portfolio goals (share of renewable energies in the overall power mix pursuant to the US promotion programs) will result in a significant growth of the photovoltaics sector. Further important regions are the southern European markets, in particular Italy and France, as well as China and India. SMA's internationalization is also reflected in its management organs: 40 % of the representatives from the second management level are active abroad. A regular exchange of information allows the Group to prepare itself for international requirements in an optimum way.



Günther Cramer
Chief Executive Officer



1 REINER WETTLAUFER

The Electrical Engineer Reiner Wettnaufer (*1955) is one of the four founders of SMA. As Chief Financial Officer, Reiner Wettnaufer was responsible for the areas of Finance and Legal at SMA for 20 years. In this role, he continuously built up structures in the Finance area, to a globally operating corporate group and to the stock exchange listing in June 2008. Reiner Wettnaufer has been Deputy Chairman of the Supervisory Board of SMA Solar Technology AG since June 2009.

2 DR. JUR. ERIK EHRENTRAUT

The Doctor of Law Dr. Erik Ehrentraut (*1943) worked from 1987 to 2000 on the Managing Board at Flachglas AG. Since 1991, he has assumed the role of Chairman of the Managing Board. At the same time, from 1991 to 2000 he held the position of Chairman of the Managing Board at Pilkington Deutschland GmbH. From 2000 to 2002, Dr. Erik Ehrentraut was Chairman of the Managing Board at FLABEG GmbH. Since 2004, Dr. Erik Ehrentraut has held the Chair of the Supervisory Board at SMA Solar Technology AG.

3 PROF. (EM.) DR. WERNER KLEINKAUF

Prof. (em.) Dr. Werner Kleinkauf (*1939) was a co-founder of SMA in 1981. He is a Doctor of Electrical Engineering and concentrated early on on the field of energy supply / control engineering. After eight years in a managerial position at the German Aerospace Centre (DLR), he took over as Professor for Electrical Energy Supply Systems at the University of Kassel in 1976, and developed the respective department. He also founded the Institute for Solar Energy Supply Technology ISET e. V. in 1988 and led it until 1998. Prof. (em.) Dr. Werner Kleinkauf has been a member of the Supervisory Board of SMA Solar Technology AG since 2004.

4 DR. WINFRIED HOFFMANN

Dr. Winfried Hoffmann (*1959) is a Graduate Physicist and a Doctor in Biophysics. As manager of the Photovoltaic R & D Group at NUKEM, he initiated the joint venture with Daimler Benz Aerospace and became Managing Director of Angewandte Solarenergie – ASE GmbH in 1994. Dr. Winfried Hoffmann has been Chairman of the Managing Board of RWE Schott Solar GmbH since 2002 and since 2005 has been a member of the Managing Board of Schott Solar GmbH. In 2007, he moved to Applied Materials. There he

has held the position of the CTO of Energy and Environmental Solutions as well as being Managing Director of Applied Materials GmbH & Co. KG in Alzenau since 2008. At the same time he is President of the European Photovoltaic Industry Association (EPIA). Dr. Winfried Hoffmann has been a member of the Supervisory Board at SMA Solar Technology AG since 2008.

5 JOHANNES HÄDE

After his studies, the Electrical Engineer Johannes Häde (*1959) initially worked at the Alfred Schmermund machinery factory in the Development office in Darmstadt. Johannes Häde has been employed at SMA since 1989. Today, he holds the position of Team Leader in Hardware Development for the product area Communication & Control, and he is a member of the works council. Johannes Häde has been an employee representative on the Supervisory Board of SMA Solar Technology AG since 2004.

6 MIRKO ZEIDLER

Mirko Zeidler (*1969) is a trained electrician for energy equipment and has worked for SMA since 1992. He has been a member of the works council for four periods of office and, since 2008, deputy chairman of the works council.

To our Shareholders	008
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The Supervisory Board continuously monitored and regularly advised the Managing Board during fiscal 2009 with respect to the management of the Company in line with the law, the articles of incorporation and the rules of procedure. It was involved early on in all decisions that are of basic importance for SMA. The Managing Board kept the Supervisory Board informed regularly, in due time and comprehensively through written and oral reports about business developments, the position of the Company, including results of operations and turnover of the Company and of the Group, the proposed business policies and other principal issues of corporate planning, in particular financial, investment, production and human resources planning, strategic plans and significant transactions. Any deviations between the actual developments and previously reported objectives were illustrated by indicating the reasons. In addition, information was provided about the Company's and the Group's profitability, in particular the return on equity, the risk management and the risk position as well as compliance. Furthermore, the Managing Board reported on the situation in the markets that are relevant to SMA, on product developments and the quality level of products. The Chairman of the Supervisory Board was also in contact with the Managing Board outside of meetings and discussed significant transactions and pending decisions with it.

Consultations of the Supervisory Board

All material transactions were discussed thoroughly in the year under review at six ordinary meetings of the Supervisory Board jointly with the Managing Board. The Supervisory Board adopted the resolutions required by the law, the articles of incorporation and the rules of procedure at the meetings after a thorough review and consultation. In addition, a resolution requiring consent in respect of the conclusion of a hereditary tenancy agreement was adopted by way of a written procedure due to its special urgency. All members of the Supervisory Board took part in all meetings. Since the Supervisory Board consists of only six members, it waived forming committees. The body was of the unanimous opinion that the current size of the Supervisory Board with six members and its composition permit the efficient performance of the responsibilities of the Supervisory Board without establishing committees.

In order to prepare for the meetings, the Supervisory Board received written reports from the Managing Board on a regular basis and in time. Following a detailed explanation from the Managing Board, the subjects of the consultations at all meetings were the current business developments, developments in the most significant markets of the SMA Group and corporate planning. The members of the Managing Board participated in all meetings of the Supervisory Board.

At its meeting on February 19, 2009, the Supervisory Board discussed in detail short- and long-term succession planning in the Managing Board and a partial realignment of board members' duties and adopted relevant resolutions. A revision of the contracts with the Managing Board members was also subject of the discussion. After Mr. Reiner Wettlaufer announced that he was going to resign from his office as a member of the Managing Board on June 10, 2009, the Supervisory Board consented to terminate the contract with Mr. Wettlaufer early and effective as of the same date. In addition, the Supervisory Board dealt with the Corporate Governance Report included in the Annual Report 2008 and adopted,

for the first time, the declaration of conformity according to Section 161 of the German Stock Corporation Act (AktG) in order to declare that the recommendations of the German Corporate Governance Code are complied with. The examination of the efficiency of the Supervisory Board's activities, which is recommended by the German Corporate Governance Code, was performed using a standardized, comprehensive questionnaire for the first time. The results were discussed and analyzed thoroughly.

At the meeting of March 16, 2009, we dealt with the Financial Statements and Management Reports of SMA Solar Technology AG and of the Group as at December 31, 2008, as well as with the agenda and the proposals for resolutions for the Annual General Meeting on June 10, 2009. A further focus was on the discussion in respect of the risk management system and the risk report.

On June 9, 2009, the Supervisory Board dealt with the project of establishing a production site in the USA. In addition, it discussed ethical principles, issues of sustainability and Corporate Social Responsibility (CSR) at SMA. The Supervisory Board also reviewed the list of resolutions requiring consent, which are defined in the rules of procedure for the Managing Board. Further topics were the review of transactions with related parties and the appointment of holders of a general power of attorney (Prokuristen).

After the Annual General Meeting of June 10, 2009, the constituent meeting of the new Supervisory Board took place, including the elections of the Chairman and his deputy. Furthermore, a consulting agreement with the new Supervisory Board member Reiner Wettlaufer was discussed and approved. Mr. Reiner Wettlaufer declared himself to be biased and waived taking part in the vote.

At the meeting on August 20, 2009, the Supervisory Board discussed the establishment of production in the USA and the development of the foreign subsidiaries, the compensation structure of the upper executive levels in the Group and the current risk report. Furthermore, it dealt with amendments to laws and the new version of the German Corporate Governance Code. The Supervisory Board determined that the deductible for the Directors and Officers Insurance (D & O), required by the Act for Adequacy of Management Board Compensation for the Managing Board and by the amendment to the Code for the Supervisory Board, shall be realized as early as from January 1, 2010.

At the last meeting of the fiscal year, on November 26, 2009, the Supervisory Board adopted the budgets for fiscal 2010 following a detailed strategy discussion. In addition, the Managing Board reported on the developments of the quality levels of the various product families. Furthermore, the Managing Board and the Supervisory Board adopted a current declaration of conformity pursuant to Section 161 (1) sentence 1 AktG to declare that the recommendations of the German Corporate Governance Code are complied with. The Supervisory Board also adopted a resolution to acquire 94 % of the shares in SMA Immo GmbH. Due to their position as shareholders in SMA Immo GmbH, Prof. (em.) Dr. Werner Kleinkauf and Mr. Reiner Wettlaufer declared to be biased and abstained from taking part in the voting. Further items on the agenda were the presentation of the Head of Internal Revision and the following discussion of his

To our Shareholders	008
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

audit plans for 2010. In addition, the plenary session discussed the planned main audit points of the audit of the 2010 Consolidated and Annual Financial Statements with the auditor in charge, Mr. Scharpenberg of Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hanover. An examination of efficiency of the Supervisory Board's activities was performed in the presence of the auditor, but in the absence of the Managing Board. The evaluation of the standardized questionnaire was discussed and analyzed in detail, and improvement measures were adopted for individual items that were identified as in need of improvement.

At the meeting of February 23, 2010, we discussed in detail the expansion of the Managing Board, a partial realignment of the board members' duties and the planned notice to be given by the Managing Board pursuant to Section 97 AktG. Thereafter, the Supervisory Board adopted a modified version of the declaration of conformity pursuant to Section 161 (1) sentence 1 AktG. Further topics were a new remuneration system for the Managing Board and the adjustment of the rules of procedure for the Supervisory Board to the German Corporate Governance Code.

Corporate Governance

The Supervisory Board dealt with the content of the German Corporate Governance Code. In February 2009, the Supervisory Board and the Managing Board adopted for the first time the declaration of conformity according to Section 161 AktG in order to declare that the recommendations of the German Corporate Governance Code are complied with by SMA Solar Technology AG. The new version of the Code was discussed in November 2009. In February 2010, a modified version of the declaration was adopted due to new circumstances in respect of any deviations from the Code. The joint report of the Managing Board and Supervisory Board on compliance with the regulations of the German Corporate Governance Code, as defined in clause 3.10 of the German Corporate Governance Code, is available permanently on the Web site of SMA Solar Technology AG and also presented on page 23 in the corporate governance statement. This also contains statements on conflicts of interest and the treatment thereof.

 See also declaration of conformity, p. 23

 Further information: www.SMA.de

Annual and Consolidated Financial Statements

The Annual Financial Statement as at December 31, 2009, of SMA Solar Technology AG, drawn up by the Managing Board, and the Management Report for fiscal 2009 as well as the Consolidated Financial Statements as at December 31, 2009, and the Consolidated Management Report for fiscal 2009, including the bookkeeping system, were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hanover. Prior to submitting a relevant appointment proposal, the Supervisory Board obtained the auditor's certificate of independence according to clause 7.2.1 of the German Corporate Governance Code. The audit assignment was given by the Supervisory Board in line with the resolution of the General Meeting dated June 10, 2009. The Supervisory Board also monitored the independence of the auditor. It also dealt with the assignment of orders for non-audit-related services to the auditor.

The Consolidated Financial Statements of SMA Solar Technology AG were drawn up in line with Section 315a of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS), as they are to be applied in the EU. The auditor granted an unqualified audit opinion for the Annual Financial Statement and the Management Report as well as for the Consolidated Financial Statements and the Consolidated Management Report.

The reporting documents and the Managing Board's proposal on the appropriation of profits as well as the two audit reports were available to the Supervisory Board in due time. These were examined and discussed thoroughly by the Supervisory Board at its meeting on March 16, 2010, in the presence of the auditor, who reported on the findings of his audit. The auditor reported on the material findings of his audit and explained in detail the assets, financial position and results of operations of the Company and of the Group. The questions posed by the Supervisory Board were answered, and the reporting documents were reviewed in detail jointly with the auditor as well as discussed and reviewed by the Supervisory Board. Thereafter, the Supervisory Board consented to the findings of the auditor. The Supervisory Board raised no objections after the final result of the audit.

Accordingly, the Supervisory Board approved the Financial Statements drawn up by the Managing Board and the related Management Reports for fiscal 2009 at its meeting convened to adopt the accounts on March 16, 2010. As a result, the Annual Financial Statement of SMA Solar Technology AG is approved in line with Section 172 AktG.

Finally, at its meeting on March 16, 2010, the Supervisory Board consented to the Managing Board's proposal on the appropriation of the balance sheet profit. In this connection, the Supervisory Board discussed intensively the Company's liquidity position, the financing of planned investments and the effects on the capital market. The Supervisory Board concluded that the proposal was in the interest of the Company and of the shareholders.

Changes in the Supervisory Board

At the General Meeting on June 10, 2009, the shareholder representatives of the Supervisory Board were to be reelected, except for Dr. Winfried Hoffmann, whose mandate will expire on the General Meeting in 2011. The previous shareholder representatives Dr. Erik Ehrentraut and Prof. (em.) Dr. Werner Kleinkauf were reelected to their offices. Mr. Reiner Wettlaufer, former Chief Financial Officer at SMA Solar Technology AG, was elected as a new member of the Supervisory Board. The employee representatives were elected on May 27, 2009, in line with the regulations of the One-Third Participation Act (Drittelpartizipationsgesetz).

To our Shareholders	008
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

Mr. Johannes Häde was confirmed in office, Mr. Mirko Zeidler was elected as a new member of the Supervisory Board. The Supervisory Board thanks the departed members, Ms. Sabine Weber and Mr. Jürgen Dolle, for their many years of trusting cooperation and their active commitment to this body.

On February 23, 2010, the Managing Board announced that it believed that the composition of the Supervisory Board no longer complies with applicable statutory provisions. Since the number of staff increased to usually more than 2,000 but below 10,000, Sections 96 (1), 101 (1) of the German Stock Corporation Act and Sections 1 (1), 7 (1) no. 1 of the Codetermination Act (Mitbestimmungsgesetz) were now decisive for the composition of the Supervisory Board. In future, the Supervisory Board will be composed of six shareholder representatives and six employee representatives, unless the court responsible pursuant to Section 98 (1) AktG is petitioned pursuant to Section 98 (2) AktG within one month of publication of this announcement in the Electronic Federal Gazette. Therefore, the next General Meeting has to adopt resolutions on relevant amendments to the articles of incorporation regarding the modified composition of the Supervisory Board and conduct an election of the new Supervisory Board members of all shareholders.

The Supervisory Board thanks the Managing Board and all the employees of SMA Solar Technology AG and of all subsidiaries for their excellent services and high commitment. Again, they managed to cope with the sharp expansion of business in an outstanding manner and supported the Company in achieving excellent results.

Niestetal, March 16, 2010

The Supervisory Board



Dr. Erik Ehrentraut
Chairman

CORPORATE GOVERNANCE STATEMENT

The Managing Board and the Supervisory Board of SMA Solar Technology AG firmly believe that good and transparent corporate governance in accordance with internationally and nationally recognized standards is a key factor for corporate success. To comply with the principles of corporate governance is of material importance to us in order to ensure the confidence of shareholders, business partners, employees, other stakeholders and the public in the long term. In the following sections, the Managing Board provides its report on corporate governance pursuant to Section 289a of the German Commercial Code (HGB) and – also acting on behalf of the Supervisory Board – pursuant to subsection 3.10 of the German Corporate Governance Code (the “Code”).

Corporate Governance Report

SMA pays close attention to compliance with the principles of good corporate governance and observes the recommendations and suggestions of the Code. The Managing Board and the Supervisory Board have dealt with the Code’s requirements on an ongoing basis and issued a declaration of conformity on February 19, 2009, for the first time, which was published on our Web site.

On August 5, 2009, various amendments to the Code of June 18, 2009, became effective, which were discussed in detail by the Managing Board and the Supervisory Board. These relate, in particular, to the composition of the Supervisory Board, remuneration of the Managing Board members and the conclusion of D & O Insurance policies for the members of the Supervisory Board and of the Managing Board. Based on consultations on these topics, the Managing Board and the Supervisory Board issued an amended declaration of conformity pursuant to Section 161 (1) sentence 1 AktG on November 26, 2009, and published it on the Company’s internet site.

Since the number of SMA’s staff increased to usually more than 2,000, the Managing Board announced on February 25, 2010, in the Electronic Federal Gazette in line with Section 97 AktG that the Supervisory Board will be composed pursuant to the provisions of the Codetermination Act in the future. Due to the reappointment of the Supervisory Board members at the Annual General Meeting on May 27, 2010, the repeated candidacy of Prof. (em.) Dr. Werner Kleinkauf for the Supervisory Board and the announcement of Mr. Günther Cramer and Mr. Peter Drews that they were standing as candidates for election to the Supervisory Board, a further declaration pursuant to Section 161 (1) AktG became necessary, which was issued on February 23, 2010, and also published on our Web site.

**Declaration of Conformity
in terms of the German Corporate Governance Code**

In accordance with Section 161 (1) sentence 1 Aktiengesetz (German Stock Corporation Act), the Managing Board and the Supervisory Board of SMA Solar Technology AG declare:

Since the last declaration of conformity dated November 26, 2009, SMA Solar Technology AG has complied and will continue to comply with the recommendations of the "Regierungskommission Deutscher Corporate Governance Kodex" (Government Commission of the German Corporate Governance Code) in the version dated June 18, 2009, published in the Electronic Federal Gazette (Bundesanzeiger) on August 5, 2009, with the following exception:

- In deviation from Article 5.4.1 sentence 2 of the German Corporate Governance Code and from the rules of procedure of the Supervisory Board in terms of the recommended maximum age of 75 years for the end of a term of office, Prof. (em.) Dr. Werner Kleinkauf will be proposed for election as a member of the new Supervisory Board at the Annual General Meeting on May 27, 2010. The Supervisory Board is of the opinion that Prof. (em.) Dr. Werner Kleinkauf, in spite of his age, is a suitable candidate due to his broad experience and due to the fact that he is a founder of and one of the major shareholders in the Company.
- Mr. Reiner Wettlaufer has announced that he will be standing as a candidate for the Supervisory Board at the Company's Annual General Meeting on May 27, 2010. Mr. Günther Cramer and Mr. Peter Drews have announced that they will be standing as candidates in 2011 in the election for the Supervisory Board. If these three people, who are founders of and major shareholders in the Company, are elected to the Supervisory Board, it will include, in deviation from Article 5.4.2 sentence 3 of the German Corporate Governance Code, more than two former members of the Managing Board. The Supervisory Board thinks that it is very important to retain them for the Company as members of the Supervisory Board, even though they previously have been Managing Board members, in order to continue consistently the development work of the Company's founders. In this way, the intended generational change in the corporate management will be attended to in an optimum way, and any uncertainty on the part of employees, customers, business partners and investors can be precluded from the beginning. Against the backdrop that they are major shareholders, it is acceptable that the Supervisory Board will include more than two former members of the Managing Board. However, the decision on a nomination is to be made by the new Supervisory Board, which will be elected in May 2010; the election will actually take place at the Annual General Meeting in 2011, so that the deviation from the Code will only actually occur on the occasion of such an election.

Niestetal, February 23, 2010

The Managing Board

The Supervisory Board

Transparency

Transparency is a core element of good corporate governance. SMA aims to inform all shareholders, financial analysts, journalists and the interested public about its business situation and significant corporate changes promptly and on an equal basis. All important information is also posted on our Web site at www.SMA.de. SMA reports on its business situation and the results of its operations in the Annual Report, the Press Conference on Annual Results, in Quarterly Reports and in the Half-Yearly Report. In addition, the public is informed by press releases and, where required by law, through ad-hoc announcements. Transparency is particularly necessary when the Company's transactions might result in conflicts of interest. Any conflicts of interest were disclosed by the Supervisory Board members involved at the beginning of a consultation regarding the relevant topic. The relevant member did not take part in necessary resolutions, if any, to be adopted by the Managing Board or the Supervisory Board. The following items are to be mentioned for the past fiscal year:

There is a tenancy agreement for the business building at the headquarters in Niestetal, Sonnenallee 1, between SMA Solar Technology AG and SMA Immo GmbH. On the date the tenancy agreement was concluded and during the whole of fiscal 2009, SMA Immo GmbH was a wholly owned subsidiary of SMA Technologie Holding GmbH, the shareholders of which are SMA's four major shareholders, i.e. two members of the Managing Board and two members of the Supervisory Board. By way of the notarial purchase deed dated January 11, 2010, SMA Solar Technology AG acquired 94 % of shares in SMA Immo GmbH. The Supervisory Board consented to this acquisition in its meeting on November 26, 2009, on the basis of a valuation report prepared by an auditing firm. The members who were involved in a conflict of interest abstained from taking part in the voting by the Supervisory Board. The concerned Managing Board members did not participate on the Company's part in the conclusion of the purchase agreement.

An employee allocation agreement on the allocation of temporary employees exists between SMA Solar Technology AG and team-time GmbH. The sole shareholder and managing director of team-time GmbH is the wife of one of the members of the Managing Board. The Supervisory Board was notified of this fact.

SMA Solar Technology AG entered into a consulting agreement, which is limited in time and content, with a member of the Supervisory Board. The main purpose of this agreement is the induction of new employees and the establishment of new organizational structures. The Supervisory Board consented to this agreement at its meeting on June 10, 2009. The Supervisory Board member involved did not take part in the vote.

Remuneration Report

The Remuneration Report summarizes the principles used to determine the remuneration of the Managing Board members of SMA Solar Technology AG and explains the structure and amount of compensation received by the Managing Board as well as by the Supervisory Board.

Remuneration of the Managing Board

The remuneration system for the Managing Board – including the key elements of the contract – is determined by the full Supervisory Board. The Supervisory Board reviews the remuneration system for the Managing Board on a regular basis. The criteria governing the appropriateness of remuneration are the tasks of each individual Board member, the economic situation, the performance of the Company as well as the benchmark remuneration customary in the peer environment and the general remuneration structure. Moreover, remuneration is set at a level that is competitive in the market for highly qualified managerial staff. In February 2009, all agreements with Managing Board members were adapted to the German Corporate Governance Code effective at that date and to the relevant legislation. Remuneration of the Managing Board is made up of an annual fixed salary and a variable portion, which depends upon the Company's earnings before taxes and is limited in its amount. In the event of negative results, these are netted against the earnings of the next fiscal year. Additional benefits include a direct insurance policy taken out for pension benefits, and allowances for insurance policies. In addition, all members of the Managing Board are entitled to a company car for business and private use. All employment contracts with members of the Managing Board include a provision that remuneration will be paid for a period of a further six months in the event of death or permanent disability. All members of the Managing Board are subject to a post-termination prohibition to compete for a period of two years, which also provides for a monthly compensation payment during the term of the prohibition, amounting to 50 % of a month's gross salary. The basis of calculation is the annual salary (variable and fixed components) which was paid for the last full calendar year.

In the event of early termination of the activity on the Managing Board without a good cause, the compensation payment is limited to the total remuneration for the remaining term of the contract and to a maximum of one year's salary (severance pay cap). If the employment contract with a member of the Managing Board ends because it is cancelled unanimously within a period of nine months from a change of control, this member is also entitled to a severance payment amounting to his remuneration claims for the remaining term of the employment contract, but for a maximum term of one year.

Success-based remuneration of the Managing Board members does not include components related to the long-term performance of the Company (e.g., stock options or phantom stocks). All members of the Managing Board hold shares in SMA.

Total remuneration of all members of the Managing Board in fiscal 2009 amounted to € 2.048 million (previous year: € 1.721 million), of which € 0.936 million (previous year: € 0.725 million) is attributable to variable success-based remuneration. Any tasks performed by the Managing Board members with subsidiaries are not paid separately.

Remuneration of the Managing Board	Remuneration not based on success		Success-based remuneration		Additional benefits		Total	
	€ '000	2009	2008	2009	2008	2009	2008	2009
Günther Cramer	250	240	250	200	20	20	520	460
Peter Drews	250	240	250	200	19	20	519	460
Roland Grebe (from June 11, 2009)	111	—	84	—	9	—	204	—
Pierre-Pascal Urban	200	200	180	125	18	18	398	343
Marko Werner (from June 11, 2009)	111	—	84	—	9	—	204	—
Reiner Wettlaufer (until June 10, 2009)	107	240	88	200	8	18	203	458
Total	1,029	920	936	725	83	76	2,048	1,721

No loans or advance payments were granted to the Managing Board members in the fiscal year. There are no pension commitments.

The Annual General Meeting on April 30, 2008, adopted the resolution not to show remuneration paid to the members of the Managing Board individually until the end of the 2012 fiscal year. However, within the sense of more transparency, the Managing Board decided not to make use of this resolution for fiscal 2009.

In the Law on Appropriateness of Managing Board Remuneration (VorstAG), the legislator defined new requirements for determining remuneration of the Managing Board, which require, in particular, a remuneration structure aimed at the sustainable development of the Company and a multi-year calculation basis for variable components of remuneration. The Supervisory Board will deal with this topic at its meeting in March 2010.

Remuneration of the Supervisory Board

At the General Meeting on April 30, 2008, remuneration payable to the Supervisory Board from fiscal 2008 was revised in Section 11 of the articles of incorporation. Accordingly, the members of the Supervisory Board receive fixed remuneration of € 10,000 in addition to the reimbursement of their out-of-pocket expenses after the end of the fiscal year. Furthermore, they receive variable, success-based annual remuneration of € 200 for each € 1 of net profit as stated in the Company's Financial Statements, but up to a maximum of € 20,000. Remuneration is payable after the end of the General Meeting that passes the resolution on the discharge of the Supervisory Board for the fiscal year. The Chairman's remuneration totals twice the aforementioned amounts, and that of his deputy 1.5 times the amounts. If a Supervisory Board member does not attend a meeting of the Supervisory Board, one third of total remuneration will be reduced by a percentage, based on the ratio of meetings held in the fiscal year to the meetings the Supervisory Board member did not attend. Supervisory Board members who are part of a committee also receive € 1,500 per meeting day, and each chairman of a committee receives twice the aforementioned amount. No remuneration is paid to the members of the nomination committee. Remuneration is payable after the end of the fiscal year. Supervisory Board members who were members of the Supervisory Board or a committee for a period less than one full fiscal year receive compensation pro rata temporis.

No other remuneration or benefits for personally rendered services, especially consulting and negotiation services, were granted to the Supervisory Board members. The Managing Board, with the consent of the Supervisory Board, concluded a consulting agreement with Mr. Reiner Wettlaufer, under which no claims were made for fiscal 2009. No loans and advance payments were granted to the members of the Supervisory Board in the year under review.

Success-based remuneration of the Supervisory Board members does not include components related to long-term business success (e.g., stock options or phantom stocks). Five of the active members of the Supervisory Board held shares in SMA as at December 31, 2009.

Total remuneration of all members of the Supervisory Board in fiscal 2009 amounted to € 0.225 million (previous year: € 0.212 million), of which € 0.150 million (previous year: € 0.141 million) is attributable to variable success-based remuneration. Since no committees were formed, no compensation for committee activities was paid.

Remuneration of the Supervisory Board	Remuneration not based on success		Success-based remuneration		Total	
	€ '000	2009	2008	2009	2008	2009
Dr. Erik Ehrentraut (Chairman)	20.0	20.0	40.0	40.0	60.0	60.0
Reiner Wetzlaufer (Deputy Chairman from June 10, 2009)	8.3	—	16.7	—	25.0	—
Prof. (em.) Dr. Werner Kleinkauf (Deputy Chairman until June 10, 2009)	12.2	14.0	24.5	28.0	36.7	42.0
Jürgen Dolle (until June 10, 2009)	4.4	10.0	8.9	20.0	13.3	30.0
Johannes Häde	10.0	10.0	20.0	20.0	30.0	30.0
Dr. Winfried Hoffmann	10.0	6.7	20.0	13.3	30.0	20.0
Sabine Weber (until June 10, 2009)	4.4	10.0	8.9	20.0	13.3	30.0
Mirko Zeidler (from June 10, 2009)	5.6	—	11.1	—	16.7	—
Total	74.9	70.7	150.1	141.3	225.0	212.0

Miscellaneous

The Company has taken out professional indemnity insurance (D & O Insurance) for all members of corporate bodies of the SMA Group. It is effected or extended every year. The insurance covers the personal liability risk of the members, resulting from a breach of duty in exercising their activity, if any claims for economic losses are made against them. The deductible in the policy for fiscal 2009 was € 2,500 for an insured event. The policy for fiscal 2010 includes a deductible in line with the requirements of the Law on Appropriateness of Board Remuneration for the Managing Board, and for the Supervisory Board as required by the amendment to the German Corporate Governance Code.

Shareholdings/ Directors' Dealings

At the end of fiscal 2009 and at the date this report was issued, the present members of the Managing Board and of the Supervisory Board held, directly or indirectly, 75 % (previous year: 75.4 %) of all the shares issued by SMA. Managing Board members hold a total share of 38.8 % (previous year: 58.2 %) and Supervisory Board members a share of 36.2 % (previous year: 17.2 %) of the share capital – the changed figures result primarily from the change of a Managing Board member to the Supervisory Board.

Pursuant to Section 15a of the German Securities Trading Act (WpHG), the members of the Managing Board and of the Supervisory Board are obliged to give notice of the acquisition or disposal of SMA shares or related financial instruments, as soon as the value of transactions made by a Managing Board or a Supervisory Board member or a related person within a calendar year reaches the amount of € 5,000. The transactions notified to SMA Solar Technology AG in fiscal 2009 are also published on our Web site at www.IR.SMA.de.

 Further information: www.IR.SMA.de

Corporate Governance Practices

In our mission statement, we explain the framework for our activities and for our strategy to our customers and shareholders and, in particular, to all employees. It is intended to present our self-conception and to arouse enthusiasm for our enterprise. And it is intended to communicate the values that are the pillars of our success. The mission statement explains the vision and objectives of the Company as well as our corporate strategy and provides insight into our values: innovation, excellent quality, collaborative customer orientation, commitment through employee participation, flexibility and continuous improvement, economic success, ecological responsibility as well as fairness and honesty. The mission statement published at the beginning of 2009 is the result of an intensive coordination process that involved all employees, who were granted the opportunity of making active contributions. SMA's mission statement is published on our Web site at www.SMA.de.

 Further information: www.SMA.de/de/unternehmen/leitbild.html

SMA acceded in 2009 to the Code of Conduct issued by the German Association Materials Management, Purchasing and Logistics e. V. (BME). In the context of this guideline, SMA undertakes to ensure fair dealings with suppliers. The guideline is based, among other things, on the basic principles of the UN Global Compact (Notes), the ILO conventions and the general declaration of human rights of the United Nations. The objective is anchoring the general principles of fairness, integrity and corporate responsibility firmly in business relationships. SMA regards this guideline as an add-on to its own mission statement and corporate culture, in which fairness, integrity and corporate responsibility are firmly anchored. The "Code of Conduct" of BME is available on its Web site at www.bme.de.

 Further information: www.bme.de

Procedures of the Managing Board and of the Supervisory Board

SMA Solar Technology AG is a stock corporation under German law. Accordingly, it has a dual-board management structure, where one body is responsible solely for the management (Managing Board) and is monitored by another body (Supervisory Board). The two bodies have different competencies and cooperate closely and trustfully in governing and monitoring the Company.

Managing Board

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

 Further information: www.IR.SMA.de,
section "Articles of Incorporation & Rules
of Procedure"

As a collegiate body, the Managing Board, on principle, aims to adopt resolutions unanimously. However, the rules of procedure for the Managing Board, adopted by the Supervisory Board (available on our Web site www.IR.SMA.de), stipulate that individual members of the Managing Board shall be responsible for specific areas of responsibility and shall have sole executive powers for this area. The Managing Board determines the assignment of responsibilities. The members of the Managing Board notify each other on an ongoing basis of all material events in their area of responsibility and of any matters covering several areas of responsibility. If the desired unanimity cannot be reached in the adoption of resolutions, the Managing Board decides with a simple majority of the members present. However, it is not permitted to adopt a resolution on topics that are assigned to the area of responsibility of an absent member. According to legal provisions or the rules of procedure, several transactions require mandatorily a unanimous resolution of the Managing Board. For other transactions, there is a reservation of consent on the part of the Supervisory Board.

At present, the Managing Board of SMA Solar Technology AG consists of five members. Günther Cramer is responsible for the functions of Strategy and Human Resources. He is also Speaker of the Board. Until June 10, 2009, he was also in charge of the Technology function, which was taken over by Mr. Roland Grebe on June 11, 2009. Mr. Peter Drews heads the Operations section, which includes primarily the fields of production and service. Since June 11, 2009, Mr. Pierre-Pascal Urbon has been in charge of the Finance section. Previously, he was the Managing Board member in charge of Sales and Marketing. This function was taken over by Marko Werner on June 11, 2009.

At its meeting on February 23, 2010, the Supervisory Board decided to appoint Mr. Uwe Hertel and Mr. Jürgen Dolle as additional members of the Managing Board effective as of April 1, 2010. Mr. Uwe Hertel will succeed Mr. Peter Drews in the Operations section. Mr. Jürgen Dolle will be in charge of the Human Resources function. Mr. Günther Cramer will continue to be responsible for Strategy and Corporate Communication, and Mr. Peter Drews will be in charge of the newly established board position Systematic Product Cost Reduction.

Directors & Officers Insurance has been taken out for the members of the Managing Board, which provides for a deductible in line with the legal requirements.

Supervisory Board

The Supervisory Board advises the Managing Board in all matters and supervises its activity. The Supervisory Board is involved by the Managing Board in the strategic planning process, in all matters of fundamental significance and in decisions of particular importance to the enterprise. According to the Managing Board's rules of procedure adopted by the Supervisory Board, the Managing Board has to obtain the advance consent of the Supervisory Board for certain decisions. This includes, for example, approval of the annual budget, including the investment plan, incorporation, acquisition or disposal of companies and acquisition or sale of real property, if certain thresholds are exceeded. The Supervisory Board must also approve the assignment of areas of responsibility. As regards the proposals for the election of Supervisory Board members, attention is paid to their knowledge, abilities and expert experience necessary to complete their tasks. The Supervisory Board includes a sufficient number of independent members, who have no business or personal relationship with the Company or its Managing Board.

At present, the Supervisory Board consists of six members and is constituted pursuant to the provisions of the German Stock Corporation Act and the One-Third Participation Act. Pursuant to this act, employees of the German Group companies are entitled to elect two representatives and the shareholders (General Meeting) four representatives to the Supervisory Board. The present members of the Supervisory Board are: Mr. Johannes Häde and Mr. Mirko Zeidler as employee representatives, Dr. Erik Ehrentraut, Dr. Winfried Hoffmann, Prof. (em.) Dr. Werner Kleinkauf and Mr. Reiner Wettlaufer as shareholder representatives. Ms. Sabine Weber as employee representative and Mr. Jürgen Dolle as shareholder representative were members of the Supervisory Board until June 10, 2009. At the General Meeting on June 10, 2009, Dr. Erik Ehrentraut and Prof. (em.) Dr. Werner Kleinkauf were reelected and Mr. Reiner Wettlaufer elected for the first time as members of the Supervisory Board. The Supervisory Board elected Dr. Erik Ehrentraut as its Chairman and Mr. Reiner Wettlaufer as the Deputy Chairman at its meeting on June 10, 2009.

