



SMA Solar Technology AG
Annual Report 2008

THE FUTURE OF SOLAR TECHNOLOGY

SMA Solar Technology AG develops, produces and sells solar inverters and monitoring systems for photovoltaic applications. SMA is the world's largest producer in this segment and is the only vendor that has a product range with the matching inverter type for any module type and any power class. This applies for grid tied applications as well as island and backup operation.

The inverter is technologically the most important component in any solar power system: it converts the direct current generated in photovoltaic cells into alternating current suitable for the grid. In addition, it is an intelligent system manager, responsible for yield monitoring and grid management. Solar inverters are characterized by a particularly high efficiency. The Sunny Mini Central produced by SMA already has an efficiency of over 98 %, which allows for increased electricity production.

SMA's business model is driven by technological progress. Due to its flexible and scalable production,

SMA is in a position to quickly respond to customer demands and promptly implement product innovations. This allows the Company to easily keep pace with the dynamic market trends of the photovoltaic industry and at the same time absorb short-term fluctuations in demand for solar inverters.

SMA Solar Technology AG is headquartered in Niestetal, near Kassel, and is represented by sales and service subsidiaries on four continents in eight countries. This group of companies employs more than 2,500 employees (incl. temporary staff) and has been distinguished several times in previous years with awards for its outstanding performance as an employer. Since June 27, 2008, the Company has been listed in the Prime Standard of the Frankfurt Stock Exchange (S92), and since September 22, 2008, the Company's shares have been listed in the TecDAX. In 2008, SMA generated an earnings before interest and taxes (EBIT) of more than € 165 million from a turnover of more than € 680 million. This corresponds to an EBIT margin of over 24 %.



BUSINESS GROUP FIGURES

SMA Group		2008	2007	2006	2005	2004
		IFRS	IFRS	IFRS	HGB	HGB
Sales	€ million	681.6	327.3	192.9	172.2	180.7
Export ratio		42.3 %	29.4 %	20.1 %	12.3 %	14.8 %
Capital expenditure ¹	€ million	62.2	12.3	15.0	7.0	6.0
Depreciation	€ million	8.9	16.0	9.0	3.0	3.0
Operating profit (EBIT)	€ million	167.4	59.3	33.4	35.2	33.2
Operating profit margin		24.6 %	18.1 %	17.3 %	20.4 %	18.4 %
Consolidated net profit	€ million	119.5	36.8	20.5	18.1	12.9
Earnings per share ²	€	3.44	1.06	0.59	0.52	0.37
Employees (average during the period) ³		2,513	1,600	1,164	928	832
in Germany		2,400	1,535	1,133	910	818
Abroad		113	65	31	18	14
SMA Group		12/31/08	12/31/07	12/31/06	12/31/05	12/31/04
		IFRS	IFRS	IFRS	HGB	HGB
Total assets	€ million	469.6	163.2	112.3	84.0	66.3
Equity	€ million	280.8	64.4	40.7	32.9	21.6
Equity ratio		59.8 %	39.5 %	36.2 %	39.2 %	32.6 %
Net working capital ⁴	€ million	78.0	59.4	34.3	22.6	26.9
Net working capital ratio		11.4 %	18.1 %	17.8 %	13.1 %	14.9 %
Cash and cash equivalents	€ million	261.0	52.8	33.5	35.8	23.1

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

INVERTER OUTPUT SOLD

in megawatts

**GROUP SALES**

in million Euro

**OPERATING PROFIT (EBIT)**

in million Euro

**EARNINGS PER SHARE**

in Euro



(converted to 34,700,000 shares)

- 2007
- 2008

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Dear Shareholders,

Always being one step ahead, that is the drive and success strategy at SMA. 2008, like no other year, was one of further development for our Company. By going public, we have set our course for the future and optimally prepared ourselves for future challenges: technological innovations to reduce costs and international structures to continue in a dynamic market environment. We were able to achieve an outstanding company result, while at the same time expanding our market and technology leadership. Last but not least, we have increased our export share and, with the construction of our CO₂-neutral inverter factory, we have laid the foundations for high efficiency and short delivery times.

To further expand this advantage in the future, we will tap into numerous up-and-coming solar markets when the time is right. In 2010 alone, we are planning the establishment of five new subsidiaries. We will also expand the field of research and development at an even faster rate than before. Because through technological innovations, we are able to further reduce the sales price of our inverters and more precisely design devices with more sophisticated functions. Grid management, for example, becomes increasingly more important with a rapidly increasing proportion of fed-in solar electricity. Because of our more than 25 years of experience and having the largest installed inverter base, we already possess the solutions for the challenges of the future.

Our competitive edge is secured by our innovative strength, technology leadership, high flexibility and a product range unique in its breadth and quality. In addition, our financial independence gives us the power to grow in the future. Together with our worldwide presence through our sales and service subsidiaries and our flexible manufacturing processes we are already well prepared for varying market demands.

So we have every reason to look back on 2008 with pride, and we thank you for your trust. We look forward to new joint challenges and further corporate success in 2009.



Günther Cramer
CEO

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The Supervisory Board continuously monitored and regularly advised the Management Board during fiscal 2008 with respect to the management of the Company in line with the law, the articles of association and the rules of procedure. It was involved early on in all decisions that are of basic importance for SMA. The Management Board kept the Supervisory Board informed regularly, in due time and comprehensively about business developments, the position of the Company and the Group, the proposed business policies and other principal issues of corporate planning, in particular financial, investment and personnel planning, whereby deviations between the actual developments and previously reported objectives were illustrated in detail by indicating the reasons. In addition, information was provided about the Company's profitability, in particular the return on equity, the risk position and risk management as well as compliance.

All material transactions were discussed thoroughly in the year under review at five ordinary meetings of the Supervisory Board, namely on February 7, March 17, April 30, August 5 and November 27 at the Company's head office in Niestetal jointly with the Management Board. The Supervisory Board adopted the resolutions required by the law or the articles of association at the meetings. In addition, events of special significance and urgency were discussed by phone on June 11, 22 and 26, and further resolutions requiring consent were adopted. Except for one meeting which one Supervisory Member could not attend, all members of the Supervisory Board took part in all meetings and discussions by phone. Since the Supervisory Board consists of only six members, it waived forming committees. The body was of the 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.

At the forefront of the meetings in the first half year was the Company's IPO in June and all related issues and permits. Accordingly, in the run-up to the IPO, new articles of association were discussed and the rules of procedure for the Supervisory Board and the Management Board adapted to the provisions of the German Corporate Governance Code. A significant discussion topic was the hiving off of the Railway Technology Division into an independent company. In addition, the Supervisory Board explained the measures and activities planned by the Management Board, which resulted from the surge in revenues. The strategic and operative plans related to the internationalization of the business, the development of earnings, the financial position as well as necessary construction measures and other investments were discussed in detail and corresponding resolutions were adopted in the case of decisions requiring consent. The members of the Management Board participated in all meetings of the Supervisory Board.

The Supervisory Board dealt with the content of the German Corporate Governance Code. In February 2009, the Supervisory Board and the Management Board adopted the Declaration of Conformity according to § 161 AktG in order to declare that the recommendations of the German Corporate Governance Code are complied with by SMA Solar Technology AG. The joint report on compliance with the regulations of the German Corporate Governance Code, as defined in clause 3.10 of the German Corporate Governance Code is presented on pages 22 ff., which also contain statements on conflicts of interest and their treatment.

The examination of efficiency of the Supervisory Board's activities, which is recommended by the German Corporate Governance Code, was performed using a standardized, comprehensive questionnaire. The results were discussed and analyzed thoroughly at the Supervisory Board meeting of February 19, 2009. The Supervisory Board meets its duty according to the requirements.

The annual financial statements as at December 31, 2008 of SMA Solar Technology AG, drawn up by the Management Board, and the management report for fiscal 2008 as well as the consolidated financial statements as at December 31, 2008 and the

consolidated management report for fiscal 2008, including the bookkeeping system, were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Kassel. The relevant audit assignment was given by the Supervisory Board in line with the resolution of the General Meeting dated April 30, 2008. In addition, the Supervisory Board obtained the certificate of independence according to clause 7.2.1 of the German Corporate Governance Code and monitored the independence of the auditor. They 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 HGB on the basis of 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 statements and the management report as well as for the consolidated financial statements and the consolidated management report.

The reporting documents and the Management Board's proposal on the appropriation of profits as well as the two audit reports were available to the Supervisory Board. These were examined and discussed thoroughly by the Supervisory Board at its meeting on March 17, 2009 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 together with the auditor, discussed by the Supervisory Board and reviewed. Thereafter, the Supervisory Board consented to the findings of the auditor. The Supervisory Board raises no objections after the final result of its audit.

Accordingly, the Supervisory Board approved the financial statements drawn up by the Management Board and the related management reports for fiscal 2008 at its meeting convened to adopt the accounts on March 17, 2009. As a result, the annual financial statements of SMA Solar Technology AG are approved in line with § 172 AktG.

Finally, at its meeting of March 17, 2009, the Supervisory Board consented to the Management 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.

Through a resolution of the General Meeting on April 30, 2008, Dr. Winfried Hoffmann was elected as an additional member of the Supervisory Board. The Supervisory Board now has the full number of members in accordance with the Stock Corporation Act and the articles of association.

The Supervisory Board thanks the Management Board and all the employees for their excellent services in the previous fiscal year. In spite of the one-off burdens resulting from the IPO and the drastic expansion of the business, the Company again achieved an excellent result, which deserves our unreserved approval.

Niestetal, March 17, 2009

The Supervisory Board



Dr. Erik Ehrentraut

The Chairman

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

For SMA, responsible and transparent enterprise management that is oriented on long-term success has had a high priority. Therefore, the German Corporate Governance Code is an important guideline, compliance with which is of decisive importance for us in order to ensure the confidence of shareholders, customers, employees and the public in our enterprise in the long term.

Management and Control Structure

The Management Board manages the enterprise on its own responsibility and keeps the Supervisory Board informed, orally and in writing, in due time and comprehensively, about the current business development as well as all issues relevant to strategic planning, the risk situation and risk management. The Management Board ensures compliance with statutory provisions and internal corporate guidelines within the SMA Group, and provides the Supervisory Board with reports on important compliance topics.

Apart from the dual management and control structure pursuant to the German stock corporation laws, the Supervisory Board has the primary task of continuously advising and monitoring the Management Board with respect to the management of the enterprise. In its report, the Supervisory Board provides detailed information about the emphasis of its activities and consultancy in the previous fiscal year.

In the year under review, the Company's articles of association and the rules of procedure for the Management Board and the Supervisory Board were revised in the run-up to the IPO so that these meet the conditions for the listing in the Prime Standard of the German Stock Exchange and the recommendations of the German Corporate Governance Code.

The rules of procedure include an age limit of 65 years for Management Board members and an age limit of 70 years for the Supervisory Board members. However, during the next reelection of members of the Supervisory Board due at the next General Meeting, the election proposal will deviate in one case from clause 5.4.1 sentence 2 and the defined age limit. Although he will exceed the age limit, Prof. (em) Dr. Ing. Werner Kleinkauf is proposed for reelection to the Supervisory Board due to his comprehensive experience and his function as the founder and main shareholder of SMA.

The Supervisory Board has so far refrained from forming an audit committee, a presidium committee and a nomination committee, which is possible under the rules of procedure for the Supervisory Board. This is 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 the view of the Company, this does not constitute any deviation to be declared pursuant to § 161 AktG from the recommendation in clause 5.3.1 of the Code to form committees with sufficient expertise. This recommendation to the Supervisory Board is "depending on the specifics of the enterprise and the number of its members." Thus, the Code also assumes that not every Supervisory Board should form committees in order to efficiently fulfill its responsibilities. The examination of efficiency of the Supervisory Board's activities, which is recommended by the Corporate Governance Code, was performed using a standardized, comprehensive questionnaire. The results were discussed and analyzed thoroughly at the Supervisory Board meeting on February 19, 2009. The overall findings established by the Supervisory Board were positive.

Directors & Officers insurance, with a deductible of € 2,500 per damaging event, has been agreed for the members of the Supervisory Board and of the Management Board.

In the last year under review, there were no advisory agreements and other contracts for services or work between the Supervisory Board members and the Company.

In the run-up to the General Meeting, SMA published the agenda as well as reports and documents, including the business report, which are relevant for assessing the agenda, easily accessible on the Company's website. Our shareholders may authorize proxies designated by the Company if they are not able to attend a General Meeting in person.

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 website at www.SMA.de. Transparency is particularly necessary when transactions of the Management Board or of the Supervisory Board may result in conflicts of interest. The following items are to be emphasized in respect of SMA.

There is a tenancy agreement for the business premises at the head office in Niestetal, Sonnenallee 1, between SMA Solar Technology AG and SMA Immo GmbH. SMA Immo GmbH is a wholly owned subsidiary of SMA Technologie Holding GmbH, whose shareholders, in turn, are the four main shareholders. In March 2008, five existing tenancy agreements were combined to form this overall tenancy agreement. In February 2008, SMA Solar Technology AG acquired several plots of land in Niestetal, which are used as a car park, from SMA Immo GmbH. The Supervisory Board member concerned abstained from taking part in the discussion and the voting.

An employee allocation agreement on the allocation of temporary employees exists between SMA Solar Technology AG and team-time GmbH. The sole shareholder and man-

aging director is the wife of one of the members of the Management Board. The Supervisory Board was notified of this fact.

In fiscal 2008, members of the Management Board and of the Supervisory Board acquired SMA shares, and also sold them in the context of the IPO. We disclosed all securities transactions in accordance with § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) and published them throughout Europe pursuant to the statutory provisions. The individual transactions are also published and accessible on our website at www.SMA.de.

The number of shares of the Company or related financial instruments, held directly by Management Board and Supervisory Board members, exceeds the threshold of 1 % (clause 6.6 of the Code) of the shares issued by SMA. Management Board members hold a total share of 58.2 % and Supervisory Board members a total share of 17.2 % in stocks.

Accounting and Audit of the Financial Statements

The accounting procedures of SMA is done in the annual report based on HGB (German Commercial Code) and in the Group report based on the International Financial Reporting Standards (IFRS) as applicable in the European Community. After PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Kassel, had been appointed at the General Meeting of April 30, 2008 for the 2008 financial year as the auditor and group auditor, and as the auditor for the review of the half-yearly financial report and quarterly financial reports, it was retained by the Supervisory Board in accordance with all recommendations provided by clause 7.2 of the Governance Code.

The Management Board informs the members of the Supervisory Board at regular intervals in the context of its reporting duty about the current situation and publications of the enterprise. Due to lack of time, no discussion of the half-

yearly financial report 2008 and of the quarterly financial report for January to September 2008 took place between the Management Board and the Supervisory Board prior to publication, which is in deviation from clause 7.1.2 sentence 2 of the Code. However, a discussion of interim reports prior to publication is planned for the future.

DECLARATION OF CONFORMITY

Declaration of the Management Board and the Supervisory Board of SMA Solar Technology AG on the Corporate Governance Code in accordance with § 161 AktG:

§ 161 AktG requires the Management Board and the Supervisory Board of SMA Solar Technology AG to declare that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) have been and are being complied with and to disclose which of the Code's recommendations have not been or are not being applied. Pursuant to § 161 AktG, this declaration is to be made accessible to the shareholders on a permanent basis. This declaration is given for the first time due to the listing of the Company's shares on the Frankfurt Stock Exchange on June 27, 2008.

The Management Board and the Supervisory Board of SMA Solar Technology AG herewith declare in compliance with § 161 AktG that, from the listing of the shares of SMA Solar Technology AG on the Frankfurt Stock Exchange on June 27, 2008, the recommendations of the Government Commission on the "German Corporate Governance Code", initially in the version dated June 14, 2007 – published in the electronic Federal Gazette on July 20, 2007 – or since their applicability in the version dated June 6, 2008 – published in the electronic Federal Gazette on August 8, 2008 – have been and are being complied with, except for clause 7.1.2 sentence 2, which was not complied with in our interim reports in the 2008 financial year, but which we intend to comply with in the future. However, during the next election of members of the Supervisory Board due at the next Annual General Meeting, the election proposal will deviate in one case from clause 5.4.1 sentence 2 and the defined age limit.

Niestetal, February 19, 2009

The Management Board
The Supervisory Board

REMUNERATION REPORT

The remuneration report summarizes the principles used to determine the remuneration of the members of the Management Board and explains the structure and amount of compensation received by the Management Board as well as by the Supervisory Board.

The remuneration report is based on the recommendations of the German Corporate Government Code and contains necessary information which forms part of the Notes as required by § 314 HGB and of the Management Report as required by § 315 HGB, due to the requirements of German commercial law, extended by the Law on Disclosure of Management Board Remuneration (VorStOG). The remuneration report forms part of the management report in the audited consolidated financial statements and is included in the business 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.

Remuneration of the Management Board

The remuneration system for the Management Board, including material elements of the contract, is determined by the Supervisory Board. Compensation of the Management 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 as a rule. Additional benefits include a direct insurance policy taken out for pension benefits, and allowances for insurance policies. In addition, all members of the Management Board receive a company car for business and private use. All employment contracts with members of the Management Board include a provision that compensation will be paid for a further period of six months in the event of death or permanent disability. All members of the Management Board are subject to a post-termination prohibition to compete for a period of two years,

which also provides for a relevant compensation payment in accordance with §§ 74 et seq. HGB.

In the event of a change of control, i.e. if institutional investors or third-party companies acquire more than 50 % of the Company's shares, if they have a material influence on the business policy or if the corporate executive position of a Management Board member is terminated by the Company or impaired substantially, a Management Board member has the right to terminate the employment contract early. If this right of termination is exercised, the Management Board member is entitled to receive compensation in the amount of the fixed and variable compensation for a period of twelve months, but no longer than by the original end of the contract. Beyond that, there are no regulations in the employment contract between the Company or its subsidiaries, on the one hand, and one or several members of the Management Board, on the other hand, which provide for any benefits in the event of termination of the employment contract. There are plans to abolish this right of termination in 2009.

Success-based compensation of the Management Board members does not include any components that relate to the long-term success of the Company (e.g. stock options or phantom stocks), since long-term orientation has been ensured sufficiently by the shares held by the Management Board. All members of the Management Board hold shares in SMA.

Total compensation of all four members of the Management Board in the 2008 fiscal year amounted to € 1.721 million as in the previous year, of which € 0.725 million is attributable to variable success-based compensation. Any tasks performed by the Management Board members with subsidiaries are not paid for separately.

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

	Compensation not based on success		Success-based compensation		Additional benefits		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Compensation of the Management Board								
Günther Cramer	240	240	200	200	20	20	460	460
Peter Drews	240	240	200	200	20	20	460	460
Pierre-Pascal Urbon	200	200	125	125	18	17	343	342
Reiner Wetlaufer	240	240	200	200	18	19	458	459
Total	920	920	725	725	76	76	1,721	1,721

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

Compensation of the Supervisory Board

At the general meeting on April 30, 2008, compensation of the Supervisory Board from fiscal 2008 was regulated anew. Accordingly, the members of the Supervisory Board receive fixed compensation of € 10,000.00 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 compensation of € 200.00 for each € 1,000,000.00 of net profit as stated in the Company's financial statements, but up to a maximum of € 20,000.00.

Compensation 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 compensation 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 compensation 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 € 1,500.00 per meeting day, and each chairman of a committee receives twice the aforementioned amount. No compensation is paid to the members of the nomination committee. Compensation 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 reduced proportionally to the period of their membership.

