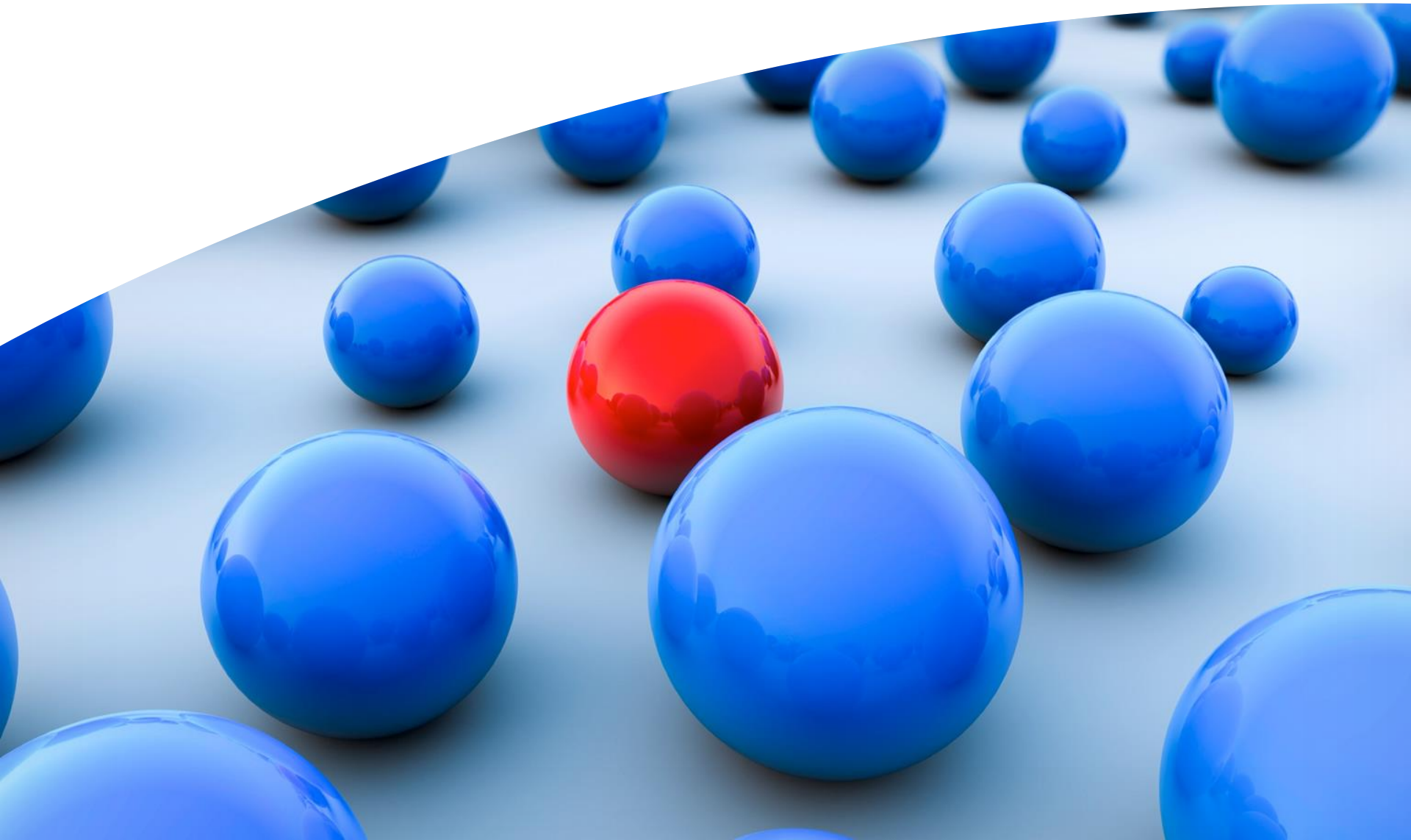


7. Capital Markets Day  
January 30, 2015  
Pierre-Pascal Urbon, CEO



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## Investment Highlights: SMA is a technology driven company with an attractive business model



- ✓ Direct exposure to the global solar market
- ✓ SMA is the #1 for solar inverters for more than 2 decades
- ✓ Proven technology and game changing new products
- ✓ Flexible business model and best-cost sourcing strategy
- ✓ Powerful sales and service infrastructure
- ✓ Transformation process will lead to significant cost reduction
- ✓ Bankable partner due to high equity ratio and net cash position
- ✓ Conservative planning assumptions, despite unique positioning
- ✓ Stable shareholder structure with Danfoss as strategic anchor investor



# 1. Market environment and competitive landscape

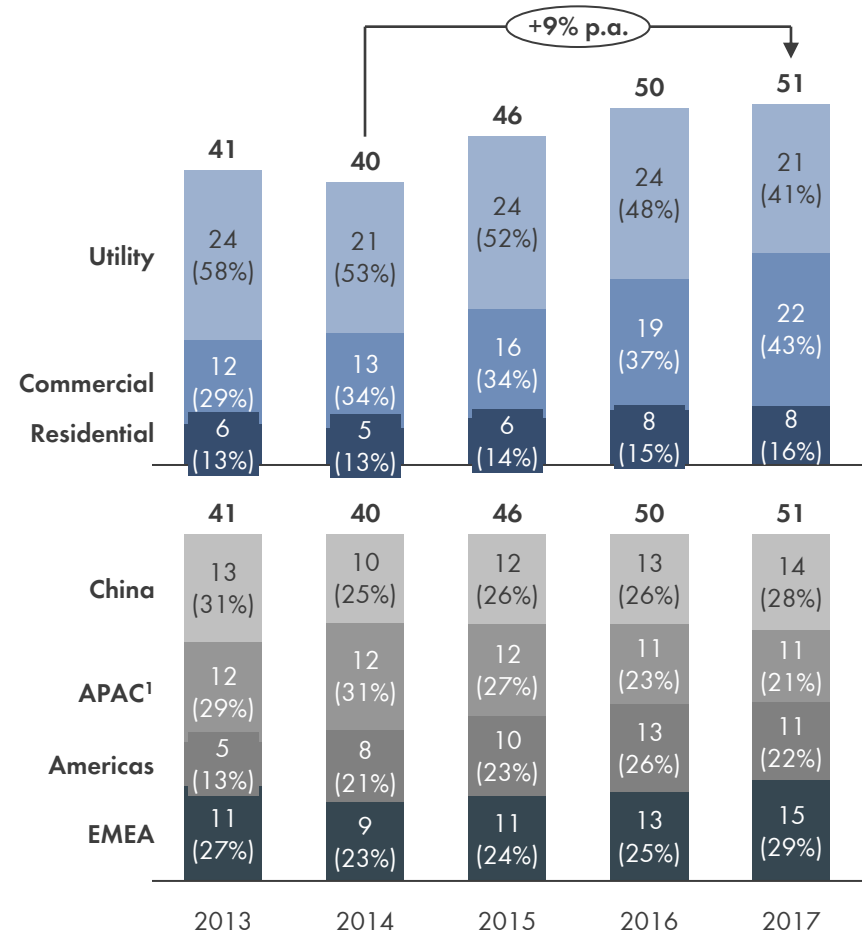


# New PV installations to reach 46 GW in 2015 and 51 GW in 2017 – US, JP, CN account for more than 50%



- > Until 2017 SMA estimates a global market growth to 51 GWdc. This corresponds to a growth rate of 9% p.a.
- > Germany has lost its pioneering role and accounts only for <5% of global demand (2010: ~50%) in GW. Since 2013, China has become the driving force of new installations with a global market share of roughly 25%.
- > The relevance and share of the Chinese market will remain stable in future years. EMEA, Americas and Asia/Pacific<sup>1</sup> will each account for approximately 20-30% of global demand.
- > The Commercial segment will show the strongest development of all segments. Major mature markets shift policies to promote distributed generation over utility. In addition, correlation of solar energy production and energy consumption e.g. of mid-sized companies is particularly high.

