

SMA SOLAR TECHNOLOGY AG

Analyst / Investor Presentation

Financial Results 2013

ENERGY
THAT
CHANGES



Pierre-Pascal Urban, CEO; Lydia Sommer, CFO – March 27, 2014



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EXECUTIVE SUMMARY

SMA REACHED SALES AND PROFIT TARGETS 2013¹

- > Global demand shifted to Asia and America and to industrial segments.
- > Nearly 5.4 GW inverter output sold (-25%).
- > €932 m sales due to a downturn in business, a shift in the product mix and lower selling prices (-36%).
- > SMA has a strong position in international markets and increased its international share to 71.0% (2012: 56.3%).
- > Operating loss of €-89 m is impacted by price decline, whereas material cost showed signs of cost reduction measures.
- > A net working capital ratio of 26.6% SMA is in line with management guidance.
- > The strong decline in sales let us generated an adjusted free cash flow of €-52 m.
- > Solid balance sheet structure with an equity ratio of 57.5% and net cash of €308.1 m.

¹ Guidance from November 4, 2013

NEAR BREAK-EVEN EBITDA IN 2013 DESPITE BY A MASSIVE DROP IN DEMAND

| | Full year | | 2013 | | | |
|------------------------|-----------|-------|-------|-------|-------|-------|
| | 2012 | 2013 | Q1 | Q2 | Q3 | Q4 |
| MW sold | 7,188 | 5,361 | 1,167 | 1,338 | 1,454 | 1,402 |
| Sales | 1,463 | 932 | 212 | 250 | 248 | 222 |
| EBITDA ¹ | 172 | -6 | 9 | 5 | 13 | -33 |
| Net Income /-loss | 75 | -67 | -6 | -10 | -6 | -45 |
| NWC ratio | 18.3% | 26.6% | 22.8% | 26.1% | 32.4% | 26.6% |
| Net Capex ² | 100 | 50 | 18 | 14 | 12 | 6 |
| Free Cash Flow (Adj.) | 16 | -52 | -21 | -5 | -49 | 23 |
| Net Cash | 446 | 308 | 376 | 348 | 300 | 308 |

Numbers in million €, unless stated otherwise

¹ Analyst Consensus Median EBITDA 2013: €-14.5m

² Without acquisition of Zeyersolar (€22m)

**SINCE THE RECORD YEAR 2010 OUR
WORLD HAS CHANGED COMPLETELY**

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DEMAND HAS SHIFTED FROM EUROPE TO ASIA AND AMERICA ...

While a few European photovoltaic markets dominated the global solar industry in 2010, nearly half of new installations occurred in Asian markets in 2013.

Europe



14,4 GW

9,7 GW

-33%

Asia/ROW



3,7 GW

24,8 GW

+570%

World



23 GW

40 GW

+74%

America



1,9 GW

5,3 GW

+179%

■ 2010
■ 2013

... **AND** FROM RESIDENTIAL APPLICATIONS TO INDUSTRIAL APPLICATIONS

While the global picture used to be dominated by small- to medium-sized PV systems in 2010, system technology solutions for large-scale PV power plants are now becoming increasingly important.

Residential



-7%

Commercial



+11%

World



+74%

Industrial



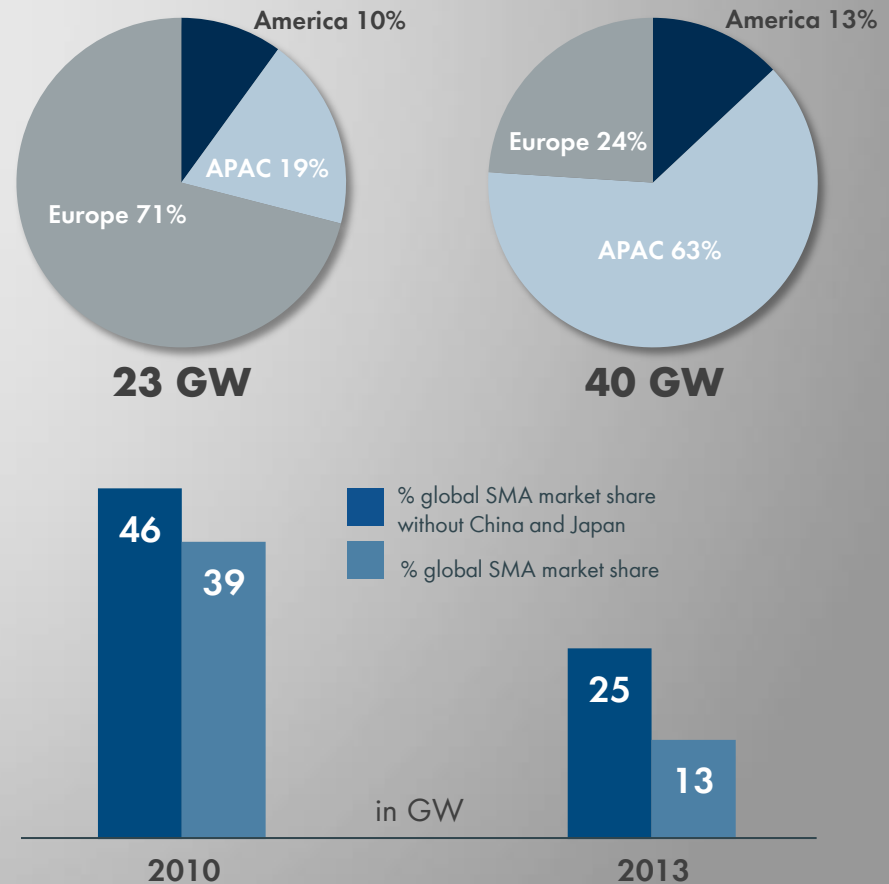
+287%

■ 2010
■ 2013

THE **SHIFT IN DEMAND** IMPACTED SMA'S **MARKET SHARE**

The fast growing Chinese and Japanese solar markets have high entry barriers.