	Compensation not based on success		Success-based compensation		Total	
	2008	2007	2008	2007	2008	2007
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Compensation of the Supervisory Board						
Dr. jur. Erik Ehrentraut (Chairman)	20.0	10.0	40.0	-	60.0	10.0
Prof. (em) Dr. Ing. Werner Kleinkauf (Deputy Chairman)	14.0	7.5	28.0	-	42.0	7.5
Dipl.-Soz. Jürgen Dolle	10.0	5.5	20.0	-	30.0	5.5
Dipl.-Ing. Johannes Häde	10.0	6.0	20.0	-	30.0	6.0
Dr. Winfried Hoffmann (from 30.04.08)	6.7	-	13.3	-	20.0	-
Dipl.-Math. Sabine Weber	10.0	6.0	20.0	-	30.0	6.0
Total	70.7	35.0	141.3	-	212.0	35.0

No other remuneration or benefits for personally rendered services, especially consulting and negotiation services, were granted to the Supervisory Board members. They did not receive any loans and advance payments in the year under review.

Success-based compensation of the Supervisory Board members does not include components related to the long-term business success (e.g. stock options or phantom stocks). Five members of the Supervisory Board hold shares in SMA.

Total compensation of all six members of the Supervisory Board in the 2008 fiscal year amounted to € 0.212 million, of which € 0.141 million is attributable to variable compensation (previous year € 0.035 million, of which no variable compensation). Since no committees were formed, no compensation for committee activities was paid.

THE SMA SHARE

Basic share data

Security code number (WKN)	A0DJ6J
ISIN	DE000A0DJ6J9
Stock market code	S92
Ticker symbols	Reuters S92G.DE / Bloomberg S92.GR
Listing	Prime Standard of the Frankfurt Stock Exchange
Prime sector	Industrial goods
Industry group	Renewables
Share class	No-par-value ordinary bearer shares
Share capital	€ 34.7 million
Number of shares	34.7 million
First listing	June 27, 2008
Relevant index	TecDAX

SMA succeeded in completing the biggest IPO in Germany in 2008. SMA Solar Technology AG is the first solar company with photovoltaic inverters as its core business to be listed in the Prime Standard segment of the Frankfurt Stock Exchange.

On September 4, 2008, Deutsche Börse (German Stock Exchange) decided to include SMA Solar Technology AG into the TecDAX technology index. Actual trading of the share in the TecDAX commenced on September 22, 2008. The TecDAX consists of the 30 largest and most liquid companies from technology sectors of the Prime Segment, just below the Deutsche Aktien Index (DAX).

Performance

At the beginning of the reporting period, the DAX stood at 7,949 points (January 2, 2008). On September 30, 2008 the leading share index fell 2,118 points to 5,831 points and saw a decrease in value of 26.6 %. On November

21 the DAX reached its lowest level for the year 2008 with 4,127 points. On December 30, 2008 the leading share index stood at 4,810 points (- 17.5 %). As a result of the global financial crisis at the end of the reporting period the DAX declined a total of 3,139 points (- 39.5 %).

During the course of the fiscal year 2008, the TecDAX also saw a downturn. After starting off with 970 points at the beginning of 2008, the tech index fell to a considerably weaker 685 points (- 29.4 %) on September 30, 2008. In the fourth quarter the downturn continued. The TecDAX lost an additional 177 points (- 25.8 %) to 508 points on December 30, 2008. The total loss sustained by the TecDAX for the year 2008 as a whole was 462 points or 47.6 %.

After the market plunge in the third quarter, the SMA share price sustained a position above its € 47.00 initial offering price and reached its highest point to date of € 65.28 in Xetra Trading on August 20, 2008. By mid September the downward trend of the market was also reflected in SMA's



share price, which reached a low of € 49.02 (closing price Xetra) on September 16. Toward the end of the third quarter, SMA shares recovered, reaching € 54.78 (closing price Xetra) on September 30. Compared to the TecDAX, SMA shares performed clearly better. SMA shares saw a slight gain of 1.5 % by the end of the quarter, while the TecDAX fell by 9 %.

In the fourth quarter the unabated effects of the financial crisis reappeared. At the beginning of the quarter, SMA shares stood at € 54.45. During the following weeks shares weakened until on November 20, they reached their lowest level since the IPO at € 23.39 (closing price Xetra). In December, SMA shares recovered strongly to € 37.50 (closing price Xetra) by the end of the quarter. This amounts to a drop in value of - 31.1 % in the fourth quarter. Altogether, SMA shares performed better in the first six months after the IPO than the benchmark TecDAX. The trading volume in the period June 27 through December 31, 2008 was on average 76,936 shares per day.

By the end of the third quarter, Deutsche Bank, Citi, Commerzbank, Goldman Sachs and Landesbank Baden-Württemberg (LBBW) reported regularly on SMA shares. In the fourth quarter Berenberg, HVB UniCredit, Merck Finck and Merrill Lynch also started reporting on SMA.



- Freefloat: 25.70 %
- Dipl.-Ing. Günther Cramer: 19.09 %
- Dipl.-Ing. Peter Drews: 19.11 %
- Dipl.-Ing. Reiner Wettlaufer: 19.11 %
- Prof. (em) Dr. Ing. Werner Kleinkauf: 16.99 %

Free float calculated according to guidelines for the equity indices of Deutsche Börse.

The Company's four founders – Günther Cramer, Peter Drews, Reiner Wettlaufer and Prof. (em.) Dr. Ing. Werner Kleinkauf – hold the majority of shares in SMA of approximately 74 % after the IPO. The SMA Group's free float stands at approximately 26 %.

Investor Relations

In the six months since the IPO, the work of SMA Investor Relations aimed to reach many important goals by increasing news coverage by analysts and increasing the public's recognition of SMA. Of primary importance was communicating its business model, its innovative strengths and the unique positioning of SMA in the solar industry.

After the successful IPO in June 2008, management spoke to investors by conducting road shows in Frankfurt, Zurich, Geneva and London. Furthermore, the SMA management attended the Citi Small & Mid Cap Conference in London. SMA conducted a dialog with analysts by means of telephone conferences, tours of the production facility and one-on-one interviews during the Forum Solarpraxis in Berlin.

In the first quarter of 2009 SMA participated in two investor conferences. During the LBBW Photovoltaic Conference in Zurich as well as at the Growth & Responsibility Conference of the Commerzbank in Frankfurt, the management intro-

duced SMA to new investor circles and made themselves available for one-on-one discussions. In addition, there were discussions with investors in Brussels, Lugano and Copenhagen.

The communication policy of SMA is founded on the principles of transparency, continuity and trustworthiness. At the center of Investor Relations' work is the build-up and maintenance of long-term and trusting relationships with the leading players in the capital markets. SMA has made a vast amount of information about the Company and its shares available on its Investor Relations website www.ir.SMA.de for investors, financial analysts, and journalists. This information includes financial reports, statutory company statements, financial news and the financial calendar.

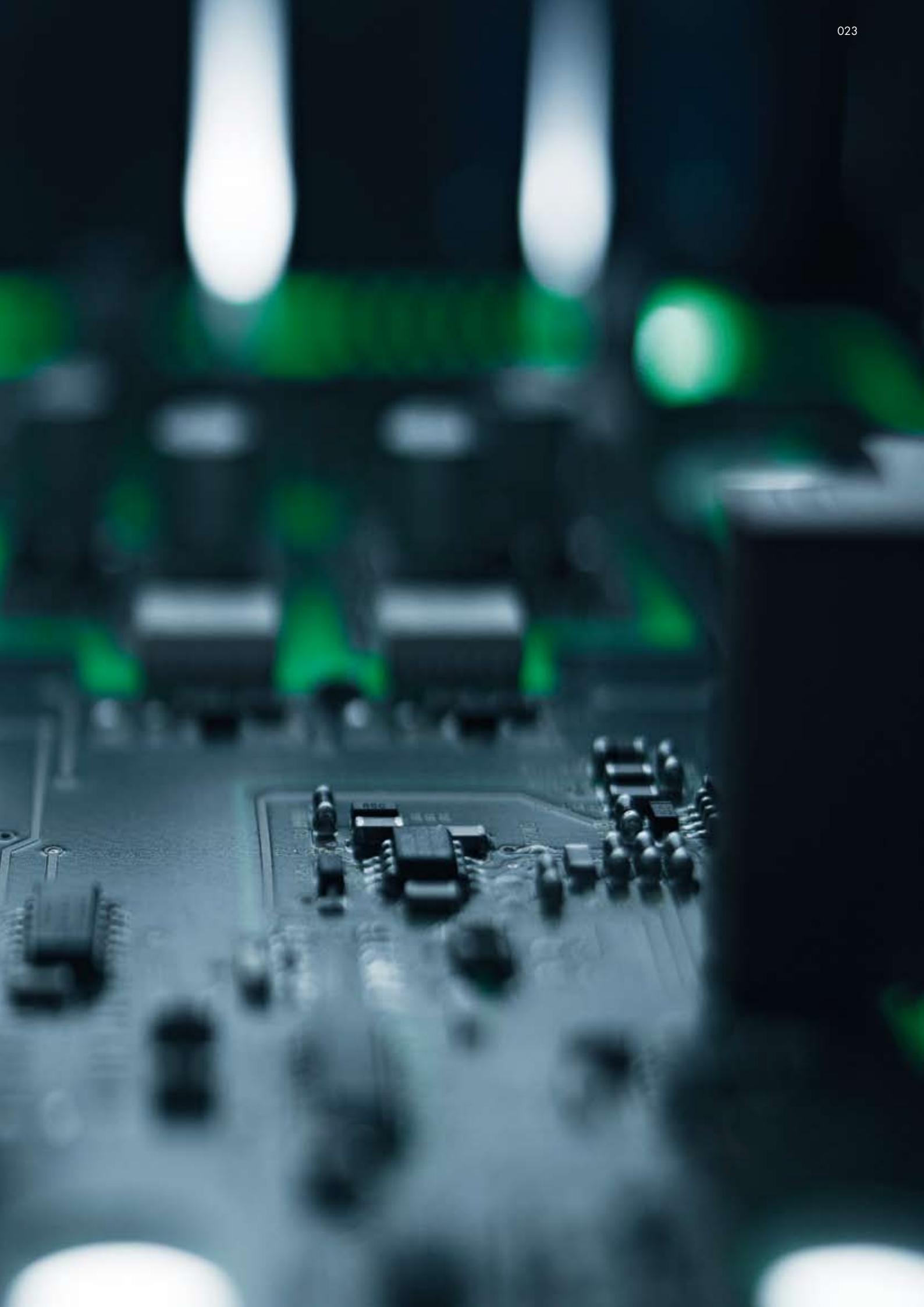
SMA has invited institutional investors and analysts to the first ever Capital Markets Day at the Company's Niestetal headquarters on April 1, 2009. SMA will publish the quarterly report for January – March 2009 on its website on May 15, 2009.

The Annual General Meeting of SMA Solar Technology is now rescheduled for Wednesday June 10, 2009. The Annual General Meeting 2009 starts at 10:00 a.m. at the Kongress Palais Kassel. SMA would like to welcome all shareholders to attend.

EXTENDING THE COMPETITIVE EDGE.



BETTER PREPARED. A PRODUCT RANGE THAT SERVES ALL MARKET REQUIREMENTS. **FURTHER THOUGHT.** INNOVATIONS THAT ESTABLISH TECHNOLOGY TRENDS. **CLOSER TO THE MARKET.** WORLDWIDE PRESENCE, WHICH STANDS FOR CUSTOMER PROXIMITY AND INTERNATIONAL PARTNERSHIPS. **LOCALLY MORE COMPETENT.** SERVICE, BASED ON EXPERIENCE. **ACTING FASTER.** FLEXIBILITY, WHICH ENSURES SALES.



BETTER PREPARED.

A PRODUCT RANGE THAT SERVES ALL MARKET REQUIREMENTS.

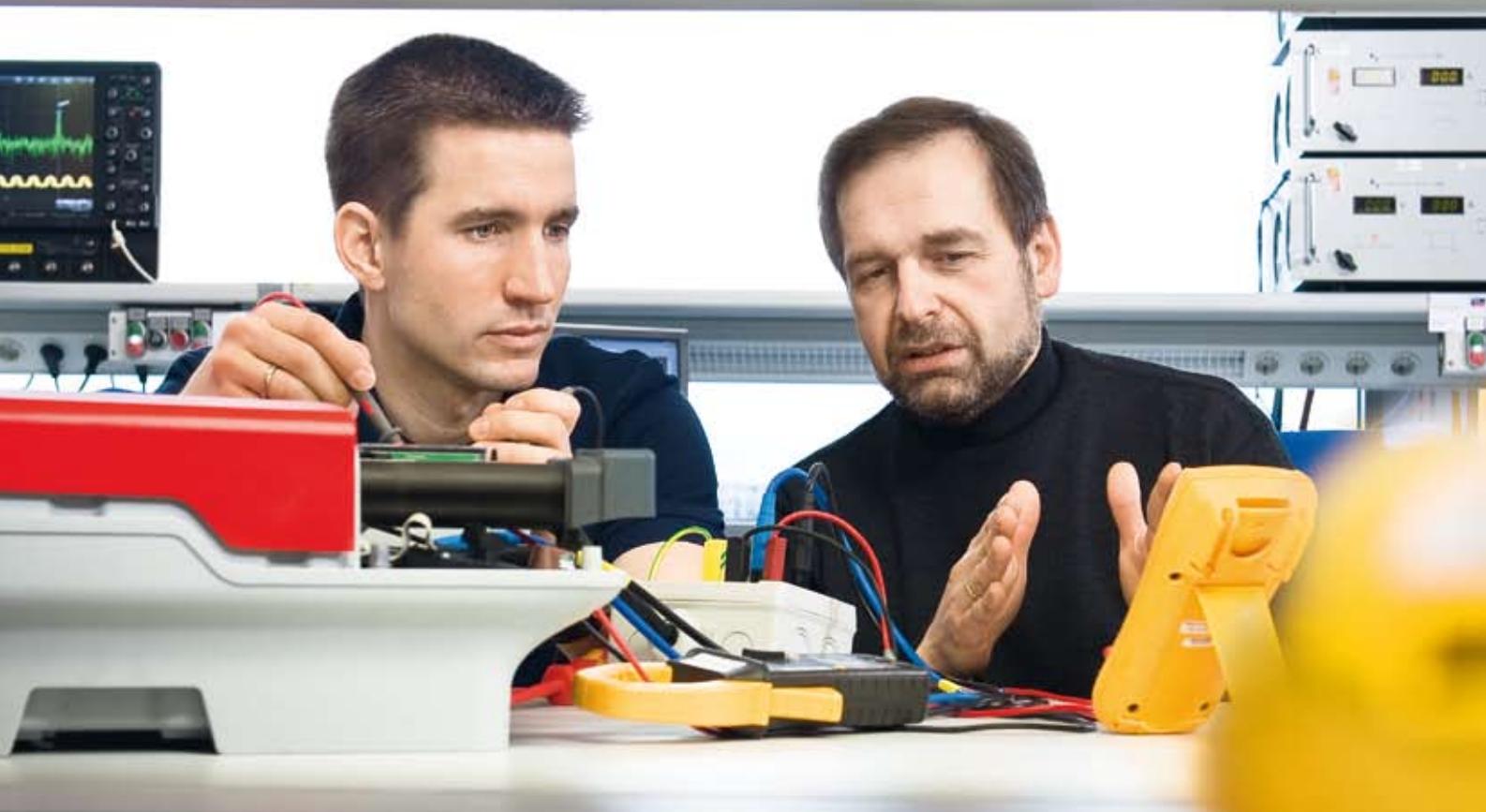
With an inverter output of more than two gigawatts sold in 2008, we are the world's largest manufacturer of solar inverters. Our maxim: identify market demands early and set the trends of solar technology. Our success proves us right. We have been shaping inverter technology for over 25 years and are time and again distinguished with awards for our services and products.

Solar inverters from SMA are highly efficient, user-friendly and durable. The high quality of our inverters has also been confirmed by the Stiftung Warentest, the German product standards institute: in both test series, our devices received top grades as best in test. Since every PV system has to be individually designed, SMA has a broad product range: we are the only manufacturer to offer the appropriate inverter

for every requirement, worldwide, whether for grid connection or stand-alone supply. From kilowatt to megawatt. For all module types, whether thin-film, crystalline or concentrator technology. From our current position, we are able to profit from the worldwide growth of the PV industry.

This also means that our customers always have the choice. For example, whether they implement a decentralized solar power station with the Sunny Mini Central or whether they would like to fall back on the Sunny Central as a central solution. But no matter which product they choose, it will provide cutting-edge innovative system technology from SMA.





FURTHER THOUGHTS.

INNOVATIONS THAT ESTABLISH TECHNOLOGY TRENDS.

We operate flexibly and always have the customers in mind. SMA has therefore been setting standards in inverter technology: with more than 300 development engineers, we can introduce five or six brand new products to the market each year.

With our innovations, we increase customer benefit and reduce the prices per watt. The SMA central inverter Sunny Central 630HE, for example, already complies with the requirements of the medium voltage guidelines valid as of mid-2010, and can on this basis provide an important contribution to power grid management. But that is not all. In addition, through a whole series of innovations, we have once again been able to significantly reduce its specific price. Also, the latest generation of Sunny Boy inverters is further

proof of our strength in innovation. It was distinguished with both the Intersolar Award and the iF Design Award in 2008 for its intelligent installation concept, tool-free wiring, communication via *Bluetooth*® and design.

Always in focus: the “Total Cost of Ownership” principle. During the development phase of our inverters we already have all aspects of their later utilization in mind and can thus control costs accordingly. We also owe the success of our products to our global market knowledge and our understanding of the requirements of our customers. This know-how is reflected in our solar inverters, and forms the basis of their worldwide success.

CLOSER TO THE MARKET.

WORLDWIDE PRESENCE, WHICH STANDS FOR CUSTOMER PROXIMITY AND INTERNATIONAL PARTNERSHIPS.

As the market and technology leader, SMA is now represented by eight sales and service subsidiaries on four continents. Our export share increased to almost 40 % in 2008, and we are acting on the assumption that significant future growth abroad will follow.

Our strategy: proximity to customers in all major solar markets. Therefore, we continually monitor promising new markets around the world and establish new sales and service companies as soon as major growth in the market becomes apparent. As a rule, we recruit qualified personnel locally. In doing so, we generate a formidable knowledge advantage and bridge cultural differences. With these local companies, we consistently gain new information about specific market requirements and the customer structure in each of the various countries. A sales staff of over 200, alongside the head

office in Germany, oversee eight subsidiaries on four continents and have access to over 400 customers worldwide. By the end of 2010, we plan to have created five or six new companies.

SMA customers do not just benefit from our internationally oriented processes, but also from our many years of experience in dealing with country-specific certification and grid compliance regulations. Proximity to the market and to our customers means even more to us, though: we are also a dependable partner for investors and planners of international, large-scale solar projects.





LOCALLY MORE COMPETENT.

SERVICE, BASED ON EXPERIENCE.

Faster, more comprehensive and more flexible – that is the worldwide SMA Service concept. 250 highly qualified service personnel support our customers worldwide and help on-site during commissioning or the authorization procedure with the utility grid operator. Furthermore, a dense network spanning the globe ensures quick response times, such as the 24-hour replacement service in Germany, for example.

Each one of our service technicians has many years' experience, and the work provided is crucially important to the improvement of system availability. From the initial planning phase forward, we create added value for our customers.

Through the Sunny PRO Club, the SMA partner program for specialist trade companies, we offer professional marketing support as well as exclusive training for our members. We are internationally positioned here, as well. The Sunny PRO Club has already been successfully established in the US. The range of activities is rounded out by the SMA Solar Academy seminars: with practical training we provide expertise for the optimal use of our solar inverters and communications products, and, if required, also provide qualified training on-site.

ACTING FASTER.

FLEXIBILITY, WHICH ENSURES SALES.