Global new PV Installations per Segment/Region (GWdc)<sup>2,3</sup>



> In 2010 EMEA was the world's largest region with 13 GWdc (81% of global), thereof Germany 7.4 GWdc

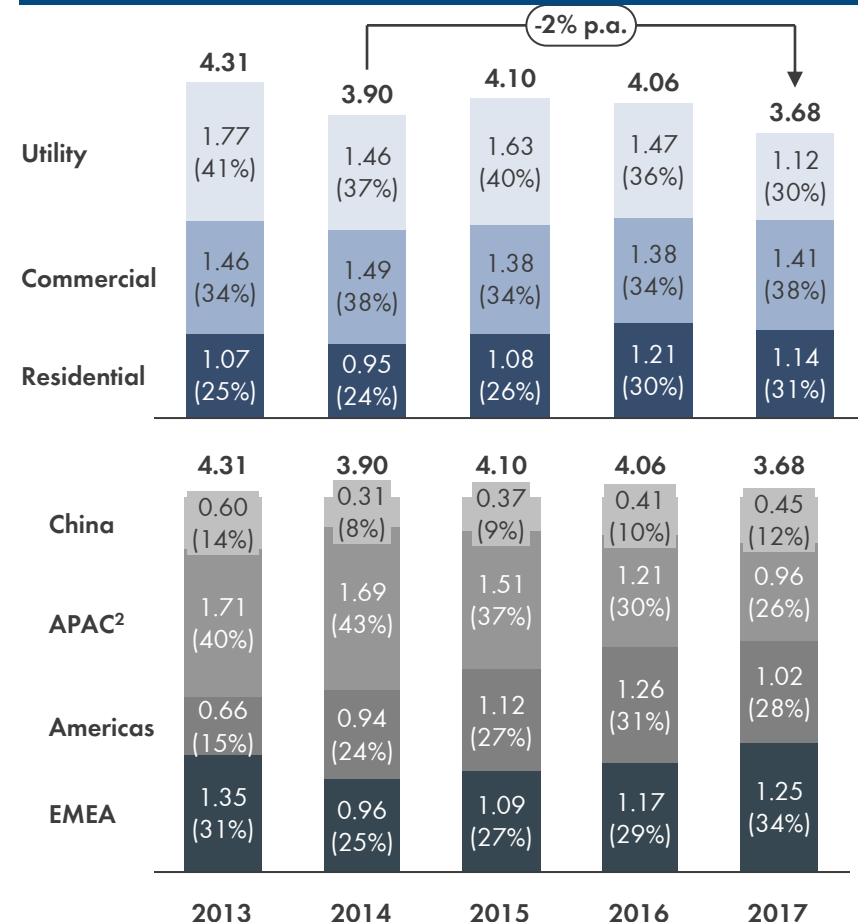
1. Excluding China  
 2. Excluding Off-grid systems  
 3. Source: SMA MI Market Model

# SMA expects a declining PV inverter market in Euro terms until 2017



- > The global market size in Euro will increase by 5% mainly due to volume effects in 2015. The continuous price pressure will lead to an overall decline in Euro terms until 2017.
- > China will not contribute more than EUR 500 m p.a. to the global PV inverter market in the next years. Japan is more than twice as big as China in Euro terms.
- > The Americas region will grow until 2016, when a policy change in the US is expected to result in a sudden drop of the utility segment.
- > Despite losses in some mature European markets, the EMEA region will grow, mainly driven by growth in the Middle East (e.g. Turkey) and Africa.
- > Residential and Commercial segments are driven by growth in the US and selected European countries.

Global new PV Installations per Segment/Region (EUR bn)<sup>1</sup>



> Japan (EUR ~1.2 bn) and USA (EUR ~870 m) will be by far the largest markets in Euro terms in 2015, whereas the rest of the global PV market is highly fragmented.

1. Prices according to IHS World Market Report (July 2014) ; SMA MI Market Model

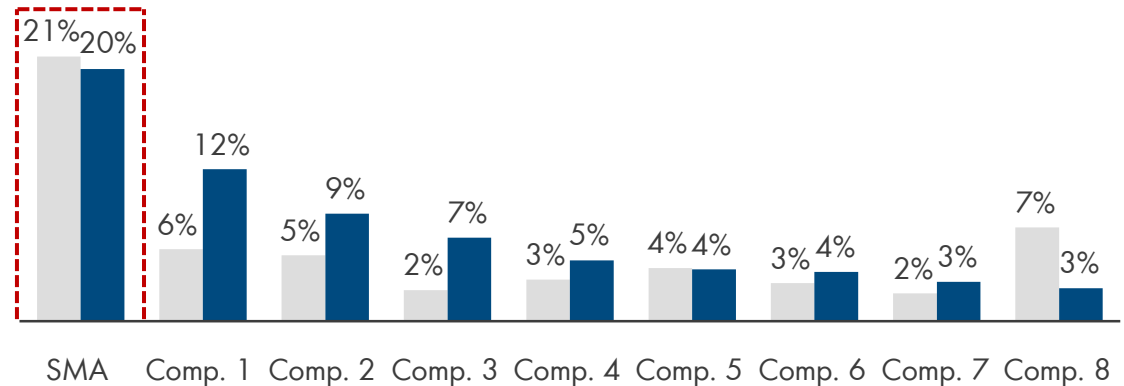
2. Excluding China

# Only a few players serve all PV applications and all solar markets

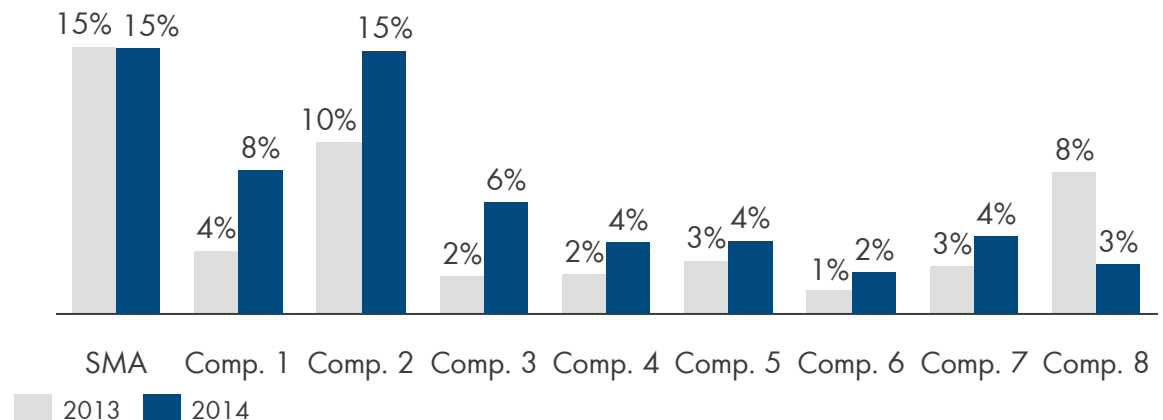


- > The solar market is highly concentrated. The top 5 players account for 53% of the global market in 2014 .
- > SMA is the **only** specialized PV manufacturer with a complete product portfolio, global reach and high innovation rate.
- > Many competitors with a regional focus and limited product offering exited the market already or are about to exit (e.g. Advanced Energy, Solarmax, Sunways, Siemens, Satcon)<sup>2</sup>.
- > Rise of few Japanese and Chinese players is mainly due to local market developments.