SMA was therefore unable to compensate for the sudden slump in European demand with new business in Asia.



HOW HAS SMA ADJUSTED TO THE CHANGED MARKET ENVIRONMENT?

WE DEVELOP **NEW TECHNOLOGIES** TO INCREASE SALES

SMA will continue to lower production costs and successfully distinguish itself from the competitors with new product platforms and new technological approaches.

In the last three years alone, we have invested more than €300 million in development.

Utility¹



- > Doubling of power to 2 MW
- > 1500-V technology to connect more modules
- > Complete solution with medium-voltage technology
- > Available Q4-2014

Residential¹



- > Complete solution for energy management
- > Lithium-ion battery for higher self-consumption
- > Sunny Home Manager for integration of loads and electric vehicles
- > Available Q2-2014

¹ The new Sunny Central and Sunny Boy Smart Energy were presented in detail to investors, analysts and the press during the Capital Markets Day in January 2014.

WE GO **EVEN MORE GLOBAL** TO INCREASE SALES

SMA has its own sales and service infrastructure in all the attractive photovoltaic markets around the world.

By acquiring Zeversolar, SMA gained access to the strategically important photovoltaic market in China and the “budget” segment.

Internationalization



- > International share increased to >70%
- > 18 Sales companies and 75 Service hubs worldwide
- > Foreign production sites in U.S., Canada, Poland China and South Africa

Zeversolar



- > Doubling of expansion target since 2012
- > High market entry barriers
- > Trend toward decentralized PV systems

WE DEVELOP **NEW BUSINESS AREAS** TO INCREASE SALES

We use our technological expertise to make consistent use of the sales potential arising from supplementing stationary diesel gensets with PV systems.

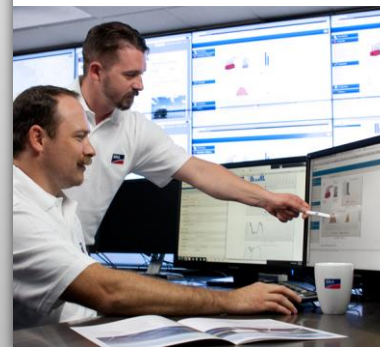
SMA has successfully expanded its range of services in order to tap into the sales potential arising from the installed basis of more than 30 GW around the world.

PV Diesel Hybrid



- > PV is economically attractive when diesel prices are above U.S.\$1 per liter.
- > SMA has installed hybrid systems of more than 50 MW worldwide.
- > SMA plans to expand the hybrid business

Service



- > Complete O & M service for large-scale PV power plants
- > Universal service provider for electric utility companies
- > PV system monitoring for small PV systems

WE USE **GLOBAL SOURCING STRATEGIES** AND FORM **ALLIANCES** TO INCREASE EARNINGS

Our operational excellence initiatives and cost-out projects resulted in considerable savings.

The alliance with Danfoss will allow SMA to further lower costs and increase the attractiveness of the solar inverter portfolio.

Processes



- > €100 million in material costs and operating expenses saved 2013 (€80 - €100million targeted for 2014)
- > Improvement of processes and logistics
- > Expansion of the global purchasing organization