One of our greatest strengths is flexibility. This concerns both the production as well as the organizational structures throughout SMA. An efficient, ultra-modern production process enables us, even under dynamic market conditions, to act quickly and appropriately. In a volatile market that can fluctuate greatly, such as the solar technology industry, this is a competitive advantage that cannot be valued highly enough.

Production capacity, therefore, is never a limiting factor for SMA. Thanks to our flexible structures we can match our capacity quickly to changing market demands. As a result, based on the very strong demand for our solar inverters, we have more than doubled our production capacity from almost one gigawatt to over 2.2 gigawatts. We will merge the interim production facilities built in 2008 into one loca-

tion in our new CO₂-neutral manufacturing plant. Through an innovative building concept and optimized production processes, we can with the world's largest inverter factory realize further efficiency gains. Naturally, we remain true to our principle: we manufacture inverters only on the basis of a concrete order.

Over 25 years of experience in a competitive market environment has secured for us a healthy lead over our competitors. Streamlined logistics processes and efficient production procedures enable us to quickly and easily absorb changes in demand or shifts within the global market at any time. Our employees also have an impressive ability to adapt and are committed to further improvements and standardization of our processes. Efficiency, for us, is clearly a globally practiced corporate strategy.



SHAPING THE FUTURE.



GROWTH ASSURED. AN IPO, WHICH PAVES THE WAY. **EFFICIENCY INCREASED.** AN INVERTER FACTORY, WHICH SETS STANDARDS. **RESPONSIBILITY LIVED.** AN AWARD, WHICH STANDS FOR FAIR CORPORATE LEADERSHIP.



27.06.



GROWTH ASSURED.

AN IPO, WHICH PAVES THE WAY.

He who wishes to grow, needs capital. That SMA does not just want to hold its position as market and technology leader, but rather wants to expand, was a clear strategic decision. And at the same time the starting point of a substantial process, the climax of which was represented by the successful IPO of our Company on June 27, 2008. Now SMA is able to finance further growth with its own resources – and is thus optimally positioned for future developments.

Extending technological competitive edge

Development in the global photovoltaics market is difficult to estimate: the BSW (German Association for Solar Businesses) estimates that the 2008 PV market has grown to 5.7 gigawatts worldwide. This equates to roughly double that of the previous year. As a result of our excellent positioning, we have been able to profit greatly from this growth and have increased our inverter output to 2.2 gigawatts. The securing of this positioning, the expansion of our technological progress, and the participation in further global growth were formulated at the board level as clear objectives of our corporate strategy. The IPO capital released should primarily serve these objectives.

Win trust with outstanding positioning

On June 27, 2008, after intensive preparation, the day had come: the SMA shares were listed in the Prime Standard on the Frankfurt Stock Exchange for the first time with an issue price of 47 euros. The entry was a huge success – despite the extremely difficult market environment. Clear evidence of the successful business model and the outstanding positioning of the SMA group. The wide range of products, the extraordinary flexibility and technological competence as well as our dense worldwide network convinced analysts and investors alike. The investor's trust was not only due to SMA's

years of experience in the highly competitive inverter market. But also the sound knowledge of international markets and the strong worldwide presence of our company had a significant positive effect.

Making the SMA shares even more attractive to investors

Another key element in this success story came in September: The IPO of SMA Solar Technology AG was distinguished with the "Renewables IPO of the Year 2008" at the Global Renewable Energy Awards by Euromoney and Ernst & Young.

And to conclude, we have successfully made the leap into the TecDAX. The inclusion in the index, to say the least, makes clear the rapidly growing importance of the photovoltaic industry as a whole for the national and international markets – and makes SMA shares even more attractive to investors all over the world.

Growth through "Grid Parity"

A further surge in the growth of photovoltaics is expected when the so-called "Grid Parity" is achieved. "Grid Parity" is expected in southern countries such as Italy and Spain as early as 2010, in Germany by 2015 and in most other European countries, at the latest, by 2020.

12.10.



EFFICIENCY INCREASED.

AN INVERTER FACTORY, WHICH SETS STANDARDS.

"Efficiency" is a fundamental mission and requirement for a company in the solar industry such as SMA. The various facets of this issue are particularly well shown using the world's largest inverter factory as an example, the dimensions of which astonished visitors at the topping-out ceremony on October 12, 2008. With its scalable production and the innovative energy concept of CO₂-neutrality, the new factory sets standards well beyond the geographical market.

Drive added value and make processes more efficient

Production criteria oriented towards sustainability is a fundamental component of the SMA corporate strategy. Therefore it was not even a question for us that with an expansion of our capacities there should be an accompanying increase in efficiency. Both in terms of the energy concept and in the production itself. Our goal: to realize CO₂-neutral manufacturing of SMA inverters and to further improve the efficiency of our production processes.

The advantages of the new inverter factory's CO₂-neutral construction method prove to be manifold: For a start, top-quality technological products such as our solar inverters achieve a value that goes well beyond pure function. And the optimization of material and energy flows reduces costs substantially. In addition, the consideration of climate effects over the entire product lifecycle brings transparency and helps to improve the environmental footprint. With our local energy concept we create further added value and develop regional anchoring of the Company. The SMA Project provides impressive evidence that a CO₂-neutral factory is not only ecologically but also economically sensible.

Actively protect the environment with the CO₂-neutral energy concept

Preventions-potential will be fully utilized with the factory before compensation measures are resorted to. Based on this energy concept, emissions are prevented through internal efficiency measures in the production process, the building envelope and the building services equipment. In addition,

there is the maximum use of local renewable energies for the supply of energy. The basis of the concept includes a building envelope over a low-energy building, a building-integrated photovoltaic system with a capacity of over one megawatt, and also the use of both a regional biogas plant and a block heat and power plant.

The use of modern methods for a lean production

Under the heading "lean production", part of the focus during the planning of the new factory was to produce even more efficiently through the use of modern techniques such as KANBAN and intelligent stock control. While, at the same time, continuing to expand on our greatest strength: maximum flexibility, so that we are able to adapt our production to the various developments in the market. On the one hand, expanding our capacity against the backdrop of current growth forecasts is a necessary and foresighted entrepreneurial decision. On the other hand, a flexible and scalable manufacturing concept carries an enormous competitive advantage – especially in the solar industry, with its extreme market dynamics. By combining both, we can adjust the total production output at any time if necessary. And so we are well prepared for any erratic market developments.

General Factory Data:

Completion: April 2009
 Production area: 18,500 m²
 Employees: 450 Employees per shift
 Production capacity: 3 to 4 GW p.a.
 PV system output: 1.107 MW

25.10.



Fairness Preis 2008
SMA Solar Technology

RESPONSIBILITY LIVED.

AN AWARD, WHICH STANDS FOR FAIR CORPORATE LEADERSHIP.

"It should be apparent that fairness in economic and political processes is possible and that an ethical orientation and success are not mutually exclusive." This is taken directly from the website of the Fairness-Stiftung, which presented the SMA Solar Technology AG Board of Directors with the prestigious German Fairness Award on October 25, 2008. The Board leads the Company with a pronounced sense of fairness, cooperation and employee involvement, for social, ethical and ecological values, for economic success and corporate responsibility in equal measure – so is the justification of the board of trustees for the award.

Rapid growth and passing on values

To receive an award for which we could not apply is a reliable confirmation that we have chosen the correct path. The cooperative corporate management at SMA is not just about fairness. It also forms the basis for both enjoyment in the workplace and economic success even in highly dynamic markets. Open communication, transparent decision-making processes and employee participation in Company profits – these are also part of fair corporate management at SMA. Today, we, as a "Great Place to Work", are one of the best employers in Europe and offer our employees as shareholders the opportunity to acquire a share of the Company's capital. In so doing, we achieve not only a strong identification with SMA, but also a high degree of individual initiative and sense of responsibility.

Sustaining an agile corporate culture

As a company we profit to a large extent from the high commitment of our employees, actively shaping change, acting self-responsibly and continually improving their work. In the end, fairness, mutual respect and responsibility are the key values for an innovative company and committed employ-

ees. We are firmly convinced that such a corporate culture can only be cultivated, not demanded, because it needs discerning and active employees who will carry it and keep it alive. Therefore the Fairness Award is an award for our employees as well.

Employees who identify with our values and goals

Our employees are helping through Corporate Social Responsibility projects, for example, the reconstruction efforts in regions of global crisis and drought such as Uganda and Sri Lanka. And they support remote regions worldwide through the realization of stand-alone electricity systems, because even today more than two billion people around the world still live without electrical power. Stand-alone electricity systems allow for the generation of electricity independently of a central supply and an electricity grid. These systems allow remote outlying regions, where an extension of further energy generators and consumers is not possible without great technical expenditure, to be supplied and thus further developed. SMA provides not only all of the system components free of charge for these projects, but also the know-how of our engineers. In their free time they assist in the planning process, train installers on-site and actively offer help so that others can learn to help themselves. SMA employees are committed because they identify with our values and goals. And they are a part of our corporate culture, which stands for fairness and corporate responsibility.

STRATEGIES DEVELOPED.







"It is our definite goal to further extend our technological leadership with Continuing innovation." Günther Cramer (CEO)

An interview with the SMA directors Reiner Wettlaufer (CFO), Günther Cramer (CEO), Peter Drews (COO) and Pierre-Pascal Urbon (CMO).

SMA went public in 2008. How was the experience going through this intensive phase, and how did you prepare yourselves?

Reiner Wettlaufer: An IPO is a massive effort for any company. It was no different for us. For example, due to our growing international presence and the listing regulations, we had to reorganize all of our financial accounting into the IFRS international accounting system. An intensive process that required skilled knowledge. Through the IPO, of course, new reporting obligations have come into being, because the German stock market's "Prime Standard" regulations stipulate extensive disclosure obligations to the shareholders.

Which obligations are specifically linked to this?

Reiner Wettlaufer: By listing on the Prime Standard, we must provide, for example, the quarterly reports in both German and English. In addition, there are regular analyst events as well as extensive monitoring of the competition, the environment and the future. All of this required the creation of new organizational and personnel structures, which we have successfully implemented through the establishment of the "Investor Relations" department, among other things. The entire IPO-Team intensively prepared for the IPO over the course of many months. A great accomplishment ...

Günther Cramer: ... and we have every reason to be proud of our employees. All of them bring a high level of readiness for action and change. Such extraordinary flexibility and innovative strength can only be achieved with the right motivation. Such a special corporate culture is surely to thank for our great success. The Fairness Award that we received in 2008 for our cooperative corporate management proves

this point. The employees are actively involved at SMA and know what it takes.

Reiner Wettlaufer: A responsible and transparent corporate management has always been a high priority at SMA. We are very clearly focused on long-term success, and we consider the German Corporate Governance Code an important guideline for us, with which compliance is crucial. In particular, I am thinking about the confidence of the shareholders, customers, employees and public that must be sustained and safeguarded.

Günther Cramer: By going public, we have collectively made a very important strategic step that enables us to optimally position ourselves for future challenges. We are excellently positioned for 2009. It was especially important for us that our unique business model was understood and evaluated accordingly by the analysts. I think that we were able to convey that well. The success of the SMA IPO – despite the difficult environment – has shown that we are ideally positioned.

What exactly makes SMA such a special company?

Pierre-Pascal Urbon: We are the only manufacturer of solar inverters that can offer the appropriate device and corresponding monitoring solutions worldwide for any plant size, any grid specification and every module type. What also convinced investors and analysts is our global sales and service presence. Over the years, we have simply gathered experience abroad which other suppliers often lack. Together with our technological know-how and our innovative strength, we have assembled an enormous competitive advantage.

An advantage that you naturally want to keep ...

Günther Cramer (laughing): No, that's not like us. Naturally we want to expand our advantage. That is our stated goal:

to further extend our technological advantage through continuous innovation. That is why we have also strongly reinforced our development team. Take a look at 2008. We have had since the end of the year, for example, inverters on the market that meet the demands of the Medium Voltage Regulation, which do not become effective until 2010.

Since we are on the subject, what is your opinion of the new regulation?

Günther Cramer: Obviously we are involved in the issue of "grid integration" and welcome comprehensive regulations such as the Medium Voltage Regulation. After all, we want the proportion of photovoltaics in the energy supply to expand further and more quickly. And the inverter, as an intelligent actuator, can take over complex additional tasks such as solar plant and grid monitoring and, most notably, power grid management. We are already technologically advanced enough today that we are able to offer solutions here in all performance areas. With the introduction of the new Sunny Backup System, we have, by integrating a small battery bank, introduced a function that could be of great additional interest after "Grid Parity" is achieved.

And what about the issue of cost reduction? After all, this is also an important factor regarding the competitiveness of photovoltaics ...

Günther Cramer: Naturally, we are always focused on "cost reductions" here. With the Sunny Mini Central, which we launched in 2008, for example, we were able through technological innovations to further reduce the specific price by ten percent. In all our developments, the "Total Cost of Ownership" – that is to say issues such as energy yield, reliability, durability and installation costs – naturally plays a very important role. These factors influence the productivity of a PV plant and are therefore of great importance to our

customers. And we will of course continue to optimize our inverters with regard to the plant characteristics for grid integration ...

Pierre-Pascal Urbon: ... and we are also concentrating on continually improving the user-friendliness of our devices. With the Sunny Boy 5000TL in 2008, we have certainly already set a new standard. Here again, we are the first supplier to offer wireless Bluetooth communication and plant monitoring. For this we were presented with the 2008 Intersolar Award. The Sunny Boy 5000TL is also particularly easy to install and can be employed globally without adjustments.

How do you know so well what the installers want?

Pierre-Pascal Urbon: Through our partner program for specialists, the Sunny PRO Club, for example. With more than 500 member companies in Germany alone, this very successful concept has already been carried over to the U.S. and is planned for other countries as well. With this partnership we offer our club members professional marketing and exclusive seminars concerning new technologies and products. The members benefit from a strong market presence and a knowledge advantage over the competition. Through this close contact with the installers, we know very well what our customers want and what demands they have of a new product. Of course, our global sales and service network is also a great advantage here.

Speaking of a global network, why don't you manufacture abroad?

Peter Drews: Europe is the world's largest PV market. With our production in Kassel, we are well positioned in the center of Europe, and we can quickly serve our customers in this region. Another argument in favor of locating the production site in Germany is that we want to keep the "Time to



"Over the years, we have simply gathered experience abroad and thus acquired a competitive edge."
Pierre-Pascal Urbon (CMO)



"Through our highly flexible and scaleable production, we can absorb short-term fluctuations in the demand for solar-inverters without any difficulty."

Peter Drews (COO)

Market", meaning the time-span from development to market launch, as short as possible and actually reduce it further. So, naturally, our location here is ideal, if only because of the close physical proximity of development and production. Our goal is generally to remain as flexible as possible in order to react to the demand for our devices. In view of the strong growth in the U.S., we have therefore decided to establish a production site there in 2010. That does not only mean that we will be able to serve our customers in the U.S. just as flexibly as in Europe. We will also contribute to the added value locally and preserve jobs here in Germany, because we will, of course, further extend our market position by taking this step. The development department and the current production will of course remain at the site in Kassel.

You have once again significantly increased your production capacity with the building of the new CO₂-neutral inverter factory. It appears that you are expecting further growth ...

Peter Drews: For us, it is primarily about flexibility. Especially because the development of the photovoltaics market is difficult to predict. With the new inverter factory, we are strategically positioning ourselves in such a way that we can realize strong growth in the future as well. At the same time, we want to satisfy the increasing global demand for our inverters with short delivery times while simultaneously keeping inventory low. I think that the doubling of our production capacity in just a few months in 2008 is an impressive demonstration of our flexibility.

And what will be the effect of strong market fluctuations?

Peter Drews: For us, production capacity is not a limiting factor. Through our highly flexible and scaleable production, we can absorb short-term fluctuations in the demand for solar-inverters without any difficulty. Particularly since we can fall back on interim solutions anytime. This gives us the added advantage of being able to quickly respond to customer demands and promptly realize product innovations. Thus, we are well prepared for fierce competition, high market dynamics and further growth.

Thank you for the interview!



"We are very clearly focused on long-term success, and we consider the German Corporate Governance Code an important guideline for us, with which compliance is crucial."

Reiner Wettlaufer (CFO)

EXPANDING TECHNOLOGY LEADERSHIP.



EASILY INSTALLED. MAXIMUM YIELDS FOR SMALL ROOFTOP INSTALLATIONS. **TAILOR-MADE PLANNING.** REALIZING DECENTRALIZED MEDIUM AND LARGE SOLAR SYSTEMS. **ECONOMICAL IN USE.** RELIABLE AND EFFICIENT OPERATION OF SOLAR POWER STATIONS. **SAFE EVEN IN THE EVENT OF GRID FAILURE.** USING SOLAR ELECTRICITY, WHEN IT IS MOST VALUABLE. **MODULAR REALIZATION.** SOLAR ELECTRICITY SUPPLY TO REMOTE AREAS. **RELIABLE MONITORING OF SOLAR YIELDS.** EFFECTIVE SMA MONITORING FOR ALL SYSTEM SIZES.



EASILY INSTALLED.

MAXIMUM YIELDS FOR SMALL ROOFTOP INSTALLATIONS.



Efficient, user-friendly and durable: the Sunny Boy inverter from SMA represents our Company's leadership in both technology and quality. Optimally suited for use in small and medium-sized solar energy systems, it was distinguished several times by the Stiftung Warentest, the German product-standards institute, with top ratings – and continues to evolve: the new Sunny Boy 5000 TL, for example, is a true "world device" and can be configured for the most diverse country settings. In addition, patented SMA technologies such as OptiTrac or H5 topology are employed within the devices. They ensure that our inverters convert direct and alternating currents with maximum efficiency and that a PV system gives the operator a good return more quickly.

The new Sunny Boy is easier to install than any other device on the market thanks to its innovative assembly concept and communicates wirelessly via Bluetooth. For this, it was distinguished with the 2008 Intersolar Award. And in the same year, it received the prestigious iF Design Award for its ergonomic design.



TAILOR-MADE PLANNING.

REALIZING DECENTRALIZED MEDIUM AND LARGE SOLAR SYSTEMS.



Peak efficiencies of 98 % and an outstanding specific price: The Sunny Mini Central offers operators maximum yields and the shortest amortization times. The devices are ideally suited for the tailor-made, decentralized arrangement of medium-sized PV systems as well as solar power stations and are also suitable for outdoor installation. With tiered power classes from six to eleven kilowatts, the Sunny Mini Central guarantees high planning flexibility – for PV systems in the 30 kW range or 1000 kW solar power stations.

The Sunny Mini Centrals 6000TL to 11000TL feature, in addition to an efficiency of over 98 %, a whole range of technological innovations which ensure high solar yields. Most notably, the possibility of a decentralized system design makes the Sunny Mini Central particularly attractive to system operators. Decentralized concepts are always advantageous when the PV system's parts differ from one another and are therefore better operated separately. Causes for this can be different PV modules or unavoidable partial shadowing by trees or other buildings. Further advantages lie in the simple installation and easy maintenance.



ECONOMICAL IN USE.

RELIABLE AND EFFICIENT OPERATION OF SOLAR POWER STATIONS.



With string monitoring, medium voltage feed-in and easy installation, the central inverters from SMA are powerful solutions for solar power stations with a homogenous structure. High efficiency and superior reliability in operation make them particularly economical. As an example, the new Sunny Central 630HE, with an efficiency of over 98 %, can once again considerably increase the energy yield of solar power stations in comparison to products with a lower efficiency. Another distinctive feature is the possibility of completing a ready-for-installation system solution: two ready-to-use Sunny Centrals with a medium-voltage transformer and switching station in a compact concrete substation can be directly connected to the medium voltage grid as a complete solution.