On February 25, 2010, the Managing Board announced in the Electronic Federal Gazette that it believed that the composition of the Supervisory Board no longer complies with applicable statutory provisions. Since the number of staff increased to usually more than 2,000 but below 10,000, Sections 96 (1), 101 (1) of the AktG and Sections 1 (1), 7 (1) no. 1 of the Codetermination Act were now decisive for the composition of the Supervisory Board. In future, the Supervisory Board will be composed of six shareholder representatives and six employee representatives, unless the court responsible pursuant to Section 98 (1) AktG is petitioned pursuant to Section 98 (2) AktG within one month of publication of this announcement in the Electronic Federal Gazette. Therefore, the General Meeting on May 27, 2010, has to adopt resolutions on relevant amendments to the articles of incorporation regarding the modified composition of the Supervisory Board and conduct an election of the new Supervisory Board members of all shareholders. All current shareholder representatives announced their willingness to stand again as candidates for the Supervisory Board.

The Supervisory Board has so far refrained from forming an audit committee, a presidial committee and a nomination committee, which is possible under its rules of procedure. This was based on the consideration that the current size of the Supervisory Board with six members and its composition permits an efficient performance of the responsibilities of the Supervisory Board without establishing committees. In our view, this did not constitute any deviation to be declared pursuant to Section 161 (1) sentence 1 AktG from the recommendation in clause 5.3.1 of the German Corporate Governance Code to form committees with sufficient expertise. This recommendation to the Supervisory Board "depends on the specifics of the enterprise and the number of its members." Thus, the German Corporate Governance Code also assumes that not every Supervisory Board should form committees in order to fulfill its responsibilities efficiently. However, the pending parity-based composition of the Supervisory Board and its expansion to twelve members requires to establish committees.

 Further information: www.IR.SMA.de,
section "Articles of Incorporation & Rules
of Procedure"

The Supervisory Board provides detailed information about the emphasis of its activities and consultancy every year in the Report of the Supervisory Board (see p. 16). The rules of procedure of the Supervisory Board are published on our Web site at www.IR.SMA.de.

The examination of the efficiency of the Supervisory Board's activities, which is recommended by the German Corporate Governance Code, was performed using a standardized, comprehensive questionnaire. At its meeting on November 26, 2009, the Supervisory Board evaluated, analyzed and discussed the data obtained. In particular, its discussions were focused on items where the statements made by the individual Supervisory Board members in the questionnaire diverged greatly.

Directors & Officers Insurance has been taken out for the members of the Supervisory Board, which provides for a deductible in line with clause 3.8 of the German Corporate Governance Code.

Cooperation between the Managing Board and the Supervisory Board

The Managing Board and the Supervisory Board cooperate closely and trustfully to the benefit of the Company, thus meeting both the requirements of efficient control of the enterprise and the necessity of fast decision-making. Their joint objective is to ensure the continued existence of the Company and to increase its value sustainably. To this end, the Managing Board keeps the Supervisory Board informed, in due time and comprehensively, orally and in writing as well as at regular meetings, about the position of the Group, the current business developments as well as all issues relevant to strategic planning, risk management, risk situation and important compliance topics. If there are any significant events, the Managing Board proposes to the Chairman of the Supervisory Board that an extraordinary meeting of the Supervisory Board be convened. The Quarterly and the Half-Yearly Financial Reports are discussed regularly with the Supervisory Board in phone conferences prior to their publication. The Chairman of the Supervisory Board was also in contact with the Managing Board outside of meetings and discussed significant transactions and pending decisions with it.

Shareholders and Annual General Meeting

The shareholders of SMA Solar Technology AG exercise their codetermination and control rights at the General Meeting, which takes place at least once a year. It adopts resolutions with binding effect, whereby each share grants one vote. Each shareholder who registers in time is entitled to take part in the General Meeting. In addition, shareholders may have their voting rights exercised by a credit institution, a shareholder association, the proxies who are deployed by SMA Solar Technology AG and bound by the shareholder's instructions or by another authorized representative. The invitation to the General Meeting and all reports and information necessary for adopting resolutions, including the Annual Report, are published in accordance with the provisions of the stock corporation law and are available in the run-up to the General Meeting on our Web site at www.ir.sma.de.



Further information:

www.SMA.de / AnnualGeneralMeeting

008	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statements
184	Other Information

034	
-----	--

The Share	
-----------	--

THE SHARE

2009: strong performance

SMA shares showed an extraordinarily positive development in the last financial year. From the beginning of January to the end of December, the price of SMA shares climbed from € 39.40 (January 2) to € 93.25 (December 30, Xetra closing price), which corresponds to an increase of 137 %. This means that SMA was among the top performers in the solar sector in the period under review. In the same period, the TecDAX increased by only 56 % and the DAX by only 20 %. In comparison with the ÖkoDAX (+10 %), the strong performance of SMA shares in 2009 is particularly clear.

The price development reflects SMA's positive course of business. After a weak first quarter, Group sales increased sharply in the following months and resulted in an all-time high of € 934 million for the whole of 2009. The extraordinary flexibility of the business model has again proven its worth. SMA responded quickly in the first quarter to the weak demand and adjusted its capacities downwards. In spite of a decline in sales of almost 50 % compared to the fourth quarter of 2008, SMA was able to close the first quarter with a positive result. The worldwide photovoltaics market saw strong growth during the rest of the year. SMA reacted fastly to the growing numbers of incoming orders in the spring months and doubled its output quantities in the second quarter. SMA's success strategy was acknowledged by the capital market: the price gain in the second quarter amounted to 45 %; the shares closed at € 52.77 (June 30, Xetra closing price). In addition, the announcement of the results for fiscal 2008, including the proposal on dividend distribution and the Capital Markets Day, had a positive influence on the share price. The sales and earnings forecast given for the second quarter was also reflected in the positive share price development.

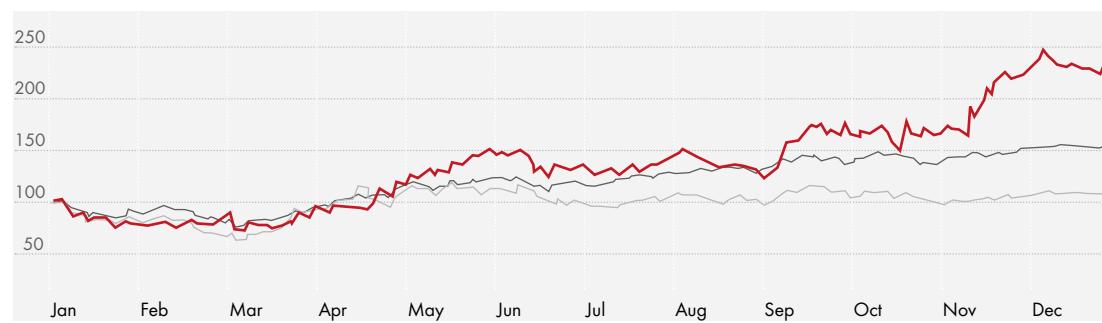
BASIC DATA

Security code number	A0DJ6J
ISIN	DE000A0DJ6J9
Stock market code	S92
Reuters	S92G.DE
Bloomberg	S92 GR
Listing	Prime Standard of Frankfurt Stock Exchange
Share class	Bearer shares without par value
Share capital	€34.7 million
Number of shares	34.7 million
Index	TecDAX®

PERFORMANCE 2009

in %, rebased to 100 %

SMA shares showed an extraordinarily positive development in 2009.



- SMA Share
- TecDAX
- ÖkoDAX

To our Shareholders	008
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

During the summer months, which were characterized by growing demand for SMA solar inverters, the price of SMA shares ranged between € 50.00 and € 60.00. In the middle of August, the half-yearly results and the forecast for the total year, accompanied by the acquisition of a technology platform for module inverters, reintroduced an upwards trend. By the end of the quarter, the stock price increased to € 70.06 (September 30, Xetra closing price).

In the third quarter, SMA saw significant growth in sales. This was driven mainly by the German market. In the opinion of SMA, the reasons were both the module prices, which fell significantly in the course of the year, and the announcement of the new CDU/CSU and FDP coalition to review the feed-in tariffs for solar power and to reduce them more than originally intended. This announcement led to distinct pull-forward effects in the German market. In the middle of October, the Managing Board increased its sales and earnings forecast for the 2009 fiscal year. Thereafter, the SMA share price rose sharply and exceeded the € 70 mark in October. In December, the shares achieved a peak price of € 97 and closed at € 93.25 at the end of the financial year (December 30, Xetra closing price).

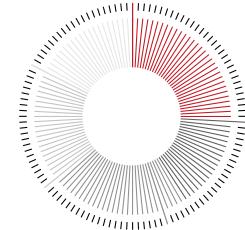
The volume-weighted average price in fiscal 2009 was € 53,97, the average trading volume of SMA shares was 70,695 (Xetra) and, thus, about 34 % above the value of the previous year of 52,858 shares per day.

SHARE KEY FIGURES

Volume-weighted average price in 2009 (Ø)	€ 53.97
Market capitalization (Ø)	€ 1.87 billion
Daily trading volume (Ø)	70,695 shares
Year-end closing price	€ 93.25
High for the year (December 7)	€ 97.59
Low for the year (March 9)	€ 28.43

SHAREHOLDER STRUCTURE

in %



- 25.70% Free float
- 19.09% Günther Cramer
- 19.11% Peter Drews
- 19.11% Reiner Weitlaufer
- 16.99% Prof. (em.) Dr. Werner Kleinkauf

At the end of 2009, 19 banks and financial institutions reported regularly on SMA shares. The following list shows the range of sell-side coverage.

Institution	Analyst
Bank of America / Merrill Lynch	Claus Roller / Gerhard Orgonas
Barclays Capital	Rupesh Madlani / Arindam Basu
Berenberg Bank	Lars Dannenberg
Bryan, Garnier & Co	Ben Lynch
Cheuvreux	Philipp Bumm
Citi	Vidya Anant
Commerzbank	Robert Schramm
Deutsche Bank	Hermann Spellmann
DZ Bank	Sven Kürten
Goldman Sachs Group	Stephen Benson
HSBC Trinkaus & Burkhardt	Christian Rath
HVB UniCredit	Michael Tappeiner
Jefferies International	Michael McNamara
Landesbank Baden-Württemberg	Anja-Katharina Bohlen
Macquarie Group	Dr. Benjamin Kluftinger
Metzler	Ruxandra Haradau-Döser
Nomura	Catharina Saponar
UBS	Patrick Hummel
West LB	Peter Wirtz

Exemplary financial market communications

SMA aims at a shareholder-oriented communication policy which is characterized by the principles of transparency, continuity and trustworthiness. The main objectives of investor relations work are the building-up and maintenance of long-term and trusting relationships with all players in the capital markets. SMA has made a vast amount of information about the Company and its shares available on its Investor Relations Web site at www.IR.SMA.de for investors, financial analysts, and all other interested parties. This information includes financial reports, presentations, statutory company statements and the financial calendar.

To our Shareholders	008
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

SMA intensified its investor relations activities in 2009 and was looking regularly for dialog with investors in the European financial centers through four conferences and eleven road shows. The Company presented itself, among others, at the LBBW Renewables Conference, the Commerzbank Growth & Sustainability Conference and the Renewable Energy Forum of West LB and the 10th Solarpraxis Forum in Berlin. SMA introduced itself for the first time after the IPO to investors in Lugano, Brussels, Copenhagen, Vienna and Amsterdam. In total, SMA had about 200 individual discussions with institutional investors in 2009 and answered numerous questions from private investors on financial indicators, the Company's positioning and its business strategy.

The Press Conference on Annual Results of the 2008 fiscal year took place on March 31, 2009, in the presence of Günter Cramer and Pierre-Pascal Urbon, in the Frankfurt Presseclub. On the same day, Mr. Urbon held a conference call for analysts. In April, about 50 financial analysts and institutional investors took part in the first ever Capital Markets Day (information day for capital market representatives) of SMA at its headquarters in Niestetal. Günther Cramer and Pierre-Pascal Urbon explained the corporate strategy and addressed in particular the main points of technology leadership, worldwide expansion and the outstanding flexibility of the Company. The management presentation was followed by a tour of the CO₂-neutral inverter plant.

On June 10, 2009, SMA held its first Annual General Meeting as a listed stock corporation at Kongress Palais Kassel. Approximately 800 shareholders were present, which corresponds to a share of 88.41 % of the voting capital stock. The resolutions regarding all agenda items were adopted with a majority of more than 99 %. A distribution of € 1.00 per share from the 2008 balance sheet profits was also adopted. In total, a dividend amounting to € 34.7 million was paid. The distribution ratio was 29 % in relation to the Group net income of 2008. All relevant documents regarding the 2009 Annual General Meeting as well as the next AGM on May 27, 2010, are available on the Web site at www.SMA.de/AnnualGeneralMeeting for download.

 The financial calendar can be accessed on the Web site www.IR.SMA.de.

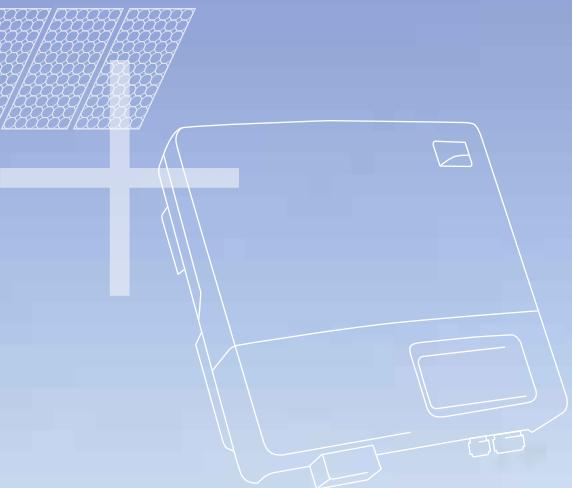
 Further information:
[www.SMA.de / AnnualGeneralMeeting](http://www.SMA.de/AnnualGeneralMeeting)



PERSPECTIVES



FORESIGHT



How does one reach such a strong market position with one's solar inverters? By having foresight. Foresight in respect of product requirements – SMA is the only manufacturer offering the matching inverter for every module type and all power classes. Foresight in respect of market penetration – SMA is present in all the major solar markets of the world and has service and sales subsidiaries on four continents. Foresight in respect of customer proximity and service – SMA offers comprehensive warranty services like no other and a global network of specialists who have been trained specifically for SMA products.





Montalto di Castro (Lazio / Italy)

Total power:	24 MWpeak
Average annual yield:	40,000 MWh
CO ₂ -reduction:	22,000 tons
Plant size:	80 hectares
SMA inverters:	36 Sunny Central 630HE
Start of operation:	November 2009
Perspective:	Expansion to 100 MWpeak

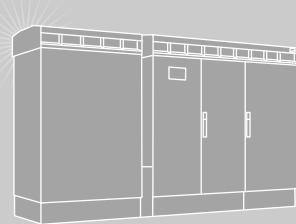
CENTRAL IN ITALY

In addition to France, Italy is the fastest growing solar market in Europe. Maximum solar irradiation of 1,800 kWh/m² (Sicily) and high electricity prices, caused by an energy industry that is highly dependent on imports, provide ideal conditions for solar energy. Italy has the potential to reach grid parity as one of the first countries in Europe – experts expect this to happen as early as in the next two to three years. Since 2007, "Conto Energia", the Italian law on promoting solar energy, guarantees fixed feed-in tariffs for a period of 20 years. The nominal goal of the support is to reach an installed power of 3,000 MW by 2016. The construction of photovoltaic power plants benefits from a significant reduction in bureaucracy, which means optimum market conditions for inverters from SMA.

At the end of 2009, Italy's largest photovoltaic power plant was connected to the grid. The plant in Montalto di Castro, 100 km to the northwest of Rome, has the capacity to generate 40,000 MWh a year, which is sufficient to supply energy to 13,000 homes. For maximum efficiency, the heart of the power plant consists of 36 central inverters of the type Sunny Central 630HE (High Efficiency), which means that the most advanced SMA technology was integrated. The central inverters stabilize the public

grid, support grid voltage and control electrical grid parameters. However, customers worldwide benefit from SMA's many years of experience in realizing international major projects and the comprehensive range of services offered by a market leader.

In addition to a subsidiary, SMA has national service hubs in 13 countries worldwide. This also applies to Italy, where SMA is represented with one sales and service company in Milan as well as additional service centers in Rome and Bari. SMA has also focused on high quality engineering on site. Service technicians from all over Europe are trained at the Company's headquarters in Niestetal. The launch of the Sunny PRO Club, a partnership for solar professionals, in Italy in 2009 was a huge success as well – more than 100 members joined the Club in the first few weeks. One component of the Club's partnership concept is the targeted further education of Italian professionals by engineers of the SMA subsidiary in Milan. The comprehensive warranty and other services offered by SMA include, by default, a local-language telephone hotline, support in installation and start-up as well as on-site repair by SMA specialists in the context of the warranty.



Sunny Central 630HE best price / watt ◉ efficiency above 98 %

◉ extended input voltage range for flexible system design ◉ integrated DC main distribution for direct connection of the string monitor ◉ connection of up to two external DC main distributors for versatile system configurations ◉ fulfills the requirements of the medium voltage guideline, including static grid support ◉ perfect monitoring of all PV strings in the field



Boulder Creek (California / USA)

Total power:	21 kWpeak
Average annual yield:	33,677 kWh
CO ₂ -reduction:	23 tons
Plant size:	149 m ²
SMA inverters:	3 Sunny Boy 7000US
Start of operation:	September 2007

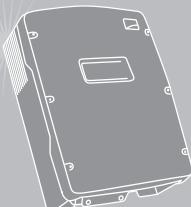
THE PIONEER IN CALIFORNIA

The solar market in the USA offers significant opportunities: the Obama administration intends to increase the share of renewable energy sources in the total power mix to 10 % by 2012 – and will invest 150 billion US dollars for this purpose. In addition, there are specific subsidies for photovoltaic installations: investment tax credits of up to 30 % will be granted by 2016 for investments in solar installations. The federal states of Arizona and California with solar irradiation of up to 2,200 kWh/m² have already reached the grid parity point in specific market segments; other states will reach it soon. On the whole, California is regarded as the pioneer in terms of renewable energies. SMA has accompanied this pioneering work right from the beginning: it opened its first foreign subsidiary in California ten years ago. And the Company's commitment in the USA remains unbroken: in 2010, the first foreign production site in Denver/Colorado, will commence operations.

A characteristic feature of the US market is the strong focus on residential and commercial photovoltaic installations – SMA is the market leader in both fields. A typical example of a commercial application is the

installation on the roof of the Boulder Creek Volunteer Fire Department. Kevin McCloud and his colleagues used the funding options offered by the state and can now benefit from the low energy costs – other fire departments in this area have meanwhile followed this good example. Three Sunny Boy 7000US inverters convert approx. 21 kW of electricity a year – thus saving 23 tons of CO₂ which would have been produced in energy generation from fossil fuels. The devices, which have been designed and certified specifically for the US market, convince with maximum efficiency and fulfill all requirements of this market.

In the USA, the Sunny PRO Club, the SMA partner program for specialist installers, is of particular importance. The training level varies strongly from state to state – the training and further education courses offered by SMA ensure consistently high quality in respect of installation services as well.



Sunny Boy 7000US UL-certified for the US-American solar market
(UL 1741/IEEE 1547) • peak efficiency of 97% • OptiCool active temperature management • galvanic isolation through integrated transformer • automated grid voltage identification

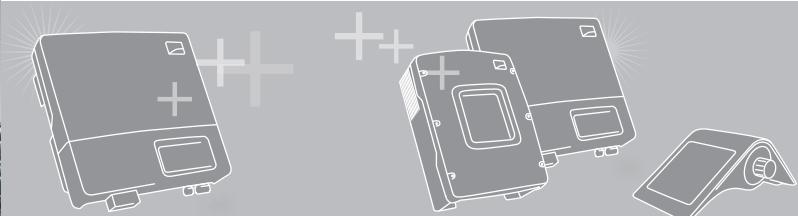
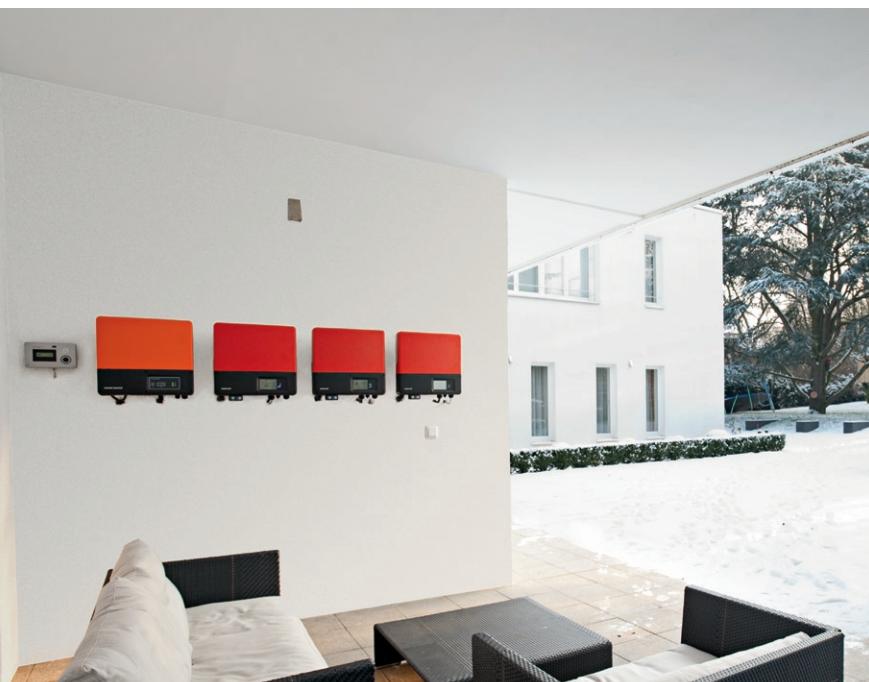


FROM THE ROOF INTO THE GRID

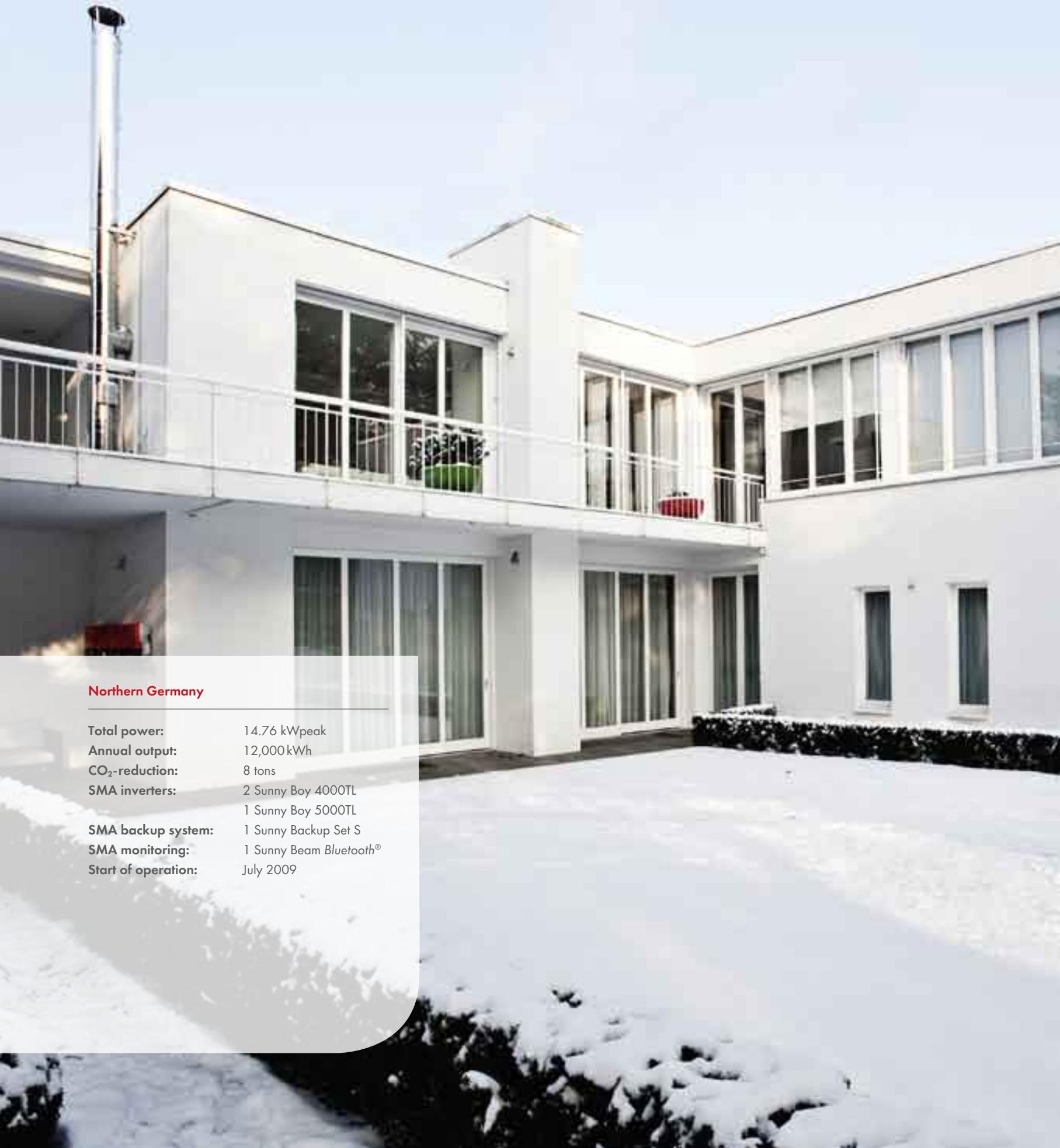
Highest demands on architecture, ecological responsibility in practice and award-winning system technology: whoever believes that these three aspects are impossible to reconcile is wrong. In Northern Germany, a solar installation of the optically and technically highest quality was integrated subsequently into the neo-functional architecture of a detached house. This goes well with the fact that the SMA inverters used won a red dot award for their design.

The project reflects the trend towards decentralized and clean energy generation in the largest solar market worldwide, which was initiated by the Renewable Energy Sources Act and has lasted to this day. The Act has turned out to be so successful that it has been used by numerous countries as a model for their own incentive systems. In Germany, new systems with a solar capacity of 3 GW were installed in 2009; the solar industry is a highly productive industry sector with 60,000 employees. Germany with its maximum solar irradiation of 950 kWh/m² will reach the grid parity point about 2013. In this market, which is also the most important one for SMA, there is demand for all types – from small roof-installed systems to entire solar power stations.

For the detached home, two Sunny Boy 4000TL and one Sunny Boy 5000TL are responsible for converting the current, which is fed to the public power grid in regular operation. The inverters can be used for both indoor and outdoor installation. As an add-on to the PV system, a Sunny Backup system automatically switches to off-grid supply within several milliseconds in the event of a grid failure – a small battery is able to bridge the night hours. A Sunny Beam Bluetooth® device ensures especially user-friendly monitoring and controlling of the system. The large graphic display shows the current status; the performance indicators of the past 100 days are stored in the device. The system will amortize within seven to eight years – always depending on the performance and solar irradiation. With an average inverter lifespan of 20 years and SMA's reputed services, this is a profitable investment, in particular since the system prices were lowered significantly in 2009. In addition, end consumers in Germany can benefit from a particularly dense network of specialists who stand for SMA quality: the Sunny PRO Club in Germany now has more than 800 members. The Club offers, among other things, professional marketing support, hands-on further training courses and specialist knowledge from the market leader.



Sunny Boy 4000TL / 5000TL maximum efficiency of 97% ◉ Multi-string technology ◉ transformerless, with H5 topology ◉ OptiCool active temperature management ◉ integrated ESS DC load disconnection unit ◉ cable connection without tools ◉ Bluetooth® technology ◉ **Sunny Backup** can be integrated into existing systems and new PV systems ◉ pre-configured sets ◉ power supply and battery charging via the grid ◉ continuously high PV efficiency ◉ automatic switching to backup power in milliseconds ◉ **Sunny Beam** wireless communication with up to twelve inverters via Bluetooth® ◉ power supply via integrated solar cell ◉ storage of data for at least 100 days in the device ◉ USB interface for data transfer to a PC and for battery charging



Northern Germany

Total power:	14.76 kWpeak
Annual output:	12,000 kWh
CO ₂ -reduction:	8 tons
SMA inverters:	2 Sunny Boy 4000TL 1 Sunny Boy 5000TL
SMA backup system:	1 Sunny Backup Set S
SMA monitoring:	1 Sunny Beam Bluetooth®
Start of operation:	July 2009



Kooki (Nkooko / Uganda)

Total power:	10.36 kWpeak
Annual output:	20,720 kWh
CO₂-reduction:	14 tons
Plant size:	73 m ²
SMA inverters:	3 Sunny Boy 4000TL
SMA island system:	3 Sunny Island 2224
Batfuse.03	1 Batfuse.03
Start of operation:	August 2009
Plans:	Expansion of the installation by a three-phase diesel generator, in the implementation phase

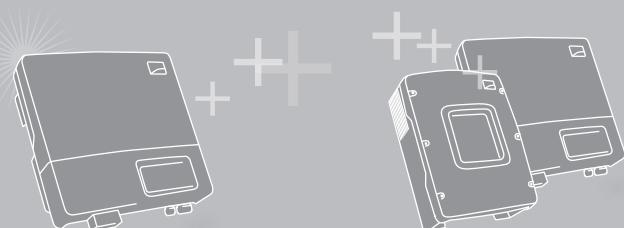
ELECTRICITY FAR OFF THE GRID

Complete, decentralized power supply – SMA has pursued this strategic goal since the incorporation of the enterprise. This topic is particularly important for millions of people in areas that are not or only partially connected to the public power grids. Often, these areas are situated in regions that offer good to optimum conditions for self-sufficient off-grid solar systems. SMA is committed to give these people access to electricity easily and efficiently: on the one hand, by consistently improving the Sunny Island inverters; on the other, by the private commitment of our employees, who are actively involved in the realization of development aid projects.

An example is the stand-alone electricity grid in Kooki, Uganda. There, a PV plant was planned for the construction of a new vocational school which uses three Sunny Boy 4000TL and three Sunny Island 2224 to supply off-grid power to the students around the clock. Other power generators such as wind power or diesel generators can be integrated into the system. The system supplies sufficient electricity for the school, a training hall with electrotechnical laboratory facilities, 15 computers and a pump

for drinking water supply. The vocational school will offer young people education in the areas of agriculture, electromechanics and management. Graduates of the electromechanics field will be available as well trained mechanics for installation and maintenance of photovoltaics technology.

The students in Kooki have also won friends in Germany. All SMA employees donated money for the construction of the school. In 2009, twelve people travelled to the site in order to build the off-grid plant with their own hands and with SMA equipment – and to familiarize the locals with the technology. Now, every year, 340 young people can undergo training, which provides for the later, long-term improvement of their standard of living – SMA also stands for this.



Sunny Boy 4000TL maximum efficiency of 97% • Multi-string technology
• easily accessible front wiring compartment • easy country-specific configurations • multilingual graphic display • **Sunny Island 2224** for systems from 1 to 9 kW • 1- and 3-phase operation, connectable in parallel and modularly extendable • AC and DC coupling • simple installation • complete off-grid management • easy and remote operation with Sunny Remote Control • high efficiency • intelligent battery management for maximum battery life-span
• for indoor and outdoor installation • excellent overload characteristics
• very wide temperature range



INSIGHT

Within only 18 months after start of planning, SMA has built the world's largest solar inverter factory with an annual production capacity of 4 GW at its headquarters in Niestetal near Kassel. This factory is CO₂-neutral. The goal of SMA is to start a global trend towards CO₂-neutral industrial production – and to increase its extremely high efficiency and flexibility in production even further.





Cut of the spade	March 18, 2008
Official opening	July 1, 2009
Production area	18,500 m ²
Production capacity 2009	4 - 5 GW
Employees	450 per shift
PV plant power	1,107 MW



LEAN FACTORY – FLEXIBILITY AS A PHILOSOPHY

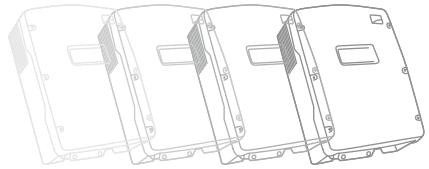
Full use of SMA's particular strengths are made in the new factory: a flexible and scalable manufacturing model ensures that production output can be adjusted to the extreme market dynamics in the solar industry. Owing to the use of advanced production processes, our employees have direct responsibility for the quality of products and the success of the enterprise. And last but not least: CO₂-neutral production means taking ecological responsibility.

The solar market demands flexibility

A glance at SMA's inverter output sold in megawatts shows the volatility of the solar market: while this figure was 243 MW in the first quarter of 2009, SMA produced more than four times this volume in the fourth quarter (1,415 MW in total). Such fluctuations in demand during the year are typical for the solar market and they are the reason why utmost flexibility is a key success factor. SMA takes this fact into account to a special degree, for instance through flexible workplace models. Permanent employees have lifelong working-time accounts which enable them to balance phases with a high level of work against those with low levels over the long term. In order to strengthen its workforce in the short term in phases of high utilization and to cover peak demands, SMA uses temporary employees in production, who are inducted quickly and efficiently and are fully deployable at short notice. The temporary employees receive the same hourly wage as SMA's core workforce. In addition, in times of high order volumes, a major share of PCB assembly, which is integrated into the in-house manufacturing process, is outsourced, whereby these contractors, like all suppliers, are subject to SMA's high quality requirements. In particular 2009, a year with extreme peaks, has shown that SMA, like almost no other company, is able to respond flexibly to the fluctuations in the market – thus not only maintaining but expanding consistently its market advantage.

SMArt flow: three principles

- 1) Production flow
- 2) Emphasis on added value
- 3) Striving for perfection



Scalable production

SMA only produces order-based. The logistics processes have been optimized over many years. Which units are produced is determined by the customer orders. The production and testing facilities can be retooled to accommodate other unit models in a matter of minutes. After production, no inverter spends more than 24 hours in the stock picking area. Every 30 seconds, an inverter leaves the factory.

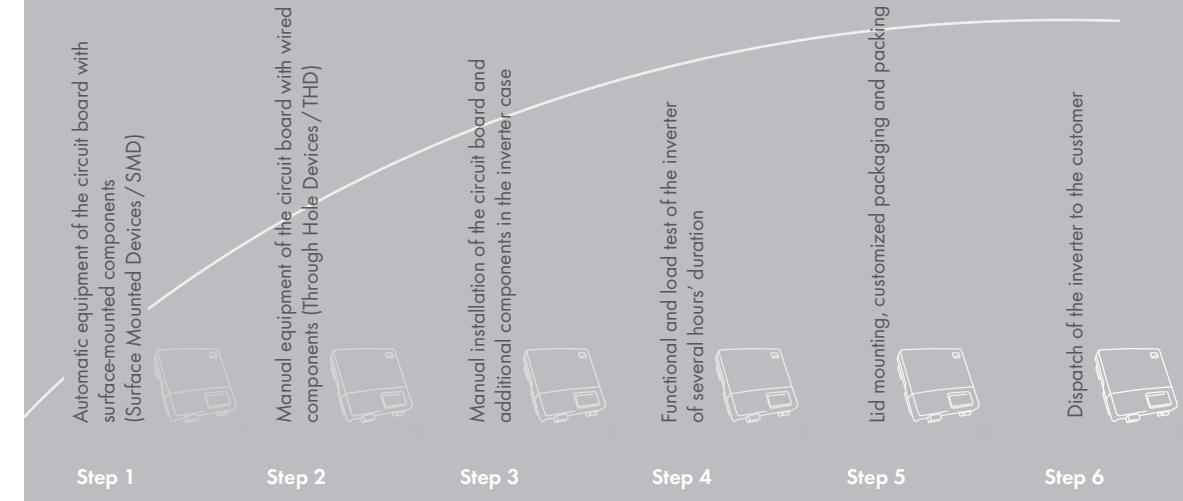
This highly flexible, scalable production enables SMA to respond quickly to customer demands and to both increase and decrease production capacities promptly. The close proximity of development and production at one site is a significant advantage. This helps to integrate production aspects in product design early on and to reduce development times.

