

SMA Solar Technology AG

6th Capital Markets Day





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Many investment banks reduced their research activities for the solar sector during the last 12 months



SMA Share Price Development¹



52-weeks low: €16,75
 52-weeks high: €35,07
 January 17, 2014: €30,05

Research Coverage

Institute	Analyst	Last update	Recommendation	Target Price
Citigroup	Jason Channell	11/11/2013	Sell	€26
Commerzbank	Georg Remshagen	12/17/2013	Sell	€16
Deutsche Bank	Alexander Karnick	01/16/2014	Buy	€31
Equinet Bank	Stefan Freudenreich	11/11/2013	Sell	€23
HSBC Trinkaus & Burkhardt	Christian Rath	12/05/2013	Sell	€22
Independent Research	Sven Diermeier	11/11/2013	Sell	€27
Kempen & Co	Serena Zuidema	08/12/2013	Hold	€22
LBBW	Erkan Aycicek	11/25/2013	Buy	€34
Main First	Andreas Thielen	03/27/2013	UP	€15
Matelan	Peter Wirtz	11/05/2013	Buy	€36.5
Warburg Research	Christopher Rodler	11/07/2013	Sell	€24

The market environment in the solar sector changed fundamentally



Within the last 12 months demand shifted from Europe to Asia and America. This trend continuous in 2014, but at slower pace



PV-Market by Application¹

- Others (n.m.)
- Industrial (+ 8% growth)
- Commercial (+ 33% growth)
- Residential (+ 16% growth)

< 40 GW

ca. 34 GW

2013

2014

PV-Market by Region¹

- Europe (- 7% growth)
- America (+ 23% growth)
- China (+ 43% growth)
- Rest of World (+ 14% growth)

< 40 GW

ca. 34 GW

2013

2014

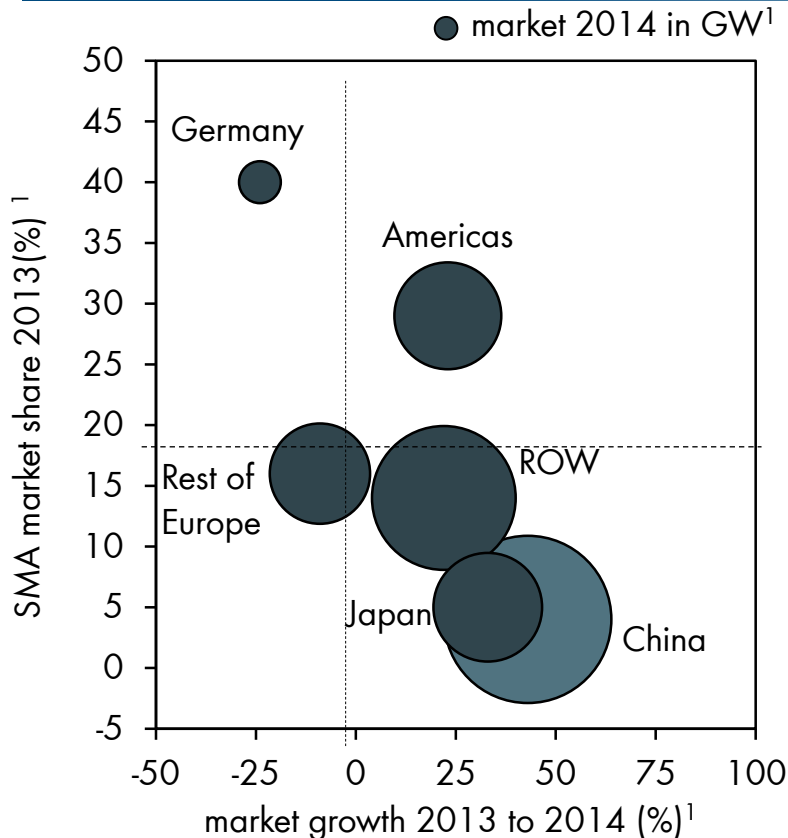
PV-Market
in € bn.¹
2013: 3.9
2014: 4.1

► SMA expects a moderate market increase in terms of Euro and Gigawatt in 2014

SMA is the world market leader 2013 due to its complete product portfolio, service excellence and global presence