As a further development in our successful HE series, we offer with the new Sunny Central 630HE first class technology, and through a series of innovations we were able to achieve a further reduction in the specific price. Furthermore, the 630HE already complies with the requirements of the medium voltage guidelines, which will be valid as of mid-2010, and can on this basis provide an important contribution to power grid management. Furthermore, SMA customers worldwide benefit from our many years of experience realizing large-scale international projects with central inverters. Thus, we not only offer first-class products, but also individual solutions for the most diverse system concepts.



SAFE EVEN IN THE EVENT OF GRID FAILURE.

USING SOLAR ELECTRICITY, WHEN IT IS MOST VALUABLE.



Every solar system will be disconnected from the grid in the event of a power outage. In this event, it does not deliver electricity anymore – neither for grid-feeding nor for the supply of domestic consumers. SMA closes this gap with the Sunny Backup system: as an extension of the PV system, it automatically switches the system to a stand-alone power supply within milliseconds in the event of a grid failure. System operators benefit from a practically uninterrupted energy supply even in the event of power outages.

For a simple installation, we offer the Sunny Backup system as a pre-configured set solution in four sizes: from S for small systems up to XL for solar power stations. Consequently an ideal “electricity insurance” for system owners. Operators can equip each and every SMA inverter-operated system as well as new systems with a Sunny Backup system. A further advantage: due to the integration of the PV system, a small and therefore low-cost battery can be fitted, since it is usually only needed to bridge the nighttime hours.



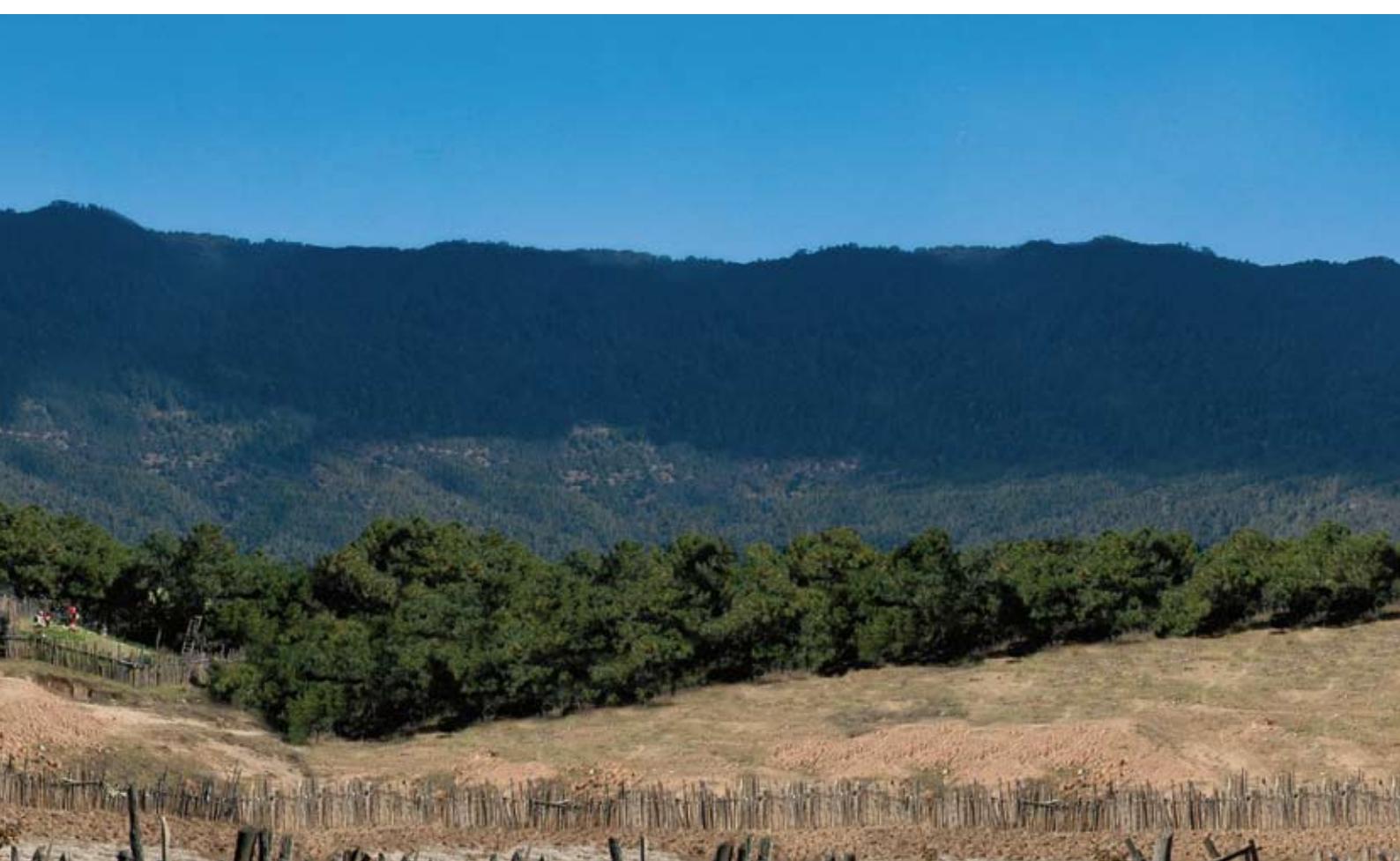
MODULAR REALIZATION.

SOLAR ELECTRICITY SUPPLY TO REMOTE AREAS.



One of the greatest challenges of the future will be decentralized energy supply to remote, off-grid regions: because today, more than two billion people around the world have to make do without electrical power. With the Sunny Island, we provide an innovative solution. SMA's stand-alone power technology makes it possible to generate solar power in areas where there is no energy supply grid available. Together with the battery unit, the Sunny Island stand-alone inverter creates a standard AC electricity supply into which all components can be integrated. The special advantage: each existing stand-alone grid, thanks to its modular construction, can be adjusted to an increase in demand without much technical effort.

Electricity generators and consumers are integrated in equal measure into the Sunny Island system. PV and wind energy systems, diesel devices, as well as water or block heating power stations can be coupled on the AC side just like conventional 230 Volt consumers. Thus, SMA's Sunny Island offers two key advantages: maximum flexibility is assured at the system planning and design stage and, during installation of the system, complex DC cabling is not required.



RELIABLE MONITORING OF SOLAR YIELDS.

EFFECTIVE SMA MONITORING FOR ALL SYSTEM SIZES.



Solar electricity systems are a secure method of generating electricity. All the same, there are always good reasons to keep track of one's system. Module shadowing, contact problems or disturbances in the utility grid can all interfere with system performance and with it the yield. Even smaller systems can be vulnerable to yield losses if a disturbance goes undetected over a long period of time – therefore, continuous system monitoring is definitely worthwhile.

Every solar system is different, however: from small rooftop systems with a Sunny Boy all the way up to large solar power stations with several central inverters, there are countless imaginable system configurations. SMA offers the appropriate communications and monitoring solution for every configuration – optionally based on *Bluetooth* wireless technology or the RS485 fieldbus. From the handy, wirelessly connected Sunny Beam up to internet-based system monitoring via Sunny Portal and Sunny WebBox – SMA offers a technical solution to meet any requirements. Easy integration and operation are, of course, standard, just like the utilization of tried and tested communication standards. New here is the wireless and lightning-fast communication via *Bluetooth*, which makes a radio-based network of up to 100 inverters possible. And with the Power Reducer Box, SMA is the first manufacturer to offer a communications product which requires PV systems to actively participate in grid safety management.





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FACTS AND FIGURES.

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CONSOLIDATED MANAGEMENT REPORT

I. BUSINESS AND GENERAL CONDITIONS

1. GROUP STRUCTURE AND BUSINESS ACTIVITY

Legal group structure

SMA Solar Technology AG, as the parent company of the Group, provides all of the functions that are necessary for the operative business. In addition to the parent company, all eight foreign companies in Spain, Italy, France, Greece, Australia, South Korea, the People's Republic of China and the USA are included in the consolidated financial statements. The shares in these companies are wholly owned, directly or indirectly, by SMA Solar Technology AG. These foreign subsidiaries act as mere marketing and service organizations.

Furthermore, SMA Solar Technology AG holds all the shares in SMA Railway Technology GmbH with its seat in Kassel, Germany. SMA Railway Technology GmbH was formed on June 2, 2008, with effect from January 1, 2008, by hiving off the railway technology division from the parent company into an independent company. The subsidiary also acquired a share of 10 % in the Chinese company 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.

Organizational structure and locations

The SMA Group has concentrated on the development, production and distribution of inverter products for the sectors photovoltaics (Photovoltaics Technology) and railway technology (Railway Technology). The remaining activities of the former industrial computer division are continued in the Photovoltaics Technology division.

The head office of the parent of the group, with its activities in the Photovoltaics Technology division, is located in Niestetal. 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 19 service centers throughout the Federal Republic of Germany, and six service centers in Spain. The aforementioned foreign companies are responsible for marketing the products of the Photovoltaics Technology division and ensuring services for the products in the relevant countries.

Management and control

The composition of the Group's corporate bodies, consisting of the Management Board and the Supervisory Board of SMA Solar Technology AG, remained almost unchanged in fiscal year 2008. Dr. Winfried Hoffmann was elected as an additional member of the Supervisory Board at the General Meeting of April 30, 2008 for the period to the General Meeting in 2011. The Management Board has responsibility for the total results up to the SMA Group. Mr. Günther Cramer, Chief Executive Officer, is responsible for Development, Strategy and Human Resources, Mr. Peter Drews for Production, Mr. Pierre-Pascal Urbon for Sales, Marketing and Investor Relations and Mr. Reiner Wetzlaufer for Finance.

Important products and significant sales markets

With its products from the Photovoltaics Technology division, SMA is the sole inverter producer worldwide that offers a complete product range for solar power systems. It covers solar inverters with an output of 700 Wp up to 1.26 MWp. In addition, SMA is the sole inverter producer worldwide that can

offer the right type of solar inverter for every type of photovoltaic module used, for both grid-connected solar systems and off-grid systems. Due to this 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 used the strong market position in Germany as the jumping off point for opening up new markets. At the end of the year under review, SMA was represented with its own branches in eight countries on four continents. Following Germany, the most important markets in fiscal 2008 were Spain, the USA, Italy, France, and South Korea.

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. 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 between railway and photovoltaics technology. In addition to the core market of Germany, the marketing focus is in particular on neighboring European countries.

The *Electronics Manufacturing* division produces all electronic assemblies for the SMA Group. The assemblies are manufactured using high-performance, fully automatic insertion machines and used primarily in the two divisions Photovoltaics Technology and Railway Technology. If internal demand exceeds the production capacities of the Electronics Manufacturing segment, the segment is responsible for purchasing relevant primary products from external suppliers and forwarding them to its customer, i.e. the relevant division or segment.

2. CORPORATE CONTROL, GOALS AND STRATEGY

Intra-group control system

The essential elements of the intra-group control system are the weekly meetings of the Management Board, the weekly joint meetings of the Management Board and the divisional managers, the monthly joint meeting with all departmental managers as well as the 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.

Financial goals

As a rule, business decisions are made with the goal of achieving a sustainable increase of the value of the enterprise. We are aiming for commercial success in order to be a stable partner to our customers in the long term, to offer our employees workplace security and to generate an adequate return on investment for our shareholders. We employ the earnings before interest and taxes (EBIT) and net working capital as the main control parameters. Commercial success and our shareholders' confidence are regarded by us as recognition of our performance.

Non-financial goals

Our vision is to supply humanity all over world with an ever-increasing portion of renewable energies. Locally generated electrical energy from the photovoltaic systems will assume a significant share of this. Our 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 our activities, we intend to accelerate technical progress and dissemination of photovoltaics throughout the world.

The management is convinced that outstanding special company culture is a significant key to SMA's success (see also chapter "Employees"). SMA is an attractive employer. We have designed our company culture in a way that our 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.

Our corporate guidelines stipulate that we will aim at a fair and honest business policy without bribery, granting advantages or any other kind of corruption. We regard compliance with all laws and other legal regulations as fundamental to all our actions.

Strategy

According to relevant studies, the photovoltaics market will continue to grow at the international level. The SMA Group intends to play a considerable part in this development with its products and range of services. To achieve this goal, we want to be the company of first choice for our customers. We will achieve this through:

- Technological leadership and maximum technical competence
- Excellent quality of products
- Optimum services and customer support
- Global presence
- Most advanced, order-based and highly flexible production
- Qualified and particularly committed employees
- Further reduction of product prices

Our innovative ability is a main driver for success. With innovative developments and products, we want to set standards in the market and create the basis for competitiveness and the growth of photovoltaics. Striving for the best quality is the foundation of our actions and determines our work processes and performance offered to the customer. We want to provide products, services and support at the highest level. Maximum flexibility and ability to change are important to us. We rely on a highly flexible manufacturing organization and on flexible procurement processes to ensure a rapid response to fluctuations in demand in the market.

Environmental matters

Our products contribute considerably to expanding the use of renewable energies 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 325 kW at present, into the Niestetal premises as well as building insulation that is far above the standard. The new Kassel production facilities for photovoltaic inverters with a capacity of three to four GW are scheduled to start operations in April 2009. The production site with an area of about 18,500 square meters will be operated as a CO₂-neutral facility. Among other things, this is achieved by a building shell based on the low-energy house concept, natural ventilation, a photovoltaics system with a capacity of about 1.1 MW integrated into the building, and the use of regional biogas in an in-house combined heat and power plant. The new training center, the construction of which is scheduled to commence in May 2009, 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).

Corporate social responsibility

Economic success is closely related to a company philosophy that also includes social commitment, social responsibility, and a behavior characterized by sustainability. In this respect, the 2008 Deutscher Fairnesspreis (German Fairness Prize) was awarded to the Management Board of SMA Solar Technology AG by the trustees of the Fairness-Stiftung (the Fairness Foundation). 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.
- By organizing the "Jugend forscht" youth science competition in the North Hesse region, sponsoring the "Schools at University" project of the University of Kassel and the Solar Cup in Kassel, SMA intends to arouse the interest of young people in a technically oriented education and the application of technology. The Solar Cup is an event where teams of pupils and apprentices compete using self-built, technologically demanding solar-powered model cars.
- In cooperation with the association "Together Hilfe für Uganda e.V.", SMA supports a professional college project in Kooki, Uganda. The core of the technical equipment of this school is a photovoltaic system designed and delivered by SMA. 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 enterprise is currently planning to provide technical support for professional education in the electronics sector.
- Based on their own experience, the Management 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 competency 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 2008, SMA showed great commitment at deENet.

In order to improve coordination and expansion of our corporate social commitment the position of an Officer for Corporate Social Responsibility (CSR) was filled at the beginning of 2009.

3. EMPLOYEES

Employee development

Due to the expansion of business, the number of employees of the SMA Group increased worldwide in 2008 by 42 % and amounted to 2,709 (previous year 1,906) at the end of the fiscal year. The figure includes 489 temporary workers (previous year 385 workers), who were active primarily in production areas. The annual average number of SMA employees was 2,513 (previous year 1,600). While the number of salaried employees rose continuously over the year, the number of temporary workers reached its peak in July 2008 with 798 workers. In the international sales and service branches run by the Photovoltaics Technology division, the number of employees increased to 140 on the reporting date, compared with 84 a year ago.

Apart from the reduction in the number of temporary workers in the fourth quarter, the fluctuation continued to be extremely low as in previous years. The sickness ratio of 2.9 % remained almost unchanged at the low level of the previous year with 2.8 %. The average age of SMA employees was 35 years at the end of 2008; the proportion of female employees was 27 %.

Education and further training

The number of apprenticeships offered was increased significantly in the reporting year from 122 at the end of 2007 to 201 at the end of fiscal 2008. SMA provides training for more than 10 job profiles, thus aiming at fulfilling its social responsibility to 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. 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 company culture for a long time. For fiscal 2008, bonus payments totaling € 25.0 million (previous year € 9.4 million) were or will be granted to employees worldwide. Temporary workers were also granted a share in SMA's success.

In addition, an employee stock purchase plan was established in 2004, which is meant to let employees benefit from the business development in the long term. Prior to the initial public offering, 370 employees had purchased shares. In the context of the IPO, domestic employees (salaried employees and temporary workers) of the SMA Group were offered preferential purchase of SMA shares. On the date of the first listing, 1,153 employees, i.e. about two thirds of salaried employees, held SMA shares in their stock portfolios.

Occupational health and safety

Also in 2008, 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 sports groups offered promoted both social contact beyond daily work and health protection. The number of accidents at work fell to 42 in the reporting year from 47 in the previous year in spite of the significantly higher number of employees. There were no serious injuries.

Company culture

Our company culture has been designed in such a way that our 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. This includes, among other things:

- SMA uses temporary work as an instrument for achieving the maximum flexibility of production in the highly dynamic photovoltaics market. Temporary workers employed by SMA receive remuneration that is comparable to that of the core workforce and, like the core workforce, they also take 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.

Owing to this cooperative company culture, SMA was elected by their employees in the "Great Place to Work" competition in 2006 and 2008 to rankings that are very high for a production company (2008 ranking no. 9 of 252/2006 ranking no. 5 of 165 participating companies). Great Place to Work (www.greatplacetowork.de) is an employee survey tool that measures the level of trust, pride, and team spirit within the company and, thus, is concentrated on the employees' internal view of the enterprise.

An additional important acknowledgement of the company culture was that the Management Board of SMA Solar Technology AG was awarded the 2008 Deutscher Fairnesspreis (German Fairness Award) by the trustees of German Fairness Foundation (www.fairness-stiftung.de). With this award, the Fairness Foundation recognized the commitment of the four Management Board members to a fair and cooperative form of business management. As the award deed states: "The trustees were of the conviction that the Management Board leads the firm with a profound sense in equal measure for fairness, cooperation and employee participation, for social, ethical and ecological values, and for business success and social responsibility."

4. RESEARCH AND DEVELOPMENT

The expenses in the R&D field increased in the year under review, as scheduled, by 76 % to € 34.7 million (previous year € 19.7 million). The Railway Technology division accounted for a share of € 1.2 million in this figure. Additionally, a series of product awards and test reports confirmed the high technological performance and efficiency of SMA's products in 2008. As in the previous year, 20 patent applications were filed in the year under review. In total, more than six new products and many product adaptations were finalized and put on the market.

The start of serial production of two new inverter platforms in the second quarter 2008 was very successful. Meanwhile, the devices are produced in higher quantities and they are highly sought after by customers. On the one hand, there is the Sunny Mini Central 11000TL as an extension of the very successful Sunny Mini Central series in the higher performance range, which is distinguished by a markedly reduced specific price and the outstanding efficiency of 98 % and which allows for a tailor-made design of photovoltaic systems. On the other hand, the new generation of the Sunny Boy family, the Sunny Boy 5000TL, went into production. As a successor to the Multi-String inverter, which sold in large numbers, this inverter is equipped for the first time as a global inverter with an improved efficiency rating and support for *Bluetooth* communication.

Following successful UL certification, production of the first new Sunny Central inverters for the US market was started, with the result that SMA now also has a sound presence in the commercial and industrial segments of the US market. The Sunny Central inverters for the global markets have also been improved distinctively in relation to efficiency and price. For example, efficiency of the new Sunny Central 630 HE could be increased to 98.4 %. In addition, the Sunny Central 630 HE will also reduce the system costs of a photovoltaic system thanks to its integrated functions.

Owing to the rapid staff-related expansion in the development area from about 220 employees at the end of 2007 to about 370 employees at the end of fiscal 2008, more development projects can be implemented in parallel and the time-to-market can be shortened further. The development team is still focusing on the development of the Tripower 17000TL and the Sunny Boy 3000HF equipped with high frequency transformers as well as on a new generation of Sunny Central inverters. All products are expected to be introduced in the market still in 2009.