Revenue Market Share<sup>1</sup>



Market Share in GW<sup>1</sup>



## > SMA is the #1 in the global PV industry and the trendsetter

1. Source: SMA analysis based on intern. financial reports and IHS market shares as well as SMA estimates

2. Source: Public Information



# The solar inverter market has high market entry barriers



Competitive Landscape								
	SMA	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 6	Comp. 7	Comp. 8
Product range <sup>1</sup>								
Micro-Inverter	✓	✗	✗	✗	✗	✓	✗	✓
String 1 phase	✓	✓	✓	✓	✓	✗	✗	✓
String 3 phase	✓	✓	✓	✓	✓	✗	✗	✓
Central/1500V	✓/✓	✗	✓/✗	✗	✓/✗	✗	✓/✗	✓/✗
Turnkey/1500V	✓/✓	✗	✓/✗	✗	✓/✗	✗	✓/✗	✓/✗
Energy Mgmt.	✓	✗	✗	✓	✓	✗	✓	✓
O&M	✓	✗	✗	✗	✓	✗	✗	✓
Geographic footprint <sup>2</sup>								
Europe	✓	(✓)	(✓)	✗	✓	(✓)	(✓)	✓
Americas	✓	✗	✗	✗	✓	✓	✓	✓
APAC <sup>3</sup>	✓	✓	✓	(✓)	(✓)	(✓)	(✓)	(✓)
Japan	✓	✓	✗	✓	✗	✗	✓	(✓)
China	✓	(✓)	✓	(✓)	(✓)	✗	(✓)	(✓)
✓ Strong presence    (✓) Limited presence    ✗ No presence								

## Barriers to entry

- > Barriers from scale (\$\$\$)
  - > International sales networks
  - > Professional service offering
  - > Broad product portfolio
  - > Quality
  - > Excellent brand reputation
  - > Total Cost of Ownership
  - > Bankability
- > Barriers of time (know-how)
  - > Innovative technologies (costs)
  - > System & storage technology know-how
  - > Grid connection know-how
  - > Early move into new markets
  - > Future proof (e.g. for grid comm. requirements)

> **SMA's product offering and global presence is unmatched in the entire industry**

1. Source: Respective company website; SMA estimates

2. Source: IHS PV Inverter Report 2014; SMA estimates

3. Without Japan and China

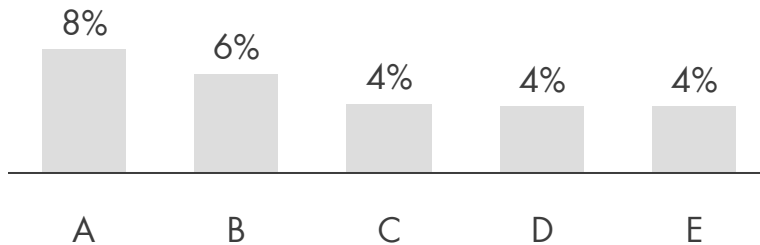


# The industry fundamentals differ strongly between module and inverter manufacturers



## Top 5 Module Manufacturers<sup>1</sup> 2013

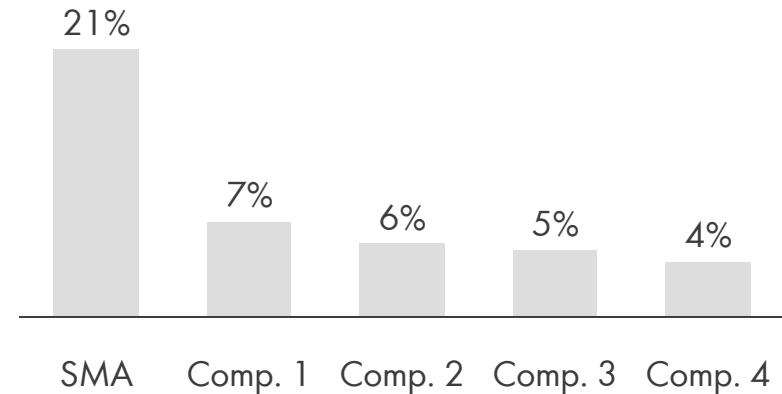
Σ Top5: 26%



- > Supply driven market with low market entry barriers
- > Costs reduction mainly driven by economies of scale (silicon, cells)
- > Commodity product with little to none technical differentiation
- > Growth requires investments in infrastructure

## Top 5 Solar Inverter Manufacturers<sup>2</sup> 2013

Σ Top5: 43%



- > Demand driven market with high market entry barriers
- > Costs reduction mainly driven by technological innovation
- > High-tech product that becomes even more relevant (smart grid/energy storage)
- > Growth does **not** require significant investments in infrastructure

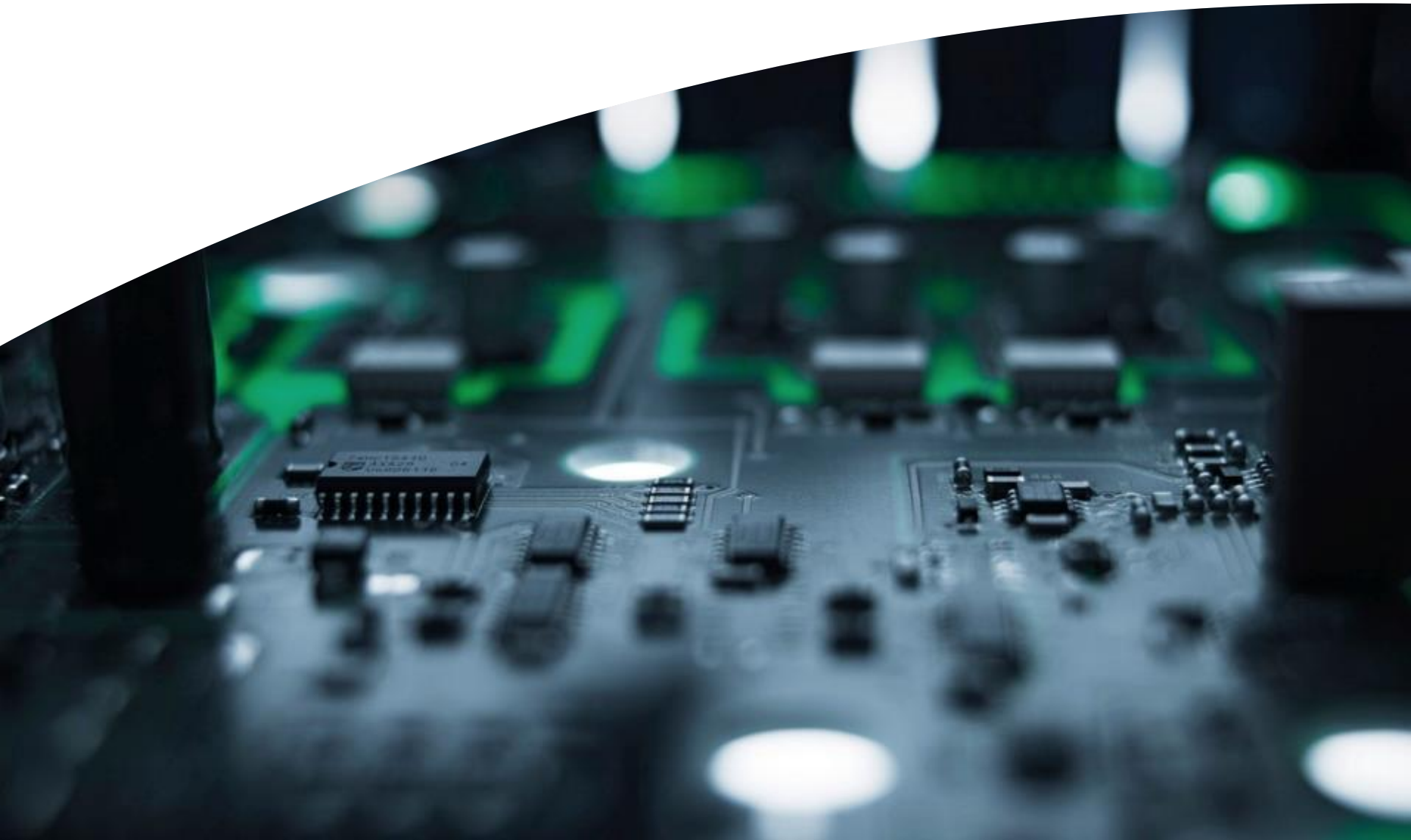
Source: Global Data PV Industry Report 2014; Financial Reports of the companies