Cooperations

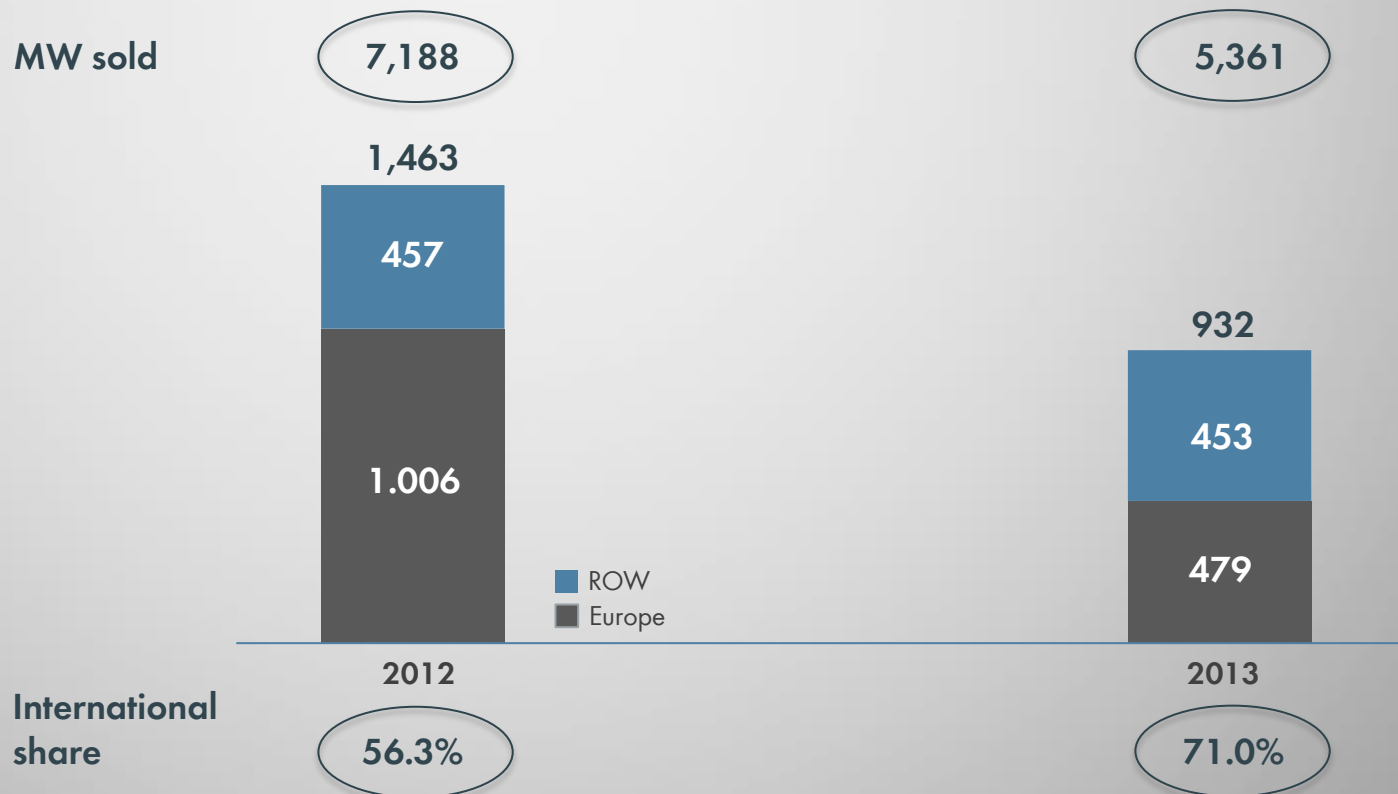


- > Economies of scale due to the pooling of purchasing volumes
- > Cost advantages through technological innovations
- > Increased attractiveness of the product portfolio

**AND WHEN WILL SMA RETURN
TO PROFITABILITY?**

SMA IS THE **GLOBAL MARKET LEADER** IN SYSTEM TECHNOLOGY FOR PV SYSTEMS

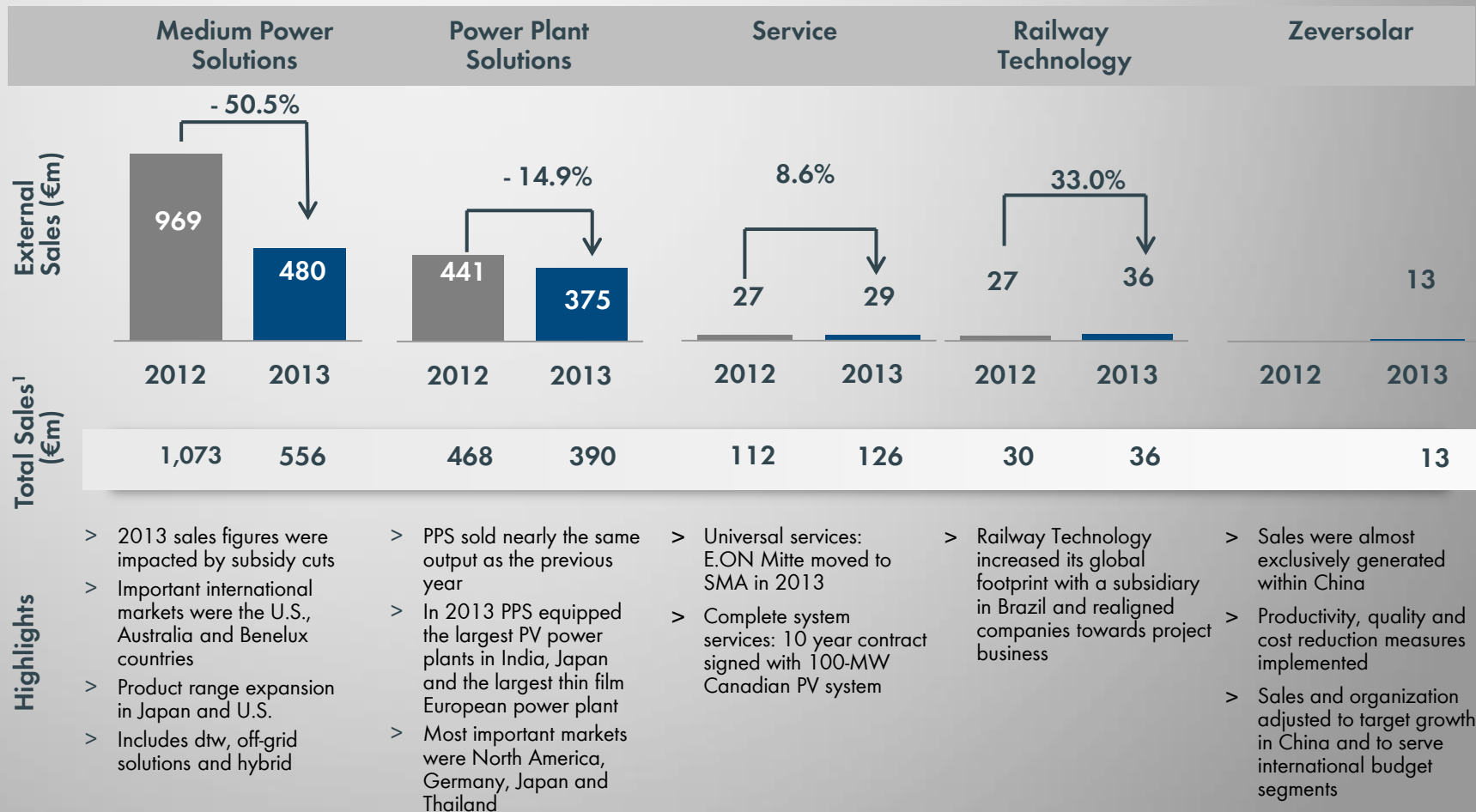
Sales in € million



► Sales are at lower end of guidance¹ mainly because of weaker demand in Europe and the shift in the product mix.