In addition, most of the inverter types as well as communication and monitoring devices will be adapted to wireless *Bluetooth* communication in 2009. Accordingly, we will be able to expand our technological leadership in 2009 and market at least six new products, which offer essential new technological benefits and significant specific price reductions.

5. OVERVIEW OF THE BUSINESS DEVELOPMENT

General economic conditions

The phase of strong expansion in the global economy came to an end in 2008. The dramatically intensified financial market crisis in September has resulted in an extraordinarily strong downwards movement, which has also hit the emerging countries to a greater extent. At the end of 2008, the global economic activity experienced a big slump. According to a report from the Institute for the World Economy (IfW) of December 2008, the drastic intensification of the financial market crisis due to the bankruptcy of the U.S. investment bank Lehman Brothers in the middle of September was the decisive factor for the massively dampened mood in the Fall. In Germany as well, almost all economic indicators deteriorated drastically in the last few months of 2008. In the opinion of the IfW, Germany is probably experiencing its worst recession since World War II.

Following a burst of inflation caused by commodity prices in the first half of 2008, the inflation rate fell drastically in the fourth quarter. This is due primarily to the slump in the oil price and other commodity prices. After the soaring oil price of \$ 140 per barrel at the middle of the year, the oil price fell to \$ 40 per barrel at the end of the year under review.

Sector-specific framework conditions

Stable promotional programs in the photovoltaic core markets, rising energy costs and the greater availability of modules clearly revived the demand for photovoltaic systems in the first three quarters of 2008. In addition to Germany, this demand was mainly supported by countries in the euro zone and the United States. Due to the expiry of the feed-in law by the end of September 2008, the market in Spain experienced a real boom. According to estimates of the German Solar Industry Association (Bundesverband Solarwirtschaft, BSW) of February 2009, the global market for photovoltaic systems had more than doubled in 2008 to a new all-time high of 5.75 GW, when compared to the previous year. The turbulence in the financial markets and the deterioration of economic perspectives have shown their first effects on the photovoltaic sector at the end of the year. Apart from the problems with credit-financed projects in the industrial sector, the excess capacities of module manufacturers, which strongly expanded their production capacities, had an increasing impact. The sharp reduction of the feed-in tariff in the context of the German Renewable Energy Act (EEG) on January 1, 2009 did not lead to the expected year-end rally.

Overall statement on the business development in 2008

With an increase in sales of 108 % to € 681.6 million and an EBIT ratio of 24.6 %, the fiscal 2008 was by far the most successful year in the history of SMA. Only due to the extremely 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 32 and 80 million euro in the year under review. In addition to spatial expansions for enlarging production capacity, temporary workers were employed increasingly. Capacity bottlenecks in electronics production could be compensated for by external production service providers, which had been qualified beforehand.

Since June 27, 2008, SMA (WKN: A0DJ6J) is the first manufacturer of photovoltaic systems listed in the Prime Standard of the Frankfurt Stock Exchange. The Prime Standard is the stock exchange segment with the highest transparency standards of the German Stock Exchange. Only a few months after the initial public offering, the shares of the Company were listed in the technology index TecDAX as of September 22, 2008. The TecDAX consists of the 30 largest and most profitable companies from the technology sectors of the Prime Segment, just below the Deutsche Aktien Index (DAX).

Comparison of the actual and the forecast business development

Our original expectations of sales and the earnings figures were exceeded significantly in fiscal 2008. Already the first quarter was characterized by unusually strong dynamics. For the first time, sales in the first quarter of 2008 did not fall short of sales of the same quarter of the previous year, which means that there was no typical cyclical sales low as in the previous years. The internal forecasts could be adjusted upwards continuously during the year due to enormous demand. After the IPO, SMA published a forecast to the capital market for the first time, when announcing the half-yearly financial data. The announced sales target for the entire fiscal year was between € 580 million and € 640 million and the forecast EBIT margin was about 23.5 %. Upon the announcement of the third-quarter financial figures, the forecast was again raised due to the very positive developments in the third quarter. The then announced sales target for the entire fiscal year of between € 650 million and € 690 million and the targeted EBIT margin of between 23 % and 25 % were met with sales of € 681.6 million and an EBIT margin of 24.6 %, both figures being in the upper third.

II. RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

1. RESULTS OF OPERATIONS

Results of operations

In fiscal 2008, the SMA Group achieved sales of € 681.6 million and consequently increased sales by 108 % as compared to fiscal 2007 (previous year € 327.3 million). After an all-time high in the third quarter of € 226.7 million, sales decreased in the fourth quarter due to lower demand to € 162.3 million (Q4 2007: € 110.8 million).

The proportion of international sales rose significantly by 13 percentage points to 42.4 % from 29.4 % in 2007. This shows that the foreign markets have gained increasing significance for the SMA Group. The most important sales markets are Spain, followed by the USA, Italy, France, and South Korea.

The SMA Group increased its profitability again clearly because of the very positive business development in fiscal 2008. Operating profit (EBIT) improved by 182 % to € 167.4 million (previous year € 59.3 million). The EBIT margin increased to the record of 24.6 % (previous year 18.1 %), mainly due to economies of scale.

Due to the high volume of financial resources, the financial result of € 3.7 million in the year under review also provided a positive earnings contribution, whereas there was a negative balance of € - 0.1 million in the previous year. Earnings before taxes (EBT) improved by 189 % to € 171.1 million (previous year € 59.2 million) in fiscal 2008. The EBT margin rose to 25.1 % following 18.1 % in the previous year.

Due to a lower tax burden in Germany, the SMA Group's consolidated profit increased on a year-on-year basis at a disproportionately high rate by 225 % in relation to the EBT and amounted to € 119.5 million (previous year € 36.8 million). The earnings per share of the SMA Group rose to € 3.44 (previous year € 1.06 – calculated on the basis of 34.7 million shares).

SMA Solar Technology AG, the parent company of the SMA Group, states a net profit of € 105.1 million (previous year € 36.1 million) in its individual commercial accounts for the year under review. At the General Meeting of June 10, 2009, the Management Board and the Supervisory Board will recommend a dividend payment of € 1.00 per qualifying bearer share. Accordingly, the distribution will total € 34.7 million (previous year € 25.2 million).

Sales and earnings by segment

In 2008, the Photovoltaics Technology division achieved external sales of € 665.2 million (previous year € 310.0 million) and consequently increased sales by 115 %. The inverter output sold to generate these sales rose by almost 130 % to around 2,180 MW (previous year around 950 MW). Based on the 2008 global market volume, which was estimated at 5.75 GW by the German Solar Industry Association (Bundesverband Solarwirtschaft, BSW) in February 2009, the market share of the SMA Group amounted to 38 % in 2008 as compared to 34 % in the previous year.

81.5 % (previous year 83.6 %) 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 18.5 % (previous year 16.4 %) to the High Power Solutions segment (Industrial) with the product line Sunny Central. Accordingly, the distribution has changed by 2.1 % only slightly in favor of the High Power Solutions segment.

In the Medium Power Solutions segment, external sales rose by 109 % in 2008 to € 541.9 million, compared with € 259.3 million in the previous year. 68 % of gross sales were achieved in Germany. Spain was the most successful international market, followed by the USA and Italy. The inverter types Sunny Mini Central 7000HV, Sunny Mini Central 8000TL and Sunny Mini Central 5000A were the top-selling products in 2008. In the previous year, Sunny Mini Central 8000TL and Sunny Mini Central 7000HV, followed by Sunny Boy 5000TL, were the main sales drivers in the year. Under review, the trend intensified towards more powerful products, which were also used in decentralized photovoltaic systems up to the megawatt range. After the surge in demand in the last year had led to longer delivery times for the most popular products at times, it was possible, from the third quarter, to reduce delivery times to normally two weeks through a significant expansion of production capacities. Operating profit (EBIT) almost tripled to € 122.3 million (previous year € 40.5 million) as compared to the previous year thanks to the significant expansion in sales.

In the High Power Solutions segment, external sales rose by 143 % in fiscal 2008 to € 123.3 million, compared with € 50.7 million in the previous year. Due to a special trend of economic activity, Spain was the most successful market, followed by Germany and South Korea. The most successful product in fiscal 2008 was Sunny Central 500, followed by Sunny Central 100, while the ranking was the other way round in the previous year. The demand for central inverters clearly reduced in the fourth quarter due to the financial crisis. In the entire year under review, operating profit (EBIT) more than tripled to € 30.9 million (previous year € 8.8 million) as compared to the previous year due to economies of scales resulting from the significant expansion in sales.

The Railway Technology division (SMA Railway Technology GmbH) achieved external sales of € 13.4 million in fiscal 2008 (previous year € 14.9 million), which is slightly below the level of the previous year. In this division, which is characterized by larger-scale individual projects, 52 % of external sales (previous year 70 %) was generated in Germany and 37 % (previous year 28 %) in EU countries. Internal sales, which declined slightly with € 10.5 million (previous year € 9.4 million), related primarily to supplies of cable and mechanical components to the High Power Solutions segment. Operating profit (EBIT) shrank to € 1.8 million (previous year € 2.4 million) due to the decline in sales. 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, which is characterized primarily by intra-Group sales, was working continuously almost at full capacity in fiscal 2008 because of high demand in the Photovoltaics Technology division. More than half the electronic assemblies requested were therefore purchased via external suppliers. In the reporting period, total sales from external and internal revenues rose to € 149.3 million (previous year € 76.3 million). Operating profit (EBIT) improved to € 12.6 million (previous year € 6.7 million) due to the significant increase in sales.

Development of significant income statement items

The share of manufacturing costs in sales amounted to € 427.8 million (previous year € 204.3 million). This means that the costs rose slightly above average to 62.8 % (previous year 62.4 %) in relation to sales. The cost of materials at 70 % accounted for the largest share in manufacturing costs, followed by personnel expenses at 22 %. The total of selling expenses, R&D expenses and administrative expenses saw a disproportionately low increase of 42.5 % to € 90.2 million (previous year € 63.3 million) due to the strong increase in sales. The selling expenses were burdened in fiscal 2008 for the last time by a sales representative's distribution activities, but to a clearly minor degree than in the previous year. Due to the high volume of financial resources, the financial result of € 3.7 million in the year under review also provided a positive earnings contribution, whereas there was a negative balance of € - 0.1 million in the previous year. 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 in the balance sheet.

2. FINANCIAL POSITION

Principles and objectives of finance management

Ensuring financial flexibility and independence is the most important strategic objective in order to make fast use of the opportunities offered in the strongly growing market of photovoltaics. Due to the bank crisis, particular attention is given to a diversification of investments and the banks' credit rating in order to minimize potential risks. Except for the U.S. business, all transactions are charged in euro. To secure these foreign currency items, 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.

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 € 31 million. Due to the consistently sound liquidity position, no cash amounts were used in fiscal 2008. The credit lines were only used for payment guarantees. New vehicles were leased. The financial liabilities included in the financial statements result from the finance lease for buildings used. The finance lease liabilities were discounted at an interest rate of 5 % over a period of 15 years. As a result of the initial public offering on June 27, 2008 and the associated net issue proceeds of about € 121.9 million, the Company's equity base has improved significantly. With equity of € 280.8 million (previous year € 64.4 million), the equity ratio improved to 59.8 % (previous year 39.5 %).

Liquidity analysis

Net cash flow from operating activities increased in fiscal 2008 to € 187.5 million, primarily due to the very good earnings position in combination with the positive trend in sales, following € 53.2 million in the previous year. The cash flow from investment activities resulted in an outflow of funds of € 94.5 million in the reporting period, following € 20.8 million in the previous year, mainly due to

advance payments for the construction of the new production facility in Kassel. An amount of € 20.6 million results from the purchase of securities. The cash flow from financing activities in fiscal 2008 amounted to € 94.6 million, following € - 13.0 million in the previous year, and results from the inflow of funds from the IPO, less the dividend payment for fiscal 2007. Compared to December 31, 2007, cash and cash equivalents with a term to maturity of up to three months increased by € 187.8 million to € 240.7 million on the reporting date. Total liquidity, which also includes investments with a longer term to maturity and securities, increased by € 208.5 million to € 261.3 million. As a result, SMA has a very sound financial base and a high liquidity reserve. Due to the bank crisis, particular attention is given to a diversification of investments and the banks' credit rating in order to minimize potential risks.

Investment analysis

The focus of investments in fiscal 2008 was on the construction of a new inverter production facility with a capacity of three to four GW and an area of about 18,500 square meters in Kassel, which is scheduled to commence operations in April 2009. The planned investment volume amounts to € 45 million. In addition, other significant investment items related to expansion in production capacity at interim sites, tool costs for manufacturing die cast casings as well as to replacement investment. At € 62.2 million, total investments in the fiscal year - without capitalizing the costs of development projects of € 1.7 million - were more than five times as high as the comparable value of the previous year of € 12.3 million and, thus, within the limits of the plan. Accordingly, the investment ratio rose to 9.1 % (previous year 3.8 %).

3. NET ASSETS

Analysis of the asset structure

Compared with December 31, 2007, total assets have grown by € 306.3 million to € 469.6 million (previous year € 163.2 million), which is related mainly to the issue proceeds from the IPO and the expansion of business activities. In the reporting period, net working capital increased by 31.3 % to € 78.0 million (December 31, 2007: € 59.4 million). Inventories increased below average in proportion to the business expansion by 58.2 % or € 27.7 million. Due to the financial crisis we intensified debtor management to a significant extent, in particular in the fourth quarter. In this way, we were able to reduce trade receivables on the reporting date by - 9.0 % or € - 2.4 million as compared to the previous year. Trade payables, however, rose by 45.6 % or € 6.7 million. Due to declining receivables, the net working capital ratio fell drastically to 11.4 % on the reporting date (December 31, 2007: 18.1 %) This shows clearly that the concept of flexibilization is working consistently throughout the enterprise.

Assets not stated in the balance sheet

New vehicles were also leased in fiscal 2008; no new leasing contracts for financing operating equipment were concluded. There are no off-balance-sheet financing instruments such as sales of receivables or any special-purpose companies that are not included in the consolidated financial statements.

III. SUPPLEMENTARY REPORT

At its meeting of February 19, 2009, the Supervisory Board adopted a resolution to expand the Management Board to five members and to implement a partial realignment of the board members' duties. In addition, the contracts of Company founders Günther Cramer and Peter Drews, which were set to expire in August 2009, will be extended through 2011. In the context of this realignment, the strategy and development function will be divided. CEO Günther Cramer will concentrate on the development of corporate strategy and human resources. Both areas are of decisive importance for the long-term successful future of SMA.

Roland Grebe (48) will become the new Management Board member in charge of research and development. Roland Grebe has been with SMA for 24 years and is currently a senior manager in charge of the development of important product lines. By appointing a management board member having research and development as his single area of responsibility, SMA creates the optimum prerequisites for capacity expansions for development and for the further expansion of technological leadership.

In line with his personal plans for the future, CFO Reiner Wettlaufer has decided not to extend his contract as Chief Financial Officer but to seek election to the Supervisory Board at the 2009 General Meeting. He will maintain close ties to the Company as a Supervisory Board member and as a major shareholder on a long-term basis. Mr. Wettlaufer will be replaced by Pierre-Pascal Urbon, who is currently serving as Management Board member in charge of sales, marketing and investor relations. The highly experienced financial and capital market expert will combine the finance and investor relations functions.

Marko Werner (45) will succeed Pierre-Pascal Urbon as Chief Marketing & Sales Officer. Marko Werner has been with SMA for 22 years and currently serves as senior divisional manager in charge of group-wide sales.

Effective June 11, 2009, on the day after the General Meeting, the Management Board of SMA Solar Technology AG will therefore consist of the above mentioned five members. CEO Günther Cramer and COO Peter Drews have also announced that they will seek election to the Supervisory Board in 2011 following the expiration of their new two-year contracts.

At the beginning of fiscal 2009, a new sales and service company was established in the Czech Republic; formation of a new company in Belgium is pending. In addition, SMA United Arab Emirates Service GmbH with its seat in Niestetal was incorporated. This company is meant to establish a service branch in the United Arab Emirates.

After the end of the reporting year, the demand in photovoltaic inverters has declined substantially. This decline is due primarily to the long period of frost and snow in Germany. Since the beginning of the year, installation of photovoltaic systems has been impossible in many regions due to the weather conditions. So far, we have not identified a major decline in demand which is related to the financial and economic crises and which may even surpass the effects of the weather conditions.

IV. RISK REPORT

1. 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 (EBT). In order to realize opportunities, risks have to be accepted to a reasonable extent and controlled by adequate risk 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 responsible employees 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, our employees and our customers is prevented.

The Management 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 2008. On the basis of a risk analysis (carried out quarterly from December 31, 2008), the subsidiaries and departments as well as divisional managers will furnish risk notifications (classified by defined risk categories) to the risk manager and the Management 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 counter-measures. 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 Management 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 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. 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 Management 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 non-payment.

The Company uses financial planning tools for early detection of the future liquidity requirements. According to current plans, financial requirements will be covered in fiscal 2009. Investments of the comprehensive liquid funds are highly diversified due to the bank crisis. 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 regularly. Sufficient provisions are formed in the annual financial statements for identified risks.

Management of opportunities

It is one of the inherent 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, the annual strategy meeting with all departmental managers, managers of the subsidiaries, divisional managers and the Management Board, which results in strategy reports of all departments and subsidiaries, is a significant cornerstone in this process. 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.

2. INDIVIDUAL RISKS

Business environment and sector-related risks

Political framework conditions

The photovoltaic sector depends to a high degree upon state subsidies. In Germany, promotion of photovoltaics is based primarily on the Law on Renewable Energies (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. 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 assets, financial positions and earnings of the SMA Group.

Lending and interest rates

Photovoltaic systems, in particular large industrial systems, are often financed by outside capital. Restrictions regarding bank credits might delay projects or even make them impossible. The global financial market crisis might intensify and lead to a worldwide loss of confidence of all market stakeholders. An increase in interest levels would reduce the profitability of photovoltaic systems due to higher outside capital costs and affect the demand for photovoltaic systems, including for the products of the SMA Group. Lending restrictions and rising interest rates might therefore have a considerable negative impact on business operations and the assets, financial positions and earnings of the SMA Group.

Competitive environment

The markets in which the SMA Group is active are characterized by intense competition. 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. 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. Late payment or non-payment by customers or their insolvency might also have a negative impact on the business activity of the SMA Group.

Market risk

When there is a high share of potential end customers who already have a photovoltaic system, there might be a saturation of the market in Germany, and in other countries as well, which might result in a lower demand for photovoltaic systems and, accordingly, in a decline in the demand for products of the SMA Group. Should manufacturers of photovoltaic systems not succeed in winning new purchasers and should the SMA Group not be able to promote its internationalization as planned, there might be a lower demand for the products and services offered by the SMA Group. This might have considerable negative impact on the assets, financial positions and earnings of the SMA Group. At present, such risks are not recognizable, but cannot be precluded.

Risks related to corporate strategy

Investment risk

If SMA fails to estimate the market correctly, it might build up capacities, which will not be utilized accordingly. This affects particularly the production facility in Kassel, which is being built currently, with a maximum inverter production capacity of up to three to four GW. Insufficient utilization of the production capacity of the SMA Group might result in special depreciation of production facilities and have a negative impact on earnings due to the higher relative share of fixed costs.

R&D risks

The SMA Group is undertaking extensive development measures in order to be able to offer innovative procedures, 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. However, risks resulting from unnecessary developments and budget overspends are reduced through comprehensive project management and intensive development controlling. SMA intends to secure its technological edge by patents and the continuous observation of relevant technologies and competitors.