Market Share & Market Growth



Comments

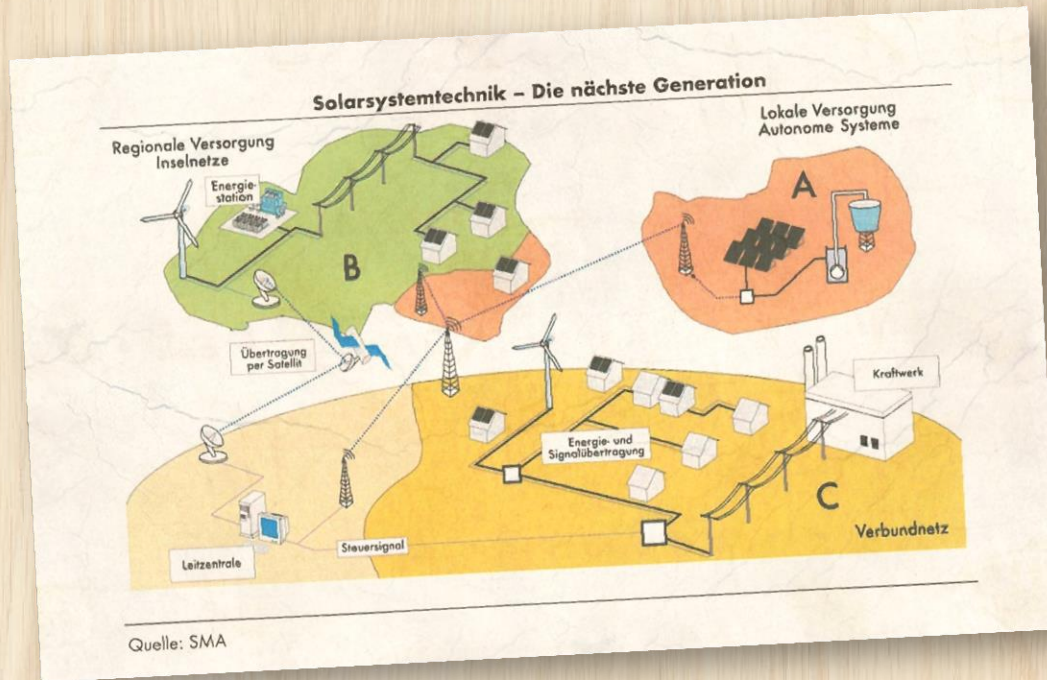
- > Global demand 2014 depends on subsidy programs
 - > High volatility
 - > Rising protectionism
 - > Increased market fragmentation
- > „Fuel Parity“ and „Socket Parity“ will become a game changer in the mid-term
 - > Paradigm shift (CapEx vs. OpEx)
 - > New technologies
 - > New customer groups and markets
- > SMA's global market share of 15% in 2013 is a result of the fast rising demand in China, Japan and few European markets.

► **SMA developed sound go-to market strategies for the fast growing regions to increase its market share 2014**

As a specialist for system technology, SMA serves the fast growing market for decentralized energy supply



A decentralized power supply based on renewable energy will open up peer-to-peer business models



►► System technology to support control and storage functions is paramount for the upcoming transition in the energy sector

SMA 's strategy will lead to profitable growth

SMA Targets for 2014

Global market leader

International focus

Trendsetter

Best practices

Collaboration partner

Profitable

Goals for 2014:
Sales:
 €1.0 - €1.3 billion
EBIT:
 Break-even
NWC-Ratio:
 20-23%

SMA 's Strategic Pillars

	Market development to increase sales	System technology for storage applications
		PV diesel hybrid systems
		Service
	Process improvements to increase profitability	Global Sales Excellence
		Global Performance Excellence
		Global Leadership Excellence
	Two-brand strategy to grow market share	SMA product portfolio
		Zeversolar product portfolio