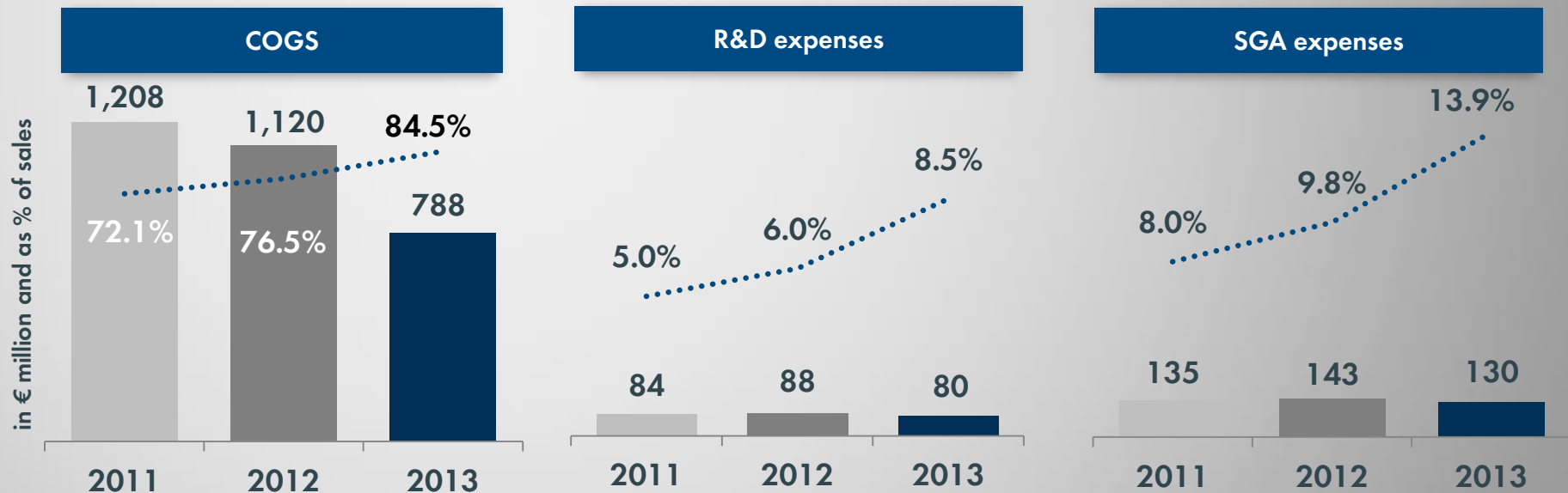
¹Management guidance 2013: Sales of €0.9 billion to €1.0 billion

SEGMENT SALES AFFECTED BY REGIONAL SHIFT IN DEMAND



¹ Incl. Internal sales

COST OF GOODS SHOW INITIAL IMPACT OF COST REDUCTION MEASURES

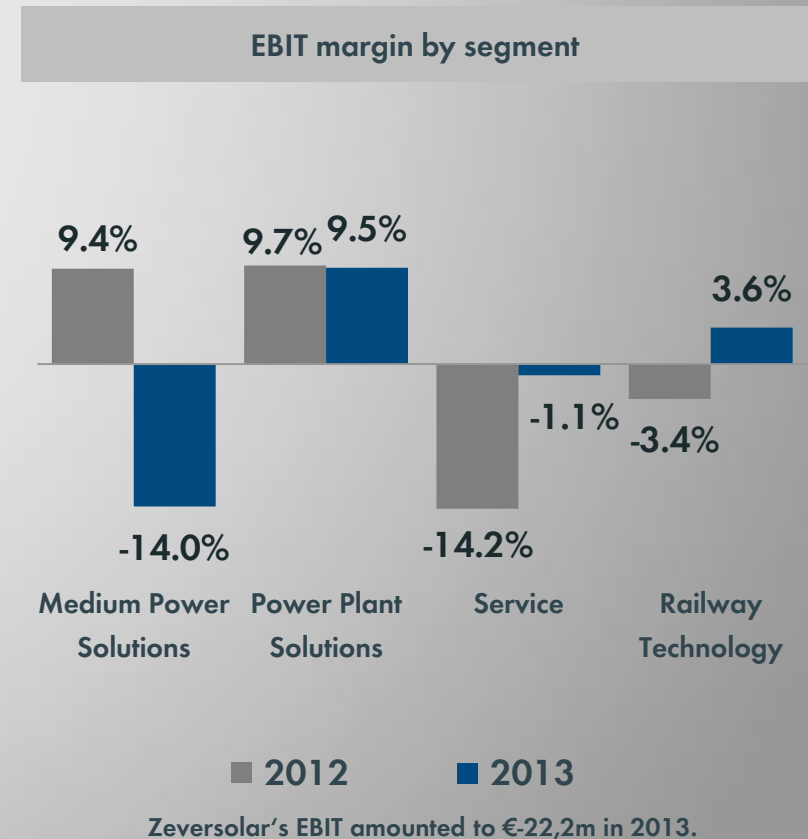
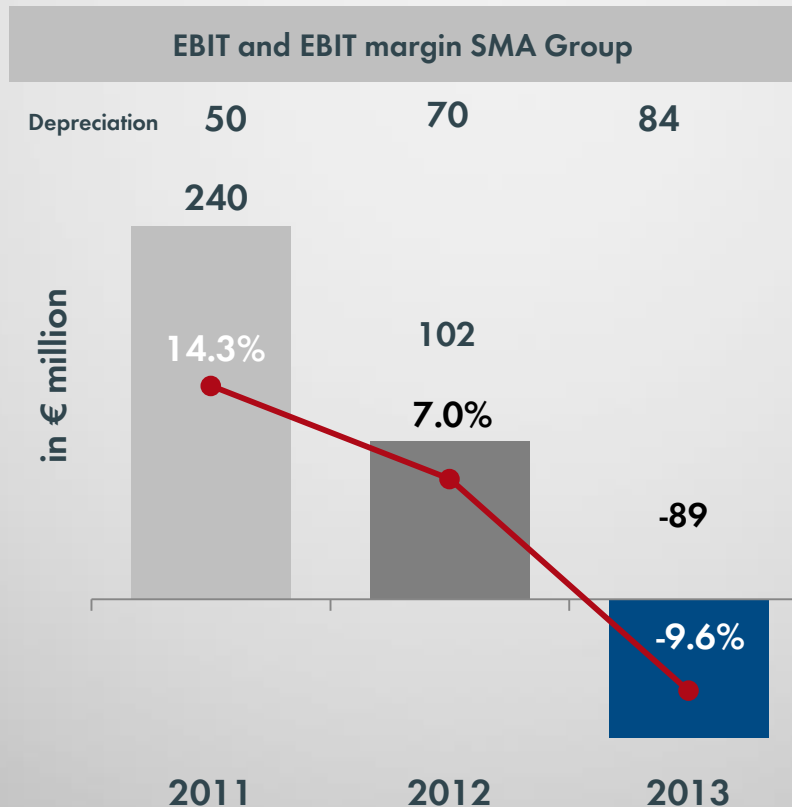


- > Sudden collapse of markets in Europe impacted gross margin.
- > Material costs per watt were lowered by 11.8% year on year to 9.7 euro-cents per watt.
- > Personnel costs declined by 22.1%.
- > Material expenses accounted for 66.4%; personnel expenses for 17.6% and other expenses for 16%.