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. Apart from those, there are business secrets and know-how not protected by intellectual property rights, not patentable or not patented, which are of importance to the business success of the SMA Group. 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. If these suppliers are no longer willing or able to deliver necessary primary products at current terms and conditions or stop delivery at all, the SMA Group would have to pay higher prices for these primary products or to make use of other suppliers. It cannot be ruled out that such a change of suppliers, should it be possible at all, will result in worse purchasing conditions or quality losses or in considerable delays as well as damage to SMA's reputation. In addition there is a risk that the SMA Group, due to bad quality, a delay in supplies or non-supply, will not be able to meet delivery obligations in due time, which has happened in individual cases in the past. 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

Production bottlenecks resulting from delayed expansion of manufacturing capacities and production standstill, due to internal or external influences, might lead to an increased tying up of working capital and damage claims from customers based on late delivery. The consequence may also be a permanent loss of customer relationships. These risks are encountered through long-term production planning, permanent 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. Since a significant portion of the photovoltaic products manufactured by the SMA Group is supplied in large quantities, there may be non-conformities or defects that affect a product series or one 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. 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 U.S. 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 "(28) Objectives and Methods of Financial Risk Management" - Hedging Policy.

Other risks

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

Legal proceedings

At present, SMA Solar Technology AG is a defendant in two proceedings that have been combined for joint negotiation and decision. We expect that the claims will turn out to be unfounded. In addition, any resulting compensation payments would be covered by the product liability policy.

3. OVERALL STATEMENT ON THE GROUP'S RISK SITUATION

Based on the current assessment, no risks that could seriously jeopardize the Company's continuing existence or could significantly impair its performance are discernible. Although, due to the financial crisis, the risk situation has deteriorated on a year-on-year basis, the risk bearing ability of the SMA Group has increased significantly due to the highly positive business development in 2008 and the inflow of cash from the IPO.

V. OTHER REPORTS

1. REMUNERATION REPORT

The remuneration report forms part of the management report in the audited consolidated financial statements and is included in the business report as a part of the corporate governance report (see page 15). We therefore waive an additional presentation of the information disclosed in this report in the notes or the management report.

2. INFORMATION REQUIRED UNDER TAKEOVER LAW 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 Management Board, there are no restrictions affecting voting rights or transferability of shares.

No 3: At the end of fiscal 2008, the four founders of the Company exceeded the 10 % threshold. The Management Board members Günther Cramer, Peter Drews and Reiner Wetzlaufer each have an interest of 19.1 % in the Company's capital, and Prof. 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 Management Board are effected in line with Section 84 of the German Stock Corporation Act (AktG). According to § 5 of the Articles of Incorporation, the Management 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 of the AktG.

No 7: The Articles of Incorporation include provisions on the powers of the Management 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 Management 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 Management 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.

No 9: At the end of the fiscal year, there existed an agreement with one member of the Management Board, which included a change of control clause containing an extraordinary right of termination and a compensation payment.

VI. FORECAST REPORT

1. FUTURE ORIENTATION IN THE NEXT TWO FISCAL YEARS

At present, we have no intention of fundamentally changing our business policy. In the Photovoltaics Technology segment, we intend to make installation and operation of photovoltaic systems increasingly easier, reliable, secure and, in particular, more efficient by continuous further development and innovations in system technology. Through our activities, we intend to accelerate technical progress and dissemination of photovoltaics throughout the world. In the Railway Technology segment, we aim to become the leading expert and "problem solver" for system-providing companies, operators, and vehicle manufacturers with our electronic systems for railway technology and mobile applications.

2. FUTURE GENERAL ECONOMIC CONDITIONS

Given the financial market crisis and the resulting impact on overall economic development, the forecasts are characterized by a high degree of uncertainty at present. The impact of the financial market crisis on the real economy and the solar sector cannot be predicted at the moment.

Many countries have adopted subsidy programs that will promote the sustainable expansion of photovoltaics. The most important solar markets include Germany, Spain, Italy, France, South Korea, and the USA. The markets in the Benelux countries, the Czech Republic, Australia, and Greece are developing positively.

In spite of the global economic crisis, financing of photovoltaic projects will be possible on principle. However, it will not be possible to present aggressive financing structures for solar projects. Banks have become much more precise as regards their requirements relating to solar projects.

The global economic crisis and the strong decline in demand in Spain in the fourth quarter of 2008 have led to a distinct oversupply of photovoltaic modules. Accordingly, the market for photovoltaic modules has changed, very rapidly, from a seller's to a buyer's market. The structural change has led to intensive price competition. Manufacturers of solar inverters are not affected by this change, since this market segment has been characterized by a competitive structure for many years.

3. OVERALL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE GROUP

The disclosures made in this chapter are based on the current estimates of SMA's management. These result from the expectations presented above regarding the development of photovoltaic markets.

With a sold inverter capacity of 2.2 GW, SMA is the worldwide market leader for solar inverters. According to the Company's own estimates, the sales-based market share is about 38 % in 2008. In addition to the modular technology, SMA offers a technically advanced solar inverter solution for all

photovoltaic applications and performance classes. Owing to this unique position, SMA will be able in the next few years to benefit from the global development of the photovoltaic sector.

In 2009, the main sales driver will be the Medium Power Solutions segment. The demand for the products of this segment will come mainly from Germany, France, Italy, and the USA. In this segment, SMA will benefit primarily from the introduction of the Sunny Mini Central 11000TL, which is particularly suited for photovoltaic systems designed for the megawatt range. Owing to the Sunny Boy 5000TL, which was introduced at the trade fair Intersolar 2008, SMA will benefit from the promising outlook as regards on-roof systems. The product range will be supplemented by advanced *Bluetooth* communication devices in 2009. The three-phase inverter Sunny Tripower will also provide important growth impulses in 2009.

The High Power Solutions segment has profited in 2008 particularly from the special trend of economic activity in Spain. Due to a limitation regarding the extension by photovoltaic systems in Spain and the global economic crisis, the management of SMA is expecting declining sales figures for the High Power Solutions segment in 2009. Essential impulses are expected in this segment from the Sunny Central 630HE, which was introduced in March 2008. This central inverter is characterized by clearly lower specific sales prices per Watt and high efficiency of 98.4 %.

We are expecting slight sales growth in the Railway Technology division. This growth will be borne, in particular, by an individual order from a large European railway operator with a total volume of more than € 10 million, which we received in February 2009.

The emphasis of SMA is still on the expansion of market and technological leadership in the Photovoltaics Technology division, in order to benefit from the growth perspectives of the solar sector. For this reason, a new sales and service company was established in the Czech Republic at the beginning of fiscal 2009, and another company in Belgium is planned to be established in the short term. In addition, service companies in the United Arab Emirates and in Portugal will be formed. In 2009, the technological leadership of Sunny Tripower, Sunny Central 630HE and *Bluetooth* communication will be expanded. SMA's production capacity will be increased through the worldwide largest production facility for solar inverters with a capacity of three to four GW, which is scheduled to commence operations in April 2009. In addition, the enterprise is currently reviewing the establishment of a new production facility for the American market. This production facility is scheduled to commence operations in 2010.

Each photovoltaic module installed needs an inverter. Owing to the excellent position of SMA, the group of companies will utilize emerging opportunities and options in a difficult market environment as well. The management of SMA is expecting a positive business development in 2009 and 2010. A decrease of the market activity in 2009 cannot be excluded with respect to the present financial crisis. The high market share results from the fact that the turnover development of SMA is directly linked to the market development.

Niestetal, March 11, 2009

**SMA Solar Technology AG
The Management Board**

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CONSOLIDATED FINANCIAL STATEMENT

I. CONSOLIDATED INCOME STATEMENT

	Note	2008 € '000	2007 € '000
Sales	5.	681,591	327,339
Cost of sales	6. (1)	427,823	204,277
Gross profit		253,768	123,062
Selling expenses		31,498	27,009
Research and development expenses	6. (2)	33,020	19,719
General administrative expenses		25,731	16,603
Other operating income	6. (3)	12,604	2,947
Other operating expenses	6. (4)	8,730	3,388
Operating profit (EBIT)		167,393	59,290
Financial income		5,173	1,087
Financial expenses		1,431	1,219
Financial result	6. (6)	3,742	- 132
Profit before income taxes		171,135	59,158
Income tax expense	6. (7)	51,610	22,401
Consolidated net profit		119,525	36,757
Earnings per share, Basic (€)	6. (8)	3.44	1.06
Earnings per share, Diluted (€)	6. (8)	3.44	1.06
Number of ordinary shares (in thousands)		34,700	34,700

II. CONSOLIDATED BALANCE SHEET

	12/31/2008	12/31/2007	
	Note	€ '000	€ '000
Non-current assets			
Intangible assets	6. (9)	5,538	1,859
Fixed assets	6. (10)	94,149	31,335
Other financial assets		70	70
Deferred tax receivables	6. (7)	2,512	1,158
		102,269	34,422
Current assets			
Inventories	6. (11)	75,275	47,598
Trade receivables	6. (12)	24,017	26,387
Other financial assets	6. (13)	23,559	1,626
Income tax receivables		343	0
Other receivables	6. (12)	3,414	351
Cash and cash equivalents	6. (14)	240,682	52,847
		367,290	128,809
TOTAL ASSETS		469,559	163,231

	12/31/2008	12/31/2007	
	Note	€ '000	€ '000
Shareholders' equity			
Share capital		34,700	4,000
Capital reserves		119,200	0
Retained earnings		126,857	60,437
	6. (15)	280,757	64,437
Non-current liabilities			
Other provisions	6. (17)	20,855	9,377
Financial liabilities	6. (18)	20,174	10,546
Other financial liabilities		0	477
Other liabilities	6. (21)	15,033	8,988
Deferred tax liabilities	6. (7)	2,520	1,344
		58,582	30,732
Current liabilities			
Other provisions	6. (17)	16,967	5,861
Financial liabilities	6. (18)	1,361	1,074
Trade payables	6. (19)	21,290	14,620
Other financial liabilities	6. (20)	59,023	28,568
Income tax liabilities		25,100	10,609
Other liabilities	6. (21)	6,479	7,330
		130,220	68,062
TOTAL EQUITY AND LIABILITIES		469,559	163,231

III. CONSOLIDATED CASH FLOW STATEMENT

	2008	2007	
	Note	€ '000	€ '000
Net profit		+ 119,525	+ 36,757
Income tax expenses		+ 51,610	+ 22,401
Financial result		- 3,742	+ 132
Depreciation and amortization		+ 8,792	+ 15,986
Change in other provisions		+ 22,583	+ 4,043
Profit (-)/Loss (+) from the disposal of fixed assets		- 26	+ 37
Other non-cash expenses/revenue		+ 2,722	- 671
Interest received		+ 5,023	+ 1,082
Interest paid		- 26	- 37
Income tax paid		- 37,640	- 18,933
Gross cash flow	6. (25)	+ 168,821	+ 60,797
Increase/decrease of inventories		- 29,043	- 19,370
Increase/decrease in trade receivables		+ 1,859	- 9,889
Increase/decrease in trade payables		+ 6,670	+ 3,696
Change in other net assets/other non-cash transactions		+ 39,170	+ 17,957
Net cash flow from operating activities	6. (25)	+ 187,477	+ 53,191
Payments for investments in fixed assets		- 66,949	- 10,806
Proceeds from the disposal of fixed assets		+ 5	+ 385
Payments for investments in intangible assets		- 6,963	- 10,406
Proceeds from the disposal of intangible assets		+ 0	+ 3
Acquisition of securities (other than trading)		- 20,596	+ 0
Net cash flow from investing activities	6. (25)	- 94,503	- 20,824
Proceeds from issuance of equity		+ 126,900	+ 0
Cash outflows from issuance of equity		- 7,100	+ 0
Dividends paid		- 25,200	- 13,000
Net cash flow from financing activities	6. (25)	+ 94,600	- 13,000
Net increase in cash and cash equivalents		+ 187,574	+ 19,367
Change in cash and cash equivalents due to exchange rate effects		+ 262	- 38
Cash and cash equivalents as of 01/01		+ 52,847	+ 33,518
Cash and cash equivalents as of 12/31	6. (14)	+ 240,683	+ 52,847

IV. STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY

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

	Components of stockholder's equity				
	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Consolidated Shareholders' Equity
	€ '000	€ '000	€ '000	€ '000	€ '000
Shareholders' equity as of 01/01/2007	4,000	0	0	36,720	40,720
Consolidated net profit 2007	0	0	0	36,757	36,757
Dividend payments of SMA Solar Technology AG	0	0	0	- 13,000	- 13,000
Differences from currency translation	0	0	0	- 40	- 40
Purchase of treasury shares	0	0	- 100	0	- 100
Sale through employee share program	0	0	100	0	100
Shareholder's equity as of 12/31/2007	4,000	0	0	60,437	64,437

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIC INFORMATION

The consolidated financial statements of SMA Solar Technology AG as at December 31, 2008 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 (IFRS) including the interpretations of the IFRS (IFRIC) 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. In addition, the Company made partial use of the option of applying prematurely standards and interpretations that were passed on December 31, 2008 and already adopted by the European Union (see Chapter 3). This relates in particular to IFRS 8 Operating Segments. 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 renaming of SMA Technologie AG as SMA Solar Technology AG was decided by resolution of the Annual General Meeting of April 30, 2008. Based on the resolution of the General Meeting of April 30, 2008, the "Railway Technology" business of SMA Solar Technology AG was hived off into the newly incorporated SMA Railway Technology GmbH, Kassel, effective as of January 1, 2008, by way of hiving-off through new incorporation in line with Section 123 (3) no. 2 of the German Transformation Act (UmwG).

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 euro (€ k) or millions of euro (€ million) for the sake of clarity and clearness.

The Management Board of SMA Solar Technology AG approved the consolidated financial statements on March 13, 2009 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.

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 statements 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, 2007 nor on December 31, 2008.

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 or intangible assets with an indefinite useful life were recorded on the reporting dates December 31, 2007 and December 31, 2008.

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

One company has been added to the scope of consolidation as at December 31, 2008 as against December 31, 2007, namely the wholly-owned subsidiary SMA Railway Technology GmbH, into which the Railway Technology division has been spun-off. The spin-off became legally effective when it was registered in the Commercial Register of the parent company on June 2, 2008.

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

Name	Registered office	Incorporation	Holding	Consolidation
Parent company				
SMA Solar Technology AG	Niestetal, Germany	1981		
Shares in affiliated companies				
SMA America, Inc.	Rocklin, USA	2000	100 %	F
SMA Ibérica Technología Solar, S.L.	Barcelona, Spain	2005	100 %	F
SMA Italia S.r.l.	Mailand, Italy	2005	100 %	F
SMA Technology Korea Co., Ltd.	Seoul, Korea	2006	100 %	F
SMA Beijing Commercial Company Ltd.	Peking, China	2007	100 %	F
SMA France S.A.S.	Lyon, France	2007	100 %	F
SMA Hellas AE	Athen, Greece	2007	100 %	F
SMA Technology Australia Pty. Ltd.	Sydney, Australia	2007	100 %	F
SMA Railway Technology GmbH	Kassel, Germany	2008	100 %	F
Investments				
Changzhou SMA Electronics Co., Ltd.	Changzhou, China	2001	10 %	

F = fully consolidated

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. 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 on each reporting date by applying the spot rate valid at the time of the transaction. 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 at the date when the fair value was determined.

Assets and liabilities of subsidiaries preparing their balance sheet 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 the accumulated other equity or in the shares of other shareholders. The accumulated amount recorded in equity is recognized through profit or loss upon the disposal of the relevant foreign subsidiary.

The exchange rates for translating significant financial statements in foreign currencies have developed as follows in relation to the euro:

in Euro	average rate		closing rate	
	2008	2007	12/31/2008	12/31/2007
1 Australian Dollar (AUD)	0.57743	0.61212	0.49776	0.60386
1 Chinese Renminbi (CNY)	0.09856	0.09616	0.10846	0.09717
1.000 South Korean Won (KRW)	0.62184	0.79000	0.56783	0.72593
1 US-Dollar (US\$)	0.68341	0.73082	0.71685	0.68101

3. ACCOUNTING POLICIES

3.1 Basis of preparation

As a rule, the consolidated financial statements were prepared on the basis of amortized historical cost. Exemptions 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 Chapter 3.4). Actual results may deviate from these estimates.

3.2 New IASB accounting standards

Standards that have been applied prematurely on a voluntary basis:

IFRS 8 Operating Segments

The SMA Group applied IFRS 8 on a voluntary basis prematurely from the year 2006. IFRS 8 replaces IAS 14 Segment Reporting and aligns the requirements of segment reporting with the stipulations of the American SFAS 131 *Disclosures about Segments of an Enterprise and Related Information*. The new standard uses the so-called management approach, which requires that the structure and content of segment reporting be adapted to the reports regularly furnished to internal decision-makers.

Except for IFRS 8 Operating Segments, standards and interpretations published by the date of preparation, but not yet applicable mandatorily at that date, are not implemented prematurely, but for the first time when they become mandatory.

IFRS 2 Share-based Payment: Vesting Conditions and Cancellations (to be applied from January 1, 2009). The new regulations clarify specific terms and provide a detailed definition of vesting conditions imposed under a share-based payment arrangement. According to the standard, vesting conditions are the conditions that determine whether the entity has received the services that result in the counter-party's entitlement to receive cash, other assets, or equity instruments of the entity. Regarding the valuation of equity instruments granted under share-based payment arrangements all conditions that are not vesting conditions must also be taken into account. The standard also defines how the entity has to treat cancellations of share-based payment arrangements. The SMA Group will begin applying the amended standard from January 1, 2009. However, the Company does not anticipate any material impact on its assets, financial position and results of operations due to adoption of the amendment.

IFRS 3 (Revised), Business Combinations (to be applied from July 1, 2009).

The new IFRS 3 contains regulations on the scope of application, components of acquisition costs, the treatment of non-controlling interests and of goodwill as well as on the amount of assets, liabilities and contingencies to be recorded. In addition, it contains rules on the recognition of losses carried forward and on the classification of contractual relationships of the business acquired. The revised standard retains the requirement to apply the purchase method of accounting for business combinations, but introduces significant amendments regarding the determination of acquisition costs. For example, an adjustment to acquisition costs, in the case that the consideration agreement is contingent on future events, is to be included in the cost of the acquisition at the fair value on the acquisition date, regardless of probability of such events. Subsequent changes in the fair value of contingent consideration components classified as liabilities are, as a rule, to be recognized in profit or loss prospectively. The SMA Group will apply IFRS 3 (Revised) for the fiscal years commencing on January 1, 2010.

Amendments to IFRS 1 and IAS 27, Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (to be applied from January 1, 2009). The amendment to IFRS 1 states that an entity may record the investment carrying amount of subsidiaries, jointly controlled entities or associates instead of initial cost (deemed cost) in the IFRS opening balance sheet of its separate financial statements. It may use either the fair value of the investment on the date of transition to IFRSs or the carrying amount of the investment under previous accounting practice on the date of transition to the IFRSs.

IAS 27 (Revised), Consolidated and Separate Financial Statements pursuant to IFRS (to be applied from July 1, 2009).

The revised standard requires mandatory application of the "economic entity approach" for the treatment of interest acquisitions or disposals after control is obtained and if the control option is retained. Such non-controlling interest transactions must be regarded as transactions with shareholders and recognized directly in equity without affecting profit or loss. In the event of interest disposals resulting in the loss of control, the gain or loss on disposal is recognized in profit or loss. If an interest is retained after the loss of control, the remaining interest is recognized at its fair value. The difference between the previous carrying amount of these retained interests and their fair value is included in disposal gain or loss through profit or loss and must be stated separately in the notes with the corresponding remeasurement amount of the retained interest. In respect of step acquisitions or in the case of a partial disposal, the standard requires that the previously held or the retained interests be remeasured to fair value and recognized in profit or loss. In addition, in future, any losses that are attributable to non-controlling interests and that exceed their balance sheet value are to be shown in consolidated equity as negative carrying amounts. 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.