Source: SMA MI Market Model; IHS PV Inverter Report 2014; Financial Reports of companies

1. Market share as of revenue of modules shipped

2. Market share as of revenue of inverter business

## 2. SMA's PV System Technology



# SMA will set new standards in the solar inverter industry with key innovations



## Highlights



- > Integrated web-interface and wireless connection for rapid configuration in the field
- > Low weight for easy commissioning
- > Higher switching frequencies and compact design to reduce material costs



- > Extreme compact and light weight inverter (75 kg)
- > Cost reduction through bundling of common central functions in the inverter manager
- > High flexibility at optimized system costs due to decentralized layout for utility applications



- > Central inverter with up to 2.5 MW power and attractive price point
- > New 1500 V<sub>DC</sub> technology allows connection of more solar modules compared to the former 1000V<sub>DC</sub> technology
- > Complete solution incl. transformer and switch gear secures higher energy yield, plant availability and reduction of installation costs

## Facts

- > Efficiency (max): 97.2%
- > Module Coverage: c. 80%
- > Input Voltage Range: 80-600V

- > Efficiency (max): 98.8%
- > Module Coverage: c. 80%
- > Input Voltage Range: 570-800V

> *System Solution available as well*

- > Efficiency (max): 98.5%
- > Module Coverage: c. 80%
- > Input Voltage Range: 450-1500V

> *System Solution available as well*

SMA's strength in innovation has been confirmed by external experts and its technology is well protected



## Selected Recent Awards



**AWARD  
WINNER**

Energy Award 2013  
Hessian state award  
for intelligent energy  
for SMA Smart Home



Spirit of Innovation Award 2014  
Sunny Boy Smart Energy –  
SMA Benelux  
Trade Fair 2014



INTERSOLAR Award 2013  
for Sunny Boy Smart Energy



INTERSOLAR Award 2014  
for SMA Fuel Save Controller

## Patents and Trademarks<sup>1</sup>

# Trade  
marks

951<sup>2</sup>

# Pending  
patents  
applications

687

# Granted  
patents

561



Fraunhofer  
IP-Management-  
Award 2013

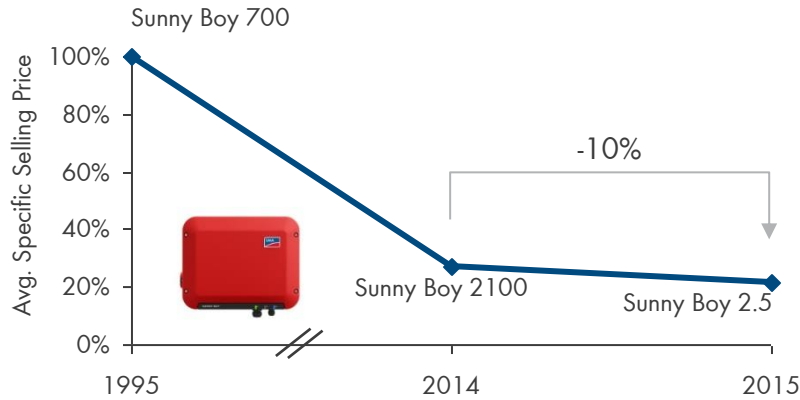
1. As of Dec. 31, 2014

2. Thereof 287 applications, 664 filed

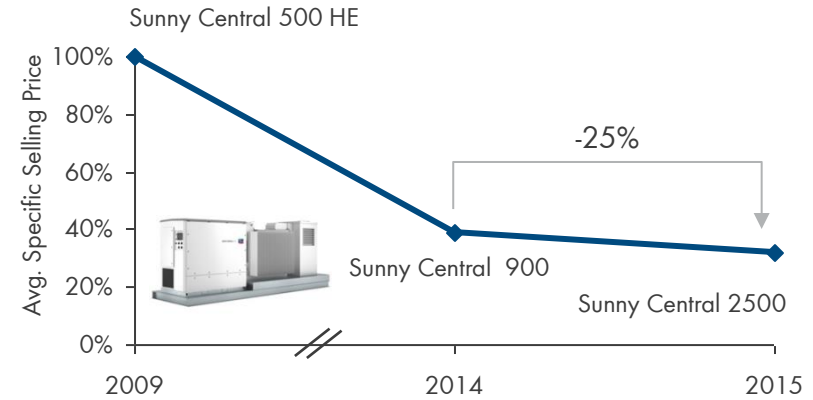
# SMA has a proven track record to reduce inverter prices through innovation



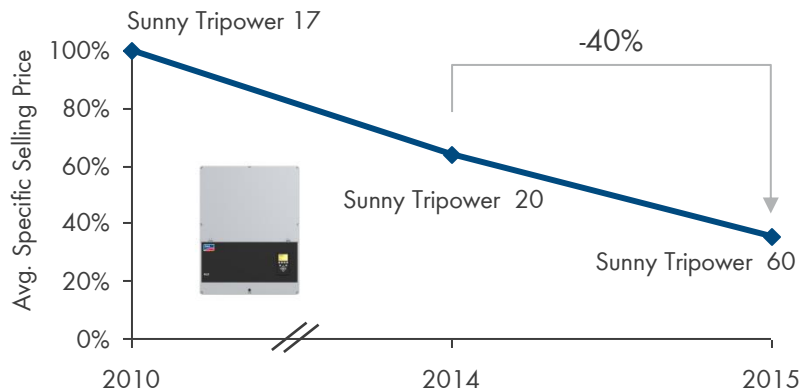
## Sunny Boy – 1 ph String inverter<sup>1)</sup>



## Sunny Central – Central Inverter<sup>1)</sup>



## Sunny Tripower – 3 ph String inverter<sup>1)</sup>



## Comments

- > Technology leadership results in significant price reduction per Watt (Specific Selling Price)
- > Equally strong engineering capabilities across all product groups
- > 21 new products<sup>2)</sup> introduced only in 2014 will enhance our **competitive edge**

1. New inverter generations come with more functionality compared to the previous generation  
2. 4 String inverter (1 ph); 8 String inverter (3 ph), 3 Central inverter, 1 Commercial product; 5 other product group



# SMA has raised the bar for energy management solutions



**SMA's Integrated Storage System** (incl. 2 kWh lithium-ion battery and 5.5 kWp PV-system, modules, rack and installation). Retail price: ca. € 13,000 – 15,000<sup>1</sup>

- > SMA's Integrated Storage System with Sunny Boy Smart Energy is a fully integrated solution to maximize self-consumption (up to 55%)
- > An even higher level of self-consumption is possible with SMA's Home Manager (SMART Home)
- > The lithium-ion battery (2 kWh) is dimensioned to have the lowest possible cost point for residential application
- > SMA's solution does not require a complex layout of batteries for easy planning and installation
- > Low weight solution (inverter and battery) allows one-man installation
- > The new Sunny Boy SE is the first standard product for sales approach which is based on energy cost reduction rather than FIT

## > The Sunny Boy Smart Energy is available in key European markets

<sup>1</sup>. All figures are based on an annual PV generation of 5,000 kWh, annual power consumption of the equivalent amount, an effective battery capacity of 2 kWh and the use of a Sunny Home Manager; SMA estimates

# SMA's flexible storage system is the most successful system technology for residential storage application in Germany



## SMA's Flexible Storage System

(incl. 4 kWh lead battery and 5.5 kWp PV-system, module, rack and installation).