SMArt flow

SMA has developed a unique production system: SMArt flow. SMArt flow means waste-free and low-inventory production. This system is characterized by three principles: production flow, emphasis on added value, and striving for perfection. For each of these principles, there are dedicated tools. The selection of tools suitable for achieving these goals is reviewed at regular intervals. As one of the most popular employers in Europe, SMA can trust that its employees follow these principles every day. They fulfill their tasks autonomously and identify improvement potentials continuously. The enterprise ensures through a comprehensive training program that every employee is able to use SMArt flow in an optimum manner – so as to be able to provide at all times the high quality that SMA represents.



PRODUCTION PROCESS



THE PRINTED CIRCUIT BOARD – THE HEART OF THE INVERTER

The printed circuit board is the carrier of monitoring and power electronics.

A PCB holds up to 1,700 electronic components, depending on the type of inverter.

SMD production process: assembly of mini-components such as resistors, capacitors and microchips

THD production process: manual assembly of wired components such as coils, transformers and inductances

Quality control through multiple Automatic Optical Inspection (AOI)

CO₂-neutral industrial production

Solar inverters, together with the photovoltaic modules, contribute significantly to the reduction of harmful CO₂ emissions. However, SMA also wanted a CO₂-neutral design for its production process. Within only 18 months, the enterprise built the world's largest CO₂-neutral inverter factory. With this climate-neutral building and energy concept, SMA once again shows real pioneering spirit and sets new standards in industrial production. The building envelope of the factory complies with low-energy building standards, and state-of-the-art building equipment has been used. We achieve significant energy savings through increased efficiency in the production process, optimized use of natural lighting, smart ventilation systems and the use of storage reservoirs for heating and cooling. Part of the necessary energy is provided by building-integrated renewable energies: a roof-mounted photovoltaic system with an output of over 1 MW and a biogas-fired combined heat and power plant. The green electricity drawn from the public electric utility company originates from hydroelectric power plants in Scandinavia, and the heat comes from the district heating and power station at the Kassel garbage incineration plant. Bionatural gas is obtained from two newly built biogas plants in the region.

SMA's energy concept goes one critical step further: in the final stage of completion, the production plant will be supplied with power generated regionally 100 % and by renewable energy sources. Our ultimate goal is to achieve a net zero carbon footprint through the use of new power plants that run on renewable energy. The existing 1.1 MW solar power system is just the beginning.



UNEQUALED FOR INNOVATION

SMA is not only the world market leader for solar inverters, but also the technology and innovation leader. SMA wants to set trends for the future with at least five product innovations per year. An overview of several important product innovations in 2009:

Sunny Central 630HE – grid management included

More power with lower system costs, high flexibility for system design and best future prospects: being the further development of the successful High Efficiency series, Sunny Central 400HE, 500HE and 630HE offer first class, state-of-the-art technology. With a peak efficiency of 98.6 % and a high input voltage range, Sunny Central inverters contribute to the reduction of total system costs. The new HE series inverters are the first to fulfill the requirements of the "Medium Voltage Directive", which will come into force in Germany in two phases, first in July 2010 and then in January 2011. They stabilize the public grid, support grid voltage and control electrical grid parameters. An investment that will continue to be worthwhile in the future.



Sunny Boy 3000HF – simply high yields

This is the new generation of galvanically isolated inverters: packed with the latest SMA technology, the Sunny Boy High Frequency series provides the highest yields for transformer inverters of this power class. Installation is now easier than ever thanks to the new DC connector system SUNCLIX, the plug-in generator grounding (optional), and an easily accessible configuration area – including easier mounting due to the reduced weight. The wide input voltage range from 175 to 700 V ensures particularly high solar module coverage and extraordinary flexibility for system design. The modern graphic display and the wireless Bluetooth® communication system make the devices highly user-friendly.





Sunny Tripower – with three phases for simple system planning

In a class of its own: packed with state-of-the-art technology, the Sunny Tripower makes for easy installation, high yield and secure grid support. Thanks to its multi-string technology and the widest input voltage range of 150 to 800 V (maximum input voltage: 1,000 V), the three-phase inverter is suitable for every imaginable module configuration – from 10 kW up to the megawatt range. The Sunny Tripower presently fulfills the requirements of reactive power supply, feed-in management and grid support for medium-voltage grids and, in doing so, it participates in reliable grid management. A comprehensive security concept encompassing, among other things, string failure detection, electronic string fuses and a surge protection function that can be integrated ensures the highest level of availability and reduces plant costs.

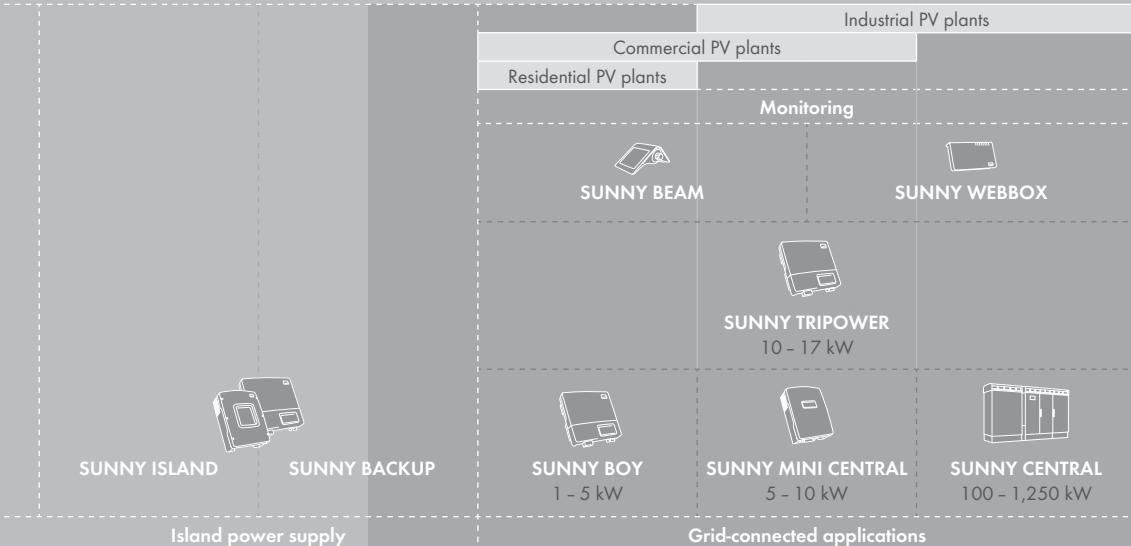


Sunny Beam with Bluetooth® – system monitoring at a glance

Informative, compact and easy to operate: the Sunny Beam with Bluetooth® looks good and is the innovative monitoring solution. The large graphic display shows all essential data at a glance: daily profile, current output as well as daily and overall energy yield. But there is more to the Sunny Beam than meets the eye: at the flick of a switch you can retrieve the performance data of up to twelve inverters, a monthly summary, the energy yield in euro or the saved quantity of CO₂. The data from a minimum of 90 days' performance is stored within the device and can be uploaded to a PC via a USB interface – no additional software is required. In case of plant disruption, the Sunny Beam can be programmed to emit an audio signal.



PRODUCT FAMILIES – AREAS OF APPLICATION



Sunny Central 500U Outdoor – the best choice for outdoor installations in the growing US market

Powerful and efficient: the Sunny Central 500U Outdoor is the best option for realizing large-scale solar power projects outside. With its waterproof housing and extended temperature range, it is the ideal choice for reliable operation outside – and under extreme conditions. It has integrated isolation transformers and delivers the highest efficiency available for central inverters for PV power plants. The user interface has been completely updated and features a large display that allows showing daily status reports. The Sunny Central 500U Outdoor also offers the option of grid monitoring and easy troubleshooting.



Sunny Boy 8000US – the best in its class

The newcomer in the US market: the Sunny Boy 8000US completes the range of most sold solar inverters in the USA by a 8,000 W model to be used in large residential or commercial systems. This US series inverter utilizes SMA's proven innovative technology and fulfills the requirements of the US standard IEEE 1547 regarding the connection of decentralized electricity generators to the grid. Typical features of a Sunny Boy from SMA are its high efficiency, outstanding reliability and long durability, which are ensured through the OptiCool system for active temperature control and the aluminum enclosure suited for outdoor installation.





GROWTH IN SIGHT

US SOLAR MARKET: FACTS AND FIGURES

Installed total capacity 2009¹:
650 MW

Installed total capacity 2010¹:
>1 GW

State subsidies for renewable energies:
150 billion US dollars until 2012

SMA is expanding in the US solar market

Germany is still the largest solar market in the world. However, current developments suggest that the USA has the potential of replacing Germany in this position. The renewable energies investment program, presented by US President Obama, with a volume of 150 billion US dollars also includes plans that renewable energies should have a share of 10 % in the energy mix of the United States by 2012. The government's Investment Tax Credits for the solar industry were extended until 2016: home owners and energy suppliers will receive a tax credit amounting to 30 % of their investment in a photovoltaic installation.

The Southwest of the USA offers optimum conditions for solar energy. Top of the class, California with its California Solar Initiative (CSI) has successfully given incentives for investment in photovoltaic installations. In the liberalized power market, the prices for household electricity are also based on consumption – in the morning and in the evening energy is cheapest, during the day when it gets hot and air-conditioning systems operate at full power, electricity prices rise considerably. This is just the time of the day when the largest solar power yield can be obtained. Owners of photovoltaic installations in California may net their in-house produced solar power against the expensive household power. These are ideal market conditions for SMA's high-yield solar inverters, which were certified in various application and power classes specifically for the US-American market. From the middle of 2010, they will be offered to US customers as "Made in the USA".

¹ SMA estimates



In 2009, SMA laid the foundation for the first foreign production in Denver, Colorado. The well-developed traffic node in the Midwest is the ideal location for supplying customers in a timely way in all US states. The legal framework conditions also allow for implementing the special flexibility concept of SMA. This includes adaption of production to a dynamic market environment and hiring temporary employees. SMA plans to create 700 new jobs (incl. temporary employees) in Denver in the medium term. The management staff and skilled employees for production were hired at the end of 2009 and trained comprehensively at the Niestetal headquarters regarding the production model of SMA. Using their new know-how, they are scheduled to start production in Denver from the middle of 2010. The premises and the production buildings for the new factory were leased under long-term contracts. The new factory will have an annual capacity of about 1 GW inverter output in its initial phase. Capacity at the site can be expanded so that SMA is well prepared for the expected growth in the USA.



THE FUTURE STARTS TODAY

Many things that SMA represents today could not be foreseen in 1981, its year of formation: for instance, solar inverters with efficiencies of 98 % or the possibility of obtaining solar electricity at costs that are comparable to those paid for household electricity. SMA has now reached a decisive turning point: in the medium term, renewable energy sources must have a high share in the worldwide energy mix. The enterprise is not only well prepared for this change, but takes an active part in it: with a strong research and development department, first-quality solar inverters and an organizational structure that will lead SMA towards the future safely and with foresight.

A team that motivates

Continuity and progress – both typical features of the management of SMA. Since its incorporation in 1981, Günther Cramer, Peter Drews and Reiner Wettlaufer have had a close bond with the Company. What does this mean? Reiner Wettlaufer is the Deputy Chairman of the Supervisory Board, Günther Cramer is Chief Executive Officer and Peter Drews is Chief Operating Officer. With an eye to upcoming challenges, the Managing Board was expanded in 2009: Roland Grebe, who was active in various executive positions in the development field since 1984, is now Chief Technology Officer. Marko Werner, who started at SMA in 1987 and lately was responsible for promoting international sales as Senior Vice President, was appointed as Chief Sales Officer in 2009. Pierre-Pascal Urbon, employed at SMA since 2005, was responsible from 2006 as Chief Sales Officer for the sales and marketing area and succeeded Reiner Wettlaufer in 2009 as Chief Financial Officer.

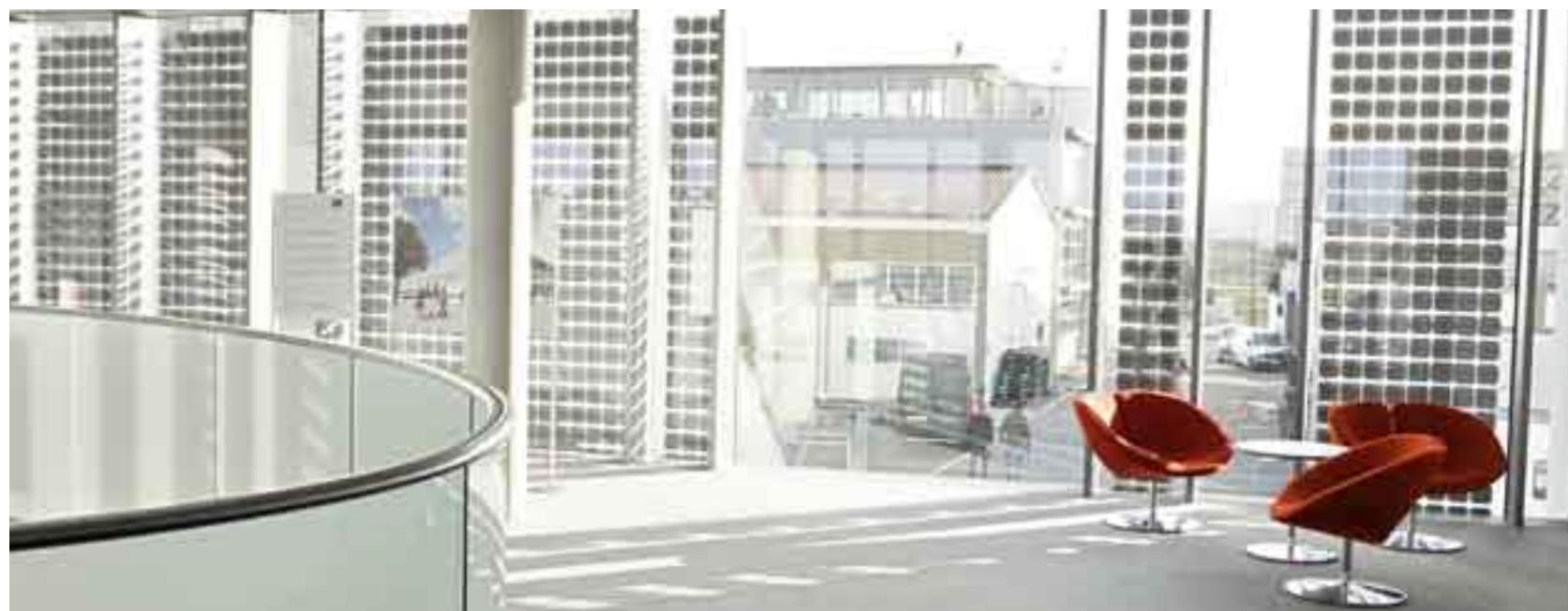


The commitment of the Managing Board and executive staff to SMA is transmitted to all employees. The SMA Group is characterized by a special corporate culture which has been developed and expanded by the management over many years. This corporate culture features an entrepreneurial management style promoting motivation and innovation, flat hierarchies and an open communication structure, which encourages people to take part in decision-making processes. Continuous further training of all employees is another key element of SMA's company culture. SMA benefits from the great commitment of its staff in helping to shape and support changes as well as in continuously improving their work.

SMA's structural growth is promoted systematically and supported by a forward-looking human resources policy. On the occasion of the IPO and thereafter, the Company has expanded its strong second management level to by now 18 divisional managers in Germany and 13 managing directors abroad. The attractiveness as the largest listed solar enterprise in Germany, the particular corporate culture and the multiple accolades as "Great Place to Work®" in Europe will ensure the constant influx of junior executives to the site.

Leveraging synergies, promoting innovations

In 2009, more than 400 SMA engineers pushed the development of solar inverter technology: in the field of device development and product maintenance, in product management and, of course, advance development as well as research in topics of the future.



Valuable synergies in development exist between the Photovoltaics Technology division and the SMA subsidiary, Railway Technology, since important technology platforms, which are developed by SMA Railway, are also used in solar inverters. There is a particularly great benefit to solar technology since the railway components must withstand distinctly higher environmental and performance requirements. As a result, solar inverters, both indoors and outdoors, work reliably under extreme temperatures and with enormous temperature fluctuations.

An example of technology transfer: bidirectional buck/boost converters. These were developed in 2002 by the Railway Technology division. Since 2005, they are also used in off-grid inverters and for emergency power supply in the Sunny Backup 2200. The Railway Technology division sends strong impulses to the solar inverter area and also has a strong position in the market for energy supply systems in the field of railway technology. Owing to long-term projects, the Railway Technology division sees good utilization in the next two years. The hiving-off of this division into an independent subsidiary (GmbH) has not only sharpened its profile, it also underlines the importance for the SMA Group.

SMA has its origins at the University of Kassel – and of course, the Company cooperates with universities and research institutions all over Germany still today. A particular feature have been many years of close cooperation with the Institute for Solar Energy Supply Technology e. V. (ISET) at the University of Kassel. Intensive cooperation with universities and research institutions accelerates developments and gives birth to new technological approaches. In addition, employing students and diploma students in the Company promotes the constant exchange of scientific knowledge and secures the Company's innovative strength. SMA demonstrates this strength every year with a minimum of five product innovations and its 36 patents, 9 utility models and 195 patent applications, distributed to 87 different patent families.



At the end of 2009, **262** young people in
15 different job profiles were trained at SMA.

RESPECT

SMA is wholeheartedly devoted to a cooperative corporate culture. This means treating the people who are responsible for the success of the enterprise with respect and fairness. We support a culture of open communication and take all employees and their suggestions seriously. Offering comprehensive training measures and furthering our staff's careers are also a matter of course for SMA. Last but not least, our corporate culture is also reflected in fair remuneration and the participation of all employees in the success of the enterprise.







Patrick Spandonis
Team Leader – Assembly

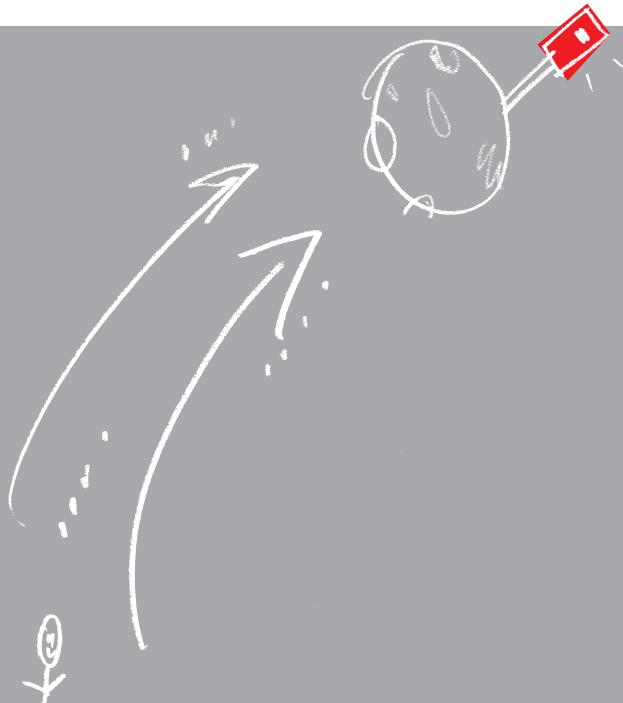
"DO I LIKE WORKING AT SMA? OF COURSE! WHERE ELSE CAN YOU FIND SUCH GREAT COLLEAGUES? AND WHERE ELSE CAN I WORK IN THE WORLD'S MOST MODERN CO₂-NEUTRAL INVERTER FACTORY? WELL, WE'VE CERTAINLY GOT OUR HANDS FULL – IN 2009, WE RECEIVED RECORD ORDERS. BUT THAT'S FINE, SINCE MY EMPLOYER GIVES ME A SHARE IN THE COMPANY'S SUCCESS."



With the opening of our new factory in Niestetal, we created more than 1,000 new jobs. We were awarded several prizes for this commitment. In the "Hesse Champions 2009" competition, SMA was the winner in the category "Job Motor" and second in the category "Global Market Leader". We take care of the motivation of our personnel by promoting a culture of open communication, involving employees in corporate success and offering numerous sports activities, in addition to education and training courses for a healthy balance between mental and physical activity. Our employees rewarded this: in 2006, 2008 and 2009, we were among the top ten employers in Germany and Europe in the "Great Place to Work®" competition. Last year, we received two special awards, including one for fair remuneration. Fair remuneration – this is also awarded to SMA's temporary employees, who receive the same hourly wages as permanent employees and who also participate in the corporate success.

"I HAVE ALWAYS DREAMT OF TRAVELLING AROUND THE WORLD AND MEETING NEW PEOPLE. AND FINDING AN EMPLOYER WHO MAKES THIS DREAM COME TRUE. WHO TAKES ME SERIOUSLY AS A PERSON AND GIVES ME THE OPPORTUNITY OF PROFESSIONAL DEVELOPMENT. IT'S NOT SO EASY TO FIND SUCH AN EMPLOYER IN NORTH HESSE. SO I'M HAPPY TO HAVE AN APPRENTICESHIP WITH SMA. HERE, I BELONG TO A BIG TEAM AND THE BEST IS: I CAN TAKE PART IN AN INTERNSHIP IN THE USA!"

SMA clearly recognizes its social responsibility towards young people in a structurally weak region. As the co-founder of the network of competence for distributed energy technologies "Kompetenznetzwerk Dezentrale Energietechnologien (deENet)" in Kassel, we support the goal of offering career prospects in the field of renewable energies to about 20,000 people in the region by 2020. Our above-average training ratio of almost 10 % provides proof of this claim. At the end of 2009, SMA had trained 262 people in 15 job profiles. The majority of trainees will be taken on as employees. But this will not be the end of their training, since SMA is a learning organization. In addition to external further training options, our employees make use of our great diversity of internal training courses. In the 2009 "Great Place to Work®" competition, SMA received the special award for "Lifelong Learning" for its overall concept in the field of employee development.





Carolin Böhnke

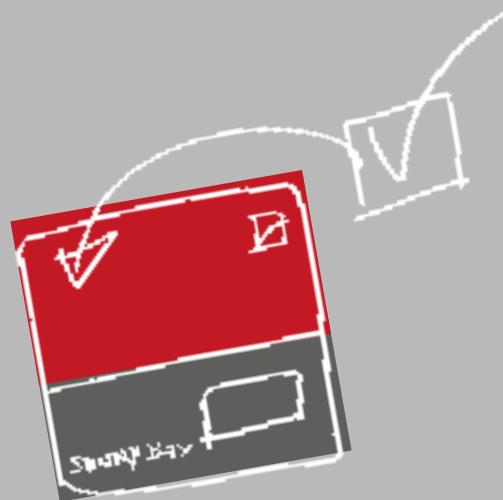
Trainee (Businesswoman
for Wholesale and Foreign Trade)



Wolfgang Nuhn
Director
Quality Management

"WE ARE PROUD OF OUR SOLAR INVERTERS. THE PRODUCTS OF OUR SUNNY FAMILY FEATURE ADVANCED TECHNOLOGY AND OUTSTANDING RELIABILITY. QUALITY FORMS THE BASIS OF INVESTMENT SECURITY AND THE DURABILITY OF OUR SOLAR INVERTERS. WE WANT THIS TO BE TRUE IN THE FUTURE AS WELL – THEREFORE QUALITY MANAGEMENT HAS A CENTRAL ROLE IN OUR COMPANY."

Always the highest quality – this maxim determines the actions of each employee, each department, each area of the Group. Our striving for continuous optimization of all processes and structures is clearly oriented toward the needs of our customers. These expect durable and reliable solar inverters – and rightly so. The key to SMA's success is meeting the expectations of our customers at all times. Example production: each production step ends with a thorough quality inspection – electronically and by experienced employees. Each solar inverter is examined thoroughly in an endurance test before it is delivered to the customer.



"AT SMA WE HAVE A CLEAR VISION: PEOPLE THROUGHOUT THE WORLD SHOULD BE INCREASINGLY PROVIDED WITH POWER FROM RENEWABLE ENERGY SOURCES. LOCALLY GENERATED ENERGY FROM PHOTOVOLTAIC SYSTEMS WILL ASSUME A SIGNIFICANT SHARE IN THIS. THROUGH OUR ACTIVITIES, WE INTEND TO ACCELERATE TECHNOLOGICAL PROGRESS AND DISSEMINATION OF PHOTOVOLTAICS THROUGHOUT THE WORLD."

The most important milestone on the path to 100% decentralized power supply from renewable energies is achieving grid parity. Grid parity is given when solar electricity can be offered at the same price as traditional household electricity. Grid parity is not so far away – we regard 2013 to be realistic for Germany. SMA is actively working in this direction by lowering the sales prices per watt for each new product generation: through higher performance, technical innovation and higher efficiencies. SMA solar inverters today can also have the function of an intelligent system manager, thus contributing to an additional increase in efficiency. These innovative leaps would not be possible without a strong development department – and not without the vision of our employees.





Thomas Wegener
Product Development



Jeanette Klockgether

Vice President
Sales Overseas

"MY DAILY WORK WITH OUR INTERNATIONAL CUSTOMERS IS CHARACTERIZED MAINLY BY TWO FACTORS: THE GLOBAL ORIENTATION OF SMA AND CONTINUOUS TECHNOLOGICAL INNOVATION AT A VERY HIGH LEVEL OF QUALITY. IT IS EXCITING TO BE PART OF A DYNAMICALLY GROWING ENTERPRISE AND TO PROMOTE BUSINESS DEVELOPMENT OVERSEAS."

In past years, SMA has developed from being a technology pioneer in North Hesse to a Group of companies operating globally. And we have retained our pioneering spirit: today, we are entering countries that have the potential of becoming the major solar markets of tomorrow. In 2009, these included Portugal, the Czech Republic, Belgium and the United Arab Emirates, where we established sales and service subsidiaries. Moreover, our first production facility abroad will start its operations in the middle of 2010 in the USA. This targeted internationalization strategy goes hand in hand with a systematic build-up and expansion of the organizational structure. In particular, the second executive level has been expanded: it now has 18 divisional managers at the Niestetal headquarters and 13 managing directors in the companies abroad.



"WHEN I STARTED TO WORK FOR SMA 20 YEARS AGO, WE WERE A SMALL TEAM. MY COLLEAGUES AND I HAVE ADVANCED THE COMPANY WITH CREATIVITY AND PASSION. THESE FEATURES STILL SHAPE OUR WORK TODAY. FOR ME, AS A SPONSORSHIP REPRESENTATIVE FOR THE 'YOUTH IN RESEARCH' COMPETITION, THE PROMOTION OF YOUNG TALENT IS A MATTER THAT IS CLOSE TO MY HEART. WITH THIS, WE GIVE SMART IDEAS AND VISIONS OF THE FUTURE A CHANCE TO BE REALIZED AND AROUSE PASSION FOR OUR COMPANY IN YOUNG PEOPLE FROM THE REGION."

SMA is absolutely serious about its mandate to promote the technical abilities of young talents from the region. To this end, this year, we have organized the "Youth in Research" competition in the North Hesse region as a sponsor for the third time. The motto this year was "Discover new worlds". More than 50 young researchers embarked on a journey of discovery and filed 25 exceptional contributions from the fields of biology, physics, chemistry, mathematics/informatics, work & education and geological and spatial science – as many as never before. This demonstrates the scientific curiosity and passion for natural science interactions that can be found in North Hesse.





Wolfgang Weber
Vice President Marketing



CONSOLIDATED MANAGEMENT REPORT



002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statements
184	Other Information
080	

Table of Contents – Consolidated Management Report

TABLE OF CONTENTS – CONSOLIDATED MANAGEMENT REPORT

BUSINESS AND GENERAL CONDITIONS	082
082	Business fields and organizational structure
087	Corporate control, goals and strategy
092	Employees
094	Research and development
097	Overview of the business development
RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS	099
099	Results of operations
104	Financial position
106	Net assets
SUPPLEMENTARY REPORT	107
RISK REPORT	109
109	Management of risks and opportunities
111	Individual risks
115	Overall statement on the Group's risk situation

Table of Contents – Consolidated Management Report

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

081

OTHER REPORTS

116

- 116 Remuneration Report
 - 116 Information concerning takeovers required by Section 315 (4) HGB
 - 117 Key features of the internal control and risk management system in relation to the Group accounting process pursuant to Section 315 (2) no. 5 HGB
 - 119 Corporate Governance Report
-

FORECAST REPORT

120

- 120 Macroeconomic situation
 - 120 Future general economic conditions in the photovoltaics sector
 - 121 Opportunities for the SMA Group
 - 121 Overall statement on the expected development of the SMA Group
-

002 To our Shareholders

038 Perspectives

078 **Consolidated Management Report**

124 Consolidated Financial Statements

184 Other Information

082

Business and general conditions

BUSINESS AND GENERAL CONDITIONS

Business fields and organizational structure

Group structure and business activity

Business

SMA Solar Technology AG (“SMA”) and its subsidiaries (“SMA Group”) develop, produce and distribute photovoltaic inverters, monitoring systems for photovoltaic plants and power-electronic components for railway technology.

SMA is the world’s leading provider of solar inverters and is the sole producer which has a product range with the matching inverter type for any module type and any power class – for both grid-tied applications as well as off-grid and backup operation.

SMA’s outstanding corporate culture is a significant key to the success of the Company (see also chapter “Employees”). SMA is an attractive employer, our employees can identify themselves with the enterprise they work for. Our corporate culture includes encouraging our employees to act responsibly with great commitment, to contribute their knowledge and to take part constructively in shaping the development of the Company.

Legal structure of the Group

SMA Solar Technology AG (“SMA”) has its headquarters in Niestetal near Kassel and, as the parent company of the SMA Group, provides all of the functions that are necessary for the operative business. It holds, directly or indirectly, 100 % of the shares in the companies of the SMA Group. Via the subsidiary SMA Railway Technology GmbH, the SMA Group also holds 10 % of the shares in the Chinese joint venture Changzhou SMA Electronics Co. Inc. This joint venture, which has specialized in electrical equipment for railway vehicles, was not included in the group of consolidation.

In addition to the parent company, the Consolidated Financial Statements include all 16 (previous year: 9) subsidiaries, of which two domestic and 14 foreign companies. In 2009, seven new companies were incorporated and included in the scope of consolidation for the first time in the year under review. These include two sales and service companies headquartered in Belgium and the Czech Republic, three service companies located in Germany, Portugal and the United Arab Emirates, as well as one production company in the USA. In addition, a holding company with its registered office in the USA was incorporated in 2009 in the context of establishing a new production site in the USA. This holding company is also included in the scope of consolidation. The production company in Denver/Colorado, and the existing sales and service company in Rocklin near Sacramento/California, are integrated into this holding company.

 See also Notes to the Consolidated
Financial Statements No. 2.2

Organizational structure

The business activity of the SMA Group is divided into the three divisions Photovoltaics Technology, Railway Technology and Electronics Manufacturing.

The **Photovoltaics Technology** division develops, produces and distributes solar inverters and monitoring systems for solar power plants. It is divided into the two segments Medium Power Solutions and High Power Solutions.

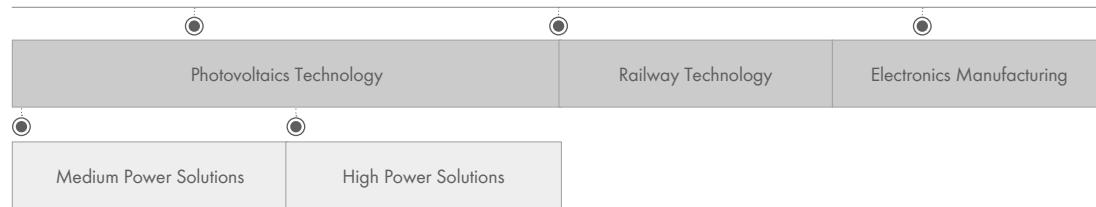
The headquarters of the division, including all functions necessary for the operative business, are in Niestetal near Kassel. Parts of the production and development activities are carried out in the nearby urban area of Kassel; several marketing departments are located in Krefeld. In addition, there are 20 service centers throughout the Federal Republic of Germany. SMA decided to establish its first production facility outside Germany, namely in Denver/Colorado (USA). At present, the production site in Denver is in its build-up phase and is expected to start operations in the middle of 2010 with an initial capacity of about one gigawatt (GW) per year. At the end of the year under review, SMA's Photovoltaics Technology division was represented in 13 countries on four continents with its own subsidiaries. In addition, 13 service centers are maintained in the foreign subsidiaries.

 [Further information: p. 6 / 7](#)

The **Railway Technology** division has developed a modular energy supply system for the various applications in the field of short- and long-distance railway traffic. The Railway Technology division, with its functions development, production and distribution, is integrated fully into the subsidiary SMA Railway Technology GmbH with its seat in Kassel. For segment reporting pursuant to IFRS, the Railway Technology division is also a segment of SMA.

The **Electronics Manufacturing** division produces electronic assemblies for the SMA Group (electronics production) at the parent company's site in Kassel. The assemblies are manufactured using high-performance, fully automatic insertion machines and used primarily in the two divisions Photovoltaics Technology and Railway Technology. For segment reporting pursuant to IFRS, the Electronics Manufacturing division is also a segment of SMA.

SMA Group



002 To our Shareholders

038 Perspectives

078 **Consolidated Management Report**

124 Consolidated Financial Statements

184 Other Information

084

Business and general conditions

Management and control

As required by the German Stock Corporation Act, the Group's bodies consist of the Managing Board, which manages the Company, and the Supervisory Board, which advises and supervises the Managing Board.

With a view to the dynamic further development of the photovoltaics market, SMA expanded the Managing Board from four to five members and implemented a partial realignment of the board members' duties in fiscal 2009. In the context of this realignment, the strategy and development function was divided in June 2009. Since then, CEO Günther Cramer has concentrated on the development of corporate strategy and on human resources. Roland Grebe is the new Managing Board member in charge of research and development. Roland Grebe has been with SMA for 24 years and was previously a senior manager in charge of the development of important product lines. In line with his personal plans for the future, Reiner Wettlaufer decided not to extend his contract as Chief Financial Officer and retired from this office as planned on the day after the 2009 General Meeting. As the Deputy Chairman of the Supervisory Board, Reiner Wettlaufer will continue to support the SMA Group with his experience. Mr. Wettlaufer was replaced by Pierre-Pascal Urbon, who was previously serving as Managing Board member in charge of sales, marketing and investor relations. The new Managing Board member Marko Werner succeeded Pierre-Pascal Urbon as Chief Sales Officer. Marko Werner has been with SMA for 22 years and was previously in charge of Group-wide sales as Senior Vice President.

The Supervisory Board of SMA consists of six members, thereof two employee representatives. At the General Meeting on June 10, 2009, the shareholder representatives of the Supervisory Board were to be reelected, except for Dr. Winfried Hoffmann, whose mandate will expire at the General Meeting in 2011. The previous shareholder representatives Dr. Erik Ehrentraut and Prof. (em.) Dr. Werner Kleinkauf were reelected to their offices. Mr. Reiner Wettlaufer, former Chief Financial Officer at SMA Solar Technology AG, was elected as a new member of the Supervisory Board. Mr. Johannes Häde was confirmed in office; Mr. Mirko Zeidler was elected as a new member of the Supervisory Board.

 See also Remuneration Report, p. 25 ff.

Product portfolio

SMA is the sole inverter manufacturer offering a complete portfolio of products for grid-connected solar power systems. It ranges from solar inverters with an output of 700 watts (W) to inverters with up to 1.25 megawatts (MW). SMA offers the right solar inverter solution for any type of module available in the market. The grid-connected inverters are marketed under the proprietary brand names Sunny Boy, Sunny Mini Central, Sunny Central and Sunny Tower.

Due to its extensive experience with grid-connected inverters, SMA masters the core technologies for photovoltaic systems of the future. These include the off-grid inverter Sunny Island, which is used to supply solar power to remote or outlying regions. The Sunny Backup system was developed for the strongly growing market of emergency power supply and internal consumption of photovoltaic power. Through the Sunny Backup system, owners of a solar power plant can also use it for the secure supply of important electrical consumers or to store solar electricity.