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations and related amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards* (to be applied from July 1, 2009).

The amendment to IFRS 5 is a part of the "Annual Improvements to IFRSs" adopted by the IASB in May 2008. It relates to situations in which an entity plans a partial disposal of interests in a subsidiary and loses control as a result. The amendment now clarifies that all the assets and liabilities of that subsidiary are to be classified as "held for sale", regardless of whether the entity will retain an interest in its former subsidiary after the planned sale. According to IFRS 1 (Revised 2008), the amendments to IFRS 5 are to be applied prospectively from the time of transition to the IFRSs. The SMA Group will apply IFRS 5 for the fiscal years commencing on or after January 1, 2010.

IAS 1 (Revised), Presentation of Financial Statements (to be applied from January 1, 2009).

The new version of the standard defines modified terms for the components of the financial statements. In addition, it defines a clearer separation of "non-owner changes in equity" and "owner changes in equity". Accordingly, income and expenses recognized directly in equity ("other comprehensive income, OCI") are to be presented mandatorily in a single "statement of comprehensive income". A presentation together with owner changes in equity in the statement of changes in equity is no longer permitted. Dividends are no longer stated in the income statement, but as owner changes in equity exclusively in the statement of changes in equity or in the notes.

The mandatory presentation of income and expenses directly recognized in equity in the statement of comprehensive income can still be made, optionally, either in a single statement of comprehensive income (statement of all income and expenses with the result of the period being shown as subtotal) or in two statements (a separate income statement and a statement of items of income and expenses that are not recognized in the income statement, based on the result of the period). The statement of comprehensive income is separated by the individual components of the OCI, whereby, in addition to the effect of income taxes, adjustment postings for reclassifications of income and expenses previously not recognized through profit or loss are to be presented separately upon realization in the income statement. In addition, the relevant amount of income tax attributable to each component is to be stated.

The SMA Group will begin applying the amended IAS 1 from January 1, 2009. The standard will have an impact on the presentation of the financial statements, but not on the net assets, financial position and results of operations of the SMA Group.

IAS 23, Borrowing Costs (to be applied from January 1, 2009).

The standard was amended so that the previous components of borrowing costs were replaced by a reference to the calculation of interest expense in line with the effective rate method pursuant to IAS 39, *Financial Instruments: Recognition and Measurement*.

In this way, potential inconsistencies between the calculation of borrowing costs pursuant to IAS 23 and IAS 39 can be avoided. The SMA Group will apply the amended IAS 23 for the recognition of borrowing costs for qualified assets from January 1, 2009. This has no impact on previously incurred borrowing costs that were recognized directly as an expense.

IAS 32 Financial Instruments: Presentation

The new version of IAS 32 relates to the differentiation between equity and outside capital and permits, under certain conditions, the classification of instruments that are redeemable due to contractual agreements as equity. The SMA Group will begin applying the amended standard from January

1, 2009. This is not expected to have an impact on the net assets, financial positions and results of operations of the SMA Group.

Amendment to IAS 1, *Presentation of Financial Statements* (to be applied from January 1, 2009). The amendment is a part of the "Annual Improvements to IFRSs" adopted by the IASB in May 2008. It was identified that the wording in IAS 1 (rev. 2007) might be interpreted mistakenly so that all financial debts that are classified pursuant to IAS 39 as "held for trading" would have to be recognized as current debt. The amendment clarifies that the recognition of financial debts is based on the general provisions regarding the classification of debts as current or non-current. According to these, debts are to be stated as non-current if they have a term to maturity of more than 12 months and if redemption is not expected within 12 months from the balance sheet date.

IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instrument: Disclosures (to be applied retrospectively as of July 1, 2008).

Based on the publication by the IASB of amendments to IAS 39 and IFRS 7 on October 13, 2008, it is possible, under certain conditions, to reclassify financial assets that are no longer held for sale or buy-back (even if they were purchased for this purpose) from the categories "at fair value through profit or loss" and "available for sale". These assets may be reclassified from the category "at fair value through profit or loss" under the following prerequisites: In the event of financial instruments that would have fulfilled the definition of "loans and receivables" at the time of reclassification (i.e. if they had not been required to be classified as "at fair value through profit or loss" upon initial recognition), reclassification only requires that the entity has the intention and ability to hold the instruments for a certain period or until their maturity; for all other financial assets (debt or equity instruments that are traded in an active market), reclassification is only possible under exceptional circumstances.

IFRIC 11 Group and Treasury Share Transactions

The interpretation deals with questions of how to treat share-based payment arrangements, in which treasury shares or shares issued by other group companies were granted. The interpretation clarifies whether arrangements are to be recognized as an equity-settled payment transaction or as a cash-settled payment transaction. The adoption regulation of IFRIC 11 stipulates that entities with the fiscal year commencing in January or February have to apply IFRIC 11 mandatorily from fiscal year 2009 at the latest.

IFRIC 12 Service Concession Arrangements

This interpretation regulates the accounting on the part of the service concession operator for obligations undertaken and rights received under so-called service concession arrangements. The interpretation has not yet been adopted to EU Community law. Mandatory application is expected to start from January 1, 2010. The companies included in the consolidated financial statements are not service concession operators within the meaning of IFRIC 12. The interpretation therefore will have no impact on the SMA Group.

IFRIC 13, Customer Loyalty Programs (to be applied from July 1, 2008)

IFRIC 13 addresses how companies that grant their customers loyalty award credits, such as bonus points or frequent-flier miles, which can be used later to receive discounted or free goods or services ("premiums"), are to be treated in accounting. The interpretation is not relevant in respect of the consolidated financial statements of the SMA Group.

IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction

The interpretation addresses how entities should determine the limit placed by IAS 19 on the amount of a surplus in a pension plan they can recognize as an asset and how plan assets or obligations are to be calculated in line with minimum funding requirements stipulated in the articles of incorporation or in contracts. The adoption regulation of IFRIC 14 stipulates that each entity has to apply IFRIC 14 at the latest at the beginning of its first fiscal year commencing after December 31, 2008.

3.3 Disclosures to the accounting policies

Intangible assets acquired with a determinable useful life are valued at cost, written down over their useful lives through straight-line depreciation 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 the 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. The costs for internally produced generated intangible assets are recognized in the period in which they accrue, except for development costs that can be capitalized.

Research and development costs 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 only capitalized as an intangible asset if the SMA Group can both provide proof of the technical feasibility of completion of the intangible asset, which will allow for internal use or sale of the asset, and of the intention to complete the intangible asset and to use or to sell it. In addition, the SMA Group must provide proof that future economic benefit can be generated by the asset, that resources are available for completing the asset and that it is possible to determine reliably the expenses attributable to the intangible asset during its development. Development costs are recognized at cost, less accumulated depreciation and accumulated impairment expenses. Depreciation commences at the end of the development phase and from the time the asset can be used. Depreciation is effected over the period during which future benefit is to be expected. Incomplete development projects are tested annually for any impairments.

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

Intangible assets with a definite useful life are written down over three to five years. The period of depreciation and the method of depreciation 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 depreciation period, which are necessary due to changes in the expected useful life, are accounted for as changes to estimates. Depreciation 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 impairments. Borrowing costs are not capitalized. 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 the fixed asset in the enterprise. The scheduled straight-line depreciation is based on the following useful lives of assets:

	Useful Life
Leasehold improvements	10 years
Finance lease for buildings	up to 15 years
Technical equipment and machinery	3 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.

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 depends 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. To determine the value in use, the expected future cash flows are discounted to their present value using a discounting rate before taxes that reflects the current market expectations regarding the interest effect and the specific risks of 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 2008 and 2007.

Except for goodwill, a test is carried out on each balance sheet date for the assets as to whether there are any indicators that a previously recognized impairment 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.

Inventories are carried at the lower value of cost of acquisition or production and the 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.

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 designated 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 designated 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. The Company has not made use of the option of designating financial assets and financial liabilities as financial assets at fair value through profit or loss upon initial recognition.

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 2008 and 2007.

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

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 possible reliably. 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 for 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 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.

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, bank balances and short-term deposits with an original 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 recorded in the balance sheet as a deferred liability and written back at identical annual installments through operating income over the expected useful life of the asset. Government grants are only recorded if it is reasonably certain that the conditions attached to the grant will be fulfilled by the entity and the grants are actually awarded.

The 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 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 recorded as 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.

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 on a straight-line basis over the term of the lease as an expense in the income statement.

Borrowing costs are recognized as an expense in the period in which they are incurred, irrespective of the use of borrowing costs.

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

Revenue is recognized if it is probable that any future economic benefit will flow to the entity and the amount of revenue can be measured with reliability. 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.

Current tax assets and tax liabilities for the ongoing and for previous periods are measured at the amount which is expected to be reimbursed from the tax authority or to be paid to the tax authority. 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) which are valid 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.

3.4 Significant judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, 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 con-

nected 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 in the consolidated financial statements. Judgments containing estimates are not taken into account here:

Based on an analysis of lease agreements for buildings and land, the Group determined that 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.

The key assumptions concerning the future and other key sources of estimation uncertainty as of the balance sheet date that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed 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 feasibility 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 generating the assets. The research and development costs recognized as an expense are presented in Chapter 6. (2).

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 6. (7).

Due to the strong sales growth in the fiscal year and the related change in the risk structure, SMA has designed a new concept for the valuation of the warranty provision, taking previous experience values into account. If the provision was valued using the parameters of the previous year, the lower valuation of € 15.0 million would have been the result. A reliable estimate of the effects on future periods is not possible.

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.

4. BUSINESS COMBINATIONS

There were no business combinations in the fiscal years 2007 and 2008. The new company SMA Railway Technology GmbH was established in the context of the spin-off for new incorporation in line with Section 123 (3) no. 2 of the German Transformation Act (UmwG).

5. SEGMENT REPORTING

SMA 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.
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 Management 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 only maintains marketing and services companies abroad. 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.

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 € million	Photovoltaics Technology				Railway Technology	
	Medium Power Solutions		High Power Solutions		Railway Technology	
	2008	2007	2008	2007	2008	2007
External sales	541.9	259.3	123.3	50.7	13.4	14.9
Internal sales	16.3	8.8	4.1	2.9	10.5	9.4
Total Sales	558.2	268.1	127.4	53.6	23.9	24.3
Depreciation and amortization	5.6	11.8	1.0	2.0	0.4	0.6
Operating profit (EBIT)	122.3	40.5	30.9	8.8	1.8	2.4
Segment assets	62.1	39.9	22.9	20.0	6.4	7.6
Segment liabilities	6.9	5.1	2.2	2.2	0.7	0.9
Investments	10.5	3.2	0.8	0.5	0.5	0.4

Sales by regions

Germany	367.8	204.7	40.5	23.8	7.0	10.4
European Union	147.3	37.3	61.5	21.0	5.0	4.2
Third-party countries	50.4	26.7	23.0	6.4	1.4	0.4
Sales deductions	- 23.6	- 9.4	- 1.7	- 0.5	- 0.1	- 0.1
External Sales	541.9	259.3	123.3	50.7	13.4	14.9

Segment

Segment € million	Electronics Manufacturing					
	Electronics Manufacturing		Reconciliation		Continuing operations	
	2008	2007	2008	2007	2008	2007
External sales	3.0	2.4	0.0	0.0	681.6	327.3
Internal sales	146.3	73.9	- 177.2	- 95.0	0.0	0.0
Total Sales	149.3	76.3	- 177.2	- 95.0	681.6	327.3
Depreciation and amortization	1.9	1.6	0.0	0.0	8.9	16.0
Operating profit (EBIT)	12.6	6.7	- 0.2	0.9	167.4	59.3
Segment assets	29.1	21.5	349.1	74.2	469.6	163.2
Segment liabilities	4.1	3.9	174.9	86.7	188.8	98.8
Investments	2.7	2.9	60.6	10.8	75.1	17.8

Sales by regions

Germany	3.0	2.6	0.0	0.0	418.3	241.5
European Union	0.0	0.1	0.0	0.0	213.8	62.5
Third-party countries	0.0	0.0	0.0	0.0	74.8	33.5
Sales deductions	0.0	- 0.3	0.0	0.0	- 25.4	- 10.3
External Sales	3.0	2.4	0.0	0.0	681.6	327.3

Reconciliation of segment figures to the relevant figures stated in the financial statements is as follows:

€ million	2008	2007
Total segment earnings (EBIT)	167.6	58.4
Eliminations	- 0.2	0.9
Consolidated operating profit (EBIT)	167.4	59.3
Financial result	3.7	- 0.1
Profit before income taxes	171.1	59.2
Total Assets	120.5	89.0
Financial instruments not designated (including liquidity) and other assets	268.0	52.5
Other central items and eliminations	78.5	20.5
Deferred tax receivables	2.5	1.2
Other financial assets	0.1	0.1
Group assets	469.6	163.2
Total liabilities	13.9	12.1
Other central items and eliminations	7.4	2.5
Financial instruments not designated, liabilities and provisions	139.9	72.2
Income tax liabilities and deferred tax liabilities	27.6	12.0
Group liabilities	188.8	98.8

Circumstances are shown in the reconciliation, which by definition are not part of the segments. In addition, unallocated parts of Group head office, e.g. from circumstances that are accounted for centrally, are included therein. Business relations between the segments are eliminated in the reconciliation.

Due to the strong expansion of the business activity, no customer accounted for a share of more than 10 % of consolidated sales. In the previous year, there was one major customer in the segments Medium Power Solutions and High Power Solutions, who accounted for a share of 10.7 % in consolidated sales.

6. ADDITIONAL DISCLOSURES TO THE FINANCIAL STATEMENTS

Consolidated income statement

(1) Cost of sales

	2008 € '000	2007 € '000
Material expenses	299,259	141,972
Personnel expenses	93,933	43,386
Depreciation	5,855	4,317
Other	28,776	14,602
	427,823	204,277

The total group material expenses for the fiscal year 2008 amounted to € 307.5 million (previous year € 153.0 million)

(2) Research and development expenses

	2008 € '000	2007 € '000
Personnel expenses	27,198	14,440
Material expenses	1,607	1,689
Depreciation	1,624	1,177
Other	4,302	2,413
	34,731	19,719
Capitalized development projects	- 1,711	0
	33,020	19,719

(3) Other operating income

	2008 € '000	2007 € '000
Income from foreign currency valuation	4,175	236
Income from differences in foreign exchange rates	2,220	179
Income from reimbursements	675	250
Income from foreign exchange hedging	437	910
Other income	5,097	1,622
	12,604	2,947

(4) Other operating expenses

	2008 € '000	2007 € '000
Expenses from foreign currency valuation	4,100	1,537
Expenses from differences in foreign exchange rates	917	184
Expenses for foreign exchange hedging	456	389
Other expenses	3,257	1,278
	8,730	3,388

(5) Employee benefits

	2008 € '000	2007 € '000
Wages and salaries	137,442	73,484
Social security contributions and welfare payments	16,517	9,672
	153,959	83,156

The average number of employees amounted to:

	2008 Number	2007 Number
Development	321	216
Production and Service	976	674
Sales and administration	410	312
	1,707	1,202
Trainees and interns	190	127
Temporary employees	616	271
	2,513	1,600

As in the previous year, the average number of employees was determined in accordance with Section 1 (2) sentence 5 of the German Disclosure Law (PublG) to improve the presentation of fluctuations during the year.

(6) Financial result

	2008 € '000	2007 € '000
Interest income	5,023	1,082
Other financial income	150	5
Financial income	5,173	1,087
Financing costs finance lease	745	608
Interest share from valuation of provisions	591	572
Other financial expenses	69	2
Interest expenses	26	37
Financial expenses	1,431	1,219
Financial result	3,742	- 132

Interest income quintupled compared to the previous year due to the positive net cash flow from operating activities and the positive net cash flow from financing activities.

(7) 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 the equivalent foreign income taxes.

The income tax expenses are made up as follows:

	2008 € '000	2007 € '000
Actual income taxes		
current financial year	51,752	23,155
concerning previous years	- 25	- 177
Deferred taxes		
from temporary differences	- 195	- 457
from loss carryforwards	78	- 120
Income taxes	51,610	22,401

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

	2008 € '000	2007 € '000
Consolidates IFRS result before income taxes	171,135	59,158
Tax rate of parent company	30.1 %	39.0 %
Expected income tax	51,511	23,072
Differences related to differing tax rates domestic and abroad	24	- 35
Effects due to changes in tax rates	0	- 306
Tax-free income	0	- 58
Non-deductible expenses	219	65
Taxes relating to previous years	- 25	- 177
Other tax effects	- 119	- 160
Actual income taxes	51,610	22,401
Effective group tax rate	30.2 %	37.9 %

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 clear reduction of the tax rate at the level of the parent company and of the effective tax rate of the group is due to the reduction of German tax rates in the context of the German Corporation Tax Reform in 2008.

The effects of deviations between the relevant tax rates at the level of the individual group subsidiaries and the tax rate at the level of the parent are shown in the reconciliation statement under tax rate-related deviations in Germany and abroad. A tax expense of € 2.1 million results 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.

The deferred tax assets and tax liabilities result as follows from the temporary differences and tax loss carryforwards:

	12/31/2008		12/31/2007	
	€'000		€'000	
	Deferred tax receivables	Deferred tax liabilities	Deferred tax receivables	Deferred tax liabilities
Intangible assets	244	- 516	260	0
Fixed assets	66	- 1,297	0	- 638
Inventories	1,127	- 390	486	- 219
Other assets	100	- 239	110	- 77
Other provisions	891	- 54	155	- 61
Other liabilities	42	- 24	0	- 349
Loss carryforwards	42	0	147	0
	2,512	- 2,520	1,158	- 1,344
thereof non-current	1,201	- 1,863	415	- 699

Deferred tax assets are regarded as fully sustainable, since a sufficient amount of taxable income is expected in the future. The loss carryforwards for which deferred tax assets were formed are due to start-up losses of newly incorporated subsidiaries. The loss carryforwards generated in 2006 could be used largely in the fiscal years 2007 and 2008 due to the availability of sufficient taxable income.

(8) Earnings per share

Earnings per share are calculated by dividing the consolidated earnings attributable to the shareholders by the number of ordinary shares in circulation.

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. Since the new shares are entitled to a share in the profits from the beginning of fiscal 2008, the profit per share (see income statement) as at December 31, 2008 was calculated on the basis of all shares in circulation at this date.

The calculation of earnings in relation to the weighted average number of shares according to IAS 33 produces earnings of € 3.58 per share on 33.4 million shares for the period from 1 January to 31 December 2008 as well as earnings per share of € 1.15 calculated on a weighted average number of 32.0 million shares for the period from 1 January to 31 December 2007. In this connection, an adjustment as defined in IAS 33.28 was undertaken for calculating the weighted average with regard to the above-mentioned capital increase.

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 statements of SMA Solar Technology AG drawn up in line with the provisions of the German Commercial Code and of the Stock Corporation Act.

Consolidated balance sheet

(9) Intangible assets

The intangible assets developed as follows in the fiscal years:

	Development € '000	Licenses € '000	Software € '000	Prepayments € '000	Total € '000
Acquisition costs					
01/01/2008	0	0	4,497	123	4,620
Additions	1,711	0	2,827	201	4,739
Disposals	0	0	0	0	0
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
Disposals	0	0	0	0	0
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
Acquisition costs					
01/01/2007	0	8,040	3,036	0	11,076
Currency changes	0	0	0	0	0
Additions	0	5,366	1,474	123	6,963
Disposals	0	13,406	13	0	13,419
12/31/2007	0	0	4,497	123	4,620
Depreciation					
01/01/2007	0	4,019	2,144	0	6,163
Additions	0	9,384	630	0	10,014
Disposals	0	13,403	13	0	13,416
12/31/2007	0	0	2,761	0	2,761
Net value 12/31/2006	0	4,021	892	0	4,913
Net value 12/31/2007	0	0	1,736	123	1,859

The movements under "Licenses" result primarily from assumption of distribution activities from a sales representative. Assumption of distribution was effected in 2006 and the resulting assets were written down over two years.