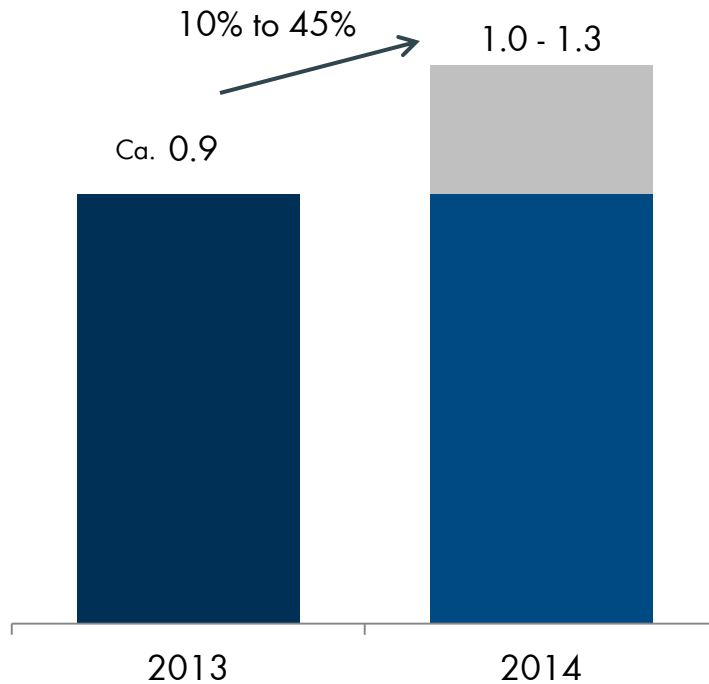
SMA paved the way to return to profitability in 2014



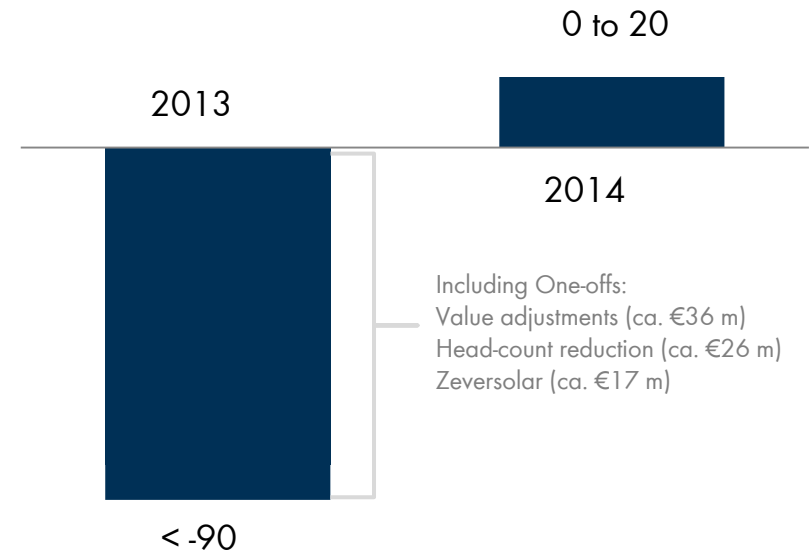
SMA's management specifies the 2013 guidance and confirms the 2014 outlook



SMA Sales Guidance 2014^{1,2}



SMA EBIT-Guidance 2014^{1,3}



Key drivers of SMA financials

Growth of PV-market

- > SMA's financial performance is directly linked to the overall growth of the PV-market.
- > In 2014 non-European solar markets are expected to compensate the decline in European demand. SMA expects a global growth in new PV-installations by ca. 15% in 2014.
- > According to the Energy Outlook 2012 the global PV-market is expected to grow by 10% p.a. until 2035.

SMA's global market share

- > SMA's global market share in 2013 is approximately 15%. Decline compared to the previous year is mainly caused by the fast growing Chinese and Japanese solar markets. In both markets SMA is just at the beginning of the market penetration (new subsidiary; acquisition Zeyversolar).
- > International sales will account for approximately more than 75% in 2014.