Business and general conditions	085
To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

The **Medium Power Solutions** segment covers the products Sunny Boy, Sunny Mini Central, Sunny Island, Sunny Backup and communication products. The grid-connected inverters and Sunny Backup inverters are deployed mainly in residential and commercial buildings, while the Sunny Island is used for stand-alone systems, so-called off-grid applications. About 80 % of newly installed photovoltaic power worldwide was attributable in 2009 to the Medium Power Solutions segment according to estimates of SMA's management.

The product families comprise a total of 32 units and 73 customizing variants. The power classes range from 700 watts to 11 kilowatts (kW). SMA's products feature a particularly high efficiency of up to 98 % and excellent durability. In addition, a great advantage is the wide input voltage range, which is decisive in order to cover all solar modules available in the market.

The **High Power Solutions** segment includes the central inverters of the type Sunny Central. These units are used primarily in the market for large solar power plants with an output ranging from above 100 kW to several megawatts. The Sunny Central product family includes 20 central inverters, which are the optimum solution for numerous variants in any large photovoltaics project. As the market leader in this segment, SMA also offers central inverters which feed electricity directly into the medium voltage grid of energy utility companies. SMA is the first manufacturer of solar inverters to fulfill, now already, almost all the requirements of the Medium Voltage Guideline, which will come into force in Germany on January 1, 2011. This guideline allows integrating photovoltaics into grid control. The Sunny Central inverters from SMA are also characterized by high efficiency of up to 99 % and their high quality.

The division **Railway Technology** has developed a modular energy supply system for the various applications in the field of short- and long-distance railway traffic. In addition, SMA offers converters for mobile air-conditioning equipment and battery chargers. All products can be used both for first integration and for retrofitting older vehicles. There are considerable synergies as regards innovative power electronics technologies between railway and photovoltaics technology.

The most important markets for this division can be found in Europe. SMA uses its strong market position in Europe to open up further markets, for example in Asia.

Key sales markets – Photovoltaics Technology

The breakthrough of photovoltaics depends significantly on when consumers will be able to purchase electricity generated by solar systems at prices identical to or lower than household electricity from traditional energy sources. Until this point is reached, photovoltaics must be subsidized. Therefore, the development of the various regions and market segments depends largely on country-specific subsidy programs.

According to the estimates of the Managing Board, a photovoltaic output of more than 7 GW was installed in 2009 (previous year: 5.8 GW) worldwide. Thanks to the groundbreaking regulations of the Renewable Energy Sources Act (EEG) and the comprehensive installation experience of professional companies, SMA estimates that Germany was the largest photovoltaics market in 2009 with about 3 GW of new output installed. The next major markets were North America (approx. 0.7 GW), Italy (approx. 0.5 GW), France (approx. 0.4 GW) and the Benelux countries (0.2 GW). According to SMA's estimates, a photovoltaic output of 2.2 GW was installed in other countries of the world.

Numerous incentive programs aim to expand decentralized energy supply through installations on residential homes or commercial buildings. According to SMA's own estimates, these market segments account for about 80 % of the total market in 2009. This market segment is served mainly by professional installers, who, in turn, purchase all components of a solar power system from the specialized or electronics wholesalers. SMA has not seen any financing bottlenecks in this market segment in 2009. Large-scale solar projects, which account for about 20 % of the entire market in 2009 according to SMA's estimates, were implemented by project developers, who normally purchase all components of a solar plant directly from the manufacturers. In particular in the first six months of 2009, this market segment was considerably influenced negatively by the banks' higher requirements regarding project financing.

Due to the unique range of innovative products and an extensive service structure in the relevant markets, which ensures short response times, SMA is the world market leader for solar inverters when measured by its sales. SMA further expanded this market position in 2009. According to its estimates, SMA was able to increase its worldwide market share from about 38 % in 2008 to more than 40 % in 2009. A main contributor was the fact that SMA continues to be the technological leader.

Legal and economic influencing factors

Incentive programs in Germany

Germany is leading the field worldwide in the sector of renewable energies. A significant factor for this leading position has been the targeted support by the government through the Renewable Energy Sources Act (EEG). The EEG fosters investments in technological further development and the expansion of renewable energies. This has resulted in a highly productive industrial sector with a significant technological edge in Germany with about 60,000 employees. Annual degression of support is an additional incentive for the industry to reduce continuously the cost of renewable energy by means of innovations. The objective of the EEG is to achieve grid parity, which means competitiveness of renewable energy sources in relation to energy generated from traditional energy sources.

Incentive programs in other countries

At present, supporting measures are still an important driver for investments in photovoltaic systems. The German Renewable Energy Sources Act has proven to be successful and has been used by numerous countries as a model for their own incentive systems to promote renewable energies. It can be expected that the implementation of incentive programs in other countries will lead to similar market developments like in Germany.

Business and general conditions

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

Significant incentive systems

The German instrument of feed-in payments for electricity generated by photovoltaic installations is regarded as the most successful model. Solar energy producers receive a guaranteed feed-in payment for each kilowatt hour fed into the grid. This "minimum payment", which is paid for a term of 20 years, gives each operator of a photovoltaic installation the necessary investment security.

A few countries grant state subsidies or tax credits for investments in photovoltaic installations. This is intended to reduce high initial investments on the part of the installation operator. The disadvantage of this instrument is that long-term efficiency of the photovoltaic installation is not taken into account; the incentive to increase the quality of individual system components is rather low. For this reason, investment subsidies and tax credits are used more as an additional promotion instrument at a regional level, for example in California (USA), France and Greece.

Another type of governmental promotion is the quota system. The government determines fixed quotas for the share of renewable energy sources in national energy provision. These so-called "portfolio goals" create a strong stimulus to invest in electricity generation from renewable energy sources, in the USA, for example, particularly for energy supply companies.

Corporate control, goals and strategy

Intra-group control system

The key elements of the intra-group control system are the Managing Board meetings twice a week, the monthly joint meetings of the Managing Board, the divisional managers and the departmental managers as well as the monthly meetings with the managing directors of the regional companies. Implementation of the main corporate strategy is presented in strategy reports provided by the individual departments and subsidiaries, which report on the achievement of goals, depending on relevance, every quarter or every month. In 2009, the management structure was strategically further developed by expanding the Managing Board from four to five members and the systematic building up of the second management level. The second management level now has 18 divisional managers at the Niestetal headquarters and 13 managing directors in the foreign companies as well as three managing directors at SMA Railway Technology GmbH.

Financial goals

SMA's financial goals are a sustainable increase of the value of the SMA Group. The value-oriented control system is an integral part of Group-wide uniform control and planning processes. We employ sales, earnings before interest and taxes (EBIT), net working capital ratio and research and development expenses as the main control parameters.

 See also Forecast Report, p. 120ff.

Due to the dynamic market development in the photovoltaics sector, it is not possible to determine reliable long-term control parameters for sales and EBIT. Therefore, SMA defines the sales and earnings targets only for the current fiscal year. The target values for sales and EBIT, defined by the Managing Board, are presented in the forecast report.

A further important control parameter of SMA is the net working capital ratio. Since SMA's production is exclusively order-based, the Company aims to achieve a net working capital ratio of between 16 % and 18 %. However, an important feature is that delivery capability is of the utmost priority for SMA. The Managing Board therefore accepts that the net working capital ratio is slightly above the target range if this is the only way to achieve the goal of delivery capability.

SMA is a technology-driven enterprise. Accordingly, the focus of corporate strategy is the long-term expansion of the R & D department and R & D expenditure is an important control parameter. In 2009, the Managing Board succeeded in expanding the development field faster than scheduled. SMA will promote strong growth of the R & D area in the future as well in order to continue the strategy of technological leadership with success.

Leading indicators

Due to worldwide incentive programs, the photovoltaics sector has separated largely from the developments of global economy. For this reason, national leading indicators are quite unsuitable for the photovoltaics sector. Due to the normally short-term orders from customers, the order intake is also not suitable within the SMA Group as a leading indicator for the operative development during a fiscal year.

Vision / mission

SMA's **vision** is to supply humanity all over the world with an ever-increasing portion of renewable energies. Locally generated electrical energy from photovoltaic systems will assume a significant share of this. SMA's **mission** is to make installation and operation of photovoltaic systems increasingly easier, more reliable, more secure and, in particular, more efficient by continuous further development and innovations in system technology. Through its activities, SMA intends to accelerate technical progress and dissemination of photovoltaics throughout the world.

Business model

The different market structures require a differentiated treatment of the individual customer segments. The Residential and Commercial market segments are served by specialist trade companies. Solar system installers determine the configuration of the photovoltaic system and purchase the components from specialist or electronics wholesalers. Through the Sunny PRO Club, SMA intends to promote partnership with solar installer professionals and support them in issues of sales and marketing. In addition, SMA organizes installer training seminars teaching how to use the efficiency of SMA solar inverters in an optimum manner. The Sunny Boy, Sunny Mini Central and the communication products are sold directly to specialist wholesalers.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

The Industrial market segment is a project business. The complexity of projects and investments is significantly higher in this segment than in the Residential/Commercial segments. Normally, the projects are handled by system integrators, who purchase all of the solar system components directly from the manufacturers. SMA is positioned very well in this market segment and is able to offer powerful and innovative system technology as well as advice in designing and dimensioning large-scale projects. Through its extensive service network, SMA also performs important tasks regarding commissioning of solar plants and is able to guarantee short response times for maintenance.

SMA is the sole inverter manufacturer worldwide which has adapted its business model and products to all market structures. Owing to this position, SMA can always offer the optimum inverter for the relevant photovoltaic system and benefit from the developments in the global market.

Photovoltaics Technology strategy

According to an assessment of the Managing Board, the development of photovoltaics is at its very beginning. The Managing Board has positioned SMA successfully during the last few years in order to benefit from this development. SMA will pursue the successful strategy of the continuous expansion of technology leadership in the upcoming years as well. For example, the Company will increase its development expenditure by more than 40 % to between € 70 million and € 80 million in 2010. SMA also intends to present at least five product innovations on the leading photovoltaics trade fairs worldwide in 2010. These products will be characterized by great customer benefits and clearly lower specific prices.

SMA pursues consistently the strategy of order-based production. Highly flexible production and procurement processes have been established in the last few years for this purpose. For example, the Company increased its inverter output sold from about 0.2 GW in the first quarter to about 1.4 GW in the fourth quarter of 2009. This is a ratio of considerably more than 1:4 and demonstrates SMA's particular performance. The expansion plans adopted in respect of Germany and the establishment of the first production facility abroad will create the necessary prerequisites to fulfill peak demands through order-based production in the event of strong growth as well. In 2010, SMA will increase annual maximum production capacity worldwide to up to 11 GW.

SMA was the first inverter manufacturer that has established subsidiaries on an ongoing basis in the foreign key markets. Today, more than 200 employees are active in SMA's 13 operating foreign companies. SMA will continue this internationalization strategy in 2010. SMA will build up independent companies in emerging markets early on. In this connection, SMA will focus on the solar markets in Asia.

The business model of SMA is characterized by low capital intensity and attractive margins. The objective of the Company is to counter increasing cost pressure through economies of scale as well as optimization of processes and products in order to produce attractive EBIT margins in the long term. In view of its solid financial situation, the Company does not intend to borrow outside capital or to perform capital measures in 2010.

Railway Technology strategy

The objective of Railway Technology GmbH is to further expand its market position for inverters for short- and long-distance railway traffic in Europe and to become a worldwide leader as regards technology, quality and service. Railway Technology GmbH aims to achieve continuous sales growth in the lower two-digit range and an EBIT margin of above 8 % per year.

Environmental matters

The products of the SMA Group contribute considerably to expanding the use of renewable energy sources and to reducing the impact on the climate. Continuous optimization in connection with primary materials and the efficiency of SMA photovoltaic inverters will also lead to higher energy efficiency and save resources. SMA is not subject to special environmental requirements with respect to its production. Only minimum quantities of harmful substances are generated during production, and these are disposed of by certified disposal companies.

SMA wants to contribute to climatic protection not only with its products but also as early as during their manufacturing process. This commitment is emphasized by the use of geothermal energy and rainwater, the integration of photovoltaic systems, with a total capacity of 1.6 MW at present, into the Niestetal premises as well as building insulation that is far above the standard. The new production facility for photovoltaic inverters with a capacity of up to 5 GW was put into operation in April 2009. The production site with an area of about 18,500 m² is operated as a CO₂-neutral facility. Among other things, this is achieved by maximum reduction of energy consumption and optimal use of energy, a building envelope based on the low-energy building standard, smart ventilation systems, the use of waste heat for cooling through an absorption refrigeration machine and the use of renewable energies in a building-integrated photovoltaic system with an output of about 1.1 MW and a biogas-fired combined heat and power plant. The new training center, the construction of which is scheduled to be completed in the middle of 2010, has been planned as an energy-autonomous building so that we are able to demonstrate the operation using demanding electrical consumers based on our off-grid inverters (Sunny Island). The new building project in the commercial area of Sandershäuser Berg in Niestetal also provides for energy supply completely from renewable energy sources.

Corporate social responsibility

Corporate social responsibility has been anchored deeply in SMA's culture since its establishment. SMA supports a multitude of projects with its products, personal commitment of employees and know-how. Several selected measures:

- With an above-average training ratio of almost 10 %, SMA has fulfilled its social responsibility towards young people in a structurally weak region to a particularly high degree.

- SMA has organized as a sponsor every year since 2007 the “Jugend forscht” youth science competition in the North Hesse region. In addition, SMA supports the “Schools at University” project of the University of Kassel and the “Solar Cup” in Kassel. The Solar Cup is an event where teams of pupils and apprentices compete using self-built, technologically demanding solar-powered model cars. This commitment is intended to arouse the children’s and young people’s enthusiasm for science, since they will contribute to shaping the future of our society with their ideas.
- In cooperation with the association “Together – Hilfe für Uganda e.V.”, SMA supports a professional college project in Kooki (Uganda). Those SMA employees who are active in this association also support the project on site. The project has been promoted since 2006 by all employees and the enterprise through an annual donation campaign. The new core of the technical equipment of the school in Kooki is a photovoltaic system, which was installed in 2009 with the support of SMA and its employees.
- Based on their own experience, the Managing Board members regard it as important to support company start-ups in the region. Therefore, SMA has taken part since 2006 in the Incubator Project of the University of Kassel. In this way, founder teams from the university receive help in the transition from science to business.
- SMA represents the North Hesse location and therefore established the competence network Dezentrale Energietechnologien e. V. (deENet) together with other companies and research institutions. The association’s goal is to create about 20,000 new jobs by 2020 through technological progress and a sustainable regional development in North Hesse. Also in 2009, SMA showed great commitment at deENet.
- SMA takes part in the “Regionale Energieversorgung 2020” project, which has the objective of developing and demonstrating a municipal energy supply system with a high share of regional renewable energies and a smart power grid with smart metering in a selected municipality.

Social standards

SMA acceded to the Code of Conduct issued by the German Association Materials Management, Purchasing and Logistics e. V. (AMMPL). In the context of this guideline, SMA undertakes to ensure fair dealings with suppliers. The guideline is based, among other things, on the basic principles of the UN Global Compact (Notes), the ILO conventions and the general declaration of human rights of the United Nations. The objective is anchoring the general principles of fairness, integrity and corporate responsibility firmly in business relationships. SMA regards this guideline as an add-on to its own mission statement and corporate culture, in which these values are already firmly anchored. In addition, SMA will ensure that the AMMPL Code of Conduct is also adhered to by suppliers.

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statements

184	Other Information
-----	-------------------

092	
-----	--

Business and general conditions

Employees

Employee development

Sales growth, in particular in the second half of 2009, was accompanied by an increase in staff figures by 56.2 % compared to the previous year. At the end of the fiscal year, the number of staff in the SMA Group amounted to 4,231, including 1,277 temporary employees (December 31, 2008: 2,709, of which 489 temporary employees). The temporary employees were active primarily in the production areas, which were fully utilized at the end of the year. The annual average number of SMA employees was 3,412 (previous year: 2,513).

The existing foreign companies were expanded in 2009 and additional companies were incorporated. The number of staff abroad increased by 55.7 % to 218 as compared to the previous year (previous year: 140). The fluctuation of less than 1 % of employees (excl. temporary staff) continued to be extremely low as in previous years. The sickness ratio of 3.3 % was slightly above the level of the previous year with 2.8 %. The average age of SMA employees was about 34 years at the end of 2009 (previous year: about 35 years); the proportion of female employees was 25.7 % (previous year: 27.0 %).

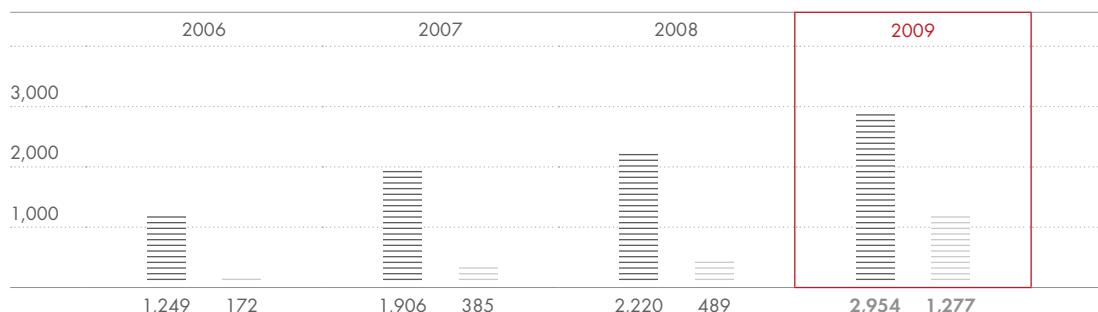
Education and further training

The number of apprenticeships offered was increased significantly in the reporting year from 201 at the end of 2008 to 262 at the end of fiscal 2009. SMA provides training for more than 15 job profiles, thus aiming at fulfilling its social responsibility towards young people to an above-average degree. In addition, internships for pupils and student diploma theses were offered. Further training of employees plays an important role at SMA. Employees are encouraged to attend five days of training sessions a year. In addition to external further training options, SMA offers a great diversity of internal training courses.

Employee participation in corporate success

Employee participation in the success of the SMA Group has been an essential part of its corporate culture for a long time. For fiscal 2009, bonus payments totaling approx. € 35 million (previous year: approx. € 25 million) were or will be granted to employees worldwide. Temporary employees are also granted a share in SMA's success.

EMPLOYEES*



(● Permanent employees ● Temporary employees)

* due date

Business and general conditions	
	To our Shareholders 002
	Perspectives 038
	Consolidated Management Report 078
	Consolidated Financial Statements 124
	Other Information 184
	093

Occupational health and safety

Also in 2009, medical examinations and influenza vaccinations were conducted as regular health protection measures in the context of the medical services provided by the company doctor. The broad range of offered sports activities promoted both social contact beyond daily work and health protection.

Company culture

SMA's company culture has been designed in such a way that its employees can identify themselves with the enterprise. We encourage our employees to act responsibly with great commitment, to contribute their knowledge and to take part constructively in designing the development of the enterprise. The key to this is open communication at all levels, involvement in the corporate goals, joint planning of changes, freedom for designing one's work on one's own responsibility, fairness, equal treatment and respect as well as a material share in the success of the enterprise and options for personal further education. The measures include:

- SMA uses temporary work as an instrument for achieving the maximum flexibility of production in the highly dynamic photovoltaics market. Temporary employees employed by SMA receive remuneration that is comparable to that of the core workforce. In 2009, they, like the core workforce, also took part in the bonus scheme, which is based on business success.
- SMA joined the "Fair Company" initiative and accordingly undertook not to fill full-time vacancies with trainees.
- In the summer months, SMA organized "Childcare Weeks" on the premises in Niestetal in order to offer an alternative to working parents, when nursery schools are closed.

Since its incorporation, SMA has groomed a company culture that aims to promote high commitment and to attain special achievements for the customer. SMA promotes commitment, flexibility and speed of change as well as the willingness to contribute to the Company's development with one's own ideas. This cooperative management concept is reflected in the employees being integrated systematically into information and decision-making processes and taking part in the Company's success through bonuses. This was also the reason why SMA Solar Technology AG received a number of awards for its excellence as an employer. For the fourth time in a row, SMA took part in the competition for employers "Great Place to Work®" (www.greatplacetowork.de) to be judged by the employees and each time attained top 10 positions. In addition, SMA received the special award for "Lifelong Learning" several times and was awarded the "Fair Remuneration" award at the European level.

 www.greatplacetowork.de

EMPLOYEES

	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Employees (excl. temporary employees)	2,954	2,220	1,906	1,249
of which domestic	2,736	2,080	1,822	1,204
of which abroad	218	140	84	45
Temporary employees	1,277	489	385	172
Total Employees (incl. temporary employees)	4,231	2,709	2,291	1,421

002 To our Shareholders

038 Perspectives

078 **Consolidated Management Report**

124 Consolidated Financial Statements

184 Other Information

094

Business and general conditions

In the context of an extensive discussion process, the central elements of SMA's company culture were reworded in 2009. In addition to a mission statement, SMA devised the seven cornerstones of corporate culture and nine management principles. These normative fundamentals will be presented in 2010 in the context of our internal "Campaign for Corporate Culture" in all companies, divisions and departments, discussed in detail with executive staff and implemented in the individual departments through concrete improvement projects.

Research and development

Research and development focus and new products in 2009

SMA is the technology leader for solar inverters and has presented numerous innovations to customers at leading trade fairs throughout the world.

Medium Power Solutions

The Sunny Tripower was presented at Intersolar 2009 and is undergoing a field test at present. Featuring five technological global innovations and a peak efficiency of 98 %, the Sunny Tripower makes for easy installation, high yield and secure grid support. Thanks to its multi-string technology and the widest input voltage range, the three-phase inverter is suitable for every imaginable module configuration. This inverter is a cost-effective solution for photovoltaic systems from 10 kW to the megawatt range. The Sunny Tripower presently fulfills the requirements of the Medium Voltage Guideline issued by the German Association of Energy and Water Industries (BDEW) and, in so doing, it participates in reliable grid management. A comprehensive security concept encompassing string failure detection, electronic string fuses and a surge protection function that can be integrated ensures the highest level of availability and reduces plant and operating costs.

At the Intersolar and Solar Power trade fairs in 2009, SMA presented the Sunny Boy 3000HF, which is equipped with a high-frequency transformer. Based on the latest SMA technology, this inverter provides the highest yields for galvanically isolated equipment in the 2,000 W, 2,500 W and 3,000 W power classes. In addition, development of the design was concentrated, among other things, on the specific building requirements in the USA: owing to its slim housing, the Sunny Boy 3000HF can be integrated to fit in post-and-beam structure walls. Serial production will be started in the first six months of 2010.

With the successful product presentation of Sunny Boy 8000US at the Solar Power trade fair in California and its subsequent market launch, the product portfolio for the USA was expanded by a more efficient unit, offered at a lower specific price, for applications in the Residential and Commercial segments.

In the third quarter of 2009, SMA acquired a technology platform for micro inverters from the Dutch company OKE-Services. SMA will launch its own product family of module inverters in the market and complete its product range for the < 2 kW power class with this micro inverter technology.

Business and general conditions	
To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184
	095

High Power Solutions

SMA's main emphasis was on the further development of functionality in order to fulfill increasing requirements of large-scale solar power plants. The inverters of the new Sunny Central HE series set standards, since they are the first inverters in the market that meet the groundbreaking requirements of the new guideline for generation facilities connected to the medium voltage grid. Even as early as today, these new systems are contributing to the stabilization of the public grid – an investment which will continue to be worthwhile in the future.

The new Sunny Central 630HE, launched in the market in April 2009, offers a high degree of flexibility in plant design owing to its higher performance and state-of-the-art technology, thus contributing to a further reduction of system costs.

At Intersolar 2009, the new outdoor concept of the new Sunny Central series was presented for the first time. The feedback from domestic and foreign customers was extremely good. This product helps to drastically reduce the costs of the entire system once more, through a more compact, more cost-effective concrete substation and the resulting lower transportation costs.

In 2008, SMA started to develop the Industrial market segment and to sell Sunny Central inverters in the USA. The product range was supplemented by the Sunny Central 500U in 2009. This innovation was presented to US customers for the first time at Solar Power in California in October. In order to reduce significantly the system costs for solar power plants with direct medium-voltage connection, SMA developed the transformerless Sunny Central 500HE US. The certification of the central inverter was finalized, so that SMA is well positioned to benefit from the growth in the Industrial market segment in the USA.

Plant monitoring

With the market launch of Sunny Beam Bluetooth® Wireless Technology and Sunny Explorer in 2009, plant monitoring for installer professionals and operators has become easier and cheaper. SMA included a series of new functionalities in the Sunny Portal so that both configuration and evaluation have become more efficient and less complex.

Research and development outlook

We plan to introduce at least five new products, which will offer essential innovations and significant specific price reductions, at the leading trade fairs in Germany (Intersolar in June) and in the USA (Solar Power in October) in the 2010 fiscal year. We will continue to promote the systematic reduction of costs through innovation with our research and development activities. The new products are more powerful, more efficient as well as easy to install and easy to maintain. Since new properties and functions have been integrated, external cost-intensive system components are no longer needed, which results in a significant reduction of system and operating costs.

Research and development cooperation projects

In addition to supraregional and international cooperation with numerous research institutions and enterprises in the solar and energy sector, SMA is working together closely with regional organizations near its corporate headquarters in Niestetal. These include the competency network Dezentrale Energietechnologien, deENet, which is an association of more than 100 North-Hesse enterprises, research institutions and service providers, and the new Fraunhofer Institute for Wind Energy and Energy System Technology (IWES), established last year as the successor to the former ISET e. V. in Kassel, and the Center of Competence for Distributed Electric Power Technology – KDEE, established in 2009, of the University of Kassel. A special objective of SMA in this context is to promote an internationally renowned, local science community in SMA's business segments and related topics of energy technology, which is also attractive for the Company's own R & D activities and for recruiting young talents. The close interactions and versatile joint research, development and pilot projects make an important contribution to the further development of sustainable energy system technology, the publicly visible demonstration of its possibilities as well as the design of technical and economic framework conditions for the extensive use of renewable energies.

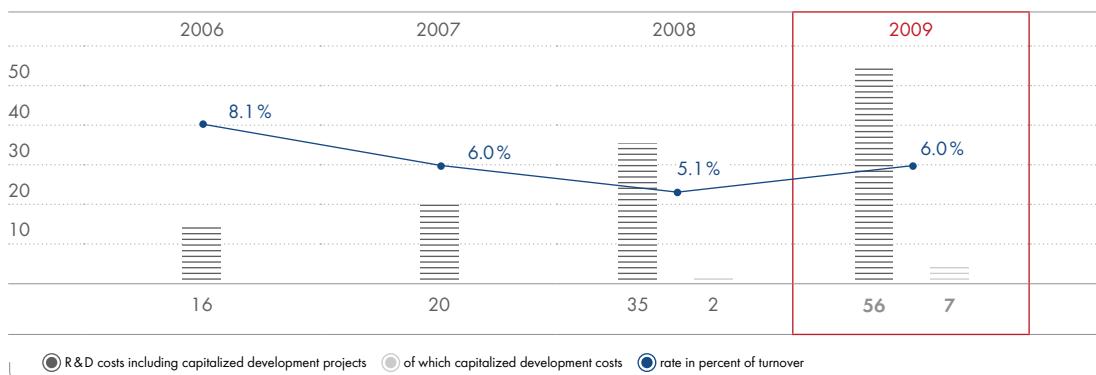
Research and development employees

Our R & D staff increased by 54.7 %. On the reporting date, the Company had 628 (previous year: 406) employees in the research and development field, of which 400 developers (previous year: 304).

Research and development expenses

The total research and development expenses, including capitalized development projects, amounted to € 56.3 million in the year under review (previous year: € 34.7 million). In essence, the rise by 62.2 % is attributable to the increase in the number of staff employed in the development area and the expansion of testing capacity. Of total development costs, € 7.2 million were capitalized as development projects (previous year: € 1.7 million). The R & D ratio in relation to sales increased to 6.0 % as compared to the previous year (5.1 %).

RESEARCH AND DEVELOPMENT in € million



Overview of the business development

General economic conditions

The world economy has grown again since the spring of 2009, after it faced a downward trend of historical dimensions at the beginning of the year. According to estimates by the Kiel Institute for the World Economy (IfW) of December 15, 2009, global production declined by 1 % in 2009, while the total economic output in the USA declined by 2.5 %. For Germany, the IfW expects a decrease of total economic output by 5 %. It might take the next two years to recover from this severe recession.

Economic conditions in the sectors

While the world economy in 2009 was characterized by the severe recession, the worldwide photovoltaics market, in relation to new output installed, has grown from about 5.8 GW in 2008 by at least 15 % to about 7 GW in 2009 according to SMA's own estimates. The decisive growth was seen in the second half of the year. In particular due to worldwide supporting programs, the photovoltaics sector has separated from the development of global economy. According to SMA's own estimates, Germany with an output of about 3.0 GW was the largest market of the world. In the opinion of the management, the major foreign markets in 2009 included North America, Italy, France and the Benelux countries.

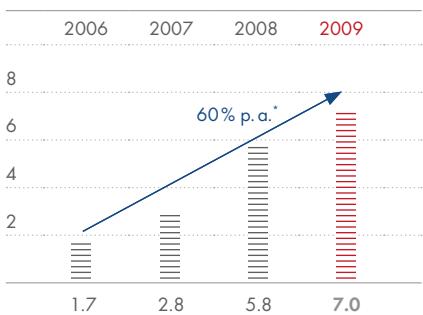
Main business developments and important events

The photovoltaic industry could benefit from numerous incentive programs and expansion goals in the area of photovoltaics. The banks' high requirements regarding project financing had a negative impact on the demand for major solar power plants. In addition, due to the bad and comparatively long winter, only a few new photovoltaic systems could be installed in the first quarter in Europe and many regions worldwide. Exchange rate changes in Korea and amendments to the incentive program in Spain led to a distinct decline in demand in these markets. From the middle of 2009, growth impulses came from significantly lower solar module prices. Stable incentive programs helped investors to generate attractive yields. In the fourth quarter, it was not possible to fulfill all demands, in particular in Germany, due to scarce capacities in the specialist trade, bottlenecks in component supplies and longer delivery periods for solar inverters.

Overall statement of the Managing Board on the business development

The Managing Board assesses the business developments of the SMA Group as positive on the date the management report is prepared. With an increase in sales by 37.1 % to € 934.3 million and EBIT of € 228.4 million, fiscal 2009 replaces fiscal 2008 as the most successful year in the history of SMA. Although SMA saw a decline in sales in the first six months, fiscal 2009 became again a record year mainly because of significantly higher demand in the second half of the year. Only due to the high flexibility of SMA's manufacturing and purchasing organization as well as the personnel's high degree of motivation was the enterprise able to cope with a monthly sales volume of between approx. € 25 million and € 135 million in the year under review. SMA has acted rapidly and flexibly in a dynamic market environment. Our new CO₂-neutral inverter factory, which was commissioned in April 2009, reached the capacity limit of about 5 GW/year in the second half of the year. Due to SMA's continuing internationalization in 2009, the Company was able to benefit directly from global growth in the photovoltaics sector. According to its estimates, SMA was able to increase its worldwide market share from about 38 % in 2008 to more than 40 % in 2009. The record year 2009 confirmed that SMA has an excellent position in the photovoltaics market.

PV-MARKET GROWTH** in GW



*average growth rate per year

**2009: SMA estimate

2008: BSW (02 / 2009)

2007: Solarbuzz (03 / 2008)

2006: Solarbuzz (03 / 2007)

002 To our Shareholders

038 Perspectives

078 **Consolidated Management Report**

124 Consolidated Financial Statements

184 Other Information

098

Business and general conditions

Comparison of the actual and the forecast business development

After a weak start of the year, SMA's Managing Board expected a significantly better development of business in the second quarter of 2009. When announcing the results of the first quarter, the Managing Board published a sales forecast for the second quarter. The Company expected a sales increase by at least 65 % to about € 145 million to € 165 million in comparison to the first quarter of 2009. Even though the Managing Board was still expecting growth of the photovoltaics market in the long term, it was not able to preclude a slight decline in global demand for 2009.

Upon announcement of the half-yearly results, the Managing Board issued a forecast for fiscal 2009 for the first time on August 15, 2009. Due to the noticeable recovery of the photovoltaics market, the attractive incentive conditions in many countries and the considerably reduced prices for solar modules, the SMA Managing Board was looking optimistically to the overall year 2009. Considering the reduced specific prices for SMA inverters, the Managing Board expected sales in a range of € 680 million to € 730 million. The lower end of the guidance corresponded approximately to the sales of the previous year (previous year: € 681.6 million). Due to the change in the product mix and changed cost structures, the Managing Board expected an EBIT margin between 18 % and 20 % for 2009.

Due to the positive business performance in the third quarter, SMA's Managing Board increased its sales forecast for the 2009 fiscal year in October to a range of € 760 million to € 810 million. The expected EBIT margin was indicated with 21.5 % to 23.5 %. In the context of intense negotiations, SMA succeeded in procuring additional materials for the assembly of SMA inverters. Based on supplier commitments, SMA's Managing Board increased the financial guidance for fiscal 2009 a second time in November. The new sales target amounted to between € 850 million and € 900 million and the EBIT margin was expected between 23 % and 25 %.

With sales of € 934.3 million, SMA is above its sales forecast. EBIT in fiscal 2009 amounted to € 228.4 million, which was slightly above the forecast value of € 225 million. The EBIT margin in 2009 was 24.4 % (previous year: 24.6 %).

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

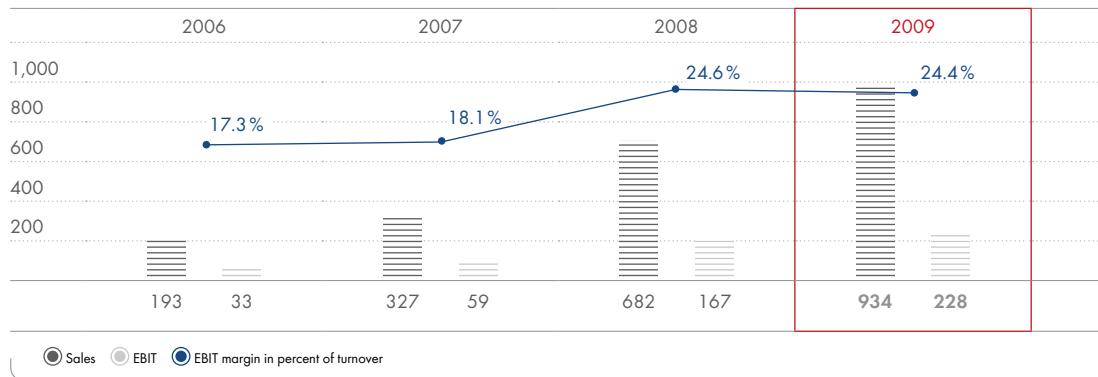
Results of operations

Group sales and earnings

The SMA Group achieved a new sales record with € 934.3 million (previous year: € 681.6 million). Following a weaker first half year, the demand for SMA's photovoltaic inverters increased strongly in the second half. The developments of both sales and profitability significantly exceeded the management's expectations. The main growth driver was the Medium Power Solutions segment. The most successful products in this segment were the high-performance SMA inverters (Sunny Boy 5000TL, Sunny Mini Central 10000TL and 11000TL). The High Power Solutions segment, which includes the central inverters of the SMA Group showed a similar course of business. In particular the fourth quarter saw significant growth in sales. Germany was the most successful market in 2009. Gross foreign sales amounted to € 358.4 million (previous year: € 288.6 million). The foreign sales share of 38.4 % was below the value of the previous year due to strong domestic demand (previous year: 42.3 %). The most important foreign markets were North America, Italy, France and the Benelux countries.