Retail price: ca. € 16,000 – 18,000<sup>1)</sup>

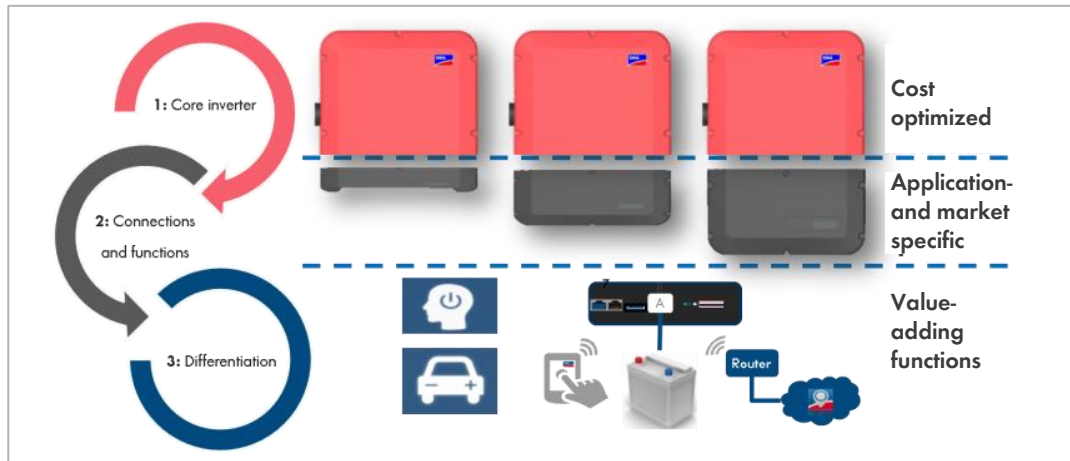
- > The SMA Flexible Storage system is designed for new **and existing** PV-plants (1ph/3ph)
- > The system stores generated solar power, offers a secure power function and works with SMA's Home Manager as well
- > Customers have **free choice** of battery brand, battery size and battery technology
- > Households with an energy consumption of 5,000 kWh (4 people) can cover >65% of their energy demand with a 5.5 kWp PV system and a 4.0 kWh battery storage
- > In 2014 SMA sold more than 4,000 on-grid storage systems into the German market – this equals a market share of ca. 40%<sup>2</sup>

## > The SMA Flexible Storage System is available in all solar markets

1. All figures are based on an annual PV generation of 5,000 kWh, annual power consumption corresponding to PV generation, an effective battery capacity of 4 kWh and the use of a Sunny Home Manager; SMA estimates

2. SMA estimate

# The modular inverter design will pave the way for further cost reduction in the future



- > Offering the simplest inverter as a basic version allows us to achieve similar manufacturing costs compared to Asian competitors
- > With new components and topologies as well as higher switching frequencies we will cut costs significantly
- > Thanks to high voltages and optimized integration of transformers and switchgear we cut system costs
- > A modular approach is a cost-efficient solution enabling us to achieve local added value even with small quantities
- > Interfaces and additional functions (e.g. Battery, Energy Management) are integrated via a modular approach



- > **SMA's system features in grid management, storage systems and energy management are a Unique Selling Proposition in markets with an increasing share of photovoltaics**

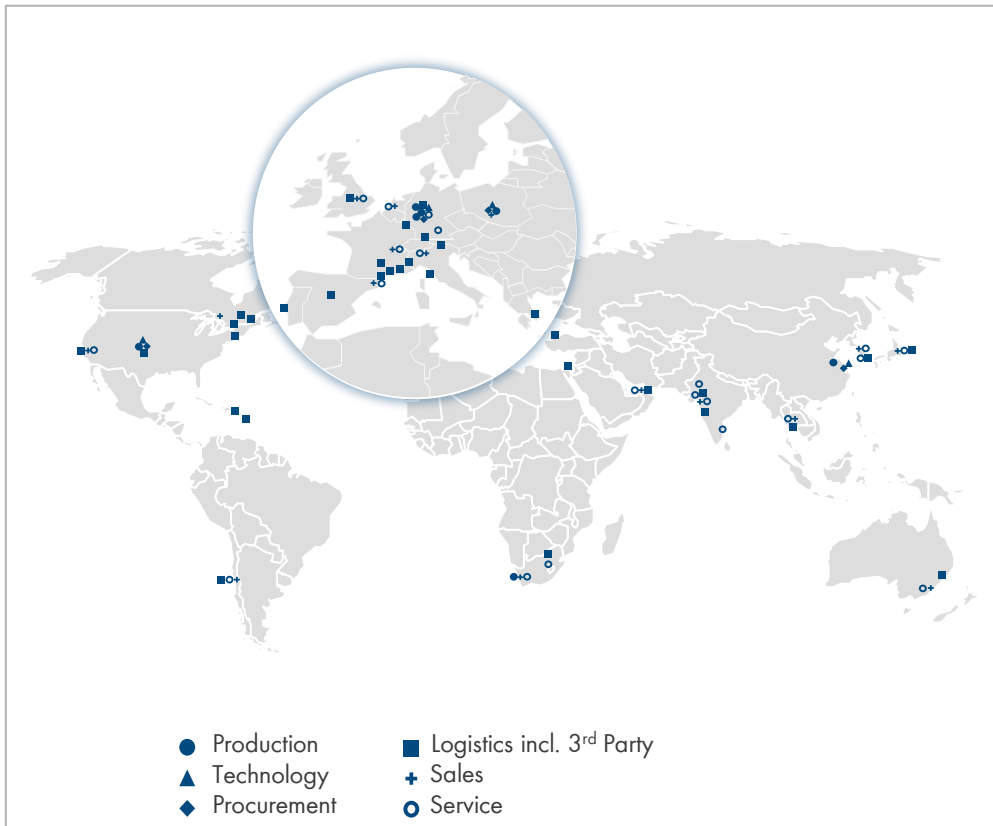
### 3. SMA's flexible business model



# SMA will consolidate its global footprint to reduce costs – Kassel/Niestetal remains SMA's headquarters



## Global Footprint



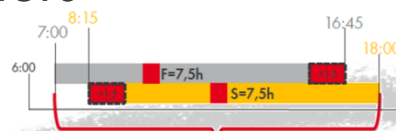
## Transformation 2015

Production	Today	In Future
String Inverter	3	3
Central Inverter	3	1
Logistics	51	33
Procurement	4	4
Technology	4	4
Sales	19	16
Service	25	21

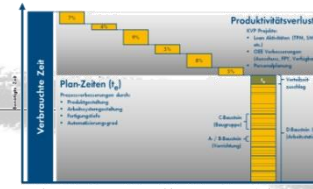
> The new Sunny Central will be produced in Germany due to the state-of-the-art production and testing facilities in Kassel / Niestetal



SMA has a production flexibility of 1:4 for string inverters and 1:2 for central inverters<sup>1</sup>