(10) Property, plant and equipment

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

Buildings used through finance lease agreements are contained in the property, plant and equipment shown in the balance sheet at the net carrying amount of € 21.9 million (previous year € 12.2 million).

The advance payments made as at December 31, 2008 include advance payments for the construction of a production facility in Kassel in the amount of € 28.5 million.

The development of property, plant and equipment in fiscal 2007 was as follows:

	Land and buildings including buildings on third-party property	Technical equipment and machinery	Other equipment, fixtures and furniture	Prepayments	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Acquisition costs					
01/01/2007	18,881	6,925	18,283	158	44,247
Currency changes	- 1	- 31	- 27	- 1	- 60
Additions	1,773	2,617	6,416	0	10,806
Disposals	0	1,331	1,379	0	2,710
Transfers	0	0	157	- 157	0
12/31/2007	20,653	8,180	23,450	0	52,283
Depreciation					
01/01/2007	2,509	4,630	10,183	0	17,322
Currency changes	0	- 8	- 15	0	- 23
Additions	1,442	676	3,854	0	5,972
Disposals	0	981	1,342	0	2,323
12/31/2007	3,951	4,317	12,680	0	20,948
Net value 12/31/2006	16,372	2,295	8,100	158	26,925
Net value 12/31/2007	16,702	3,863	10,770	0	31,335

(11) Inventories

Inventories are made up as follows:

	12/31/2008 € '000	12/31/2007 € '000
Raw materials, consumables and supplies	42,180	20,855
Unfinished goods, work in progress	7,832	8,188
Finished goods and goods for resale	23,879	18,520
Prepayments	1,384	35
	75,275	47,598

Inventories are measured at the lower value of acquisition or manufacturing costs and net realizable value. The impairment on inventories, included in expenses as manufacturing costs, is € 1.7 million (previous year € 0.5 million).

(12) Trade receivables and other receivables

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

As at December 31, 2008, itemized value adjustments of € 1.0 million (previous year € 0.4 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 01/01/2007	437	65	502
Additions with effect on the expenses (net)	69	0	69
Usage	- 122	- 24	- 146
Currency difference	- 7	0	7
As of 12/31/2007	377	41	418
Additions with effect on the expenses (net)	605	100	705
Usage	- 96	- 59	- 155
Disposals	- 48	38	- 10
Currency difference	10	0	10
As of 12/31/2008	848	120	968

In addition, there was no need for value adjustments in respect of other receivables and financial assets.

As at the reporting dates the ageing structure of trade receivables is 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			
		12/31/2008	24,017	13,337	7,594	789	1,124	1,039
12/31/2007	26,387	15,009	9,098	1,304	863	44		

The other receivables contain primarily expenses paid in advance and other receivables from the tax authorities.

(13) Other financial assets

As at 31 December 2008, other financial assets also include the receivables from securities invested in Federal treasury notes and Federal bonds. All securities have a maturity of less than six months.

(14) Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances, checks, payments in transit, and deposits with total terms to maturity of less than three months.

Bank balances bear interest at variable interest rates applicable to deposits subject to call.

On December 31, 2008, the Group had unused credit lines of € 31.0 million (December 31, 2007: € 33.0 million), in respect of which all conditions necessary for using them were fulfilled.

(15) 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 Germany Stock Corporation Act on the capital increase from corporate funds (Section 207 et seq. 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

statements for fiscal year 2007 were 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 Annual General Meeting has authorized the Management Board of SMA Technologie AG to increase the issued capital by up to € 6.0 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 (Authorized Capital I) in order to place the new shares as part of the Company's IPO (Authorized Capital I). Shareholders' subscription rights are excluded. As part of the IPO, this resulted in an increase in issued capital from capital reserves by issuing 2.7 million new shares and an increase of subscribed capital by € 2.7 million.

- Furthermore, the Management Board was authorized by resolution of the Annual General Meeting of April 30, 2008 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 Management 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; 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 Management 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.

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.

The statutory reserve has been formed fully in accordance with Section 150 (2) AktG.

The Management Board, with the consent of the Supervisory Board, adopted a resolution on October 23, 2007 to implement an employee share plan at a volume of 2,150 shares. The shares were offered to the employees at a value determined by an independent auditor in accordance with the IDW standard "Principles for the implementation of enterprise valuations" (IDW S1), less a scaled contribution of up to € 135.00 per employee. To cover the demand, the Company acquired a total of 2,150 treasury shares from current shareholders in accordance with Section 71 (1) no. 2 AktG.

All shares acquired in this process were sold again by December 18, 2007 in the context of the employee share plan. 215 employees purchased shares. The Company's contribution to employee shares amounted to € 10.7k and was classified as a share-based compensation plan with equity compensation. In fiscal year 2008, no employee share plan in line with Section 71 (1) no. 2 AktG was implemented.

At the next General Meeting, the Management Board will propose that a dividend of € 34.7 million (€ 1.00 per qualifying share) be distributed.

(16) Investment subsidies

Investment subsidies relate to taxable government grants from the funds of the common-task program "improvement of the regional economic structure" (EU GA). The total amount of retransfer of government grants is stated under other operating income.

(17) Other provisions

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

	Production Area € '000	Personnel Area € '000	Other € '000	Total € '000
as of 1 st January 2008	12,166	424	2,648	15,238
Additions	23,529	143	4,579	28,251
Usage	3,407	26	2,294	5,727
Release	0	0	327	327
Compounding	364	23	0	387
as of 31 st December				
2008	32,652	564	4,606	37,822
Current in 2008	12,361	0	4,606	16,967
Non-current in 2008	20,291	564	0	20,855
	32,652	564	4,606	37,822
Current in 2007	5,423	0	438	5,861
Non-current in 2007	6,743	424	2,210	9,377
	12,166	424	2,648	15,238

Provisions in the staff area essentially relate to long-service anniversaries. Provisions in the production area include, in particular, warranty provisions for products sold.

(18) Financial liabilities

	12/31/2008 € '000	12/31/2007 € '000
Current finance lease liabilities	1,343	1,074
Non-current finance lease liabilities	20,174	10,546
Derivative financial liabilities	18	0
	21,535	11,620

(19) Trade payables

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

(20) Other financial liabilities

	12/31/2008 € '000	12/31/2007 € '000
Liabilities personnel department	38,729	17,939
Liabilities sales department	20,283	11,089
Other	11	17
	59,023	29,045
Current	59,023	28,568
Non-current	0	477
	59,023	29,045

Liabilities in the personnel area contain obligations to employees regarding performance-based bonuses, positive holiday and flexitime balances as well as variable salary components. The liabilities in the marketing area contain liabilities resulting from the termination of a sales representative agreement.

(21) Other liabilities

	12/31/2008 € '000	12/31/2007 € '000
Deferred income for extended guarantees	14,497	9,443
Liabilities from prepayments received	3,800	5,116
Liabilities due to tax authorities	1,719	886
Liabilities from subsidies received	1,155	843
Other	341	30
	21,512	16,318
Current	6,479	7,330
Non-current	15,033	8,988
	21,512	16,318

(22) Additional disclosures to financial instruments

Carrying amount:	Categories of financial instruments acc. IAS 39	12/31/2008		12/31/2007	
		€ '000	€ '000	€ '000	€ '000
Assets					
Cash and cash equivalents	LaR	240,682		52,847	
Trade receivables	LaR	24,017		26,387	
Other financial investments	AfS	70		70	
Other financial assets	LaR	2,780		1,533	
Derivatives that do not qualify for hedge accounting	FAHFT	183		93	
Held to Maturity investments	HtM	20,596		0	
Liabilities					
Trade liabilities	FLAC	21,290		14,620	
Liabilities due to finance lease	n.a.	21,517		11,620	
Other financial liabilities	FLAC	59,023		29,045	
Derivatives that do not qualify for hedge accounting	FLHFT	18		0	

Thereof aggregated by categories according IAS 39:

Loans and Receivables	LaR	267,479	80,767
Financial Liabilities Measured at Amortised Cost	FLAC	80,313	43,665
Held to Maturity Investments	HtM	20,596	0
Financial Assets Held for Trading	FAHFT	183	93
Financial Liabilities Held for Trading	FLHFT	18	0
Available for Sale Financial Assets	Afs	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. 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. As are all financial instruments, they are recognized at fair value upon initial recognition. The fair values are also relevant for subsequent measurements. The fair value of traded derivative financial instruments is identical to the market value. This value 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 net results 2008 from financial instruments are as follows:

in €'000	from interests	from subsequent valuation		from disposal	Net result
		Currency translation	Value adjustment		
Loans and Receivables (LaR)	4,300	1,378	- 705	- 133	4,840
Financial Liabilities Measured at Amortised 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

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 2007 from financial instruments are as follows:

in €'000	from interests	from subsequent valuation		from disposal	net result
		Currency translation	Value adjustment		
Loans and Receivables (LaR)	1,081	- 1,306	- 69	- 171	- 465
Financial Liabilities Measured at Amortised Cost (FLAC)	- 58	0	0	0	- 58
Financial Assets Held for Trading (FAHft)	0	521	0	0	521
Total	1,023	- 785	- 69	- 171	- 2

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 in the financial result.

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

	Total €'000	< 1 Year €'000	1-3 Years €'000	4-5 Years €'000	> 5 Years €'000
2008	113,351	82,673	4,720	4,720	21,238
2007	78,106	52,852	5,905	5,405	13,944

The nominal payment obligations of the next year contain in 2008, as in the previous year, no significant payment obligations under foreign currency derivatives (FLHft).

(23) 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 € 6.5 million (previous year € 3.9 million) at the end of the year.

Other financial obligations arose primarily from tenancy agreements and operating leases, entered 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:

	12/31/2008 € '000	12/31/2007 € '000
Maturity of less than 1 year	3,542	1,918
Maturity of 1 to 5 years	6,938	4,258
Maturity of more than 5 years	6,193	104
	16,673	6,280

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 6. (26). Payment obligations resulting on the reporting date from the finance lease are recognized in the balance sheet as a liability at the fair value of the future minimum lease payments.

	Minimum lease payments € '000	Present value of the minimum lease payments 2008 € '000	Minimum lease payments € '000	Present value of the minimum lease payments 2007 € '000
Maturity of less than 1 year	2,360	1,343	1,621	1,074
Maturity of 1 to 5 year	9,439	5,977	6,482	5,426
Maturity of more than 5 years	21,238	14,197	11,762	5,120
	33,037	21,517	19,865	11,620

In addition, there were financial obligations to third parties under maintenance agreements, investment projects commenced and under the order commitment for inventories, which were customary for the business.

As at December 31, 2008, the Company had commitments to acquire property, plant and equipment amounting to € 7.1 million. This figure includes commitments of € 3.2 million for the construction of the new production facility in Kassel, which is scheduled to commence operations in April 2009. The other obligations relate predominantly to production tools. There is also the customary amount of business commitments.

(24) Contingencies

No contingencies existed as at the balance sheet date of December 31, 2008.

Consolidated cash flow statement

(25) Notes to the consolidated cash flow statement

The consolidated cash flow statement shows how the liquid funds of the Group have changed in the course of the fiscal year due to inflows and outflows from operating activities, investing activities and financing activities. The basis of the cash flow statement is the after-tax profit. The subtotal of gross cash flow of € 168.8 million (previous year € 60.8 million) shows the operating income prior to any commitment of funds. The net cash flow from operating activities of € 187.5 million (previous year € 53.2 million) is influenced primarily by the development of sales and the related increase in results. The increase in working capital, in particular the increase in inventories, had an opposite effect here. The net cash flow from investing activities of € - 94.5 million (previous year € - 20.8 million) is affected mainly by payments for investments in securities of € 20.6 million (previous year € 0.0 million) and the outflow of funds due to investments in property, plant and equipment. Advance payments made for the construction of the new production facility in Kassel account for a significant share in this figure. In fiscal year 2008, the net cash flow from financing activities stood at € 94.6 million as compared to the previous year of € - 13.0 million. An important factor was the inflow of funds from the IPO less issue costs, including the related income tax benefit, as well as the dividend payment of € 25.2 million (previous year € 13.0 million) resolved by the Annual General Meeting in April 2008.

Cash and cash equivalents of € 240.7 million (previous year € 52.8 million) include cash in hand, bank balances, short-term deposits with an original term to maturity of less than three months as well as any credits on current accounts used, if any. The liquid funds are not subject to any restrictions of disposal.

Other disclosures

(26) Events after the balance sheet date

There were no significant events on or after the reporting date other than those presented in or recognizable from the statements in the consolidated management report and the notes.

(27) Related party disclosures

Related parties within the meaning of IAS 24 are the Management Board and the Supervisory Board of SMA Solar Technology AG.

In fiscal year 2008, the Management Board of SMA Solar Technology AG was made up of the following members:

Dipl.-Ing. Günther Cramer (Chairman)

Dipl.-Ing. Peter Drews

Dipl.-Ing. Reiner Wetzlaufer

Dipl.-Kfm. Pierre-Pascal Urbon

The members of the Supervisory Board of SMA Solar Technology AG in fiscal year 2008 were:

Dr. jur. Erik Ehrentraut, Enterprise Consultant (Chairman)
 Prof. Dr. Ing. Werner Kleinkauf, University Professor (em) (Deputy Chairman)
 Dipl.-Soz. Jürgen Dolle, HR Manager
 Dr. Winfried Hoffmann, Managing Director (from April 30, 2008)
 Dipl.-Math. Sabine Weber, Software Developer (employee representative)
 Dipl.-Ing. Johannes Häde, Hardware Developer (employee representative)

Other related parties in accordance with IAS 24 for the SMA Group are both the divisional managers of the individual divisions within the parent company and the managing directors of the subsidiaries as well as their close relatives, SMA Immo GmbH and team-time GmbH.

Related parties who are shareholders of SMA Immo GmbH, Niestetal, are Dipl.-Ing. Günther Cramer, Dipl.-Ing. Peter Drews, Dipl.-Ing. Reiner Wettlaufer and Prof. Dr. Ing. Werner Kleinkauf.

By way of the agreement of February 28, 2008, SMA Solar Technology AG acquired a car park from SMA Immo GmbH for a price of € 1.2 million. The agreed purchase price is slightly below the book value of the car park in SMA Immo GmbH's financial statements at the time the agreement was concluded.

By way of an agreement of March 17, 2008 with SMA Immo GmbH, five tenancy agreements concluded in the previous years, which qualified as finance leases, 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. The new 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 € 0.2 million per month. The total lease installment under the new agreement amounts to € 2.1 million in 2008 (previous year € 1.6 million). The liabilities to SMA Immo GmbH were balanced on December 31, 2008 (December 31, 2007: € 0.1 million).

On April 30, 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 Management Board. Transactions for € 4.9 million were handled under this agreement in fiscal 2008. The liabilities to team-time GmbH amounted to € 1.4 million on December 31, 2008.

Total compensation of the members of the Management Board in the year under review, including for their tasks in subsidiaries, amounted to € 1.7 million, of which 0.7 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 € 0.0 million). This figure includes variable compensation of € 0.1 million (previous year € 0.0 million). Compensation of the Management Board 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.

Management Board members hold a total share of 58.2 % and Supervisory Board members a total share of 17.2 % in stocks.

Total compensation of related parties:	2008 € '000	2007 € '000
Short-term benefits payable to employees (in total - not per person)	5,311	3,803
Contributions to defined contribution plans (direct employer insurances)	10	9
	5,321	3,812

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

(28) 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.

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.

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.

In the event of an upwards (downwards) revaluation of 5 % of the dollar as against the euro, the value changes of currency derivatives would have fallen by € 1.7 million (risen by € 2.4 million). Accumulated income from exchange differences and hedging transactions amounted to € 1.3 million in the fiscal year (previous year € 0.5 million).

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. By the timely setting of a credit limit or by the 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 12. 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.

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 possible liability risks and damage claims, insurance contracts are concluded, insofar as sensible and possible, the cover of which is reviewed and adjusted 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 determined in this way has to be below 20 %. In the year under review, the equity ratio of the SMA Group was 59.8 % (previous year 39.5 %), the net working capital ratio 11.4 % (previous year 18.1 %).

(29) Auditor fees

The following fees were recorded as an expense for the services provided by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungs-gesellschaft:

	2008 € '000	2007 € '000
Financial statement auditing	186	81
Audit-related services and other audit work	661	0
Tax consultancy	3	6
Other services	4	2
	854	89

The audit fees 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 subsidiary SMA Railway Technology GmbH. The fees for other attestation or valuation services relate mainly to services provided in the context of the IPO of SMA Solar Technology AG.

(30) Declaration on the German Corporate Governance Code in accordance with Section 161 AktG

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 Management Board and the Supervisory Board on February 19, 2009 and made available to the shareholders on the internet page at <http://www.SMA.de> on a permanent basis.

(31) 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, 2008, which is filed with the operator of the electronic Federal Gazette and published subsequently in the electronic Federal Gazette.

Niestetal, March 11, 2009

SMA Solar Technology AG
The Management Board

VI. 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 group 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 11, 2009

SMA Solar Technology AG
The Managing Board

VI. 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, income statement and statement of changes in equity, cash flow statement and notes, as well as the consolidated management report for the fiscal year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the consolidated management report in accordance with the IFRSs applicable to financial reporting as adopted by the EU and in accordance with the supplementary commercial law provisions to be applied pursuant to Section 315a (1) of the HGB as well as the supplementary provisions of the articles of incorporation is the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the consolidated management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) with additional consideration given to the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit in such a way that misstatements and infringements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the principles of proper accounting 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 the entities included in the consolidated financial statements, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, 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 are in compliance with the IFRS applicable to financial reporting as adopted by the EU and with the supplementary provisions of commercial laws, which are to be applied pursuant to by Section 315a (1) of the HGB, and the supplementary provisions of the articles of incorporation, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The consolidated management report is consistent with the consolidated financial statements and, as a whole, provides an appropriate view of the Group's position and appropriately presents the opportunities and risks of future development."

Kassel, March 11, 2009

**PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft**

**Holger Plaum
Wirtschaftsprüfer
(German Public Auditor)**

**ppa. Matthias Schwarze-Gerland
Wirtschaftsprüfer
(German Public Auditor)**

FINANCIAL CALENDAR

April 1, 2009	Capital Markets Day, SMA/Niestetal
May 15, 2009	Publication of Quarterly Financial Report January – March 2009 Analyst Conference Call: 9:00 a.m. (CET)
June 10, 2009	Annual General Meeting 2009, Kongress Palais Kassel
August 14, 2009	Publication of Half-yearly Financial Report January – June 2009
November 13, 2009	Publication of Quarterly Financial Report January – September 2009 Analyst Conference Call: 9:00 a.m. (CET)

CONTACT DETAILS

SMA Solar Technology AG

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

Investor Relations

Pierre-Pascal Urbon
Tel.: +49 561 9522 2222
Fax: +49 561 9522 2223
E-Mail: IR@SMA.de

Public Relations

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

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SMA Solar Technology AG

Art Direction

SMA Solar Technology AG

Matthias Holzhauer

Jessica Krastev

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SMA Solar Technology AG

Anja Jasper

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SMA Solar Technology AG

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Andreas Berthel

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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.

SMA Solar Technology AG

Sonnenallee 1

34266 Niestetal

Germany

Tel.: +49 561 9522 0

Fax: +49 561 9522 100

E-Mail: info@SMA.de

www.SMA.de