- > SMA invested €102.5 million in R&D in 2013 (incl. capitalized R&D projects).
- > SMA further expanded development cooperations, intensified the measures to protect intellectual property, and founded a new development center in Denver, US.
- > R&D focused on cost-down initiatives, new products and energy management.

- > SMA 's sales and marketing structures reduced in Europe and expanded in Asia, South America and South Africa.
- > SMA adjusted administrative structures in Germany to the lower sales level.

SMA'S **EARNINGS** ARE HEAVILY IMPACTED BY ONE-OFFS¹

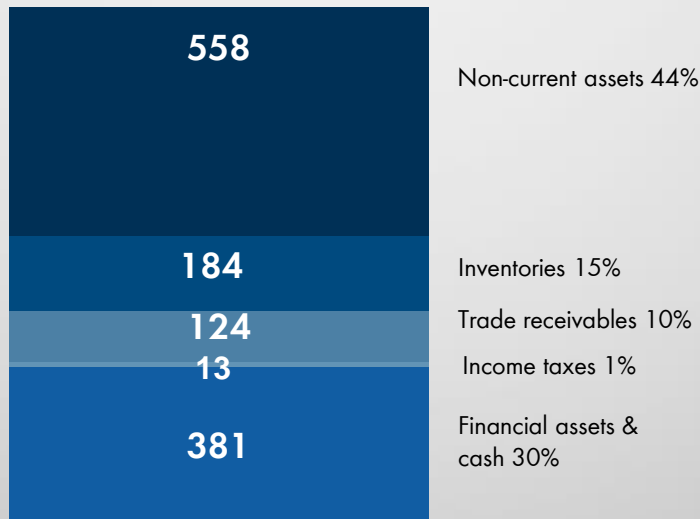


- ▶ The project business protected its profitability despite strong competition.
- Service improved its profitability significantly due to process improvements.

¹ Inventory write-down (€36m), HR-reduction (€25m), Zeversolar (€15m), Receivables write-down (€5m)