SHIFT MODEL



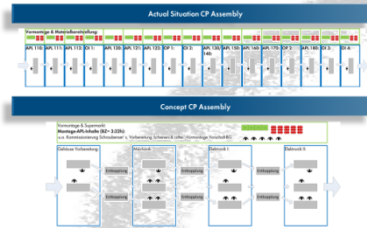
PRODUCTIVITY MANAGEMENT



Cip



Work system



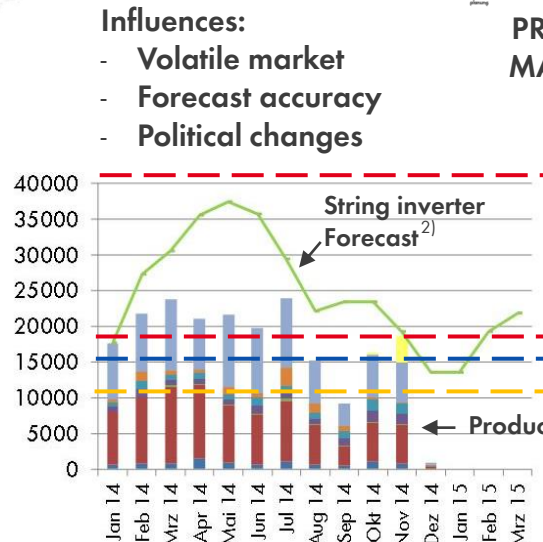
Lean production



Production comprehensive Worker pool



Reduced temp worker



Internal staff capacity and temporary workers

Internal staff capacity (SMA only):  
Max. +30%  
Ø  
Min. - 30%



Production relocation / Consolidation



Lean organization

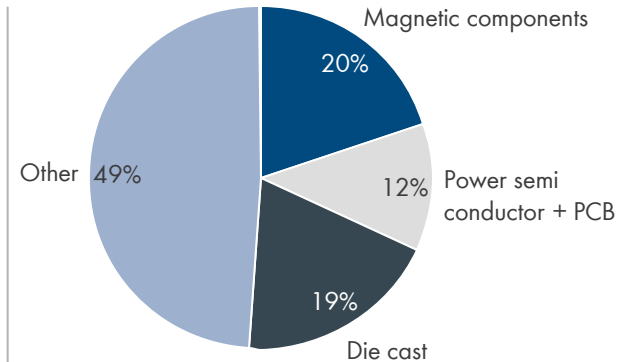
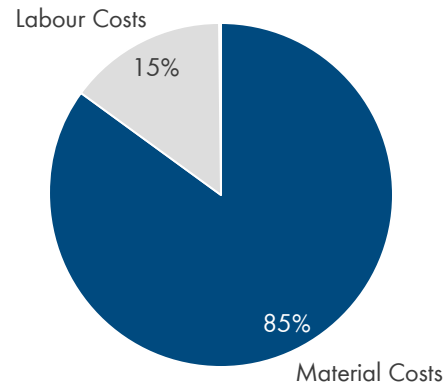
> The annual production capacity totals up to 15 GW

1. Flexibility ranges are based on units  
2. Illustration

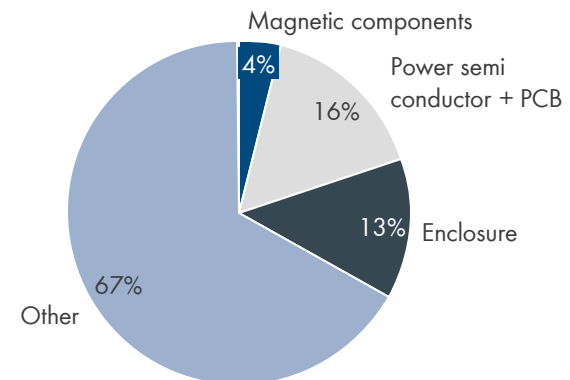
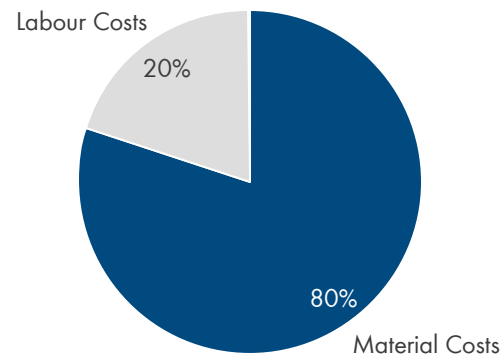
# With our category management and global supply chain management we will drive down material costs



## String Inverter<sup>1</sup>



## Sunny Central Inverter<sup>1</sup>



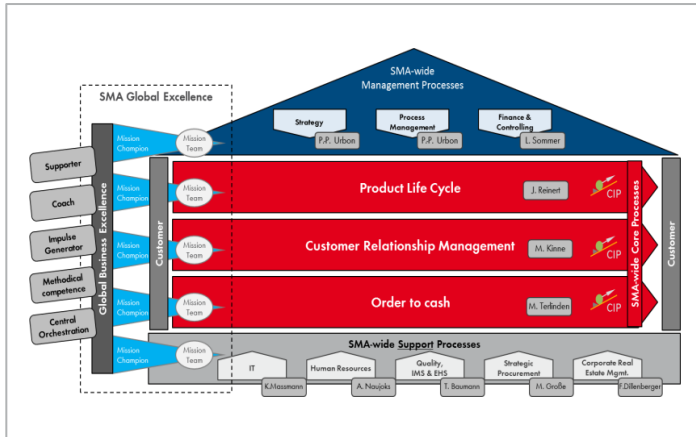
> The Danfoss alliance creates value due to joint volumes, but also in terms of changes within supply base, materials and design

1. Projection based on current BOM / Best Selection December 2014; with new product generations the labor intensity will decrease

# Our process and performance excellence initiatives will result in lower inventory levels



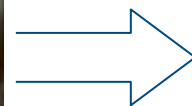
## SMA Process House



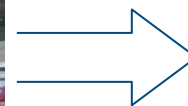
## Elements of Process & Performance Excellence

Effectiveness	Efficiency	Excellence
<b>SMA Process House</b>	<b>Lean thinking</b>	<b>Mindset → Perfection</b>
<b>Managed Processes</b> <ul style="list-style-type: none"> <li>&gt; Holistic processes</li> <li>&gt; Structure follows process</li> <li>&gt; Leadership = Process responsibility</li> <li>&gt; Process Mgmt. with KPIs</li> </ul>	<b>Value not Waste</b> <ul style="list-style-type: none"> <li>&gt; Quality &amp; Profitability</li> <li>&gt; Customer-/value-stream-oriented</li> <li>&gt; Flow/Pull principles</li> <li>&gt; Six Sigma and standardized methods/tools</li> </ul>	<b>Continuous Improvement</b> <ul style="list-style-type: none"> <li>&gt; Paradigm shift</li> <li>&gt; Best practice=benchmark</li> <li>&gt; Change Management</li> <li>&gt; Innovation Management</li> </ul>

## Implementation



Reengineering of processes



Scheduling of actions



Commitment of management

> In line with the SMA strategy we design, steer and optimize our End-to-End processes following lean principles to gain a "lean mindset" throughout the company – striving towards Excellence

## 4. SMA's Sales and Service Structure



No other competitor has a similar specialized global sales & service infrastructure



AMERICAS		EMEA		APAC	
Sales + Service Subs: <sup>2</sup>	3	Sales + Service Subs: <sup>2</sup>	8	Sales + Service Subs: <sup>2</sup>	5
Sales + Service Prof.: <sup>2</sup>	149 FTE	Sales + Service Prof.: <sup>2</sup>	334 FTE	Sales + Service Prof.: <sup>2</sup>	115 FTE
Sales <sup>1</sup> as of Total:	40%	Sales <sup>1</sup> as of Total:	40%	Sales <sup>1</sup> as of Total:	20%
O+M under contract:	840 MW	O+M under contract:	180 MW	O+M under contract:	0 MW



SMA was one of the first players with a local presence in key Asian markets. Japan is already an important market for SMA.