Technology Leadership

- > SMA's market leadership position is based on its technology leadership; SMA will invest more than €130 million in R&D in 2014 (last three years: >€300 million); >1,000 engineers.
- > A new product generation will ensure a cost degression in €/Watt, more functions (e.g. storage; grid-management, etc.) and more same parts.
- > SMA will launch amongst other products the Sunny Boy Smart Energy, a new Sunny Central and a new online-portal in 2014.

Product Mix

- > Margin differences between MPS, PPS, Zeyversolar and Service business segments and within business segments.
- > Profit margin of MPS, PPS and Zeyversolar will improve due to cost-out initiatives and head-count reduction. Service profitability depends on installed base and warranty time.

Key drivers of SMA financials

Market volatility

- > Considerable market volatility in overall growing markets due to
 - > Changes in/phase-outs of governmental support programs (e.g. Germany, Italy, Japan).
 - > Weather conditions impact ability to install PV-systems in countries like Germany, USA, etc.
 - > Tender processes.

Cost out program Operational excellence

- > Significant flexibility in SMA's production set-up. Production capacity of approx. 14 GW p.a.
- > Powerful global sourcing organization in Germany, Poland, China, USA. Cross-functional teams (R&D, Procurement, Quality, etc.) and leverage of Zeyversolar resources to drive down costs.
- > Cost-out program and operational excellence initiative will lead to cost savings of approximately €80 - €100 million in 2014. SMA targets a NWC-Ratio of 20% - 23% as of sales in 2014.

Head- count reduction

- > More than 500 FTE participated in the job reduction program in Germany. At the end of 2014 SMA targets more than 3,100 FTE in Germany.
- > Severance payments will account for approximately €26 million (accrued in 2013).
- > Savings from headcount reduction amount to approximately €40 million p.a.

Capital structure

- > Net cash will amount to approximately €300 million in 2013. The net cash position and high equity ratio of 60% underlines SMA's bankability and helps to generate sales. A share buy-back program is not planned.
- > Fixed assets amount to approximately more than €360 million in 2013. Capital expenditure will amount to €70 - €90 million (including €20 - €30 million for capitalized R&D).

Investment Highlights

- 1 Direct exposure to growing PV-market (all markets - all module types - all power ranges)
- 2 SMA – Specialist for system technology and global market leader
- 3 Proven technology leadership and high rate of innovation
- 4 Powerful global sales and service infrastructure
- 5 Flexible business model with favourable risk profile
- 6 Commitment to adjust organization and drive down product costs
- 7 Special corporate culture and strong balance sheet

SMA acquired Zeversolar for strategic reasons



The Zeversolar-acquisition was a strategic move to unlock the Chinese solar market and the international “budget” segments



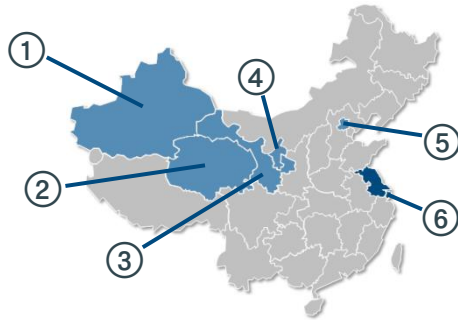
Acquisition Rationale	Assessment
Access to the fast growing Chinese solar market	<ul style="list-style-type: none">> Official forecast of new installations in China doubled to 35-40 GW since Signing> Zeversolar operates a competent team in China and offers products designed for the Chinese solar market> Access to local customers and politicians
Access to additional R&D resources, a different product portfolio as well as to a new supplier base in China	<ul style="list-style-type: none">> 80 talented Zeversolar engineers to develop string and central inverters> Chinese R&D team already supports SMA in its various cost-out initiatives> Together with SMA engineering team the Zeversolar-team improved the quality and costs structure of its existing portfolio

Zeversolar is a well-established Chinese inverter company with a balanced domestic and international market focus