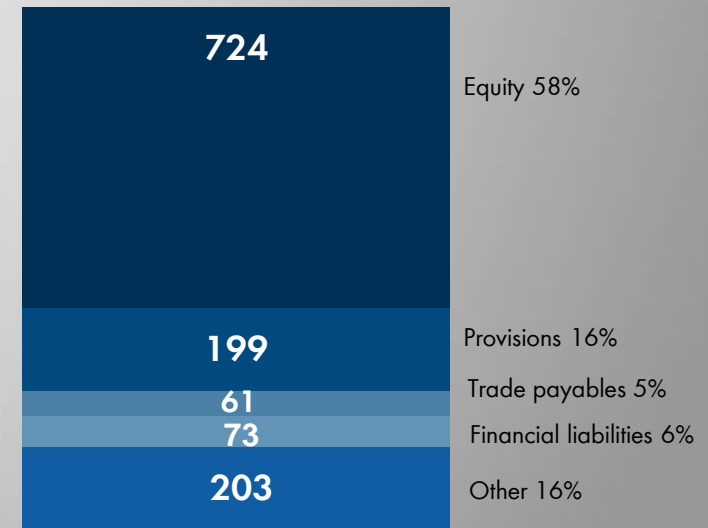
SMA HAS A **SOLID BALANCE SHEET STRUCTURE** WITH AN EQUITY RATIO OF 58%

Σ €1,260 million



Assets

Σ €1,260 million



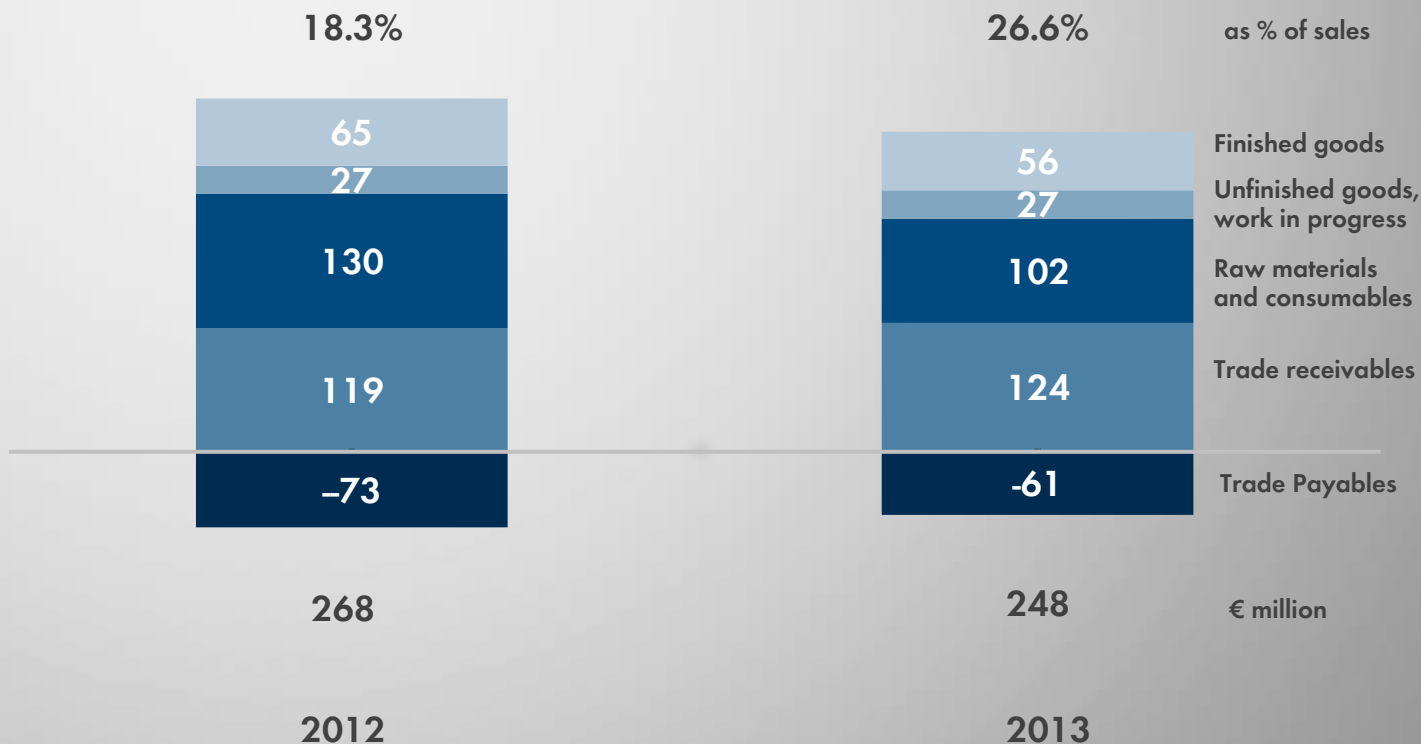
Passiva

Differences due to rounding.

► Net cash amounted to €308 million at the end of 2013.

NET WORKING CAPITAL RATIO OF 26.6% IN LINE WITH GUIDANCE¹

Net Working Capital^{2,3}



► In 2014 SMA targets a net working capital ration between 20% and 23% as of sales due to cost out program and operational excellence

¹ Management guidance: 24% to 28% as of LTM sales

² Net Working Capital = Inventory + Trade Receivables - Trade Payables (no advanced payments included)

³ Relating to the last twelve months (LTM)

CASH FLOW FROM OPERATIONS NEAR BREAK-EVEN

DESPITE SLUMP IN EARNINGS DUE TO OPTIMIZED NWC

| | 2012 ¹ | 2013 ¹ |
|--|-------------------|-------------------|
| Gross Cash Flow | 166 | 11 |
| Cash Flow from Operating Activities | 116 | -2 |
| Net Capex ² | -100 | -50 |
| Free Cash Flow (Adj.) | 16 | -52 |
| Acquisition ³ | - | -22 |
| Net investments from securities and other financial assets | -160 | 106 |
| Free Cash Flow (IFRS) | -144 | 32 |

¹ In € million, with rounding difference

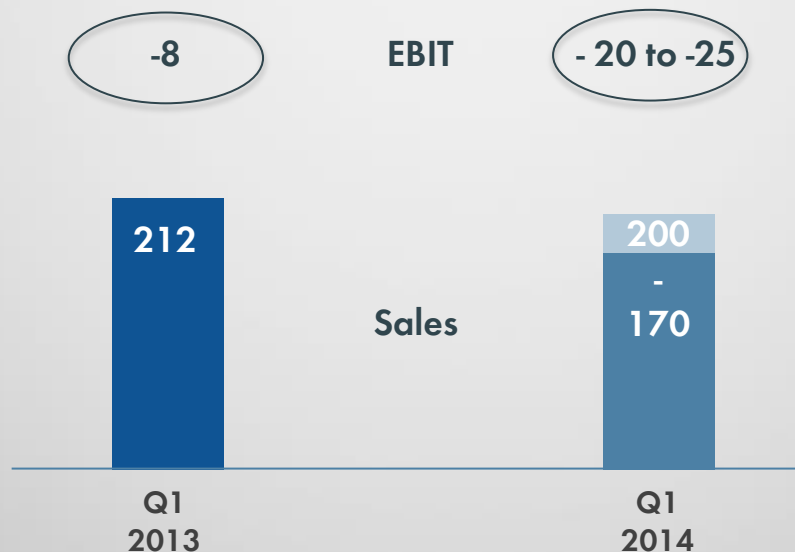
² Reduction in Capex due to no additional construction projects

³ Acquisition of Zeversolar

WILL SMA 2014 RETURN TO PROFITABILITY?

SALES IN THE FIRST THREE MONTHS 2014 **WILL BE LOWER** COMPARED TO 2013 DUE TO **WEAKER PROJECT BUSINESS**

Forecast Q1-2014 in € million¹



Forecast 2014²

- > Forecast² depends on stable regulatory environment, particularly in Europe
- > Sales of between €1.0 bn and €1.3 bn
- > International sales share > 75%.
- > Break-even result, in the best case an EBIT of up to €20 million.
- > Net working capital of between 20% and 23% as of sales in 2014.
- > Capital expenditure up to €90 million, including capitalized R&D³.

► Management board confirms full year guidance but highlights regulatory risks.