## Product Range

	# of Products	Japan	Australia	India
Micro	1	-	✓	✓
1 phase	36	✓	✓	✓
3 phase	23	✓	✓	✓
Central/TK	21	✓	✓	✓
Off-grid	5	-	✓	✓
O+M	-	-	-	-

## Success Stories

- > 18 new products introduced in the region last year
- > Largest utility project in Japan (70 MW, 07/2014)
- > 90% of utility projects in Australia won (largest project 100 MW, Q1/2015)
- > Qualified as preferred supplier by key Japanese players, Kyocera and Sharp.
- > Successful dual brand strategy reduced market share of Chinese competitors in Australia

## Technical/Relevant Requirements

- > Very difficult and long certification process in Japan (JET)
- > Adjustment to two different voltage conditions in Japan (110 V/60 Hz; 220 V/50 Hz)
- > High quality & service expectations in Japan
- > Grid integration and storage becomes key topic
- > Harsh environment with high temperature, humidity and dust in India, Japan and Australia

## Comments<sup>1</sup>

- > Broad portfolio in all key markets, strong sales&service team in the region
- > Our technical experience is particularly helpful in markets with growing share of PV
- > China is only served by Zeyersolar and plays minor importance in future
- > High market share in Australia (c. 45%), India (>20%), Philippines (c. 40%), strong growth in Japan

SMA is the clear market leader in America with a market share of c. 30% in 2014<sup>1</sup>



## Product Range

	# of Products	North America	Latin America
Micro	1	✓	✓
1 phase	5	✓	✓
3 phase	20	✓	✓
Central/TK	19	✓	✓
Off-grid	7	✓	✓
O+M	✓	✓	-

## Success Stories

- > 20 new products introduced in Americas region last year
- > World's largest PV-diesel-hybrid system installed in Bolivia (5.2 MW PV + 2.2 MW storage)
- > 450 MW O+M business won within last 12 months
- > First new Sunny Central (2.5 MW blocks) as complete utility Power solution sold into US market
- > Only manufacturer who offers secure power function for residential applications

## Technical/Relevant Requirements

- > Long UL certification processes, 110V/60Hz
- > Complicated installation process in North America (all wires are in conduits; fire protection)
- > Various local requirements in Latin America
- > Unstable grids in Latin America
- > Harsh environment (high altitude, dust, seismic, desert, etc.) in Latin America

## Comments<sup>1</sup>

- > Broad product and service portfolio offers best solution for each customer segment and application
- > Most powerful sales and service organization in the region of any PV inverter manufacturer
- > Local production in Denver, Colorado
- > Dominating market position in North America in the utility segment (market share c. 50%)

SMA is clear market leader in EMEA with a market share of more than 20% in 2014<sup>1</sup>



## Product Range

	# of Products	EU	ME	Africa
Micro	1	✓	✓	✓
1 phase	16	✓	✓	✓
3 phase	16	✓	✓	✓
Central/TK	13	✓	✓	✓
Off-grid	4	✓	✓	✓
O+M	✓	✓	-	-

## Success Stories

- > 19 new products introduced in the region last year
- > 170 MW O+M business acquired
- > SMA is an inverter manufacturer who fulfills the strict local content requirements in South Africa<sup>2</sup>
- > Introduction of 3-phase inverters was very successful, mainly in project business
- > First large-scale plants with new Sunny Centrals are realized
- > IKEA sells SMA Sunny Boy in PV-packages

## Technical/Relevant Requirements

- > Technical complexity of individual certification process in each country
- > Loyal installers as key decision makers for residential systems
- > Grid integration and energy management become key topics with larger shares of PV
- > Low FIT drive storage business and energy management

## Comments<sup>1</sup>

- > Broad portfolio and professional service team is key in the region
- > Our good reputation and technical expertise helped us to protect our high market share
- > C. 40% of storage systems in Germany are from SMA
- > C. 30% market share in booming UK market and c. 15% market share in Italy (+5% pts)

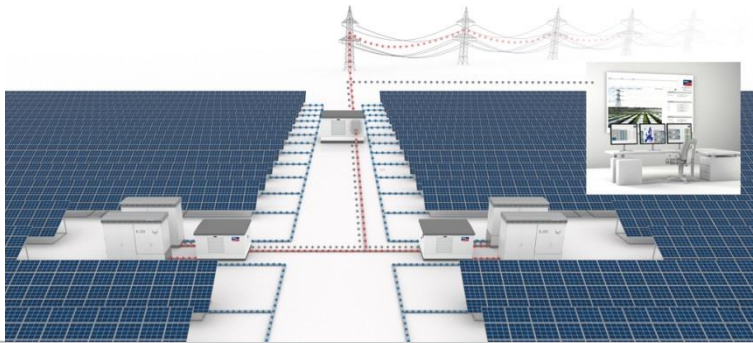
1. SMA estimates  
2. BEE

# SMA protected its #1 position with best-in-class practice



## Power Plant Simulation

- > SMA delivered inverters and Balance of System for the largest solar farm on the planet (550 MW, United States)
- > Our knowledge of the grid and understanding of connection conditions in key markets are important to ensure stability of transmission network
- > SMA is in the position to simulate the power plant and to fasten the grid-connection process



## Training and Customer Support

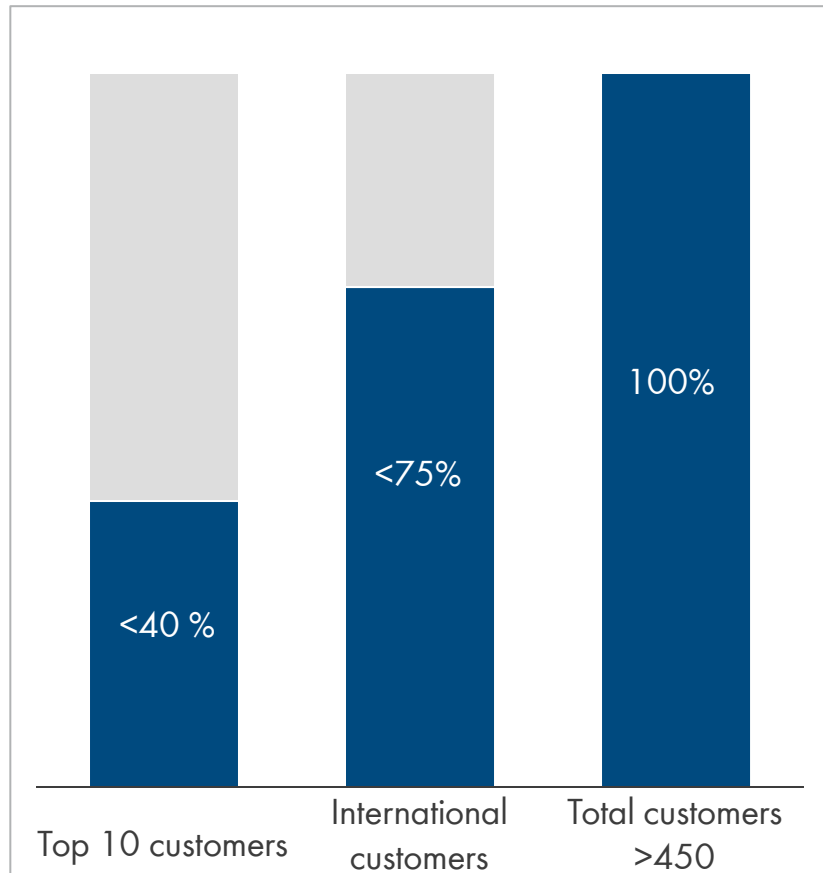
- > Conduct trainings for customers sales force and engineering department
- > Training of more than 11,000 installers worldwide in SMA's Solar Academy per annum
- > Support customers in the design of complex large scale PV-projects, off-grid and hybrid systems
- > SAP-links, harmonized forecast procedures and customized services make it easy to do business with SMA
- > Professional project management to ensure fast delivery of complete solutions to the construction site



# Blue chip customer base with longstanding customer relationships



## Overview of customer base 2014



## Comments

- > High class customer base (Distributors, EPC's, module manufacturers)
- > Excellent customer loyalty
  - > On average more than 10 years customer relation with top 10 customers
  - > High level of customer service
  - > Support customers to expand into upcoming markets
- > Significant pull from installers and investors