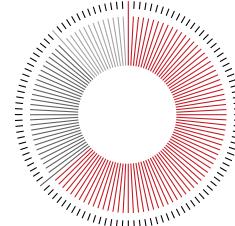
The first six months of 2009 were influenced both by seasonal effects and difficult market conditions in the photovoltaics sector. Due to the bad and long winter, new solar systems in Germany and in many other regions worldwide could not be installed before the spring. In addition, solar module prices and system prices were at a comparatively high level at the beginning of the year. In particular the large-scale project business suffered from the tense situation in the financial markets and the higher requirements regarding project financing for photovoltaics projects in the commercial and industrial areas. In addition, higher depreciation of feed-in tariffs in Germany at the beginning of the year, which resulted from the amendment to the Renewable Energy Sources Act, had a negative impact on demand. Sales of the SMA Group in the first half year were 15.6 % lower than in the same period of the previous year. Sales in the first six months amounted to € 247.1 million (Q1 to Q2 2008: € 292.6 million).

SALES & EBIT IN € MILLION



SALES REVENUE* BY REGION: PHOTOVOLTAICS TECHNOLOGY 2009

in %

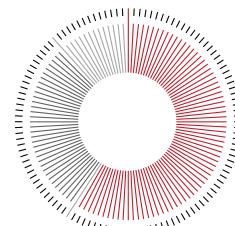


- 63.1% Germany
- 24.5% EU
- 12.4% Third countries

*Gross sales proceeds before deductions

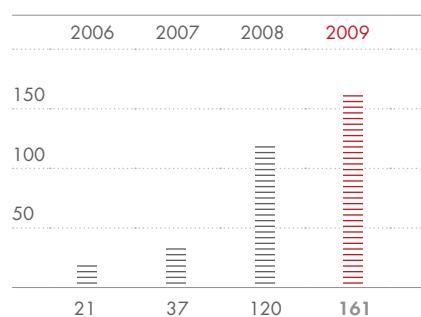
SALES REVENUE* BY REGION: PHOTOVOLTAICS TECHNOLOGY 2008

in %



- 59.2% Germany
- 30.2% EU
- 10.6% Third countries

*Gross sales proceeds before deductions

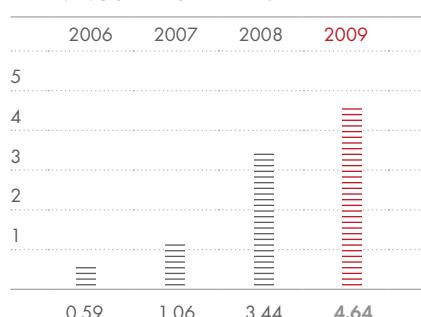
CONSOLIDATED NET PROFIT in € million

A distinct change in demand was recognizable from the second quarter. This change was driven by decreasing module prices. Since module prices account for more than 60 % of system costs, this development had a significant impact on the yields gained by investors. The negative impact of higher depression in Germany was more than compensated for. At the same time, the financing situation for large-scale solar projects improved noticeably. Following the parliamentary elections in September, the new coalition announced an early amendment to the Renewable Energy Sources Act and a reduction of feed-in tariffs. This resulted in pull-forward effects in the fourth quarter. Therefore, the SMA Group saw an exceptional recovery of demand for its products in the second half year. With sales of € 374.8 million (Q4 2008: € 162.3 million), the fourth quarter was the strongest of the fiscal year and in SMA's history.

Earnings before interest and taxes (EBIT) improved again and amounted to € 228.4 million. This is an increase of 36.4 % compared to the previous year (previous year: € 167.4 million). The EBIT margin of 24.4 % is almost at the level of the previous year (24.6 %).

SMA's profitability depends particularly on economies of scale and the product mix. EBIT in the first half year of 2009 of € 35.0 million (EBIT margin 14.2 %) were considerably below the previous year's value (Q1 to Q2 2008: € 68.7 million; 23.5 %). This decline in profitability is mainly due to the fact that, in the first six months of fiscal 2009, there was higher demand for low-margin inverters with smaller outputs. The higher structural costs compared to the previous year also had a negative impact on EBIT.

In the second half of the year, SMA saw a trend to the demand patterns of previous years. The Sunny Boy and Sunny Mini Central inverters with higher outputs were highly in demand. These products also offer higher margins normally. The relative fixed costs decreased due to significantly higher sales. Therefore, with EBIT of € 193.4 million (previous year: € 98.7 million), the second half year was the strongest half year in SMA's history.

EARNINGS PER SHARE in €

translated to 34.7 million shares

Due to the high volume of financial resources, the financial result of € 3.8 million in the reporting period (previous year: € 3.7 million) again provided a positive earnings contribution. Earnings before taxes (EBT) improved by 35.7 % to € 232.2 million (previous year: € 171.1 million) in the fiscal year. The SMA Group's consolidated profit increased as compared to the previous year by 34.8 % almost in line with the EBT and amounted to € 161.1 million (previous year: € 119.6 million). The earnings per share of the SMA Group rose to € 4.64 (previous year: € 3.44).

SMA Solar Technology AG, the parent company of the SMA Group, states a net profit of € 149.0 million (previous year: € 105.1 million) in its separate commercial accounts for the year under review. The Managing Board suggested to the Supervisory Board that it proposes at the General Meeting on May 27, 2010 that a dividend of € 1.30 per qualifying bearer share be distributed. Accordingly, the distribution will total € 45.1 million (previous year: € 34.7 million).

Added value

The added value in fiscal 2009 was € 423.7 million. This corresponds to an increase of 29.7 % compared to the previous year (previous year: € 326.7 million). The added value is defined as the total output of the SMA Group less material expenses, depreciation and amortization as well as other operating result.

Wages and salaries paid to SMA employees amounted to € 190.0 million and accounted for almost 45 % of added value (previous year: € 133.2 million). SMA's income tax expense in 2009 amounted to € 71.1 million (previous year: € 51.6 million). The increase compared to the previous year results from the clearly higher earnings before taxes. SMA improved the EBT by 35.7 % to € 232.2 million.

The Managing Board suggested to the Supervisory Board that it proposes at the General Meeting on May 27, 2010 that a dividend of € 1.30 per qualifying bearer share be distributed. Accordingly, the distribution to the shareholders will total € 45.1 million (previous year: € 34.7 million).

To finance further growth, € 116.0 million will be retained in the Company as retained earnings (previous year: € 84.8 million).

As in the previous year, interest and similar expenses of € 1.5 million in 2009 were of minor significance in the value analysis.

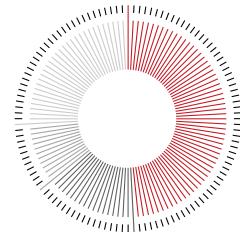
Sales and earnings by segment

In the Photovoltaics Technology division, external sales in 2009 increased by 37.2 % to € 912.4 million (previous year: € 665.2 million). The inverter output sold to generate these sales rose by almost 55 % to around 3.4 GW (previous year: around 2.2 GW). Based on the 2009 global market volume, which was estimated at 7.0 GW by the Managing Board, the market share of the SMA Group in 2009 was more than 40 % as compared to an estimated 38 % in the previous year.

84.9 % (previous year: 81.5 %) of the sales by the Photovoltaics Technology division, was attributable to the Medium Power Solutions segment (Residential and Commercial) with the product lines Sunny Boy and Sunny Mini Central and 15.1 % (previous year: 18.5 %) to the High Power Solutions segment (Industrial) with the product line Sunny Central. Accordingly, the distribution has changed in favor of the Medium Power Solutions segment when compared to the previous year due to the higher requirements for project financing. Within the Medium Power Solutions segment, the product mix in 2009 changed on a year-on-year basis. While in the first half of 2009, inverters of the Sunny Boy product group with low performance classes were sold in particular, demand in the second half year shifted to the Sunny Boy and Sunny Mini Central inverters of the higher performance classes. The product mix of the second half year is more similar to that of the previous year.

ADDED VALUE DISTRIBUTION 2009

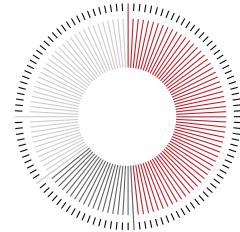
in %



- 45% Employees
- 17% Public authorities
- 11% Shareholders
- 27% Company

ADDED VALUE DISTRIBUTION 2008

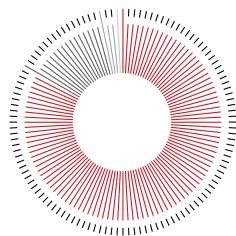
in %



- 41% Employees
- 16% Public authorities
- 11% Shareholders
- 32% Company

EXTERNAL SALES PER SEGMENT 2009*

in %



- 82.9% Medium Power Solutions
- 14.7% High Power Solutions
- 2.1% Railway Technology
- 0.3% Electronics Manufacturing

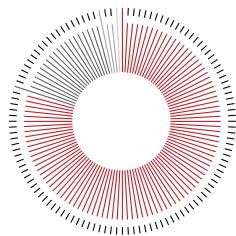
*Gross sales proceeds before sales deductions

In the **Medium Power Solutions** segment, external sales rose in 2009 by 42.9 % to € 774.6 million, compared with € 541.9 million in the previous year. Of gross sales, 63.2 % were generated in Germany. The most successful international markets were North America, Italy, France and the Benelux countries. The inverter types Sunny Mini Central 10000TL, Sunny Boy 5000TL and Sunny Mini Central 11000TL were the top-selling products in 2009. The main factor is the strong second half year, which contributed 73.5 % to annual sales. In the previous year, Sunny Mini Central 8000TL and Sunny Mini Central 7000HV, followed by Sunny Mini Central 5000A, were the main sales drivers. Operating income (EBIT) improved by 40.6 % to € 172.0 million (previous year: € 122.3 million) due to the significant increase in sales. This corresponds to an EBIT margin of 21.3 % (previous year: 21.9 %).

In the **High Power Solutions** segment, external sales rose by 11.8 % to € 137.8 million in the year under review (previous year: € 123.3 million). The management's expectations were exceeded in the fourth quarter due to the strong demand. With 62.7 % of generated gross sales, Germany was the strongest market in terms of sales. The most successful international markets were Italy, Spain and France. The most successful product in fiscal 2009 was Sunny Central 630, followed by Sunny Central 500, while the Sunny Central 500 and Sunny Central 100 were the sales drivers in 2008. The significance of Sunny Central 100 was due primarily to the Spanish market. Operating income (EBIT) improved to € 39.6 million (previous year: € 30.9 million). This corresponds to an EBIT margin of 26.3 % (previous year: 24.3 %).

EXTERNAL SALES PER SEGMENT 2008*

in %



- 79.5% Medium Power Solutions
- 18.1% High Power Solutions
- 2.0% Railway Technology
- 0.4% Electronics Manufacturing

*Gross sales proceeds before sales deductions

In the **Railway Technology** segment, external sales rose by 42.5 % to € 19.1 million in the year under review (previous year: € 13.4 million). In this division, which is characterized by larger-scale individual projects, it was possible to achieve a distinct increase of EU and non-EU sales owing to intensified sales activities abroad. The foreign share rose to 62.9 % (previous year: 47.7 %) with identical absolute gross sales revenues in Germany. Internal sales of € 11.8 million (previous year: € 10.5 million) related primarily to supplies of cable and mechanical components to the High Power Solutions segment. Operating income (EBIT) was doubled to € 3.6 million (previous year: € 1.8 million) due to long-term major projects. The EBIT margin was 11.7 % (previous year: 7.5 %). Owing to a business that was characterized by long-term large projects, the division had adequate capacity utilization at the end of the year.

The **Electronics Manufacturing** segment, as expected, recorded lower external sales in 2009 than in the previous year. This segment acts mainly as a sub-supplier for other segments, in particular the Medium Power Solutions segment. The production area was well utilized throughout the period. The share of electronic assemblies manufactured by third parties was adapted to the demand. Total sales from external and internal revenues rose to € 205.1 million (previous year: € 149.3 million). Operating income (EBIT) improved by 23.8 % to € 15.6 million (previous year: € 12.6 million). In relation to internal and external sales revenues this corresponds to an EBIT margin of 7.6 % (previous year: 8.4 %).

Development of significant income statement items

The share of manufacturing costs in sales amounted to € 593.0 million (previous year: € 427.8 million). This means that the costs fell to 63.5 % (previous year: 62.8 %) in relation to sales. The share of human resources expenses rose by 0.7 percentage points to 17.8 % (previous year: 17.1 %) due to strong personnel expansion in the production and service area. This increase could be compensated for by successful savings on the procurement side. The share of material expenses in cost of sales fell by 2.0 percentage points to 67.9 % (previous year: 69.9 %). The increase of manufacturing costs in the year under review is the result of the expansion of the Company's production capacities and related higher depreciation. Depreciation increased on a year-on-year basis by € 5.6 million to € 11.5 million (previous year: € 5.9 million).

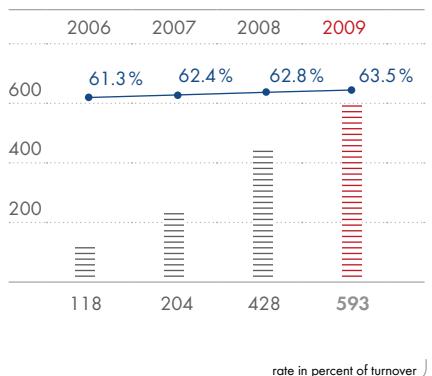
Absolute selling costs increased by € 4.9 million to € 36.4 million. New sales and service companies were established abroad in 2009. There was a distinct increase of sales staff at many sites worldwide. A further emphasis was the expansion of marketing activities, in particular of the Sunny PRO Clubs in Italy and France.

Research and development costs amounted to € 49.1 million (previous year: € 33.0 million), excluding development projects capitalized. Total costs in the R&D area, including capitalized development projects, amounted to € 56.3 million (previous year: € 34.7 million) in the year under review. This was attributable mainly to a significant increase of staff in this area. Related human resources expenses increased by 54.8 % to € 42.1 million (previous year: € 27.2 million). Cost of materials went up significantly by 75.0 % to € 2.8 million (previous year: € 1.6 million). Depreciation, which increased in 2009 by € 1.2 million to € 2.8 million, reflects the investments in the testing center of the Technology segment.

In spite of a considerable expansion of the administrative area, costs rose below average to € 28.8 million. The increase by 12.1 % compared to the previous year (previous year: € 25.7 million) lowers the share of administrative expenses to 3.1 % (previous year: 3.8 %).

Due to the high volume of financial resources, the financial result of € 3.8 million in the reporting period (previous year: € 3.7 million) again provided a positive earnings contribution. It should be noted that the financial result was impaired by interest cost for long-term liabilities and provisions as well as by the inclusion of the finance lease.

COST OF GOODS SOLD in € million



rate in percent of turnover

SELLING EXPENSES in € million



rate in percent of turnover

GENERAL AND ADMINISTRATIVE EXPENSES in € million



rate in percent of turnover

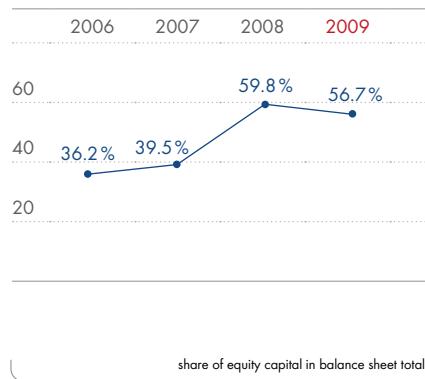
Financial position

Principles and objectives of finance management

The SMA Group has a strong financial basis and a high operative earnings potential. These two elements ensure that SMA is able to respond quickly and independently to the opportunities offered in the strongly growing market of photovoltaics. A primary objective of SMA's financing principles is to maintain this financial flexibility and independence.

Except for the US business, all transactions are charged in euro. To secure the foreign currency items denominated in US dollars, hedging transactions are concluded to an economically reasonable extent. Customer credits are treated in accordance with volumes and specific risks. The consolidated notes include a detailed presentation of the financial risk management.

EQUITY RATIO



Financing analysis

There were no loan liabilities in the year under review. At the end of the reporting year, the framework credit lines provided by the five principal banks of the Company for ongoing business operations amounted to € 38 million. Due to the consistently sound liquidity position, no amounts were used in fiscal 2009. The credit lines were only used for payment guarantees totaling € 7.8 million. New vehicles were leased. The financial liabilities included in the Financial Statements result from finance leases for buildings used. The finance lease liabilities were discounted at an interest rate of 5 % over a period of 15 years. Equity capital increased by € 126.8 million to € 407.6 million as compared to December 31, 2008, which is a significant rise. The equity ratio of 56.7 % showed a decline due to higher current assets (December 31, 2008: 59.8 %).

Liquidity analysis

In fiscal year 2009, the net cash flow from operating activities increased to € 221.5 million (previous year: € 188.8 million). The increase is mainly the result of the year-on-year higher gross cash flow due to strong sales growth. The gross cash flow of SMA reflects the operating income prior to any commitment of funds. The gross cash flow is the earnings before income taxes and financial result, plus interest received, depreciation and amortization, changes in other provisions, profit/loss from the disposal of fixed assets, other non-cash expenses/revenue, less interest paid and income taxes paid. The stronger increase in the net working capital in the fiscal year results primarily from the increase in trade receivables, which is due to stronger sales growth in the second half year of 2009 when compared to the previous year. The changes in other net assets relate primarily to liabilities for guarantee extensions, for prepayments received and for employee bonus payments, for holiday and flexitime.

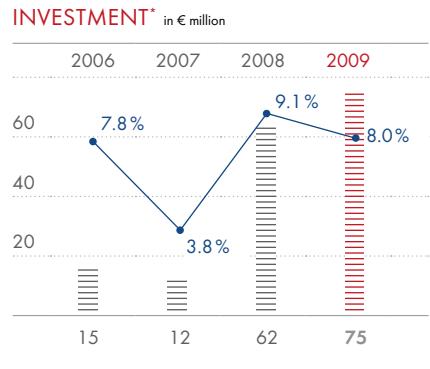
The net cash flow from investing activities increased to € –201.5 million in the period under review, following € –94.5 million in the previous year. The outflow of funds due to investments in fixed assets and intangible assets amounted to € 82.1 million in 2009 (previous year: € 73.9 million). The investments in fixed assets related mainly to the construction and erection of the new production facility in Kassel. Monetary investments with a term to maturity of more than three months are shown in the cash flow from investing activities. The net cash flow from financing activities amounted to € –36.1 million (previous year: € 93.3 million) and was influenced by the dividend distribution of € 1.00 per share. The figure of the previous year includes primarily the inflow of funds from the capital increase in the context of the IPO.

Cash and cash equivalents of € 225.0 million (previous year: € 240.7 million) include cash in hand, bank balances, short-term deposits with a term to maturity of less than three months as well as credits on current accounts used, if any.

The total liquidity, including time deposits with a term of more than three months, as at December 31, 2009 increased year on year by € 104.0 million to € 365.0 million (December 31, 2008: € 261.0 million). This means that SMA has an excellent liquidity reserve. Liquid funds are invested with an investment horizon of up to twelve months at various domestic banks. In this connection, SMA pursues a conservative investment policy.

Investment analysis

In 2009, SMA invested € 74.9 million in fixed assets and intangible assets (excl. capitalized R&D costs), which is 20.4 % more than in the previous year (previous year: € 62.2 million). The investment ratio was 8.0 %, which is 1.1 percentage points below that of the previous year (previous year: 9.1 %). Almost one third of investments was attributable to the completion and equipment of the new CO₂-neutral inverter production factory in Kassel. An amount of about € 10 million thereof was expended for machines, tools and other production-related equipment. The building and technical equipment accounted for an investment of about € 8 million. In addition, the Company invested about € 13.1 million in new buildings such as a service center and a Solar Academy at the Niestetal site. About 10 % of investments were made in foreign companies, thereof about € 4.5 million in the new production facility in the USA. Capitalized development costs amounted to € 7.2 million (previous year: € 1.7 million).

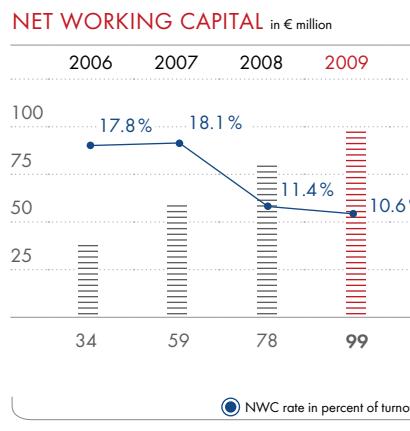


*excluding finance lease and excluding development projects to be capitalized

Net assets

Analysis of the asset structure

The total assets of the SMA Group as at December 31, 2009, increased by € 249.0 million to € 718.6 million (December 31, 2008: € 469.6 million).



The increase in non-current assets by € 73.0 million to € 175.3 million results primarily from the investments made in the reporting year in fixed assets and other intangible assets. The net working capital increased to € 98.6 million as at December 31, 2009, (December 31, 2008: € 78.0 million) due to the constant sales growth in the second half of the year. The previous year had been characterized by a distinct deterioration in demand as a result of the financial crisis. Accordingly, SMA adjusted its debt management and reduced inventories at the end of 2008. As a consequence of the unusually high utilization in the last weeks of the year under review, receivables increased overproportionately by € 34.1 million to € 58.1 million as at December 31, 2009 (previous year: € 24.0 million). In order to secure our delivery capability in spite of the high volumes of the second half of the year, inventories were built up by € 37.2 million to € 112.5 million (previous year: € 75.3 million). The build-up of inventories was more than compensated for by the increase of trade payables by € 50.8 million to € 72.1 million (previous year: € 21.3 million). In spite of the higher net working capital, rate of turnover fell slightly to 38 days (previous year: 41 days).

Importance of off-balance-sheet financing instruments

In addition to finance lease agreements for real estate, the SMA Group uses, to a minor extent, operate lease agreements for factory and office equipment. No essential new leasing agreements were concluded in the year under review. Future obligations under rental and leasing agreements are disclosed in the Notes to the Consolidated Financial Statements, No. 29 "Obligations under leases and other financial obligations".

There are no other off-balance-sheet financing instruments, such as sales of receivables or any special-purpose companies that are not included in the Consolidated Financial Statements, which are most likely to have a material impact, now or in the future, on the financial position, results of operations, investment expenditure, net assets or capital resources.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

SUPPLEMENTARY REPORT

Managing Board

The founders of SMA Solar Technology AG have prepared the Company systematically for many years for the pending challenges and a generational shift in the Managing Board. As announced by SMA as early as in February 2009, the contracts with the two founding board members Günther Cramer (CEO) and Peter Drews (COO) will expire in the middle of 2011. After 30 years of activity in the Company's management, Günther Cramer and Peter Drews will complete the generational shift and stand as candidates for the Supervisory Board. In order to ensure an optimal induction of the new board members as well as a smooth transfer of responsibilities, the Supervisory Board resolved at its meeting on February 23, 2010, to expand the Managing Board from five to seven members on April 1, 2010, for the period until the departure of both founders.

Uwe Hertel, graduate engineer, will become a new Managing Board member in charge of production. Uwe Hertel has been with SMA for 19 years and is currently Senior Vice President Production. He also sets up the US production site in Denver/Colorado.

The graduate social pedagogue Jürgen Dolle will take over the board department of Human Resources. Jürgen Dolle has been with SMA since 2001. He currently serves as Vice President Human Resources. In this position, he successfully expanded SMA's workforce over many years of strong growth. Jürgen Dolle also advanced SMA's corporate culture, which has won awards several times, and implemented it in SMA's subsidiaries worldwide. He will also fulfill the function of the labor director.

CEO Günther Cramer will continue to assume the functions of strategy and corporate communication. Peter Drews will fill the new board position Systematic Product Cost Reduction as the Chief Product Officer (CPO). The scheduled and fast cost reduction for SMA products is of the utmost importance for the medium- and long-term expansion of the Company's leading market position.

Effective April 1, 2010, the Managing Board of SMA Solar Technology AG will consist of the following members: Günther Cramer (CEO; strategy & corporate communication), Jürgen Dolle (Chief Human Resources Officer), Peter Drews (Chief Product Officer), Roland Grebe (Chief Technology Officer), Uwe Hertel (Chief Operating Officer), Pierre-Pascal Urbon (Chief Financial Officer) and Marko Werner (Chief Sales Officer).

Pierre-Pascal Urbon, Chief Financial Officer of SMA, is under preliminary investigation in a private matter since the beginning of February 2010. Mr. Urbon denies the accusations that have been made against him. In the interest of avoiding any adverse ramifications for SMA, Mr. Urbon has requested a leave of absence until the proceedings have been brought to a close. This fact, which was notified in an ad-hoc announcement dated February 3, 2010, has not changed.

Expansion of the Supervisory Board

Due to the positive development of SMA during the past years, the number of employees has increased up to more than 4,000 (incl. temporary employees). It is therefore necessary to expand the Supervisory Board to twelve members as well as to compose the Board on a parity basis. On February 23, 2010, the Managing Board gave notice according to Section 97 of the German Stock Corporation Act. In the future, the Supervisory Board will be composed of six shareholder representatives and six employee representatives. The employee representatives, thereof two trade union representatives and one executive employee representative, are elected by the employees. The six shareholder representatives will be elected by the Annual General Meeting on May 27, 2010. All current shareholder representatives have shown their will in the Supervisory Board meeting on February 23, 2010, to stand for election at the upcoming Annual General Meeting.

Acquisition of SMA Immo GmbH

There is a tenancy agreement for business buildings at the headquarters in Niestetal, Sonnenallee 1, between SMA Solar Technology AG and SMA Immo GmbH. SMA Immo GmbH has been a wholly owned subsidiary of SMA Technologie Holding GmbH, the shareholders of which are SMA's four major shareholders Günther Cramer, Peter Drews, Reiner Wettlaufer and Prof. (em.) Dr. Werner Kleinkauf. By way of the notarial purchase deed dated January 11, 2010, SMA Solar Technology AG acquired 94 % of shares in SMA Immo GmbH at a purchase price of € 1.29 million. The Supervisory Board consented to this acquisition on the basis of a valuation report prepared by an auditing firm. The assets and liabilities of SMA Immo GmbH have as far as possible already been taken into consideration via the finance lease in the Consolidated Financial Statements of SMA Group. Therefore, the acquisition of SMA Immo GmbH does not have any significant impact on the current financial condition and results of operations of SMA Group.

Unscheduled amendment to the Renewable Energy Sources Act (EEG)

On January 14, 2010, the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) announced an unscheduled reduction of the feed-in tariffs for solar electricity. From the viewpoint of the SMA Managing Board, the proposed excessive reduction of feed-in tariffs may result in a stagnation of the German photovoltaics market. For this reason, the German solar sector is in discussions with the BMU and the government coalition. At present, SMA's Managing Board is not able to forecast the date and amount of the adjustment to the EEG.

Current delivery situation

As a result of the announcement of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) to perform an unscheduled significant reduction of the feed-in fees for solar electricity according to the EEG in Germany, the demand for our photovoltaic inverters has increased strongly. SMA's suppliers were not able to adjust their production capacities quickly to the sharp rise in demand. Accordingly, SMA was not able to expand its production as rapidly as planned. This resulted, in part, in distinctly longer delivery periods for our major products. Due to the continuing delivery bottlenecks, SMA is presently not able to make concrete delivery commitments.

RISK REPORT

Management of risks and opportunities

Risk management system

In the context of its global business activities, the SMA Group is exposed to a series of risks. SMA's definition of a risk is an event that may result from a management decision (strategic), an action (operative) or an extreme situation and that has a negative impact on the forecast results (EBIT) if it occurs. In order to realize opportunities, risks have to be accepted to a reasonable extent and controlled by adequate measures. Possible control measures include damage-preventing or damage-mitigating actions, the formation of sufficient security reserves or the transfer of individual risks to third parties (e.g., insurers). The development of the residual risks is monitored regularly using suitable early-warning tools and indicators in order to notify the Managing Board timely in the event of deteriorations so that adequate actions can be taken early on. Our risk management system is meant to ensure that risks for the future development of SMA are identified by each of our employees early on and communicated in a systematic, understandable manner to the competent decision-makers in the enterprise. Timely communication of risks to the competent employees is intended to ensure that adequate measures for handling any identified risks are taken and that damage to the enterprise, employees and customers is prevented.

The Managing Board defined the principles of the risk management objectives, the organization, the risk analysis and risk communication in a risk manual, which applies throughout the SMA Group and which was revised at the end of 2009. On the basis of a risk analysis, the subsidiaries and departments as well as divisional managers will furnish risk notifications (classified by defined risk categories) to the risk manager and the Managing Board. The risk analysis includes an assessment of the severity of the identified risks with respect to their probability of occurring and the amount of damage. This assessment is made by the person in charge of the risk. It includes gross evaluations and net evaluations taking into account existing countermeasures. Apart from the quarterly risk notifications, immediate reporting duties have been defined for significant changes in the risk situation, which are to be reported by the departmental manager or the manager of the subsidiaries, divisional managers and the risk manager to the Managing Board.

Short-term deviations from business goals are identified through detailed, uniform, and timely reporting of the accounting department, which includes every important piece of information for assessing the Group's situation. Depending on the relevance of data, reporting is effected daily, monthly or quarterly. The information is provided timely to the Group management. Further measures of risk identification include systematic market and competitive analyses and an observation of the economic, legal and subsidy-related political general conditions in the target markets.

Hedging policy

Group financing and limitation of financial risks are controlled centrally by the parent company of the Group. The principle of hedging policy is to protect against considerable price, currency and interest risks by contracts and hedging transactions to an economically sensible extent and to provide sufficient liquidity timely. Currency risks may result from transactions of the Group company in the USA in US dollars. Development of the currency is monitored continuously, and the risks are hedged, insofar as economically sensible. The decisions regarding the type and extent of hedging transactions are made at the meetings of the Managing Board. Financial transactions are only entered into with banks with first-class credit rankings.

The general principle regarding all deliveries to customers is, depending on the volume of the transactions and the specific customer and country risk, to request collaterals, to obtain credit rating information and to use historical data from the previous business relationship, in particular payment practices, in order to avoid nonpayment.

The Company uses financial planning tools for the early detection of future liquidity requirements. According to current plans, coverage of the financial requirements can be expected in fiscal 2010. Due to the still insecure situation in the financial markets, investments of our comprehensive liquid funds are highly diversified with different domestic credit institutions. Particular attention is given to the banks' credit rating and the type of investment in order to minimize potential risks.

The financial consequences of liability risks and damage claims are hedged, in part, through Group insurance contracts, the cover of which is reviewed and adapted regularly. The objective is to provide for insurance cover with reasonable deductibles and with an adequate balance between risks and premiums. The measures for preventive damage control are reviewed on a regular basis. Sufficient provisions are formed in the Annual Financial Statements for identified risks.

Management of opportunities

It is one of the tasks of each enterprise to use existing opportunities. Early and regular identification of opportunities is the task of all employees, but especially the task of the management within the Group. The Group-wide planning process and the annual strategy meeting with all departmental managers, managers of the subsidiaries, divisional managers and the Managing Board, which results in strategy reports of all departments and subsidiaries, are significant cornerstones in this area. A continuous market and competitive analysis, systematic knowledge management, open information policy within the enterprise and the promotion of creative employees form the basis for detecting the potential of opportunities. Additional explanations regarding the potential for opportunities with respect to the next two financial years can be found in the chapter "Forecast report".

 See also Forecast Report, p. 121

Individual risks

Business environment and sector-related risks

General political conditions

The photovoltaics sector depends to a high degree upon state subsidies. In Germany, promotion of photovoltaics is based primarily on the Renewable Energy Sources Act (EEG). There are comparable feed-in fees for solar power or other governmental promotions measures in other countries as well. Although politicians at all levels have agreed that there is no doubt about the necessity of granting financial support, both in Germany, in the EU and internationally, material changes in general conditions might have a negative impact on the market, and even a highly negative impact if state subsidies are withdrawn. In particular, the pending amendment to the Renewable Energy Sources Act in Germany might result in a negative change in the photovoltaics market. This would result in a reduction in the demand for photovoltaic systems and, consequently, for the products of the SMA Group. This might have a considerable negative impact on business operations and the net assets, financial position and results of operations of the SMA Group.

Lending and interest rates

Photovoltaic systems are, in part, financed by way of loans. This applies in particular to large-scale solar projects. The share of borrowed capital in large-scale solar projects currently amounts to about 70 % to 80 %. Against this backdrop, a change in the interest rate and in the equity share has material effects on the profitability of a photovoltaic project. The global financial market crisis has led to a worldwide loss of confidence of all market stakeholders. Restrictions regarding bank credits might delay projects or even make them impossible. An increase in interest levels would reduce the profitability of photovoltaic systems due to higher borrowing costs and affect the demand for photovoltaic systems, including the products of the SMA Group. Lending restrictions and rising interest rates might therefore have a considerable negative impact on business operations and the net assets, financial position and results of operations of the SMA Group.

Competitive environment

The promotion conditions for photovoltaic systems are attractive in many markets. These market conditions and the related high demand result in intense competition. Existing and new competitors might attempt to gain market shares through an aggressive pricing policy. New competitors with higher financial strength might enter the market. In addition, competitors might improve the quality, functionality or performance of their products. In individual markets, local competitors might also be better prepared than SMA for the relevant market requirements. This competition may lead to price reductions for products and services in the future and to a loss of market shares of the SMA Group.

Prices for traditional energy sources

The demand in photovoltaic systems and products and, thus, the products and services of the SMA Group is mainly due to the fact that the prices for traditional energy sources have increased drastically in the past. The higher the price for energy generated from traditional energy sources, the more attractive is alternative energy generation through photovoltaic systems. A decline in the market prices for traditional energy sources might lead to a reduction in the demand for photovoltaic systems and, consequently, for the products of the SMA Group.

Customer environment

If there was consolidation on the part of the customers of the SMA Group, there might be increasing dependence of the SMA Group upon a few individual (specialist) wholesalers or other customers, which account for a high share in sales. Such dependence might result in increased negotiating power of such large customers in relation to SMA and in the risk of higher price pressure. The strong slump in the price for solar modules, the shift in the demand structure and restricted financing options might have the result that the customers of SMA go bankrupt. In addition, restrictions of promotion programs for photovoltaic systems increase our customers' insolvency risk. Major nonpayments due to customer insolvency or late payment might have a considerable negative impact on business operations and the net assets, financial position and results of operations of the SMA Group.

Market risk

In SMA's target markets, in particular the German market, there might be a saturation of the market. This would result in a reduction in the demand for the products of the SMA Group. If SMA does not succeed in compensating for this declining demand through new groups of buyers or new markets, the saturation of the market will have a negative impact on the net assets, financial position and results of operations of the SMA Group.

Risks related to corporate strategy**Investment risk**

If SMA fails to estimate the market correctly, it might build up production capacities, which cannot be utilized. This may result in nonscheduled depreciation of production equipment. The higher relative share of fixed costs might have a negative impact on the results of operations.

R & D risks

The SMA Group is undertaking extensive development measures in order to be able to offer innovative processes, technologies, products and services in the market. There is no way to rule out that individual development projects cannot be realized or that they will not deliver commercially usable results, which means that related financial and other efforts are to no avail. SMA intends to secure its technological edge by patents and the continuous observation of relevant technologies and competitors. However, this is not always possible. These risks might have a negative impact on SMA's results of operations.

Patent risks

The SMA Group is the owner of numerous patents and other intellectual property rights, which are of significant importance to its business success. In spite of regular, extensive research, it cannot be ruled out that the SMA Group will infringe intellectual property rights of third parties, since competitors are also filing patent applications for their inventions to a significant extent. The SMA Group might incur considerable costs in connection with defending such claims, damage claims or royalty payments to third parties.

Business performance risks

Procurement risk

There might be unexpected supply bottlenecks or price increases with respect to raw materials, parts, components and services. The loss of suppliers might be critical, in particular if they are single source suppliers.