¹ SMA estimates

² First announced November 4, 2013

³ €20 million to €30 million

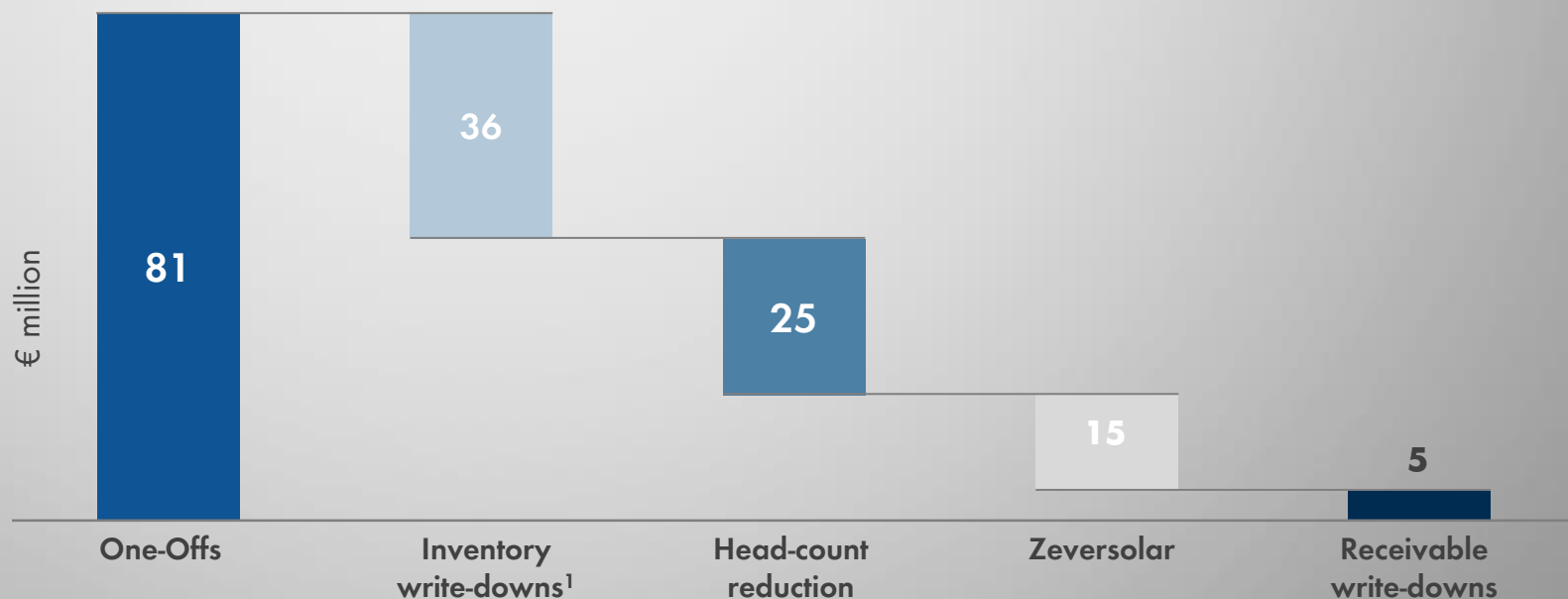
SMA IS THE **WORLD'S LEADING SPECIALIST** FOR PV SYSTEM TECHNOLOGY

- 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
- 6 Commitment to adjust organization and drive down product costs
- 7 Special corporate culture and strong balance sheet

APPENDIX

ONE-OFFS IMPACTED THE RESULT

In order to improve structures sustainably and reduce financial risks, SMA had to cope with considerable one-off expenditures.