Regional Presence

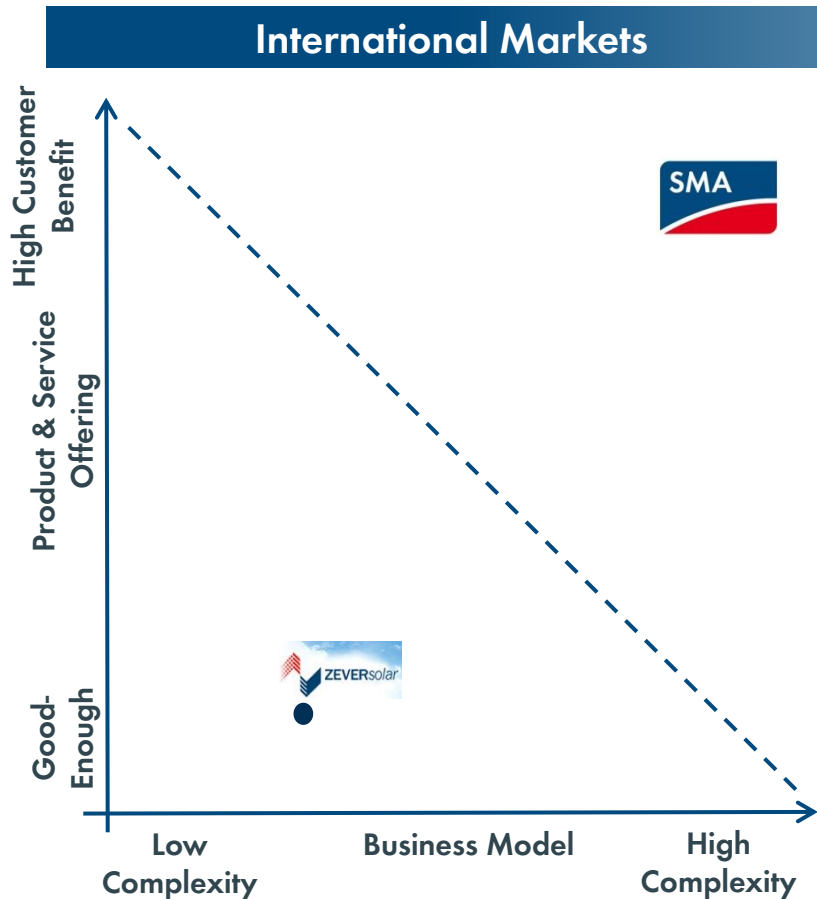
- ① Xinjiang,
- ② Qinghai,
- ③ Gansu,
- ④ Ningxia,
- ⑤ Beijing,
- ⑥ Suzhou/Shanghai



China

- > Product portfolio designed for the Chinese specification requirements
- > Local R&D-team with excellent inroads to Chinese research facilities.
- > Local sales-team with a broad customer base in the utility and commercial segments.
- > Local service-team with service-hubs across China
- > Local production with 5 string inverter lines, 4 central inverters lines and production capacity of approximately 2 GW p.a.

In international markets Zeversolar only serves the budget segment



Brand Benefits in International Markets

- > Zeversolar offers basic solar inverters only (component business - no solution business)
- > Zeversolar offers reliable inverters for all segments (tested by SMA research labs)
- > Zeversolar offers reliable but limited after sales service
- > Zeversolar offers good value (Functionality, Quality and Services) (attractive prices)
- > Zeversolar distributes in selected markets only

The restructuring of Zeyversolar is on-track and will be completed by the end of Q2-2014.



Product Portfolio

Single-Phase
Inverter



2/3 kW



5 kW

Three-Phase
Inverter



4/6 kW



15/17/20 kW

Central
Inverter



500 kW



1,000 kW

Completed Restructuring Efforts

- > New management team ✓
- > New sales and service strategy ✓
- > Improvement of existing product portfolio ✓
- > Improvement of operational processes and implementation of build-to-order strategy ✓
- > Improvement of capital structure and realignment of shareholder structure ✓
- > Set up of cost-out office to support SMA in its cost reduction efforts ✓

► The SMA management expects a break-even result from the Zeyversolar business in 2014. Market success in China very much depends on the political environment.