In the event of non-delivery, late delivery or modified terms and conditions, the SMA Group would have to pay higher prices for necessary primary products or to make use of other suppliers, should it be possible at all. This may result in additional delays, worse purchasing conditions or quality losses. Furthermore, damage to SMA's reputation and penalties are conceivable if the Company fails to meet delivery obligations in time.

Both SMA Solar Technology AG and SMA Railway Technology GmbH are rather dependent on individual suppliers. SMA attempts to minimize these risks through market analyses, careful supplier selection and evaluation, long-term supplier agreements, clearly defined quality standards and by reducing dependence upon individual suppliers.

Production risk

Late expansion of production capacities and production standstill due to internal or external reasons might lead to an increased tying up of working capital and damage claims from customers based on late delivery. Loss of customers may be the result. These risks are encountered through long-term production planning, monitoring of production processes, establishing relationships to external production service providers and through flexible working-time models.

Non-conforming products

The products and services provided by the SMA Group may be non-conforming or defective. Large delivery quantities bear the risk that there are non-conformities or defects that affect an entire product series or several product lots. Such defects in products may result from production errors on part of the SMA Group or from defects in primary products provided by suppliers of the SMA Group. This may have a negative impact on the results both directly (e.g., due to necessary recall campaigns) and indirectly (e.g., due to reputational damage). If the supplier is responsible for the cause, it has to bear the direct costs. If the error has been caused by SMA, the product liability insurance will cover the losses incurred. However, material expenses are not covered by the insurance. New developments are often subject to more faults

than established products, which have been tried and used in practice for a longer period. This risk can be minimized through comprehensive field tests prior to serial production, associated quality inspections in production, and product liability insurance, but it cannot be ruled out completely.

Personnel-related risks

Qualified and motivated employees are the key factor for developing business activity, especially technological developments and geographic expansion, and for the business success of the SMA Group. The loss of important employees might impair further growth or the development of innovative products. By promoting a cooperative company culture, performance-based remuneration and comprehensive further training and qualification options, SMA is able to expand its position as an attractive employer for existing employees and especially for potential new employees. However, strong competition in the employment market for qualified academic, specialist and management staff might limit SMA's growth opportunities. SMA is able to minimize the risk of the loss of experienced and knowledgeable people through a broad management structure and structured knowledge management.

IT-related risks

The operation of the production facilities of the SMA Group as well as distribution and services depend upon efficient and uninterrupted availability of data processing and telecommunication systems. Due to increasing connectivity and the necessity of permanent availability, the requirements regarding IT systems are constantly rising. These risks are reduced by the continuous improvement of IT security concepts and the use of advanced hardware and software. Distributed data centers and mirrored databases will reduce the risk of loss of data.

Financial risks

As an internationally operating enterprise, the SMA Group is inevitably exposed to financial risks. These are primarily risks due to unfavorable changes in exchange rates, customer credit default risks (bad debts) and the liquidity risk. Except for the US business, all transactions are charged in euro. For detailed information about the financial market risks and risk management, please see the Notes to the Consolidated Financial Statements, No. 37 "Objectives and methods concerning financial risk management" under the item "Hedging policy".

 **Further information:**

[Notes to the Consolidated Financial Statements No. 37](#)

Other risks

Other risks may arise from tax audits, defects in internal control systems or accidental nonobservance of laws and legal regulations applicable within SMA's sphere of activities.

Legal proceedings

At present, SMA Solar Technology AG is a party in three civil proceedings, in each case as a defendant. The Managing Board expects that the claims will turn out to be unfounded. In one case, resulting compensation payments would be covered by SMA's product liability insurance, in the other two cases, we formed a sufficient provision. It is difficult to predict the detailed outcome of legal disputes and other legal matters, and there might be results that deviate from the assessment of the Managing Board. Even in this case, the impact on the results of operations of the SMA Group would be insignificant.

Overall statement on the Group's risk situation

According to the assessment of SMA's Managing Board, no risks that could seriously jeopardize the Company's continuing existence or could significantly impair its performance are discernible. The risk situation has not changed on a year-on-year basis.

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statements
184	Other Information

116

Other reports

OTHER REPORTS

Remuneration Report

The Remuneration Report forms part of the Management Report in the audited Consolidated Financial Statements and is included in the Annual Report as a part of the corporate governance report. We therefore waive an additional presentation of the information disclosed in this report in the Notes or the Management Report.

 See also Remuneration Report, p. 25 ff.

Information concerning takeovers required by Section 315 (4) HGB

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

No. 2: Each share has a right to one vote. To the knowledge of the Managing Board, there are no restrictions affecting voting rights or transferability of shares.

No. 3: At the end of fiscal 2009, the four founders of the Company exceeded the 10 % threshold. The Managing Board members Günther Cramer and Peter Drews as well as Supervisory Board member Reiner Wettsaufer each have an interest of 19.1 % in the Company's capital, and Prof. (em.) Dr. Werner Kleinkauf, member of the Supervisory Board, has an interest of 17.0 %.

Nos. 4 and 5: The shareholders have no special rights conferring any particular powers of control.

No. 6: Appointment and dismissal of the Managing Board are effected in line with Section 84 of the German Stock Corporation Act (AktG). According to Section 5 of the articles of incorporation, the Managing Board consists of at least two members, the precise number being defined by the Supervisory Board. The articles of incorporation can be amended through a resolution of the Annual General Meeting with a majority of three quarters of the capital stock represented in the vote in accordance with Section 179 AktG.

No. 7: The articles of incorporation include provisions on the powers of the Managing Board regarding Authorized Capital I and Authorized Capital II. Authorized Capital I is the residual amount of € 3.3 million of the authorization to increase the capital stock by December 31, 2009, by issuing new shares, which authorization had not been exhausted fully in the context of the IPO of the Company. Through Authorized Capital II, the Managing Board is authorized, with the consent of the Supervisory Board, to increase the capital stock by up to € 10 million in total on one or more occasions in the period up to December 31, 2012, by issuing new bearer shares in return for cash contributions and/or contributions in kind. The Managing Board is authorized, with the consent of the Supervisory Board, to cancel the shareholders' statutory subscription rights in several special cases.

No. 8: Credit lines agreed with banks contain a change of control clause that includes an extraordinary right of termination of the relevant bank.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

No. 9: If the employment contract with a member of the Managing Board ends, because it is cancelled unanimously within a period of nine months from a change of control, this member is entitled to a severance payment amounting to his remuneration rights for the remaining term of the employment contract, but for a maximum term of one year.

Key features of the internal control and risk management system in relation to the Group accounting process pursuant to Section 315 (2) no. 5 of the German Commercial Code (HGB)

Definition and elements

The SMA Group's internal control system comprises all the principles, processes and measures that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. The Managing Board of the SMA Group is responsible for establishing and monitoring the internal control and risk management system.

The monitoring system in the SMA Group consists of process-related measures, such as controls and organizational monitoring measures, as well as of non-process-related monitoring measures, such as the internal audit. Significant elements of process-related measures are the principle of dual control and automated IT process controls.

The Supervisory Board and the Internal Revision department of SMA are incorporated into the internal monitoring system of the SMA Group through their non-process-related audit activities. The Internal Revision department was established in 2009 and started its activity at the end of 2009. As a unit of the Managing Board of SMA, the Internal Revision department reports directly to the Managing Board and the Supervisory Board. Its sphere of competence includes audit work regarding transactions and corporate units of SMA. The Internal Revision department is an independent monitoring function, which has the task of analyzing and assessing the activities of the Group and its companies in respect of correctness and security as well as adequacy and profitability, in addition to other functional responsibilities.

The auditor and other auditing bodies are involved in SMA Group's control environment through their non-process-related audit activities. In particular, the audit of the Consolidated Financial Statements by the Group auditor and the audit of the separate financial statements from Group companies included in the Consolidated Financial Statements constitute the key non-process-related monitoring measures with regard to the accounting process.

As regards Group accounting, the risk management system of the SMA Group addresses the risk of misstatements in the Group's bookkeeping as well as in external reporting. The risk management system embraces the systematic early identification, management and monitoring of risks throughout the Group. In order to ensure the Group-wide systematic early identification of risks, the SMA Group has installed a "monitoring system for the early identification of risks threatening the existence of the Company" in accordance with Section 91 (2) AktG, permitting the prompt identification, control and monitoring of all

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statements
184	Other Information

118	
-----	--

Other reports

existence-threatening and other risks, over and above the requirements of this legislation. The Group auditor assesses the proper functioning of the early risk identification system in accordance with Section 317 (4) HGB. In addition, the Internal Revision department performs regular system checks as part of its monitoring activities to ensure that the system is functional and effective. More detailed explanations of the risk management system are provided in the section on risk management in the risk report.

Use of IT systems

Bookkeeping transactions at SMA and at all major subsidiaries are captured by SAP accounting systems. Smaller companies have engaged external service providers with separate IT systems to perform local accounting processes. In preparing the Consolidated Financial Statements for the SMA Group, the subsidiaries complement their respective separate financial statements by additional information that is necessary for the Consolidated Financial Statements to form standardized reporting packages. These reporting packages are then transferred via a global Web interface to the SAP SEM-BCS consolidation system. The correctness and permissions in the consolidation system SAP SEM-BCS are reviewed on a regular basis by the IT department. In addition, the accounting-related IT landscape is audited by the auditors in the context of the audit of Annual Financial Statements. The SAP SEM-BCS system generates and fully documents all consolidation transactions used to prepare the Consolidated Financial Statements of SMA. In addition, all elements of SMA's Consolidated Financial Statements, including the disclosures in the Notes, are developed from the SAP SEM-BCS consolidation system.

Key regulation and control activities to ensure proper and reliable Group accounting

The internal control measures aimed at securing proper and reliable Group accounting ensure that business transactions are fully recorded in a timely manner in accordance with the legal provisions and the articles of incorporation. This also ensures that inventory stocktaking is properly implemented and that assets and liabilities are properly recognized, measured and carried in the Consolidated Financial Statements. The control activities also ensure that booking records provide reliable and comprehensible information.

The functions of the departments involved in the accounting process, Treasury, Accounting and Controlling, are clearly separated. Areas of responsibility have been assigned. Controls implemented to secure proper and reliable accounting include, for instance, analysis of facts and developments on the basis of specific key indicators. The relevant departments are provided with sufficient human resources and other high-quality resources. The principle of dual control has been defined consistently for all accounting-relevant processes.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statements	124
Other Information	184

Other reports

SMA has an accounting manual that governs the provisions on accounting in accordance with the International Financial Reporting Standards (IFRS). The accounting manual applies to all employees involved in the accounting process, both in the parent company and in the subsidiaries in Germany and abroad. The accounting provisions also apply to all external service providers involved in the accounting process. Besides general accounting principles and methods, provisions concerning the balance sheet, income statement, statement of comprehensive income, Notes, Management Report, cash flow statement, statement of changes in equity and segment reporting have been established in compliance with EU legislation.

SMA's accounting manual also defines the components of the reporting packages to be prepared by subsidiaries. The preparation and aggregation of additional data for the preparation of the consolidated Notes and the Consolidated Management Report (incl. reporting on subsequent events) are effected at Group level.

At Group level, the controls to ensure proper and reliable Group accounting include the analysis and, where necessary, correction of the reporting packages submitted by the Group companies, taking account of the reports prepared by the auditors or any meetings to discuss the Financial Statements held for that purpose.

Disclaimer

With the organizational, control and monitoring structures established by the SMA Group, the internal control and risk management system enables company-specific facts to be captured, processed and recognized in full and properly presented in the Consolidated Financial Statements. However, even Group-wide application of proper and functioning systems cannot guarantee absolute reliability as regards the accurate, complete and timely recording of facts in Group accounting and any irregularities.

Corporate Governance Report

The SMA Group's corporate governance report (Section 289a HGB) is presented on the Web site of SMA Solar Technology AG, www.IR.SMA.de, and in the Annual Report on p. 22 ff.



www.IR.SMA.de



Further information: p. 22 ff.

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statements
184	Other Information

120

Forecast Report

FORECAST REPORT

Macroeconomic situation

In the second half of 2009, the situation in the global financial markets has relaxed. The volume of incoming orders has increased in the real economy, and production also stabilized again. The lowest point of economic recession seems to have been overcome. The economic recovery is largely the result of the stabilization of financial markets due to interventions of central banks as well as state support programs and guarantees. The positive impact of governmental economic stimulus programs for the real economy has added to this.

Therefore, we expect a moderately positive economic development for 2010. There are risks in the recovery of international financial markets. This recovery has to prove its sustainability against the background of several highly indebted EU countries. After the expiry of governmental programs, private consumption must become a strong growth driver again. Higher tax burdens resulting from the financial support for highly indebted countries or rising energy prices may encumber consumers and enterprises. In addition, in many countries employment has not yet adapted to reduced production. The expiry of transitory regulations, such as short-time work, and the resulting higher employment rate might also burden the recovery in 2010 in spite of rising production figures.

In its forecast for 2010, the International Monetary Fund expects global growth of 3.9 % (IWF, World Economic Outlook, January 2010). For 2011, the IWF assumes worldwide growth of 4.3 %. Accordingly, also in 2011, global growth will still be below the level of the years before the global financial crisis.

Future general economic conditions in the photovoltaics sector

The development of worldwide photovoltaics markets depends largely on country-specific incentive programs and financing offers. Many countries have adopted subsidy programs that will promote the expansion of photovoltaics in the long term. The Managing Board of SMA expects that the worldwide solar market will grow in 2010 and 2011.

At the beginning of 2010, the German federal government emphasized its political will to the consistent expansion of renewable energies. Initially, the amendment to the Renewable Energy Sources Act (EEG) proposed by the government coalition provided for a long-term promotion of photovoltaics in Germany. However, the excessive reduction of feed-in tariffs, proposed by the Federal Minister for the Environment, first in the middle of 2010 and again upon change of years 2010/2011, puts the German photovoltaic cell and module manufacturers in a very difficult competitive situation in relation to Chinese providers and might result in a stagnation of the German market. Nevertheless, the German photovoltaics market will continue to be the largest in 2010 as well. Foreign markets will gain significance in 2010 and 2011. The regions offering maximum growth will include North America, France, Italy, the Czech Republic, China and India. These countries have created the prerequisites for strong growth over the last few years through attractive incentive programs.

Opportunities for the SMA Group

The short-term change in political general conditions might offer considerable opportunities for expanding SMA's business activities, in particular in young markets. For this purpose, SMA has created sustainable structures with its Corporate Development unit in order to identify these business potentials early on. For instance, all potential sales markets are analyzed systematically on a regular basis. The results of these analyses are used to decide which countries are to be examined in closer detail on site. Decision-making paths have been deliberately kept short so that the Company is able to respond quickly to opportunities in young markets.

Opportunities may also result from the systematic analysis of product and life cycle costs. A comprehensive examination of the key value drivers might help to identify substantial savings and optimization potentials. Therefore, SMA pays the utmost attention to these topics.

Overall statement on the expected development of the SMA Group

The following disclosures on the future development of the SMA Group are based on the estimates of SMA's Managing Board. These result from the expectations presented above regarding the development of global photovoltaics markets.

Owing to its broad product portfolio, its high flexibility and its global presence, SMA has a unique position in the solar market. SMA is the world market leader, when measured by the inverter output sold of about 3.4 GW in 2009 (previous year: around 2.2 GW). According to SMA's own estimates, this is a market share of over 40 % (previous year: 38 %). The Managing Board aims to defend or even expand this high market share in 2010 and 2011 again.

Against the backdrop of this unique position in the global market for PV inverters and the extraordinarily high order volume at the beginning of the year, the Managing Board is expecting sales of between € 1.1 and 1.3 billion. A price decline has been taken into account in the 2010 sales forecast. This price decline can only be partially compensated for by product innovations with lower specific selling prices. The Managing Board is expecting sales growth for 2011 as well. Precise forecasts are currently not possible due to the high dynamics of the photovoltaics market.

The German photovoltaics market will continue to be SMA's largest sales market in 2010 and 2011. The Managing Board expects the export ratio to increase slightly in the next two years as a result of the increasing importance of foreign markets. According to SMA's estimates, key growth impulses for the Company will come from the solar markets in North America, France, Italy, Spain and the Czech Republic. SMA is present in these countries with its own sales and service companies. In North America, the new production site in Denver will start its operations in 2010 and will be able to respond flexibly to local demands. Due to the promotion structure, SMA's growth markets are characterized by a high share of new installations in the Residential and Commercial market segments. The Managing Board estimates that the

Medium Power Segment will grow strongly in 2010 and will account for about 70 % to 75 % of total sales. The product groups Sunny Boy and Sunny Mini Central will be the key sales drivers. SMA plans to expand its technology leadership in 2010 in the Medium Power Solutions segment, also through the market launch of the Sunny Tripower and the Sunny Boy 3000HF.

According to the management's estimates, large-scale solar projects will gain importance throughout the world in 2010 and 2011. This development will be driven decisively by the better financing and incentive conditions as compared to 2009. SMA is in a good position to benefit from this development. The Managing Board expects that the High Power segment will account for about 30 % of SMA's total sales in 2010. The Sunny Central 630HE and Sunny Central 500HE are expected to be the best-selling products in 2010. SMA intends to further expand its technological edge in this market segment in 2010 through new innovative products.

In the Railway Technology segment, the Managing Board is expecting a sales plus in 2010 and 2011 owing to the high number of existing orders. SMA is expecting that the export ratio will amount to about 80 %. The Railway Technology segment is expected to contribute less than 5 % to SMA Group's total sales.

SMA plans to further expand its research and development activities in 2010. We aim to introduce a series of new products offering key innovations to our customers at the leading trade fairs Intersolar in Germany and Solar Power in the USA. For this purpose, SMA will raise its development expenditure to between € 70 million and 80 million. We will expand our development area in the next years as well in order to enlarge our technological advantages towards competitors. In addition, the Managing Board will promote systematic cost reduction for our inverters with our new function for Systematic Product Cost Reduction. We regard this as an important step to continuously improve our competitive position in the next few years.

SMA will enlarge its international presence in 2010 again. We intend to expand our existing foreign companies. We will continue our proven strategy to be one of the first inverter manufacturers in young markets with our own subsidiaries in 2010 as well. Accordingly, we are planning to establish two to three new foreign subsidiaries.

SMA will adhere to its strategy to produce its units exclusively based on purchase orders. For this reason, SMA will expand its production capacities at the Kassel site in 2010 with interim solutions to about 10 GW inverter output per annum in order to be able to fulfill demand peaks during the year within the customary short delivery periods. In addition, SMA will commission a further production site in North America in 2010 with an initial capacity of about 1 GW. The production facilities in the US market will enable SMA to respond significantly more flexibly to the local requirements in the future and to also fulfill the requirements of local added value.

SMA's strategic goals will lead to higher structural costs. Therefore, the Managing Board is expecting a slightly declining EBIT margin of 20 % to 23 % for fiscal 2010. Thanks to its excellent financial situation, SMA does not intend to perform any capital measures or borrow capital in 2010 and 2011. SMA will finance the scheduled investments to expand production, to construct new office and service buildings and to purchase machinery and equipment of about € 120 million each in the years 2010 and 2011 from freely available liquid funds or the cash flow.

Niestetal, March 4, 2010

SMA Solar Technology AG
The Managing Board





CONSOLIDATED FINANCIAL STATEMENTS

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

126

Notes – SMA Group

TABLE OF CONTENTS – CONSOLIDATED FINANCIAL STATEMENTS

- 128 INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME SMA GROUP
- 129 CONSOLIDATED BALANCE SHEET SMA GROUP
- 130 CONSOLIDATED STATEMENTS OF CASH FLOWS SMA GROUP
- 131 STATEMENT OF CHANGES IN EQUITY SMA GROUP
- 132 NOTES – SMA GROUP
 - 132 1. Basic information
 - 133 2. Consolidation
 - 133 2.1 Principles of consolidation
 - 134 2.2 Scope of consolidation
 - 135 2.3 Translation of Financial Statements in foreign currencies
 - 136 3. Accounting Policies
 - 136 3.1 Basis of preparation
 - 136 3.2 New IASB accounting standards
 - 140 3.3 Disclosures on the accounting policies
 - 148 3.4 Significant judgments, estimates and assumptions
 - 149 4. Business combinations
 - 149 5. Segment reporting
- 153 Notes to the income statement and statement of comprehensive income**
 - 153 6. Cost of sales
 - 153 7. Selling expenses
 - 154 8. Research and development expenses
 - 154 9. General administrative expenses
 - 155 10. Other operating income
 - 155 11. Other operating expenses
 - 155 12. Benefits to employees and temporary employees
 - 156 13. Financial result
 - 157 14. Income taxes
 - 159 15. Earnings per share

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
	Consolidated Financial Statement	124
	Other Information	184

Notes – SMA Group

127

- 160 Notes to the balance sheet**
 - 160 16. Intangible assets
 - 161 17. Property, plant and equipment
 - 163 18. Inventories
 - 163 19. Trade receivables and other receivables
 - 164 20. Other financial assets
 - 165 21. Cash and cash equivalents
 - 165 22. Equity
 - 167 23. Other provisions
 - 167 24. Financial liabilities
 - 168 25. Trade payables
 - 168 26. Other financial liabilities
 - 169 27. Other liabilities
 - 170 28. Additional disclosures to the financial instruments
 - 173 29. Obligations under leases and other financial obligations
 - 174 30. Contingencies

- 175 Notes to the Statements of Cash Flows**
 - 175 31. Net cash flow from operating activities
 - 175 32. Net cash flow from investing activities
 - 175 33. Net cash flow from financing activities
 - 176 34. Cash and cash equivalents

- 176 Other disclosures**
 - 176 35. Events after the balance sheet date
 - 177 36. Related party disclosures
 - 179 37. Objectives and methods concerning financial risk management
 - 181 38. Auditor fees
 - 182 39. Declaration on the German Corporate Governance Code in accordance with Section 161 AktG
 - 182 40. Consolidated Financial Statements

- 182 Responsibility statement**
- 183 Auditor's Report**

- 184 Other information**
 - 184 SMA Solar Technology AG – Income statement, balance sheet

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

128

Income Statement and Statement of Comprehensive Income SMA Group

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME SMA GROUP

	Note	2009 €'000	2008 €'000
Sales	5	934,323	681,591
Cost of sales	6	593,013	427,823
Gross profit		341,310	253,768
Selling expenses	7	36,367	31,498
Research and development expenses	8	49,073	33,020
General administrative expenses	9	28,764	25,731
Other operating income	10	9,428	12,604
Other operating expenses	11	8,151	8,730
Operating profit (EBIT)		228,383	167,393
Financial income		5,296	5,173
Financial expenses		1,489	1,431
Financial result	13	3,807	3,742
Profit before income taxes		232,190	171,135
Income tax expense	14	71,070	51,610
Consolidated net profit		161,120	119,525
Earnings per share, Basic (€)	15	4.64	3.44
Earnings per share, Diluted (€)	15	4.64	3.44
Number of ordinary shares (in thousands)		34,700	34,700
Consolidated net profit		161,120	119,525
Unrealized gains (losses) from foreign currency translation		410	95
Overall result		161,530	119,620

Consolidated Balance Sheet SMA Group

CONSOLIDATED BALANCE SHEET SMA GROUP

	Note	12/31/2009 €'000	12/31/2008 €'000
Non-current assets			
Intangible assets	16	15,372	5,538
Fixed assets	17	149,119	94,149
Other financial investments		73	70
Other financial assets	20	3,602	0
Deferred tax receivables	14	7,066	2,512
		175,232	102,269
Current assets			
Inventories	18	112,569	75,275
Trade receivables	19	58,077	24,017
Other financial assets	20	143,787	23,559
Income tax receivables		349	343
Other receivables	19	3,626	3,414
Cash and cash equivalents	21	225,010	240,682
		543,418	367,290
Total assets		718,650	469,559
Shareholders' equity			
Share capital		34,700	34,700
Capital reserves		119,200	119,200
Retained earnings		253,687	126,857
	22	407,587	280,757
Non-current liabilities			
Other provisions	23	41,243	20,855
Financial liabilities	24	18,772	20,174
Other liabilities	27	29,944	15,033
Deferred tax liabilities	14	5,145	2,520
		95,104	58,582
Current liabilities			
Other provisions	23	30,453	16,967
Financial liabilities	24	1,411	1,361
Trade payables	25	72,067	21,290
Other financial liabilities	26	71,819	59,023
Income tax liabilities		24,943	25,100
Other liabilities	27	15,266	6,479
		215,959	130,220
Total equity and liabilities		718,650	469,559

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

130

Consolidated Statements of Cash Flows SMA Group

CONSOLIDATED STATEMENTS OF CASH FLOWS SMA GROUP

	Notes	2009 €'000	2008 €'000
Net profit		161,120	119,525
Income tax expenses		71,070	51,610
Financial result		- 3,807	- 3,742
Depreciation and amortization		16,334	8,792
Change in other provisions		33,874	22,583
Profit (-) / losses (+) from the disposal of assets		992	- 26
Other non-cash expenses / revenue		673	2,722
Interest received		4,873	5,023
Interest paid		- 28	- 26
Income tax paid		- 73,162	- 37,640
Gross cash flow		211,939	168,821
Increase of inventories		- 38,401	- 29,043
Increase / decrease in trade receivables		- 34,664	1,859
Increase in trade payables		50,777	6,670
Change in other net assets / other non-cash transactions		31,855	40,487
Net cash flow from operating activities	31	221,506	188,794
Payments for investments in fixed assets		- 70,180	- 66,949
Proceeds from the disposal of fixed assets		52	5
Payments for investments in intangible assets		- 11,948	- 6,963
Payments for investments in securities and other financial assets		- 119,404	- 20,596
Net cash flow from investing activities	32	- 201,480	- 94,503
Proceeds from the issuance of equity		0	126,900
Payments in connection with the issuance of equity		0	- 7,100
Change in financial liabilities		- 1,352	- 1,317
Dividends paid by SMA Solar Technology AG		- 34,700	- 25,200
Net cash flow from financing activities	33	- 36,052	93,283
Net increase / decrease in cash and cash equivalents		- 16,026	187,574
Change in cash and cash equivalents due to exchange rate effects		354	261
Cash and cash equivalents as of 01/01		240,682	52,847
Cash and cash equivalents as of 12/31	34	225,010	240,682

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

Statement of Changes in Equity of the SMA Group

STATEMENT OF CHANGES IN EQUITY SMA GROUP

	Notes	Share Capital €'000	Capital Reserves €'000	Retained Earnings €'000	Consolidated Shareholders' Equity €'000
Shareholders' equity as of					
01/01/2009		34,700	119,200	126,857	280,757
Consolidated net profit 2009		0	0	161,120	161,120
Dividend payments of					
SMA Solar Technology AG	22	0	0	-34,700	-34,700
Differences from currency translation	2.3	0	0	410	410
Shareholders' equity as of					
12/31/2009	22	34,700	119,200	253,687	407,587

STATEMENT OF CHANGES IN EQUITY SMA GROUP

	Notes	Share Capital €'000	Capital Reserves €'000	Retained Earnings €'000	Consolidated Shareholders' Equity €'000
Shareholders' equity as of					
01/01/2008		4,000	0	60,437	64,437
Consolidated net profit 2008		0	0	119,525	119,525
Dividend payments of					
SMA Solar Technology AG	22	0	0	-25,200	-25,200
Differences from currency translation	2.3	0	0	95	95
Capital increase from corporate funds	22	28,000	0	-28,000	0
Capital increase from issuing new shares	22	2,700	124,200	0	126,900
Expenses related to the issuance of equity	22	0	-7,100	0	-7,100
Income tax benefit acc. to IAS 32.35	22	0	2,100	0	2,100
Shareholders' equity as of					
12/31/2008	22	34,700	119,200	126,857	280,757

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

Notes – SMA Group

132

NOTES – SMA GROUP

1. Basic information

The Consolidated Financial Statements of SMA Solar Technology AG as at December 31, 2009 were prepared in compliance with the regulations of Section 315a of the German Commercial Code (HGB) and in line with the mandatory International Financial Reporting Standards (IFRSs) including the interpretations of the IFRS (IFRICs) adopted and published by the International Accounting Standards Board (IASB), as endorsed and defined as mandatory by the European Union, as well as the supplementary provisions of commercial laws. The requirements of the standards applied were fulfilled completely and give a fair view of the net assets, financial position and results of operations of SMA Solar Technology AG and the subsidiaries included in the scope of consolidation (hereafter: the "SMA Group" or the "Group").

The registered office of the Company is at 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 disclosures relating to the comparative period were determined on the basis of the same principles. Individual items of the income statement and of the balance sheet have been summarized in order to provide better clarity. These items are explained in the Notes. The income statement is classified according to the cost of sales method. The Consolidated Financial Statements were prepared in euro. Unless indicated otherwise, all amounts stated are rounded to full thousands of euros (€ thousands) or millions of euros (€ million) for the sake of clarity and clearness.

The Managing Board of SMA Solar Technology AG approved the Consolidated Financial Statements on March 4, 2010 for submission to the Supervisory Board. The Supervisory Board has the duty to review the Consolidated Financial Statements and to declare whether it approves the Consolidated Financial Statements.

The SMA Group produces predominantly in Germany and distributes inverters throughout the world. More detailed information on the segments is provided in chapter 5.

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
Notes – SMA Group	Consolidated Financial Statement	124
	Other Information	184
		133

2. Consolidation

2.1 Principles of consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, i. e. from the date on which the Group acquires control. Consolidation of investments is based on the purchase method of accounting. In line with the purchase method of accounting, the cost of acquisition of shares acquired is offset against the proportionate fair value of the subsidiary's assets acquired and liabilities assumed at the date of acquisition. A positive difference resulting from the offsetting is capitalized as derivative goodwill. Negative differences resulting from the consolidation at the date of acquisition are recognized directly in the income statement. The date of acquisition is the date on which the option of controlling the net assets as well as the financial and operating activities of the acquired entity passes to the Group. Consolidation ends as soon as the parent company no longer has control.

Non-controlling interests represent the portion of results and net assets, which is not attributable to the Group. Non-controlling interests are stated as a separate item in the consolidated income statement and the Consolidated Balance Sheet. They are shown in the Consolidated Balance Sheet under equity, separately from equity attributable to the shareholders of the parent company. The purchase of non-controlling interests is capitalized directly in equity. The difference between the purchase price and the carrying amount of prorated net assets acquired is offset against the consolidated net profit/loss and does not result in capitalization of goodwill (entity concept method). The Company had no non-controlling interests on December 31, 2008 nor on December 31, 2009.

The hidden reserves and liabilities revealed in the present value measurement of assets and liabilities in the context of initial consolidation are continued, written down, or retransferred in subsequent periods in line with the movement of assets and liabilities. Derivative goodwill is tested for impairment at least annually in subsequent periods and, if impairment indicators arise, written down to the lower recoverable amount through non-scheduled depreciation. No goodwill items or intangible assets with an indefinite useful life were recorded on the reporting dates December 31, 2008 and December 31, 2009.

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

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

2.2 Scope of consolidation

The scope of consolidation as at December 31, 2009 has changed as against December 31, 2009 and now also includes the newly incorporated companies SMA America Holdings LLC (Denver), SMA America Production LLC (Denver), SMA Benelux SPRL (Brussels), SMA Czech Republic s.r.o. (Prague), SMA Middle East Ltd. (Abu Dhabi), Niestetal Services, Unipessoal Lda (Lisbon) and SMA Services GmbH (Niestetal). All new companies are fully consolidated. The company so far operating under the name of SMA America, Inc. in Rocklin, USA, was renamed SMA Solar Technology America LLC.

The companies included in SMA Group's scope of consolidation are shown in the following table:

Name	Registered office	Holding	Consolidation
Parent company			
SMA Solar Technology AG	Niestetal, Germany		
Shares in affiliated companies			
SMA America Holdings LLC	Denver, USA	100%	F
SMA America Production LLC	Denver, USA	100%	F
SMA Benelux SPRL	Brussels, Belgium	100%	F
SMA Beijing Commercial Company Ltd.	Beijing, China	100%	F
SMA Czech Republic s. r. o.	Prague, Czech Republic	100%	F
SMA France S. A. S.	Lyon, France	100%	F
SMA Hellas AE	Athens, Greece	100%	F
SMA Ibérica Technología Solar, S. L.	Barcelona, Spain	100%	F
SMA Italia S. r.l.	Milan, Italy	100%	F
SMA Middle East Ltd.	Abu Dhabi, United Arab Emirates	100%	F
Niestetal Services, Unipessoal Lda	Lisbon, Portugal	100%	F
SMA Railway Technology GmbH	Kassel, Germany	100%	F
SMA Service GmbH	Niestetal, Germany	100%	F
SMA Solar Technology America LLC	Rocklin, USA	100%	F
SMA Technology Australia Pty. Ltd.	Sydney, Australia	100%	F
SMA Technology Korea Co., Ltd.	Seoul, Korea	100%	F
Investments			
Changzhou SMA Electronics Co., Ltd.	Changzhou, China	10%	N
Uni Kassel International Management School KIMS GmbH, Kassel	Kassel, Germany	10%	N

F = fully consolidated N = not consolidated

All companies of the SMA Group prepare their separate Financial Statements as at December 31.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

2.3 Translation of Financial Statements in foreign currencies

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

Transactions denominated in foreign currencies are translated initially to the functional currency by applying the spot rate valid at the time of the transaction. Monetary assets and liabilities in a foreign currency are translated to the functional currency by applying the spot rate valid on that date. All translation differences are recognized through profit or loss. Non-monetary items that are measured at their fair value in a foreign currency are translated using the exchange rate valid at the date when the fair value was determined.

Assets and liabilities of subsidiaries preparing their balance sheets in a currency other than the euro are translated using the current exchange rate as at the balance sheet date. Items of the income statement are translated using the weighted average rate of the relevant year. The subsidiaries' equity components are translated at the corresponding historical exchange rate applicable upon accrual. Any resulting translation differences are recorded as adjustment items for foreign currency translation in equity or in shares of other shareholders, without affecting profit or loss. The accumulated amount recorded in equity is recognized through profit or loss upon the disposal of the relevant foreign subsidiary.

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

	average rate		closing rate	
	2009 in Euro	2008 in Euro	12/31/2009 in Euro	12/31/2008 in Euro
1 Australian Dollar (AUD)	0.56644	0.57743	0.63654	0.49776
1 Chinese Renminbi (CNY)	0.10543	0.09856	0.10509	0.10846
1,000 South Korean Won (KRW)	0.56264	0.62184	0.59523	0.56783
1 Czech Koruna (CZK)	0.03792	n/a	0.03975	n/a
1 US dollar (USD)	0.71916	0.68341	0.69662	0.71685
1 United Arab Emirates Dirham (AED)	0.19586	n/a	0.19066	n/a

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

Notes – SMA Group

136

3. Accounting policies

3.1 Basis of preparation

In general, the Consolidated Financial Statements were prepared on the basis of amortized historical cost. Exceptions exist for provisions, deferred taxes and leases. In addition, all financial instruments are recorded at the fair value upon initial recognition.

The preparation of Annual Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the Consolidated Financial Statements and the related Notes (see also chapter 3.4). Actual results may deviate from these estimates.