¹ Incl. Zeversolar

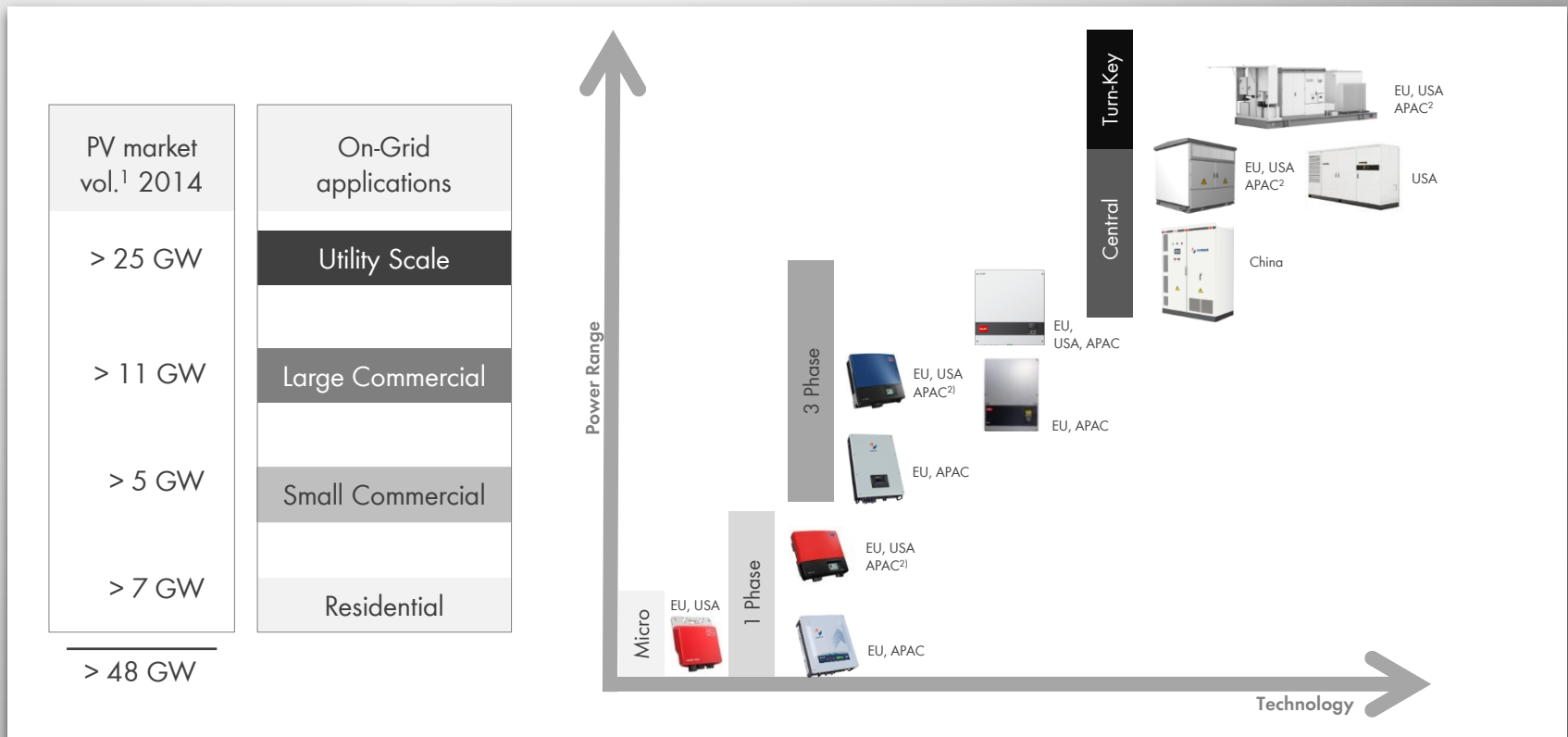
SMA AND DANFOSS PLAN TO ENTER INTO A CLOSE STRATEGIC PARTNERSHIP

- > Since several years, the market of drives is characterized by a fierce international competition. The inverter industry has only recently experienced similar conditions.
 - > Stronger than before, the sustained success of both industries will depend on the ability of systematic cost reduction and technological leadership.
 - > Both companies will sustainably improve the cost position by leveraging economies of scale and by integrating their know how.
 - > By combining their product and service range, Danfoss and SMA will serve new customer groups and new markets.
-
- » **SMA and Danfoss will form one of the world's largest converter alliances and will sustainably strengthen their competitiveness**

SMA AND DANFOSS WILL **COOPERATE** CLOSELY IN RESEARCH AND DEVELOPMENT AS WELL AS PURCHASING

- > **Technology:** Both partners use their mutual strengths
 - Accelerate innovation to improve quality and performance
 - Product cost-down and design to-cost-initiatives
 - Best practice product design
 - Use of Danfoss technology in SMA-products and vice versa
 - > **Scale:** Advantage of procurement synergies which will amount to a sum in the double-digit € million range per year from 2015
 - Aggregate volume
 - Harmonize specification to lower costs
 - Best practice global sourcing
 - Significantly higher growth rates in the solar industry
- ▶▶ **The combined business will benefit from economies of scale and the commitment to drive innovation and competitiveness.**

DANFOSS WILL EXIT THE PV-MARKET AND **TRANSFER THE SOLAR INVERTER PORTFOLIO TO SMA**; THE TRANSACTION WILL **INCREASE THE ATTRACTIVENESS** OF SMA'S PORTFOLIO



► Danfoss transfers the rights for all solar inverter products in form of an exclusive, perpetual license. SMA will assign Danfoss as contract manufacturer and service the installed base³.

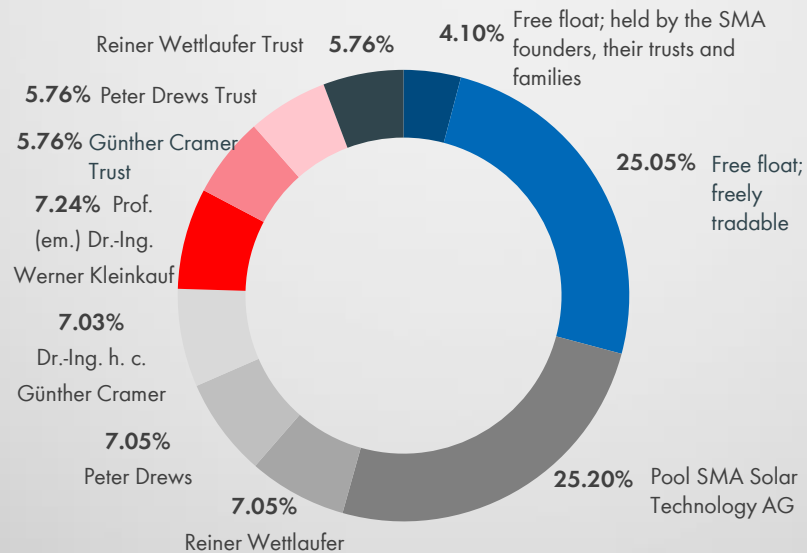
¹ SMA estimates; worldwide

² Without China

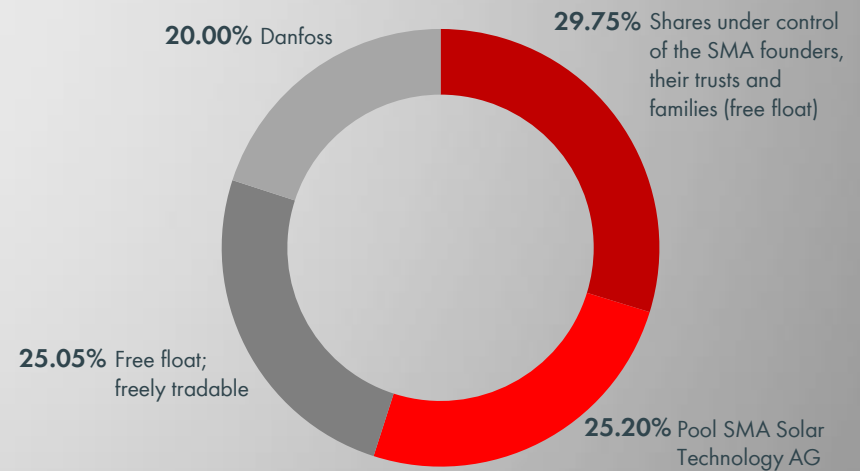
³ SMA will not take over employees or fixed assets. Danfoss inverters will be produced in the scope of contract manufacturing in Denmark.

SMA SHAREHOLDER STRUCTURE

Shareholder structure before the transaction



Shareholder structure after the transaction



SMA **EXPANDS** ITS **MANAGING BOARD**



Roland Grebe

Board Member for Technical Innovation
Contract duration 2019



Dr.-Ing. Jürgen Reinert

Board Member for Technical Development
Contract duration 2019



Lydia Sommer

Board Member for Finance & HR (CFO)
Contract duration 2017



Pierre-Pascal Urban

Board Member for Strategy (CEO)
Contract duration 2017



Marko Werner

Board Member for Sales & Service
Contract duration June 2014

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