3.2 New IASB accounting standards

Standards, interpretations and amendments to be applied initially in the fiscal year

Standard	Interpretation	Date of compulsory application ¹	Endorsement (until 12/31/2009) ²
Amendment	IAS 1	Presentation of Financial Statements	01/01/2009 yes
Amendment	IAS 23	Borrowing Costs	01/01/2009 yes
Amendment	IAS 32/IAS1	Puttable Instruments and Obligations Arising on Liquidation	01/01/2009 yes
Amendment	IAS 39/IFRS 7	Reclassification of Financial Instruments	07/01/2008 yes
Amendment	IFRS 1/IAS 27	Acquisition Costs of an Investment in a Subsidiary, a Joint Venture or an Associated Company	01/01/2009 yes
Amendment	IFRS 2	Vesting Conditions and Cancellations	01/01/2009 yes
Amendment	IFRS 7	Improving Disclosures	01/01/2009 yes
Amendment	2008	Collection of Amendments to IFRS	01/01/2009 yes
Amendment	IFRIC 9	Reassessment of embedded derivatives and Financial instruments: recognition and measurement	yes
Amendment	IAS 39		
New	IFRIC 12	Service Concession Arrangements	01/01/2008 yes
New	IFRIC 15	Agreements for the Construction of Real Estate	01/01/2009 yes
New	IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01/01/2009 yes

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

First-time application in EU may deviate

² Adoption of IFRS standards or interpretations by the EU Commission

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
Notes – SMA Group	Consolidated Financial Statement	124
	Other Information	184

Of the standards and interpretations to be applied for the first time, only the following IFRSs and IFRICs have affected the Financial Statements of the SMA Group:

IAS 1 Presentation of Financial Statements

IAS 1 has introduced terminology changes (incl. revised titles for the Financial Statements) and changes in the format and content of the Financial Statements. The SMA Group has applied the amended IAS 1 since January 1, 2009. The standard has an impact on the presentation of the Financial Statements, but not on the net assets, financial position and results of operations.

IAS 23 Borrowing Costs

The revised IAS 23 was published in April 2007 and is to be applied for the first time to fiscal years beginning on or after January 1, 2009. The amended standard requires capitalizing all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The SMA Group has applied this amendment from January 1, 2009. It has had no impact on these Financial Statements.

IFRS 7 Financial Instruments: Improving Disclosures about Financial Instruments

This amendment was issued in March 2009 and is to be applied for the first time to fiscal years beginning on or after January 1, 2009. The amendments define additional disclosures required in respect of fair value measurements and the liquidity risk. The Group has applied this amendment effective as of January 1, 2009 (see Note 28).

Amendments to IFRSs 2008 “Improvements to IFRSs 2008”

The Improvements have led to a number of changes in the detail of the Group’s accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported or disclosures. The majority of these amendments are effective from January 1, 2009.

Standards, interpretations and amendments that have already been issued, but whose application is not yet compulsory

The IASB issued the following standards and interpretations by the reporting date, but the SMA Group will apply these at a later date.

Standard	Interpretation	Date of compulsory application ¹	Endorsement (until 12/31/2009) ²
Amendment	IAS 24 Related Party Disclosures	01/01/2011	no
Amendment	IAS 27 Consolidated and Separate Financial Statements	01/01/2010	yes
Amendment	IAS 32 Financial Instruments: Presentation – Classification of Rights Issues	02/01/2010	yes
Amendment	IAS 39 Financial Instruments: Recognition and Measurement – Suitable Underlying Transactions	01/01/2010	yes
New	IFRS 1 First-time Adoption of IFRS	01/01/2010	yes
New	IFRS 3 Business Combinations	01/01/2010	yes
New	IFRS 9 Financial Instruments – Classification and Measurement	01/01/2013	no
Amendment	2009 Improvements		
	Collective Standard for Improving several IFRS	07/01/2009	no
Amendment	IFRIC 14 Prepayments of a Minimum Funding Requirement	01/01/2011	no
New	IFRIC 17 Distributions of Non-cash Assets to Owners	01/01/2010	yes
New	IFRIC 18 Transfers of Assets from Customers	07/01/2009	no
New	IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	07/01/2010	no

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

² Adoption of IFRS standards or interpretations by the EU Commission

Of the standards, interpretations and amendments already issued, but not compulsory, only the following IFRSs and IFRICs are expected to have an impact on the Financial Statements of the SMA Group. They will be implemented at the latest in the year of compulsory first-time application.

IAS 27 Consolidated and Separate Financial Statements

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

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
Notes – SMA Group	Consolidated Financial Statement	124
	Other Information	184
	139	

IFRS 3 Business Combinations

The revised standard on Business Combinations was issued by the IASB in January 2008 and is to be applied to fiscal years beginning on or after July 1, 2009. The standard introduces amendments in the accounting for business combinations, which will affect the goodwill recognized, the results of the reporting period in which an acquisition has been made, and the results in future periods. The SMA Group will apply IFRS 3 for fiscal years beginning on January 1, 2010. SMA Solar Technology AG is currently evaluating the potential impact that the adoption of the amendments will have on its Consolidated Financial Statements.

IFRS 9 Financial Instruments – Classification and Measurement

In November 2009, the IASB adopted the standard for the classification and measurement of financial assets. The standard is part of the comprehensive IASB project to replace IAS 29 "Financial Instruments – Recognition and Measurement". The adopted version stipulates that financial assets should be recorded in future at amortized cost or at fair value through profit or loss. In addition, it provides for a choice on a case-by-case basis for the measurement of equity instruments at fair value. The category of financial instruments is determined upon acquisition and must not be changed subsequently. In addition, the standard contains related regulations, such as concerning embedded derivatives, the fair value option and impairment losses/reversal of impairment losses. The standard will be applicable mandatorily from 2013 following its endorsement by the EU. SMA Solar Technology AG will examine the effects of the standard on its Consolidated Financial Statements and also observe the further development of the entire project on the revision of the IAS 29 "Financial Instruments – Recognition and Measurement".

Amendments to IFRSs 2009 "Improvements to IFRSs 2009"

In April 2009, the IASB issued amendments to the existing IFRSs, which resulted from the IASB's annual improvement project. They comprise amendments that result in accounting changes to the presentation, measurement and recognition of transactions as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for fiscal years beginning on or after January 1, 2010, with early application permitted. While approved by the IASB, the amendments have yet to be endorsed by the EU. SMA Solar Technology AG is currently evaluating the potential impact that the adoption of the amendments will have on its Consolidated Financial Statements.

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

Notes – SMA Group

140

3.3 Disclosures to the accounting policies

Intangible assets acquired with a finite useful life are valued at cost, written down over their useful lives through straight-line amortization and tested for possible impairment if there are indicators that the intangible asset might have been impaired (so-called impairment test). Such assets are impaired if the recoverable amount – the higher of fair value less costs to sell and the asset's value in use – is lower than their carrying amount. An impairment loss is recognized if the present value of estimated future cash flows from the assets is lower than the relevant carrying amount of the asset. If the reasons for non-scheduled amortization have lapsed, corresponding additions are recorded, whereby the amortized carrying amounts must not be exceeded. The costs for internally generated intangible assets are recognized in the period in which they accrue, except for development costs that can be capitalized.

Research and development expenses include all expenses that can be attributed directly to research or development activities. Expenditure on research is recognized as an expense in the period in which it is incurred. Development costs of a project are capitalized as an intangible asset only after the SMA Group can demonstrate both the technical feasibility of completing the intangible asset so that it will be available for internal use or sale and the intention to complete the intangible asset and either use or sell it. In addition, the SMA Group must demonstrate how the intangible asset will generate future economic benefits, the availability of adequate resources to complete the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Development costs are recognized at cost pursuant to IAS 38.66, less accumulated amortization and accumulated impairment losses. Amortization commences at the end of the development phase and from the time the asset can be used. Amortization is effected over the period during which future benefit is to be expected. Incomplete development projects are tested annually for impairment. When the reasons that have resulted in impairment have lapsed, a corresponding addition is made.

Since there were no business combinations, there is no goodwill.

Intangible assets with a finite useful life are written down over three to five years. The period of amortization and the amortization method are reviewed at least at the end of each fiscal year in the event of intangible assets with a finite useful life. Any changes in the amortization period, which are necessary due to changes in the expected useful life, are accounted for as changes to estimates. Amortization is recorded under the expense category that corresponds to the function of the intangible asset in the enterprise. There were no intangible assets with an indefinite useful life in the periods under review.

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

In line with IAS 16, **Property, plant and equipment** are valued at cost, less scheduled straight-line depreciation and accumulated impairment losses. Borrowing costs are added to cost in the event of qualifying assets. The cost of replacement of a part of a fixed asset is included in the carrying amount of this asset when incurred if the criteria for recognition are fulfilled. When major inspections are carried out, the costs are capitalized in the carrying amount of the relevant assets if the criteria for recognition are fulfilled. All other maintenance and repair costs are expensed immediately.

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

	Useful Life
Leasehold improvements	10 years
Buildings	25 to 30 years
Finance lease for buildings	up to 15 years
Technical equipment and machinery	6 to 8 years
Business and office equipment	5 to 10 years

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

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

In certain cases, the rewards and risks associated with the leased properties are not retained by the lessor but by SMA Solar Technology AG so that there is a finance lease with the Group as lessee for certain properties.

Impairment of intangible assets and property, plant and equipment: The Group reviews on each balance sheet date whether there are any indicators that the value of an asset may be impaired. If such indicators exist or if an annual impairment test of an asset is required, the Group makes an estimate of the recoverable amount of the relevant asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. As a rule, the recoverable amount is to be determined for each individual asset. If it is not possible to determine the recoverable amount for individual assets, since the cash flows depend upon those of other assets, the cash flows are determined for the next higher group of assets (cash-generating unit) for which such a cash flow can be determined. If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, the asset or the cash-generating unit is impaired and written down to the recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments regarding the interest effect and the risks specific to the asset. To determine the fair value less costs to sell, an adequate valuation model is used. This is based on valuation multipliers, stock prices of quoted shares of subsidiaries or other available indicators for the fair value. Impairment cost is recognized under the expense category that corresponds to the function of the impaired asset in the enterprise. There were no indicators for a possible impairment in the fiscal years of 2009 and 2008.

For assets except for goodwill, a test is carried out on each balance sheet date as to whether there are any indicators that a previously recognized impairment loss has ceased to exist or has reduced. Additions are made if the recoverable amount has increased in subsequent periods. An impairment loss recognized in prior periods is only reversed if there is a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount. An addition is limited to the amount that would have resulted based on scheduled depreciation without recognizing an impairment. The addition is recognized immediately in the income statement. There were no such situations in the year under review and in the previous year.

Inventories are stated at the lower of cost of acquisition or production and net realizable value. The cost of acquisition or production includes all costs incurred for acquisition and production as well as other costs incurred in bringing the inventories to their present location and condition. Borrowing costs are not taken into account here. To determine the cost of acquisition of raw materials, consumables and supplies, moving average prices are used in general. The cost of production of work in progress and finished goods is determined using detailed cost accounting. The net realizable value is the estimated sales proceeds that can be achieved in the ordinary course of business, less the estimated costs incurred up to completion and estimated necessary selling expenses. If the reasons that have resulted in an impairment of inventories have lapsed, a corresponding addition is made.

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
Notes – SMA Group	Consolidated Financial Statement	124
	Other Information	184
	143	

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

Financial assets within the meaning of IAS 39 are classified as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments or as available-for-sale financial assets. Financial liabilities within the meaning of IAS 39 are classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

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

Designation of financial assets for the measurement categories is effected upon their initial recognition. If permitted and necessary, re-designations are made at the end of a fiscal year. A designation of financial assets as financial assets at fair value through profit or loss and a designation of financial liabilities as financial liabilities at fair value through profit or loss has not been made within the SMA Group, either on the reporting dates or in the fiscal years 2009 and 2008.

Any loans and receivables granted by the enterprise, held-to-maturity investments as well as financial liabilities are measured at amortized cost using the effective interest method. These are primarily trade receivables and payables, other financial receivables and assets, long-term loans, and other financial liabilities.

002 To our Shareholders

038 Perspectives

078 Consolidated Management Report

124 **Consolidated Financial Statement**

184 Other Information

Notes – SMA Group

144

Available-for-sale financial assets are any non-derivative financial assets that are designated as available for sale and that are not allocated to another category. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses are disclosed in a separate item of equity, net of deferred taxes. At the date of derecognition of the financial investment, accumulated gains or losses previously recognized in equity are released to the income statement. The fair value of financial assets that are traded in organized markets is determined using the buying rate quoted at the stock exchange as of the balance sheet date. The fair value of financial investments for which no active market exists is estimated using valuation methods, insofar as this is reliably possible. Available-for-sale financial assets of the SMA Group include primarily the equity interests and other financial assets. However, since no active market exists for these financial investments and a reliable measurement of the fair value is not possible, measurement is effected at amortized cost.

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

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

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

Notes – SMA Group

145

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

Cash and cash equivalents reported in the balance sheet include cash in hand as well as bank balances, checks, payment instruments in transit and short-term deposits with a total term to maturity of less than three months. The cash and cash equivalents in the consolidated cash flow statement are accrued in line with the aforementioned definition and include bank overdrafts used, where existing.

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

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

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

Assets leased under finance leases, which transfer to the Group substantially all the rewards and risks incidental to ownership of the leased asset, are capitalized at the inception of the lease. The leased asset is stated at its fair value or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest over the period on the remaining balance of the lease liability. Finance costs are taken to profit or loss immediately. If the transfer of ownership to the Group at the end of the lease period is not reasonably certain, the capitalized leased assets are written down fully over the shorter of the estimated useful life and of the lease term.

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

Notes – SMA Group

146

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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

Long-service and death benefits are granted due to a company agreement. The measurement of the relevant obligations is effected using the projected unit credit method. This method takes into account both the claims for payment of long-service and death benefits as well as acquired pension rights known as of the balance sheet date and payments of long-service and death benefits to be expected in the future.

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

Revenue is recognized if it is probable that any future economic benefit will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received. Discounts, rebates and other deductions are not taken into account. Revenue from the sale of goods and products is recognized if the material rewards and risks incidental to the ownership of the goods and products sold have passed to the buyer. This is normally the case upon the delivery of the goods and products. Revenue arising from the rendering of services (for example, when guarantee extensions are sold) is recognized as revenue by reference to the stage of completion. The stage of completion is determined using the working hours worked by the reporting date as a percentage of all working hours expected for the relevant project. If it is not possible to estimate the result of an order with reliability, revenue is recognized in the amount of expenses incurred and reimbursable. Interest income is recognized when interest has accrued (using the effective interest rate, i. e. the internal rate used to discount estimated future cash inflows over the expected term of the financial instrument to the net carrying amount of the financial asset). Dividends are recognized when the right to receive payment is established.

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
Notes – SMA Group	Consolidated Financial Statement	124
	Other Information	184

147

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

Deferred taxes are formed using the balance sheet oriented liability method for temporary differences, existing on the balance sheet date, between the carrying amount of an asset or a liability in the balance sheet and the tax carrying amount. The following temporary differences are not taken into account here: goodwill non-deductible in the tax balance sheet, differences from the initial recognition of assets or liabilities in a transaction which impacts neither the taxable nor the accounting profit as well as posting differences due to investments in subsidiaries, interests in joint ventures and associates, insofar as these differences will probably not reverse in the foreseeable future. Deferred tax assets are formed for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is probable that there will be sufficient taxable profit in the future against which the deductible temporary differences, unused tax loss carryforwards and tax credits can be offset. The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is not probable that there will be sufficient taxable profit in the future against which the deferred tax asset can be offset, at least in part. Unrecognized deferred tax assets are reviewed on each balance sheet date and recognized to the extent that it has become probable that there will be sufficient taxable profit in order to realize the deferred tax asset. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply for the period in which an asset is realized or a liability is fulfilled. The tax rates and tax regulations that are applicable or adopted as of the balance sheet date are used. Deferred taxes that relate to items recorded directly in equity are not recorded in the income statement, they are also listed in the equity instead. Deferred tax assets and deferred tax liabilities are netted if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and if these relate to income taxes levied on the same taxable entity by the same taxation authority.

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

Notes – SMA Group

148

3.4 Significant judgments, estimates and assumptions

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

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

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

Development costs are capitalized in line with the accounting policies presented when all required conditions are given. Initial capitalization of costs is based on an estimate by management that technical and economic realizability is proven. This is normally the case when a development project has reached a specific milestone or a specific quality gate in the development process. For determining the amounts to be capitalized, management makes further valuation assumptions regarding the amount of expected future cash flows from the assets, the discounting rates to be applied and the period of inflow of expected future cash flows generated by the assets. The research and development costs recognized as an expense are presented in chapter 8 (3).

The Group determines on each balance sheet date whether there are any indicators for an impairment of non-financial assets. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of these cash flows. In the reported fiscal years, there were no indicators of impairments.

Deferred tax assets are formed for all unused tax loss carryforwards to the extent that it is probable that there will be sufficient taxable profit so that the loss carryforwards can actually be used. Determining the amount of deferred tax assets requires management to use significant discretion regarding the expected time of accrual and the amount of taxable income in the future as well as regarding the future tax planning strategies. Further details are shown in chapter 14.

Provisions are formed as described under accounting policies. For forming warranty provisions, the management takes a course which is distributed on a straight-line basis over the warranty term as the best possible estimate for warranty costs. By analogy, the accrual item for extended warranties is earned on a straight-line basis as sales over the warranty term, since, here as well, a uniform course of warranty costs is deemed to be the best estimate.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

149

Notes – SMA Group

4. Business combinations

There were no business combinations in the fiscal years 2008 and 2009.

5. Segment reporting

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

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

The operating result of the segments is monitored separately by the Managing Board in order to make decisions on the allocation of resources and to determine the profitability of the segments. Group financing and taxes on income are controlled at group level and not allocated to the individual operating segments.

As regards information about geographical segments, sales are assigned to countries using the destination principle. The Company waives presenting non-current assets based on this classification, since SMA Solar Technology AG develops and manufactures its products in Germany and had only marketing and services company abroad in the reporting year. Therefore, a division of assets by regions is also not a part of internal management reporting.

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

Segment assets include the intangible assets attributed to the relevant segments and property, plant and equipment, the inventories, and the trade accounts receivable. Segment liabilities include the trade accounts payable that can be attributed directly to the relevant segments. There are no asymmetric allocations to the individual segments.

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

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

Financial ratios by segments

Segment	Photovoltaics Technology			
	Medium Power Solutions		High Power Solutions	
€ million	2009	2008	2009	2008
External sales	774.6	541.9	137.8	123.3
Internal sales	32.0	16.3	13.0	4.1
Total sales	806.6	558.2	150.8	127.4
Depreciation and amortization	10.8	5.6	1.9	1.0
Operating profit (EBIT)	172.0	122.3	39.6	30.9
Segment assets	124.1	62.1	53.3	22.9
Segment liabilities	27.8	6.9	11.6	2.2
Investments	16.7	10.5	1.0	0.8
Sales by regions				
Germany	506.1	367.8	87.2	40.5
European Union	185.9	147.3	43.7	61.5
Third-party countries	108.6	50.4	8.2	23.0
Sales deductions	- 26.0	- 23.6	- 1.3	- 1.7
External sales	774.6	541.9	137.8	123.3

Railway Technology		Electronics Manufacturing		Reconciliation		Continuing operations	
2009	2008	2009	2008	2009	2008	2009	2008
19.1	13.4	2.8	3.0	0.0	0.0	934.3	681.6
11.8	10.5	202.3	146.3	- 259.1	- 177.2	0.0	0.0
30.9	23.9	205.1	149.3	- 259.1	- 177.2	934.3	681.6
0.3	0.4	3.3	1.9	0.0	0.0	16.3	8.9
3.6	1.8	15.6	12.6	- 2.4	- 0.2	228.4	167.4
12.1	6.4	49.2	29.1	479.9	349.1	718.6	469.6
1.2	0.7	16.8	4.1	253.7	174.9	311.1	188.8
0.7	0.5	6.9	2.7	56.8	60.6	82.1	75.1
7.1	7.0	2.8	3.0	0.0	0.0	603.2	418.3
7.5	5.0	0.0	0.0	0.0	0.0	237.1	213.8
4.5	1.4	0.0	0.0	0.0	0.0	121.3	74.8
0.0	- 0.1	0.0	0.0	0.0	0.0	- 27.3	- 25.4
19.1	13.4	2.8	3.0	0.0	0.0	934.3	681.6

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

	2009 € million	2008 € million
Total segment earnings (EBIT)	230.8	167.6
Eliminations	- 2.4	- 0.2
Consolidated operating profit (EBIT)	228.4	167.4
Financial result	3.8	3.7
Profit before income taxes	232.2	171.1
Total assets	238.7	120.5
Other central items and eliminations	96.4	78.5
Financial instruments not designated (incl. liquidity) and other assets	376.4	268.0
Deferred tax receivables	7.0	2.5
Other financial assets	0.1	0.1
Group assets	718.6	469.6
Total liabilities	57.4	13.9
Other central items and eliminations	14.7	7.4
Financial instruments not designated, liabilities and provisions	208.9	139.9
Income tax liabilities and deferred tax liabilities	30.1	27.6
Group liabilities	311.1	188.8

Circumstances are shown in the reconciliation, which by definition are not part of the segments. In addition, unallocated parts of Group head office, including cash and cash equivalents, finance lease buildings 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.

In 2009 and in the previous year, no customer accounted for a share of more than 10 % of Group sales.

NOTES TO THE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

6. Cost of sales

	2009 €'000	2008 €'000
Material expenses	402,879	299,259
Personnel expenses	105,397	73,203
Depreciation	11,529	5,855
Other	73,208	49,506
	593,013	427,823

Cost of sales include, as direct costs, the product-related material expenses as well as all other expenses for production, acquisition and service. Production expenses include the cost for device production, production-related testing areas and warehouse management. Service expenses consist of the cost for global customer service, device repair and the service hotline. The material expenses of the functional area include changes in inventories of € 12.9 million (previous year: € –6.7 million), the personnel expenses include the costs for production-related temporary employees in the amount of € 33.4 million (previous year: € 19.2 million) and the other expenses include formed warranty provisions amounting to € 32.3 million (previous year: € 20.7 million).

7. Selling expenses

	2009 €'000	2008 €'000
Material expenses	368	359
Personnel expenses	20,003	15,032
Depreciation	1,021	855
Other	14,975	15,252
	36,367	31,498

Selling expenses include expenditure for global sales activities, internal sales departments and marketing. This item also includes direct costs such as freight, commission and shipment costs totaling € 1.1 million (previous year: € 1.8 million).

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

Notes – SMA Group

154

8. Research and development expenses

	2009 €'000	2008 €'000
Personnel expenses	2,765	1,607
Material expenses	42,075	27,198
Depreciation	2,851	1,624
Other	8,626	4,302
	56,317	34,731
Capitalized development projects	- 7,244	- 1,711
	49,073	33,020

Research and development costs include all expenses that can be attributed to product development, development-related testing areas and product management. In addition, costs for technical documentation and patent management are assigned to the research and development costs. The material expenses of the functional area include changes in inventories for the consumption of internally created parts in the amount of € 904 thousand (previous year: € 513 thousand).

9. General administrative expenses

	2009 €'000	2008 €'000
Material expenses	67	103
Personnel expenses	22,303	17,796
Depreciation	934	624
Other	5,460	7,208
	28,764	25,731

Administrative expenses include expenses for the Managing Board, for quality management as well as for the finance and human resources areas. The expenses for building management and IT were distributed, based on cost types, to all functional areas in line with planned consumption.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

155

Notes – SMA Group

10. Other operating income

	2009 €'000	2008 €'000
Income from foreign currency translation	8,035	6,832
Government grants	329	675
Other income	1,064	5,097
	9,428	12,604

Other operating income mainly comprised income from the reversal of impairment losses on receivables, income from the disposal of fixed assets as well as other non-operating income.

11. Other operating expenses

	2009 €'000	2008 €'000
Expenses from foreign currency translation	6,698	5,473
Other expenses	1,453	3,257
	8,151	8,730

Other operating expenses include primarily expenses for the disposal of fixed assets and expenses for additions to impairment losses on receivables.

12. Benefits to employees and temporary employees

	2009 €'000	2008 €'000
Wages and salaries	133,394	96,299
Expenses for temporary employees	35,396	20,413
Social security contribution and welfare payments	20,993	16,517
	189,783	133,229

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

Notes – SMA Group

156

The average number of employees amounted to:

	2009	2008
Research and Development	488	321
Production and Service	1,187	976
Sales and Administrative	606	410
	2,281	1,707
Trainees and interns	285	190
Temporary employees	846	616
	3,412	2,513

13. Financial result

	2009 €'000	2008 €'000
Interest income	5,283	5,023
Other financial income	13	150
Financial income	5,296	5,173
Interest expenses	7	26
Other financial expenses	28	69
Interest share from finance lease	1,050	745
Interest share from valuation of provisions	404	591
Financial expenses	1,489	1,431
Financial result	3,807	3,742

Due to the positive net cash flow from operating activities and after investments in fixed assets and intangible assets, funds available for investments increased in 2009 to a total of € 365.0 million (previous year: € 261.0 million). This effect could more than compensate for the impact of lower interest in the reporting period.

Total interest income from financial assets not classified as "at fair value through profit or loss" amounted to € 5.3 million in fiscal 2009 (previous year: € 5.2 million). Interest expenses from financial liabilities not classified as "at fair value through profit or loss" amounted to € 0.03 million in fiscal 2009 (previous year: € 0.1 million).

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

14. Income taxes

Income taxes include the income taxes paid or payable in the individual countries as well as deferred taxes. Income taxes include trade tax, corporation tax, solidarity surcharge and corresponding foreign income taxes.

The income tax expense is made up as follows:

	2009 €'000	2008 €'000
Actual income taxes		
current financial year	72,776	51,752
concerning previous years	207	- 25
Deferred taxes		
from temporary differences	- 1,769	- 195
from loss carryforwards	- 144	78
Income taxes	71,070	51,610

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

	2009 €'000	2008 €'000
Consolidated IFRS result before income taxes	232,190	171,135
Tax rate of parent company	30.4%	30.1%
Expected income tax	70,586	51,511
Differences related to differing tax rates domestic and abroad	52	24
Effects due to changes in tax rates	- 8	0
Tax-free income	- 1	0
Non-deductible expenses	339	219
Taxes relating to previous years	207	- 25
Other tax effects	- 105	- 119
Actual income taxes	71,070	51,610
Effective Group tax rate	30.6%	30.2%

Enterprises situated in Germany, having the legal form of a corporation, have to pay corporation tax of 15 % and a solidarity surcharge of 5.5 % of corporation tax owed. In addition, these companies are subject to trade tax, which is determined depending on percentages specific to the municipality. The average trade tax basic rate to be applied at the level of the Group's parent company increased to 14.6 % (previous year: 14.3 %).

The effects of deviations between the relevant tax rates at the level of the domestic and foreign Group subsidiaries and the tax rate at the level of the Group's parent company are shown in the reconciliation statement under tax rate-related deviations in Germany and abroad. In the previous year, a tax expense of € 2.1 million resulted from items that were charged directly to equity.

No deferred taxes were formed for the accrued income of foreign subsidiaries, including accrued currency translation differences, since these profits and translation differences are either not subject to corresponding taxation or are to be retained for an unspecified period.

As at December 31, 2009, there were current income tax receivables of € 0.3 million (previous year: € 0.3 million) and current income tax liabilities of € 24.9 million (previous year: € 25.1 million).

The deferred tax assets and deferred tax liabilities were carried through profit or loss, both in the reporting year and the previous year, and result as follows from the temporary differences and tax loss carryforwards:

	12/31/2009		12/31/2008	
	Deferred tax receivables €'000	Deferred tax liabilities €'000	Deferred tax receivables €'000	Deferred tax liabilities €'000
Intangible assets	212	- 2,593	244	- 516
Fixed assets	130	- 1,334	66	- 1,297
Financial assets	52	0	0	0
Inventories	1,418	- 487	1,127	- 390
Other assets	409	- 329	100	- 239
Other provisions	4,377	- 396	891	- 54
Other liabilities	281	- 6	42	- 24
Loss carryforwards	187	0	42	0
	7,066	- 5,145	2,512	- 2,520
thereof non-current	4,541	- 3,927	1,201	- 1,863

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

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
Notes – SMA Group	Consolidated Financial Statement	124
	Other Information	184
	159	

15. Earnings per share

Earnings per share are calculated by dividing the consolidated earnings attributable to the shareholders by the weighted average of ordinary shares in circulation during the period. For fiscal year 2009, the number of shares amounted to 34.7 million as in the previous year.

For fiscal year 2007, the number of shares amounted to 4.0 million. As a result of the capital increase (on June 2, 2008) from corporate funds, the number of shares increased by 28.0 million. In the context of the IPO, a capital increase by 2.7 million new shares was also carried out so that the number of shares stood at 34.7 million at the end of the fiscal year 2008.

The consolidated earnings attributable to the shareholders are the consolidated net income after tax. Since, at the reporting date, the Company does not hold any of its own shares and neither are there any other special cases, the number of ordinary shares issued equates the number of shares in circulation.

The calculation of earnings in relation to the weighted average number of shares in accordance with IAS 33 produces earnings of € 4.64 per share on a weighted average number of 34.7 million shares for the period from January 1 to December 31, 2009, and earnings of € 3.58 per share on a weighted average number of 33.4 million shares for the period from January 1 to December 31, 2008. In this connection, a retrospective adjustment as defined in IAS 33.28 was undertaken for calculating the weighted average with regard to the capital increase from corporate funds.

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

Pursuant to the German Stock Corporation Act, the distributable dividend is based on the net profit, which is recorded in the Annual Financial Statement of SMA Solar Technology AG drawn up in line with the provisions of the German Commercial Code and of the Stock Corporation Act.

NOTES TO THE BALANCE SHEET

16. Intangible assets

The intangible assets developed as follows in the fiscal years:

	Research and Development	Licenses	Software	Prepayments	Total
	projects €'000	€'000	€'000	€'000	€'000
Acquisition costs					
01/01/2009	1,711	0	7,391	257	9,359
Additions	7,244	3	4,200	501	11,948
Transfers	0	0	258	-258	0
12/31/2009	8,955	3	11,849	500	21,307
Depreciation					
01/01/2009	0	0	3,821	0	3,821
Additions	0	3	2,111	0	2,114
12/31/2009	0	3	5,932	0	5,935
Net value 12/31/2008	1,711	0	3,570	257	5,538
Net value 12/31/2009	8,955	0	5,917	500	15,372
Acquisition costs					
01/01/2008	0	0	4,497	123	4,620
Additions	1,711	0	2,827	201	4,739
Transfers	0	0	67	-67	0
12/31/2008	1,711	0	7,391	257	9,359
Depreciation					
01/01/2008	0	0	2,761	0	2,761
Additions	0	0	1,060	0	1,060
12/31/2008	0	0	3,821	0	3,821
Net value 12/31/2007	0	0	1,736	123	1,859
Net value 12/31/2008	1,711	0	3,570	257	5,538

The additions to Research and Development projects reflect the increased development activities aimed to secure the technology leadership of the SMA Group.

The additions to intangible assets result, among other things, from the purchase of software licenses for the growth-related expansion of the ERP system.

17. Property, plant and equipment

The development of property, plant and equipment in fiscal 2009 was as follows:

	Land and buildings including buildings on third-party property €'000	Technical equipment and machinery €'000	Other equipment, fixtures and furniture €'000	Prepayments €'000	Total €'000
Acquisition costs					
01/01/2009	39,732	9,776	37,055	35,198	121,761
Currency changes	33	- 10	1	30	54
Additions	8,259	13,389	25,031	23,501	70,180
Disposals	1,115	138	236	99	1,588
Transfers	16,012	17,392	805	- 34,209	0
12/31/2009	62,921	40,409	62,656	24,421	190,407
Depreciation					
01/01/2009	6,005	5,187	16,420	0	27,612
Currency changes	0	1	0	0	1
Additions	3,244	2,833	8,143	0	14,220
Disposals	368	45	132	0	545
12/31/2009	8,881	7,976	24,431	0	41,288
Net value 12/31/2008	33,727	4,589	20,635	35,198	94,149
Net value 12/31/2009	54,040	32,433	38,225	24,421	149,119

The carrying amount of the buildings held under finance leases amounted to € 20.3 million as at December 31, 2009 (previous year: € 21.9 million).

The prepayments as at December 31, 2009, include prepayments for the construction of office buildings, the Solar Academy and for the establishment of the production facility in Denver, USA, in the total amount of € 15.5 million.

The development of property, plant and equipment in fiscal 2008 was as follows:

	Land and buildings including buildings on third-party property €'000	Technical equipment and machinery €'000	Other equipment, fixtures and furniture €'000	Prepayments €'000	Total €'000
Acquisition costs					
01/01/2008	20,653	8,180	23,450	0	52,283
Currency changes	4	11	2	0	17
Additions	19,078	1,612	13,836	35,852	70,378
Disposals	3	27	233	654	917
12/31/2008	39,732	9,776	37,055	35,198	121,761
Depreciation					
01/01/2008	3,951	4,317	12,680	0	20,948
Currency changes	0	4	8	0	12
Additions	2,070	1,262	4,400	0	7,732
Disposals	16	396	668	0	1,080
12/31/2008	6,005	5,187	16,420	0	27,612
Net value 12/31/2007	16,702	3,863	10,770	0	31,335
Net value 12/31/2008	33,727	4,589	20,635	35,198	94,149

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

163

Notes – SMA Group

18. Inventories

Inventories of the SMA Group were made up as follows:

	12/31/2009 €'000	12/31/2008 €'000
Raw materials, consumables and supplies	60,259	42,180
Unfinished goods, work in progress	13,586	7,832
Finished goods and goods for resale	36,036	23,879
Prepayments	2,688	1,384
	112,569	75,275

Inventories are measured at the lower value of acquisition or manufacturing costs and net realizable value. The increase in inventories results from the significantly better order situation in the first quarter on a year-on-year basis. The impairment on inventories, included in expenses as manufacturing costs, is € 1.1 million (previous year: € 1.7 million).

19. Trade receivables and other receivables

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

The other receivables contain primarily expenses paid in advance and other receivables from the tax authorities, which were not overdue on the reporting dates.

As at the reporting dates, the ageing structure of trade receivables was as follows:

	Book value €'000	Neither overdue nor impaired €'000	Overdue but not impaired			
			< 30 days €'000	30 - 60 days €'000	60 - 90 days €'000	> 90 days €'000
2009	58,077	46,132	9,067	1,114	925	569
2008	24,017	13,337	7,594	789	1,124	1,039

As at December 31, 2009, value adjustments at a nominal value of € 1.3 million (previous year: € 1.0 million) were made on trade receivables.

The value adjustment account developed as follows:

	Specific value adjustment €'000	Value adjustment on portfolio basis €'000	Total €'000
As of 01/01/2008	377	41	418
Additions with effect on the expenses (net)	605	100	705
Usage	- 96	- 59	- 155
Disposal	- 48	38	- 10
Currency difference	10	0	10
As of 12/31/2008	848	120	968
Additions with effect on the expenses (net)	898	19	917
Usage	- 216	0	- 216
Disposal	- 282	- 51	- 333
Currency difference	- 5	0	- 5
As of 12/31/2009	1,243	88	1,331

In addition, there was no need for value adjustments in respect of other receivables and financial assets. The maximum non-payment risk corresponds to the carrying amount disclosed in the balance sheet.

20. Other financial assets

As at December 31, 2009, other current financial assets include primarily time deposits amounting to € 140.0 million, which have a term to maturity of more than three months, as well as interest accrued. On December 31, 2008, this item included mainly receivables from securities invested in Federal treasury notes and Federal bonds of € 20.6 million. Other non-current financial assets include a rent deposit in the amount of € 3.6 million for buildings in the USA.

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
Notes – SMA Group	Consolidated Financial Statement	124
	Other Information	184
	165	

21. Cash and cash equivalents

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

On December 31, 2009, the Group had unused credit lines of € 28.0 million (previous year: € 30.0 million), in respect of which all conditions necessary for using them were fulfilled.

22. Equity

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

The following changes with regard to equity resulted from the resolution by the Annual General Meeting of April 30, 2008.

A dividend of € 6.30 per qualifying share (€ 25.2 million in total) was resolved for fiscal year 2007. Furthermore, a capital increase from corporate funds was resolved as follows: increase in the issued capital in accordance with the provisions of the German Stock Corporation Act on the capital increase from corporate funds (Section 207 ff AktG) by € 28.0 million from € 4.0 million to € 32.0 million. The increase was effected by converting the amount of € 16.0 million placed in "other retained earnings" shown under "retained earnings" when the Annual Financial Statement for fiscal year 2007 was adopted and by converting the amount of € 12.0 million placed in "other retained earnings" following the resolution of the Annual General Meeting of April 30, 2008 on the appropriation of net profit (therefore by converting a total amount of € 28.0 million into issued capital). The capital increase was carried out by issuing 28.0 million new bearer shares. Shareholders were entitled to the new shares in a ratio of 1:7. The new shares are entitled to a share in the profits from the beginning of fiscal year 2008. Registration in the Commercial Register took place on June 2, 2008.

The Managing Board is entitled to increase the issued capital by up to € 3.3 million in total, with the consent of the Supervisory Board, on one or more occasions in the period up to December 31, 2009, by issuing new bearer shares against cash contributions in order to place the new shares as part of the Company's IPO (Authorized Capital I). Shareholders' subscription rights are excluded. The Managing Board is authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and its implementation.

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

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

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

As a result of the IPO on June 27, 2008, gross issue proceeds of € 126.9 million were achieved. Following deduction of the issue costs of € 7.1 million and in line with the associated income tax benefit of € 2.1 million, this resulted in net issue proceeds of € 121.9 million in accordance with IAS 32.35. The amount equal to the proportional amount of the issued capital of the new shares issued of € 2.7 million was posted in subscribed capital, while the amount in excess of the proportional amount of the issued capital of the new shares issued amounting to € 119.2 million was transferred to the capital reserves.

On June 10, 2009, the General Meeting of SMA Solar Technology AG passed a resolution to distribute a dividend of € 1.00 per qualifying bearer share for the 2008 fiscal year.

At the next General Meeting, the Managing Board will propose that a dividend of € 45.1 million (€ 1.30 per qualifying share) be distributed.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

Notes - SMA Group

23. Other provisions

The provisions account for all recognizable risks and contingent liabilities at the balance sheet date and are made up as follows:

	Production Area €'000	Personnel Area €'000	Other €'000	Total €'000
as of January 1, 2009	32,652	564	4,606	37,822
Additions	42,741	658	5,137	48,536
Usage	10,396	35	3,361	13,792
Release	716	0	581	1,297
Compounding	398	29	0	427
as of December 31, 2009	64,679	1,216	5,801	71,696
Current 2009	26,450	0	4,003	30,453
Non-current 2009	38,229	1,216	1,798	41,243
	64,679	1,216	5,801	71,696
Current 2008	12,361	0	4,606	16,967
Non-current 2008	20,291	564	0	20,855
	32,652	564	4,606	37,822

Provisions in the production area consist primarily of a warranty provision for various Production areas of the Group. Provisions in the Human Resources area essentially relate to long-service anniversaries, death benefits and partial retirement benefits.

24. Financial liabilities

	12/31/2009 €'000	12/31/2008 €'000
Current finance lease liabilities	1,405	1,343
Non-current finance lease liabilities	18,772	20,174
Derivative financial liabilities	6	18
	20,183	21,535

25. Trade payables

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

26. Other financial liabilities

	12/31/2009 €'000	12/31/2008 €'000
Liabilities Human Resources department	57,200	38,729
Liabilities Sales department	14,352	20,283
Other	267	11
	71,819	59,023
Current	71,819	59,023
Non-current	0	0
	71,819	59,023

Liabilities in the Human Resources area contain obligations to employees regarding performance-based bonuses, positive holiday and flexitime balances as well as variable salary components and contributions to the worker's compensation association. The liabilities in the Sales area contain primarily liabilities to customers from advance payments received and bonus agreements.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

169

27. Other liabilities

	12/31/2009 €'000	12/31/2008 €'000
Deferred income for extended guarantees	29,849	14,497
Liabilities from prepayments received	12,857	3,800
Liabilities due to tax authorities	1,559	1,719
Liabilities from subsidies received	826	1,155
Other	119	341
	45,210	21,512
Current	15,266	6,479
Non-current	29,944	15,033
	45,210	21,512

Other liabilities include primarily the accrual item for extended warranties, liabilities from prepayments received as well as liabilities due to tax authorities and from subsidies received.

The accrual item for extended warranties includes liabilities from chargeable guarantee extensions granted for the products in the Photovoltaics Technology division. The main item in the liabilities due to tax authorities is tax liabilities from payroll accounting. 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.

28. Additional disclosures to the financial instruments

	Categories of financial state- ments acc. to IAS 39	12/31/2009		12/31/2008	
		Fair value €'000	Carrying amount €'000	Fair value €'000	Carrying amount €'000
Assets					
Cash and cash equivalents	LaR	225,010	225,010	240,682	240,682
Trade receivables	LaR	58,077	58,077	24,017	24,017
Other financial investments	AfS	73	73	70	70
Other financial assets		147,389	147,389	23,559	23,559
of which Loans and Receivables	LaR	147,184	147,184	2,780	2,780
of which derivatives that do not qualify for hedge accounting	FAHfT	205	205	183	183
of which Held-to-maturity investments	HtM	0	0	20,596	20,596
Liabilities					
Trade liabilities	FLAC	72,067	72,067	21,290	21,290
Financial liabilities		20,183	20,183	21,535	21,535
of which under finance leases	n. a.	20,177	20,177	21,517	21,517
of which derivatives that do not qualify for hedge accounting	FIHfT	6	6	18	18
Other financial liabilities	FLAC	71,819	71,819	59,023	59,023
of which summarized by categories according to IAS 39:					
Loans and Receivables	LaR	430,271	430,271	267,479	267,479
Financial Liabilities Measured at Amortized Cost	FLAC	143,886	143,886	80,313	80,313
Held to Maturity Investments	HtM	0	0	20,596	20,596
Financial Assets Held for Trading	FaHfT	205	205	183	183
Financial Liabilities Held for Trading	FLHfT	6	6	18	18
Available-for-sale Financial Assets	AfS	73	73	70	70

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

The fair values of other non-current receivables correspond to the present values of the payments related to the assets, based on the current interest parameters, which reflect market- and partner-related changes to conditions and expectations. The item "Other financial investments" relates to an investment not included

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

in the scope of consolidation. However, since no active market exists for this investment and a reliable measurement of the fair value was not possible, measurement on the relevant reporting dates was effected at amortized cost.

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

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

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

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

	Level 1	Level 2	Level 3	Total
Financial assets, measured at fair value				
Derivative financial instruments	–	205	–	205
Financial liabilities, measured at fair value				
Derivative financial instruments	–	6	–	6

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

- Level 1: Quoted prices for identical assets or liabilities in active markets;
- Level 2: Inputs other than quoted prices that are observable directly (e.g., prices) or indirectly (e.g., derived from prices); and
- Level 3: Inputs that are not based on observable market data for assets and liabilities.

The net results 2009 from financial instruments are as follows:

	from interests €'000	from subsequent valuation		from disposal €'000	Net result €'000
		Currency translation €'000	Value adjustment €'000		
Loans and Receivables (LaR)	4,802	717	- 917	8	4,610
Financial Liabilities measured at Amortized Cost (FLAC)	0	0	0	0	0
Financial Assets Held for Trading (FAHft)	0	620	0	0	620
Held to Maturity (HtM)	461	0	0	0	461
Available for Sale (AFS)	0	0	0	0	0
Total	5,263	1,337	- 917	8	5,691

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

The net results 2008 from financial instruments are as follows:

	from interests €'000	from subsequent valuation		from disposal €'000	Net result €'000
		Currency translation €'000	Value adjustment €'000		
Loans and Receivables (LaR)	4,300	1,378	- 705	- 133	4,840
Financial Liabilities measured at Amortized Cost (FLAC)	- 208	0	0	0	- 208
Financial Assets Held for Trading (FAHft)	585	- 19	0	0	566
Held to Maturity (HtM)	0	0	0	0	0
Available for Sale (AFS)	0	0	0	0	0
Total	4,677	1,359	- 705	- 133	5,198

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

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

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

	Carrying amount €'000	Total €'000	< 1 Year €'000	1 - 3 Years €'000	4 - 5 Years €'000	> 5 Years €'000
2009						
Trade liabilities	72,067	72,067	72,067	0	0	0
Financial liabilities	20,183	30,684	2,366	4,720	4,720	18,878
- of which under finance leases	20,177	30,678	2,360	4,720	4,720	18,878
- of which derivatives that do not qualify for hedge accounting	6	6	6	0	0	0
Other financial liabilities	71,819	71,819	71,819	0	0	0
2008						
Trade liabilities	21,290	21,290	21,290	0	0	0
Financial liabilities	21,535	33,056	2,378	4,720	4,720	21,238
- of which under finance leases	21,517	33,038	2,360	4,720	4,720	21,238
- of which derivatives that do not qualify for hedge accounting	18	18	18	0	0	0
Other financial liabilities	59,023	59,023	59,023	0	0	0

29. Obligations under leases and other financial obligations

The economic ownership in the leased objects is retained by the lessor if the lessor has the significant rewards and risks associated with the leased object. The obligations of the SMA Group under operating leases relate mainly to buildings and, to a minor extent, to plant and office equipment. Expenses recognized through profit and loss amounted to € 9.4 million (previous year: € 6.5 million) at the end of the year.

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

	12/31/2009 €'000	12/31/2008 €'000
Maturity of less than 1 year	5,935	3,542
Maturity of 1 to 5 years	13,928	6,938
Maturity of more than 5 years	10,349	6,193
	30,212	16,673

The finance lease agreements concluded by the Group relate mainly to real properties of the not affiliated, related SMA Immo GmbH. With effect from April 1, 2008, the existing agreements were combined in one new agreement. This agreement also includes a further finance lease relating to a building, which has been in use since October 2008. Further details are shown in chapter 36. Payment obligations resulting on the reporting date from finance leases are recognized in the balance sheet as a liability at the fair value of the future minimum lease payments.

	Minimum lease payments 2009 €'000	Present value of the minimum lease payments 2009 €'000	Minimum lease payments 2008 €'000	Present value of the minimum lease payments 2008 €'000
Maturity of less than 1 year	2,360	1,423	2,360	1,343
Maturity of 1 to 5 years	9,439	4,593	9,439	5,977
Maturity of more than 5 years	18,878	14,161	21,238	14,197
	30,677	20,177	33,037	21,517

In addition, there were financial obligations to third parties under the order commitment for investment orders placed, in the amount of € 16.8 million (previous year: € 7.1 million). Other financial obligations were within the framework customary for the business.

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

30. Contingencies

As at December 31, 2009, contingencies amounted to € 0.03 million (previous year: € 0.00 million).

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

NOTES TO THE STATEMENTS OF CASH FLOWS

The liquid funds shown in the cash flow statement correspond to the balance sheet item "Cash and cash equivalents".

31. Net cash flow from operating activities

The gross cash flow amounting to € 211.9 million (previous year: € 168.8 million) shows surplus operating income before any commitment of resources.

The net cash flow from operating activities increased in fiscal 2009 to € 221.5 million (previous year: € 168.8 million). The increase is mainly the result of the year-on-year higher gross cash flow (€ +43.1 million) due to strong growth of sales. The increase in the net working capital (€ -1.7 million) was more than compensated for by the changes in other net assets (€ +2.5 million).

The increased net working capital results primarily from the higher trade receivables. Due to strong sales growth in the second half year of 2009, these rose by € 34.1 million to € 58.1 million (+77 %) The changes in other net assets relate primarily to growth-related increases in liabilities for guarantee extensions, pre-payments received, employee bonus payments and the liabilities under holiday and flexitime commitments.

32. Net cash flow from investing activities

The net cash flow from investing activities increased to € -201.5 million in the period under review, following € -94.5 million in the previous year. The outflow of funds due to investments in fixed assets and intangible assets amounted to € 82.1 million (previous year: € 73.9 million). Pursuant to IAS 7.17, monetary investments with a term to maturity of more than three months are allocated to the cash flow from investing activities.

In the reporting year, this item included investments in time deposits with a term to maturity of more than three months; in the previous year investments in securities were shown.

33. Net cash flow from financing activities

The net cash flow from financing activities amounted to € -36.1 million (previous year: € 93.3 million) and was influenced by the dividend distribution of € 1.00 per share. The figure of the previous year includes primarily the inflow of funds from the capital increase in the context of the IPO.

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

Notes – SMA Group

34. Cash and cash equivalents

Cash and cash equivalents of € 225.0 million (previous year: € 240.7 million) comprise cash, 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, this results in financial resources of € 365.0 million (previous year: € 261.0 million). On the reporting date, the Group had unused credit lines in the amount of € 28.0 million (previous year: € 30.0 million). As in the previous year, no cash amounts were drawn on the current account credit limit in 2009.

OTHER DISCLOSURES

35. Events after the balance sheet date

Effective on January 1, 2010, SMA Solar Technology AG acquired 94 % of the shares in SMA Immo GmbH from SMA Technologie – Holding GmbH at a purchase price of € 1.3 million. Previously, the shares in SMA Immo GmbH were held by SMA Technologie – Holding GmbH. The shareholders of the latter company are Günther Cramer (25 %), Peter Drews (25 %), Reiner Wetzlaufer (25 %) and Prof. (em.) Dr. Werner Kleinkauf (25 %), who are also major shareholders of SMA Technology AG. On the reporting date of December 31, 2009, there are assets of € 27.0 million and liabilities of € 25.7 million. Prior to the acquisition of the shares in SMA Immo GmbH, the leased buildings were recognized by SMA Technology AG under finance leases. This has no significant impact on the net assets, financial position and results of operations.

At its meeting on February 23, 2010, the Supervisory Board decided to extend SMA's Managing Board by two new members, Uwe Hertel and Jürgen Dolle, and to restructure a part of the areas of responsibility. Accordingly, the Managing Board will be expanded from five to seven members, until the date of retirement of the two founding board members, Günther Cramer and Peter Drews.

There were no significant events on or after the reporting date other than those presented in or recognizable from the statements in the Consolidated Management Report and the Notes.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

36. Related party disclosures

In the SMA Group, related parties within the meaning of IAS 24 are the members of the Managing Board and the Supervisory Board of SMA Solar Technology AG as well as their relatives, the divisional managers of the individual divisions within the parent company and the managing directors of subsidiaries as well as their close relatives.

	2009	2008
	€'000	€'000
Total compensation of related parties:		
Short-term compensation	7,106	5,311
Contributions to defined contribution plans	11	10
	7,117	5,321

In fiscal 2009, the Managing Board of SMA Solar Technology AG was made up of the following members:

Dipl.-Ing. Günther Cramer
Chief Executive Officer

Dipl.-Ing. Peter Drews
Chief Operating Officer

Dipl.-Ing. Roland Grebe
Chief Technology Officer (from June 11, 2009)

Dipl.-Ing. Reiner Wettlaufer
Chief Financial Officer (until June 10, 2009)

Dipl.-Kfm. Pierre-Pascal Urbon
Chief Sales Officer (until June 10, 2009)
Chief Financial Officer (from June 11, 2009)

Dipl.-Ing. Marko Werner
Chief Sales Officer (from June 11, 2009)

The members of the Supervisory Board of SMA Solar Technology AG in fiscal 2009 were:

Dr. jur. Erik Ehrentraut
Enterprise Consultant (Chairman)

Dipl.-Ing. Reiner Wettlaufer
Enterprise Consultant (Deputy Chairman from June 11, 2009)

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

178

Notes – SMA Group

Prof. (em.) Dr.-Ing. Werner Kleinkauf
University Professor (Deputy Chairman until June 10, 2009)

Dipl.-Soz.-Päd. Jürgen Dolle
HR Manager (until June 10, 2009)

Dr. Winfried Hoffmann
Managing Director

Dipl.-Ing. Johannes Häde
Employee representative

Dipl.-Math. Sabine Weber
Employee representative (until June 10, 2009)

Mirko Zeidler
Employee representative (from June 11, 2009)

Remuneration of key management members of the Group, to be reported in accordance with IAS 24, includes remuneration of the active Managing Board and Supervisory Board. Total compensation of the members of the active Managing Board in the year under review, including for their tasks in subsidiaries, amounted to € 2.1 million, of which € 0.9 million is attributable to variable compensation (previous year: € 1.7 million, of which € 0.7 million variable compensation). Total compensation of the Supervisory Board members in the year under review was € 0.2 million (previous year: € 0.2 million). This figure includes variable compensation of € 0.1 million (previous year: € 0.1 million). Remuneration of the Managing Board members is shown in detail in a separate Remuneration Report in line with the criteria of the German Corporate Governance Code. The complete Remuneration Report is a component of the Consolidated Management Report.

The members of corporate bodies mentioned below have other supervisory board mandates within the meaning of Section 125 (1) sentence 3 of the AktG.

Dipl.-Ing. Günther Cramer	Supervisory Board member at Seeger Engineering AG
Dr. jur. Erik Ehrentraut	Supervisory Board member at Interpane Glas Industrie AG

On the reporting date, the Managing Board members held a total share of 38,8 % and Supervisory Board members a total share of 36,2 % in stocks.

Other important related parties within the meaning of IAS 24 are SMA Immo GmbH and team-time GmbH.

	To our Shareholders	002
	Perspectives	038
	Consolidated Management Report	078
Notes – SMA Group	Consolidated Financial Statement	124
	Other Information	184
	179	

A tenancy agreement, classified as a finance lease, exists with SMA Immo GmbH. The agreement has a term of 15 years and came into effect on April 1, 2008. The finance lease installment payable to SMA Immo GmbH currently amounts to € 0.3 million/month. The total lease installment under the agreement amounted to € 3.2 million in 2009 (previous year: € 2.1 million). The liabilities to SMA Immo GmbH were balanced on December 31, 2009 and 2008.

SMA Solar Technology AG concluded an employee allocation agreement on the allocation of temporary employees with team-time GmbH. The sole shareholder and managing director is the wife of one of the members of the Managing Board. Transactions for € 31.8 million were handled under this agreement in fiscal 2009 (previous year: € 4.9 million). The liabilities to team-time GmbH amounted to € 4.6 million on December 31, 2009 (previous year: € 1.4 million).

37. Objectives and methods concerning financial risk management

Financial risk management is integrated into the Group-wide hedging policy. Deliberate treatment of potential risks and sound control as well as successful management of such risks when they occur are supported by an accompanying information and communication policy as well as by the further education and training of employees. The principle of the Group's hedging policy in the financial field is to protect against considerable price, currency and interest risks by contracts and hedging transactions to an economically sensible extent.

The financial instruments of the Group relate primarily to trade receivables as well as cash resulting directly from operating activities. In addition, there is a particular amount of trade payables that also arise from operating activities. Furthermore, there are liabilities under finance lease agreements. The Group also uses derivative financial instruments in the context of exchange rate hedging. The Group's significant risks in connection with financial instruments are interest-based cash flow risks as well as liquidity, currency and credit risks. The strategies and procedures to control the individual types of risks, which have been defined in the context of Group-wide hedging policy, are presented below:

Interest risk

The Group's risk caused by changes in market interest rates results mainly from non-current portions of certain provisions and from liabilities under finance lease. Interest on the aforementioned liabilities is not paid by the contracting party and has been discounted at the interest rate common in the market or the interest rate underlying the lease agreement so that there is no separate control of an interest risk.

Foreign currency risk

At present, there are currency risks under transactions with the subsidiaries in the USA in US dollar. Development of the currency is monitored continuously, and the risks are hedged, insofar as economically sensible. The risks from hedging transactions in themselves are limited to the possibility that opportunities of better price performance cannot be realized.

In order to present market risks, IFRS 7 requires sensitivity analyses, which show the effects of hypothetical changes in relevant risk variables on earnings and equity. Currency risks are caused by financial instruments that are denominated in a currency other than the functional currency and that are of a monetary type; exchange-rate-related differences from the translation of Financial Statements into the Group currency are not taken into account. The US dollar is deemed to be a relevant risk variable. The currency sensitivity analysis is based on original financial instruments in the form of receivables, which are transferred to the functional currency primarily by using derivatives. Accordingly, exchange rate changes have no impact on equity and minor effects on earnings.

An increase in the euro of 5 % as against the dollar on December 31, 2009, would have resulted in a positive change in currency derivatives of € 0.7 million (previous year: € 2.4 million). A decrease in the euro of 5 % as against the dollar on December 31, 2009, would have resulted in a reduction of the currency derivative values of € 0.4 million (previous year: € 1.7 million). Accumulated income from exchange differences and hedging transactions amounted to € 0.4 million in the fiscal year (previous year: € 1.3 million).

Pursuant to the IFRS, currency risks are caused in respect of monetary financial instruments that are denominated in a foreign currency, i. e. in a currency other than the functional currency, whereby the foreign currency is the relevant risk variable. Translation-related risks are not taken into account. Since the individual Group companies conduct their operative business mainly in their own functional currency, we regard the risk from exchange rate fluctuations resulting from ongoing business activity as insignificant.

Credit risk

The general principle regarding all deliveries to customers is, depending on the volume of the transactions and the specific customer and country risk, to request collaterals, to obtain credit rating information and to use historical data from the previous business relationship, in particular payment practices, in order to avoid non-payment. In addition, the Group performs a customer credit check, which is based on certain financial key ratios. By the timely setting of a credit limit or by suspension of orders, the Group is not exposed to a significant risk of non-payment. The maximum non-payment risk is limited to the carrying amount disclosed in chapter 19. There are no major concentrations of non-payment risks within the Group.

In respect of the Group's other financial assets such as cash and cash equivalents, available-for-sale financial investments and specific derivative financial instruments, the maximum credit risk corresponds to the carrying amount of these instruments, should the counterparty fail to pay.

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

Liquidity risk

The Company uses financial planning tools for the early detection of future liquidity requirements. According to current plans, coverage of the financial requirements is expected within a time horizon that can be planned reliably. To hedge against the financial consequences of possibly liability risks and damage claims, insurance contracts are concluded, insofar as sensible and possible, the cover of which is reviewed and adapted regularly.

Capital management

The strategic objective of capital management within the SMA Group is ensuring financial flexibility and independence in order to make rapid use of the opportunities offered in the strongly growing photovoltaics market. Profitable employment of the capital is measured through regular monitoring of net working capital. Within the SMA Group, net working capital is defined as the sum of inventories and trade receivables less trade payables. In order to be able to measure the relative capital consumption – including in the event of strong corporate growth – the net working capital is set in proportion to sales. Through debtor management, which promotes timely receipt of receivables, and inventories oriented to sales as well as a constant distribution policy, the Company creates the requirements for the intended financial flexibility and independence. In accordance with our Group-internal guidelines, the net working capital ratio determined in this way has to be below 20 %. In the year under review, the equity ratio of the SMA Group was 56.7 % (previous year: 59.8 %), the net working capital ratio 10.6 % (previous year: 11.4 %).

38. Auditor fees

The fees paid to the auditor and recorded as an expense in the reporting year, is divided as follows:

	2009 €'000	2008 €'000
Financial statement auditing	142	186
Audit-related services and other audit work	34	661
Tax consultancy	0	3
Other services	12	4
	188	854

The costs of financial statement auditing include fees for the audit of the Consolidated Financial Statements as well as for the audit of the Financial Statements of SMA Solar Technology AG and its domestic subsidiaries, insofar as these are obliged to perform an audit pursuant to Section 316 HGB. The fees for audit-related services and other audit work in the reporting year include expenses for the review of Interim Consolidated Financial Statements; the value of the previous year also includes expenses for attestation services in connection with the IPO. The fees for other services contain the expenses for agreed single audit measures, which were performed at selected subsidiaries during the reporting year.

002	To our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

182

Notes – SMA Group

39. Declaration on the German Corporate Governance Code in accordance with Section 161 AktG



Further information:

www.IR.SMA.de, section "Corporate Governance"

The declaration required by Section 161 of the AktG on the recommendations issued by the Government Commission "German Corporate Governance Code" was given by the Managing Board and the Supervisory Board on February 23, 2010, and made available to the shareholders on the Web site at www.sma.de on a permanent basis.

40. Consolidated Financial Statements

As the ultimate parent company, SMA Solar Technology AG prepares Consolidated Financial Statements for the largest scope of consolidation as at December 31, 2009, which are filed with the operator of the Electronic Federal Gazette and published subsequently in the Electronic Federal Gazette.

Niestetal, March 4, 2010

SMA Solar Technology AG
The Managing Board

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Niestetal, March 4, 2010

SMA Solar Technology AG
The Managing Board

To our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

183

Notes – SMA Group

AUDITOR'S REPORT (Translation – the German text is authoritative)

"We have audited the Consolidated Financial Statements prepared by SMA Solar Technology AG, Niestetal, – comprising the balance sheet, the income statement, the notes, cash flow statement, the statement of changes in equity and the segment reporting to the Consolidated Financial Statements – and the Consolidated Management Report for the business year from January 1, 2009, to December 31, 2009. The preparation of the Consolidated Financial Statements and the Consolidated Management Report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Consolidated Management Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Section 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Consolidated Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Consolidated Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the Annual Financial Statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Consolidated Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements of SMA Solar Technology AG, Niestetal, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Consolidated Management Report is consistent with the Consolidated Financial Statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hanover, March 5, 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

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

002	To Our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

184

SMA Solar Technology AG – Income statement

OTHER INFORMATION

SMA SOLAR TECHNOLOGY AG – INCOME STATEMENT

	2009 €'000	2008 €'000
Sales	924,485	672,475
Increase or decrease in finished goods and work in process	17,301	617
	941,786	673,092
Other own work capitalized	2,857	0
Other operating income	18,743	12,094
Material expenses	460,136	324,166
Personnel expenses	137,141	98,310
Amortization and depreciation of fixed intangible and tangible assets	13,848	6,794
Other operating expenses	136,858	102,630
Financial result	5,338	4,892
Net operating income (loss)	220,741	158,178
Extraordinary net income (loss)	0	- 5,432
Taxes on income	71,738	47,630
Net income / net loss for the year	149,003	105,116
Accumulated income / losses brought forward	75,289	4,873
Profit available for distribution	224,292	109,989

To Our Shareholders	002
Perspectives	038
Consolidated Management Report	078
Consolidated Financial Statement	124
Other Information	184

SMA Solar Technology AG - Balance sheet

185

SMA SOLAR TECHNOLOGY AG - BALANCE SHEET

	12/31/2009	12/31/2008
	€'000	€'000
Assets		
A. Fixed assets		
I. Intangible assets	6,345	3,776
II. Tangible assets	118,349	66,977
III. Financial assets	15,065	7,894
	139,759	78,647
B. Current assets		
I. Inventories	93,280	61,884
II. Receivables and other assets	87,954	34,198
III. Securities	0	20,258
IV. Cash and cash equivalents	339,284	232,246
	520,518	348,586
C. Prepaid expenses and deferred charges	231	285
	660,508	427,518
 Shareholders' equity and liabilities		
A. Shareholders' equity		
I. Subscribed capital	34,700	34,700
II. Capital reserves	124,200	124,200
III. Statutory reserve	400	400
IV. Profit available for distribution	224,292	109,989
	383,592	269,289
B. Special account with reserve characteristics	819	1,145
C. Provisions	193,260	116,136
D. Accounts payable	82,837	40,948
	660,508	427,518

 The complete individual Financial Statement of SMA Solar Technology AG is available for download on our Web site www.SMA.de/IR/FinancialReports

GLOSSARY

AC (Alternating Current)

Alternating current (AC): mains compliant current

Average Selling Price (ASP)

Average selling price: sales achieved via inverters (excl. Sunny Island and Sunny Backup) divided by the sold inverter output in watts

Backup System

In case of a power failure, Sunny Backup switches to island power supply within milliseconds.

Battery Charger

Product in the business division Railway Technology which supports the charging of batteries of the power supply system of rail vehicles.

Bidirectional Boost-Buck Converters

The buck converter is an electronic control for DC conversion. Areas of application are chopper controllers, for example. The amount of the output voltage V_o is always smaller than the amount of the input voltage V_i . For the boost converter the opposite applies. With bidirectional boost-buck converters, the energy flow can change direction.

BMU

Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety)

Central Inverter

Inverter for PV large-scale plants – these inverters are utilized with centralized design concepts.

Change-of-Control Clause

Provision in the employment contracts of board members or management providing a special termination right in case of a change of ownership or a change in majority shareholders, usually against payment of a firmly agreed compensation, continued payment of remuneration, often also a corresponding pension provision.

CO₂ neutral factory

The CO₂ neutral factory is a concept which aims at a climate-neutral balance mainly through avoidance and additionally through compensation of emissions.

Commercial Range

Photovoltaic inverters suitable for grid-connected photovoltaic systems with a performance range between 15 and 500 kW (SMA definition of the target group: tradespersons with supplementary revenue from PV systems)

DC (Direct Current)

Direct current (DC) must be converted to mains compliant alternating current (AC) for the network supply.

DC Disconnector

A DC disconnector (switch) is a component that establishes or disconnects an electrically conducting connection, in this case specifically designed for the switching of direct current.

DC Wiring

Wiring between the solar modules and the inverter

Electric power rating

Sum of rated power of all electric consumption devices available at the customer's premises.

Electronic Solar Switch

The Electronic Solar Switch is a direct current (DC) disconnector that allows a safe disconnection of the inverter from the photovoltaic system.

EPIA

European Photovoltaic Industry Association

German Renewable Energy Sources Act (EEG)

Law on the process of renewable energies with the aim of supporting the further development of technologies for the production of power from renewable sources

Grid-connected System

Electrical system connected to an electrical grid

Grid Parity

Grid parity refers to the situation in which the production costs for power from a photovoltaic system are identical to the selling price for domestic power from the public supply network.

EVU

Power Supply Companies (Utilities)

H5 Topology

Performance electric circuit principle for the improvement of the maximum efficiency patented by the SMA.

Industrial Range

Photovoltaic inverters suitable for grid-connected photovoltaic systems with a power range > 500 kW. (SMA definition of the target group: investors with the primary aim of selling energy)

Ingot

Ingot is a block made from semiconductor material such as silicon.

Inverter

An inverter is an electrical device converting direct current voltage into alternating voltage or direct into alternating current.

Island System

PV island systems are stand-alone power networks which are fed by the energy of a solar system, for instance. I.e. these systems are not connected to a mains.

ISET

Institut für Solare Energieversorgungstechnik (Institute for Solar Power Supply Technology), Association of the Polytechnic University, Kassel e.V. Following the merger with the Fraunhofer Center für Windenergie und Meerestechnik (Fraunhofer Center for Wind Energy and Maritime Technologies) CWMT in January 2009, the ISET is now part of the Fraunhofer Institut für Windenergie und

Energiesystemtechnik (Fraunhofer Institute for Wind Energy and Energy System Technology) IWES.

Lean Factory / SMArt flow

Lean production is called "SMArt flow" at SMA. Its aim is a production free from waste and storage.

Life Cycle Costs (LCC)

The total costs of an inverter from acquisition via installation, commissioning and service up to disposal.

Medium Voltage

Voltage range from 1,000 V to 60,000 V

Medium Voltage Standard

The Medium Voltage Standard of the Bundesverband der Energie- und Wasserwirtschaft e. V. (BDEW) (German Association of Energy and Water Industries) requires solar inverters to participate in network management starting in 2009 in order to ensure the stability of the supply networks.

Module Inverters

Module inverters are mounted to the solar module and are utilized with small photovoltaic systems under 1 kWp.

Multi-String Inverter

Inverter which basically combines the advantages of several string inverters (separate MPP control of individual strings) and a central inverter (low performance-specific costs)

Net Metering

Net metering is an instrument supporting small power generation systems. With net metering, the power fed into the network is offset against the power taken from the network. The financial advantage for the system operator lies in the difference between the costs for generation of the power fed in by him and the offset electricity price. The second advantage for the system operator may result if more power is fed in than is taken out. In this case the system operator receives a compensation for this surplus.

Network Management

For decentralised generating plants, the participation in network management means that they have to orientate themselves towards the current situation of the distribution network with regard to the feed-in. It affects all solar plants feeding in at medium voltage level.

Off-Grid Applications

see Island System

OptiTrac

Optimized MPP Tracking so that the solar modules can be operated even with partial shading at the point of maximum performance (Maximum Power Point, MPP).

Photovoltaics (PV)

Conversion of radiation energy, in particular solar energy, into electricity by means of photovoltaic cells.

Residential Range

Photovoltaic inverters suitable for grid-connected photovoltaic systems with a power range between 1 and 15 kW. (SMA definition of the target group: private PV system operators)

Solar Academy

SMA provides comprehensive training on the topic of solar technology in seminars specifically targeted to the needs of qualified installers.

Specific sales price per watt

Sales price in euro divided by the rated power of each inverter type in watts

String

Connection / interconnection of several solar modules

String Monitoring

Self-learning monitoring system which learns the characteristics of the solar modules and triggers a message in case of deficit yields.

String Inverter

With string technology, the PV generator is divided into individual module areas, and each of these individual "strings" is assigned its own string inverter.

Sunny PRO Club

The partnership program for qualified installers offers its members active marketing support in the development of their regional solar market.

System Integrator

Project developer of photovoltaic large-scale plants

Total Cost of Ownership (TCO)

see Life Cycle Costs

UL Certification

The Underwriters Laboratories (UL) are an organization founded in the US in 1894 for the audit and certification of products and their safety (comparable to the German VDE, TÜV, and the like).

W, kW, MW, GW,

units for power:

1 kilowatt (kW) = 1,000 watts (W)

1 megawatt (MW) = 1,000 kilowatts

1 gigawatt (GW) = 1,000 megawatts

Wafer

Silicon disc for the production of crystalline solar cells

Wp

Abbreviation for Watt-peak – Unit for the standardized rated power of a photovoltaic cell or a photovoltaic module under standard conditions

002	To Our Shareholders
038	Perspectives
078	Consolidated Management Report
124	Consolidated Financial Statement
184	Other Information

188

Disclaimer

This Annual Report was published in German and English on March 31, 2010. Both versions are available as downloads on our Web site:

www.SMA.de/IR/Finanzberichte
www.SMA.de/IR/FinancialReports

Disclaimer

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

FINANCIAL CALENDAR

May 14, 2010	Publication of Quarterly Financial Report January to March 2010 Analyst Conference Call: 9:00 a.m. (CET)
May 27, 2010	Annual General Meeting 2010, Kongress Palais Kassel
August 13, 2010	Publication of Half-yearly Financial Report January to June 2010 Analyst Conference Call: 9:00 a.m. (CET)
September 2010	Capital Markets Day, SMA/Niestetal
November 12, 2010	Publication of Quarterly Financial Report January to September 2010 Analyst Conference Call: 9:00 a.m. (CET)

IMPRINT

Publisher	SMA Solar Technology AG
Concept and Design	FIRST RABBIT GmbH, Cologne
Text	SMA Solar Technology AG, FIRST RABBIT GmbH, Cologne
Photography	SMA Solar Technology AG
	Dave Anderson, Stefanie Aumiller, Andreas Berthel, Camilo D'Alessio, Steffen Jahn, Lucidmedia, Constantin Meyer
PrePress	FIRST RABBIT GmbH, Cologne
Paper	heaven42
Print	Druckpartner, Essen
Publication date	March 31, 2010



Mixed Sources

Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. IMO-COC-027827
© 1996 Forest Stewardship Council

CONTACT DETAILS

SMA Solar Technology AG

Sonnenallee 1
34266 Niestetal
Germany
Phone: +49 561 9522 0
www.SMA.de

Investor Relations

Anna Raudszus
Phone: +49 561 9522 2222
Fax: +49 561 9522 2223
E-mail: IR@SMA.de

Public Relations

Volker Wasgindt
Phone: +49 561 9522 1121
Fax: +49 561 9522 1103
E-mail: PR@SMA.de

SMA Solar Technology AG
www.SMA.de



SUNNY BOY

Photovoltaic string inverter – Made in Germany

Annua

Serial No.
2009

Art. No.
AR2009-EN-20100331

SMA Solar Technology AG
Sonnenallee 1
34266 Niestetal
Germany
Phone: +49 561 9522 0
Fax: +49 561 9522 100
E-mail: info@SMA.de
www.SMA.de



outdoor