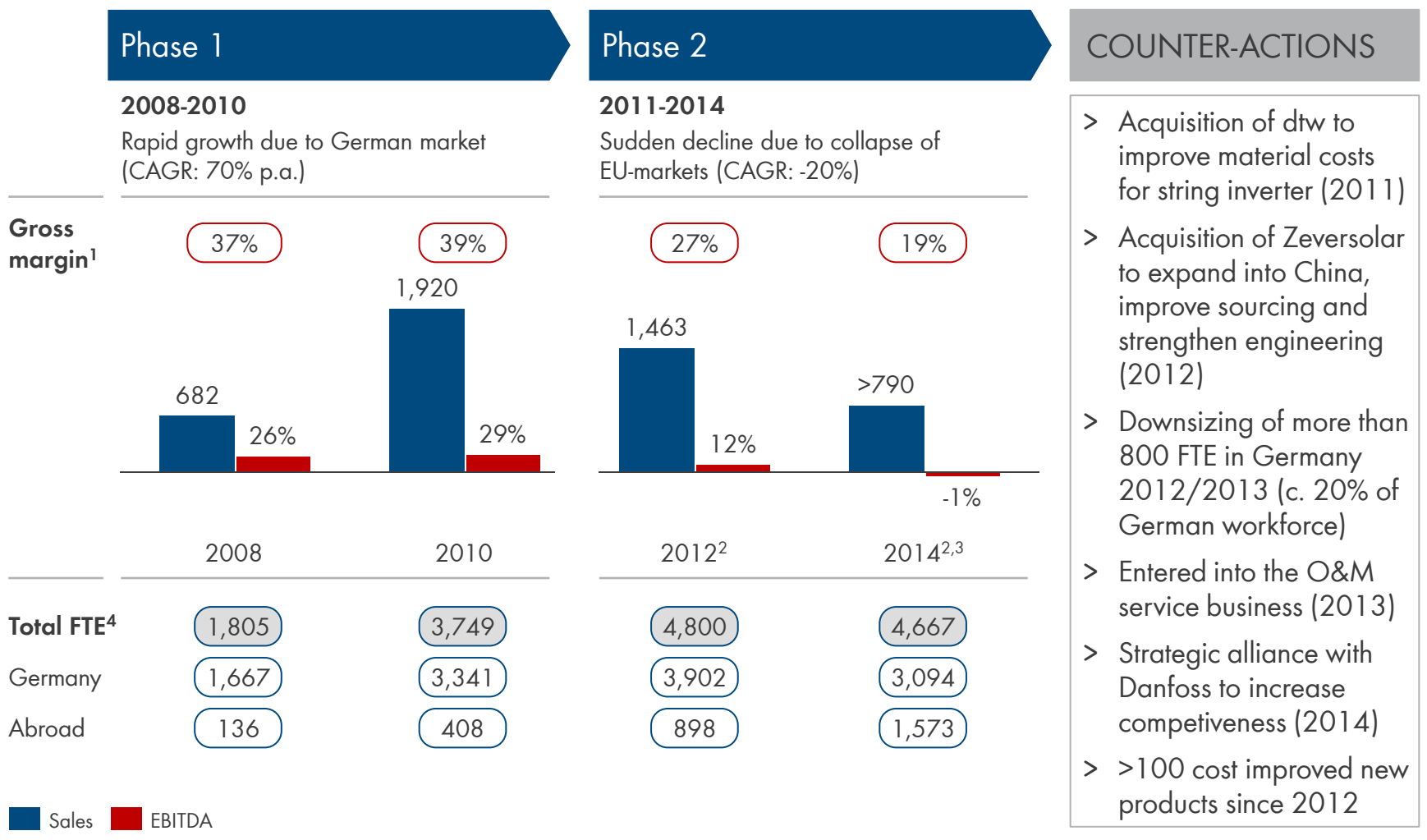
- > **SMA has a strong foothold in key solar markets and managed to enter successfully into upcoming markets (e.g. Chile, Philippines)**



## 5. Financials



# SMA increased the break-even point in times of rapid growth



1. Without one-off items

2. Including dtw (299FTE as of December 31, 2014)

3. Including Zeyversolar (360 FTE as of December 31, 2014)

4. As of December 31 (without temporary employees, trainees and interns)

# The 2014 financials are impacted by overcapacity, Zeversolar and one-offs



## Key financials (MEUR)

	2013	2014 <sup>1</sup>
Solar Inverter Power (GW)	5.4	>5.1
Sales	933	>790
Export Quota	71%	c. 75%
EBITDA <sup>2</sup>	20	c. -8
EBIT <sup>2</sup>	-64.1	c. -115
Net cash <sup>3</sup>	341	c. 228
NWC-Ratio <sup>4</sup>	26.5%	c. 31.4%

## Comments

- > Promising order intake of c. 80 MEUR in January 2015
- > Solid order backlog of 542 MEUR, thereof 341 MEUR from service<sup>5</sup> (31.12.13: 387 MEUR, thereof 225 MEUR from service)
- > Sales decline mainly due to the sudden collapse of continental European markets, esp. Germany<sup>6</sup>
- > Regular depreciation amount to 74 MEUR (2013: MEUR 76)
- > One-offs total approx. 60 MEUR and include amongst others the impairment loss of Zeversolar and R+D projects as well as write downs on production equipment, inventory and accounts receivable
- > Zeversolar had an operating loss of c. 15 MEUR in 2014

1. Preliminary figures

2. Without restructuring charges for headcount reduction

3. Cash and cash equivalents minus interest bearing debt

4. NWC: Net Working Capital (Inventory+Accounts Receivable-Accounts Payable)

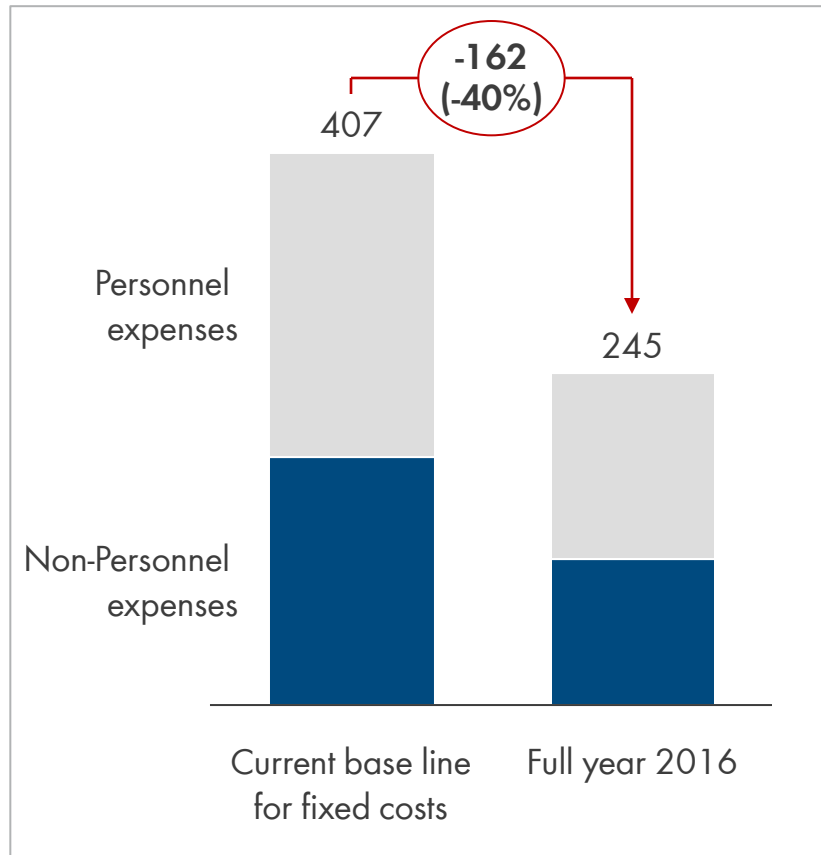
5. As of Dec. 31, 2014; service backlog mainly from service contracts (O&M, warranty extension)

6. SMA lost c. 90-100 MEUR sales in Germany due to sudden market decline

# SMA strives to reduce its break-even point to less than 700 MEUR by the end of 2015



## Fixed cost base (in MEUR)



## Key transformation measures (FTE)<sup>1</sup>

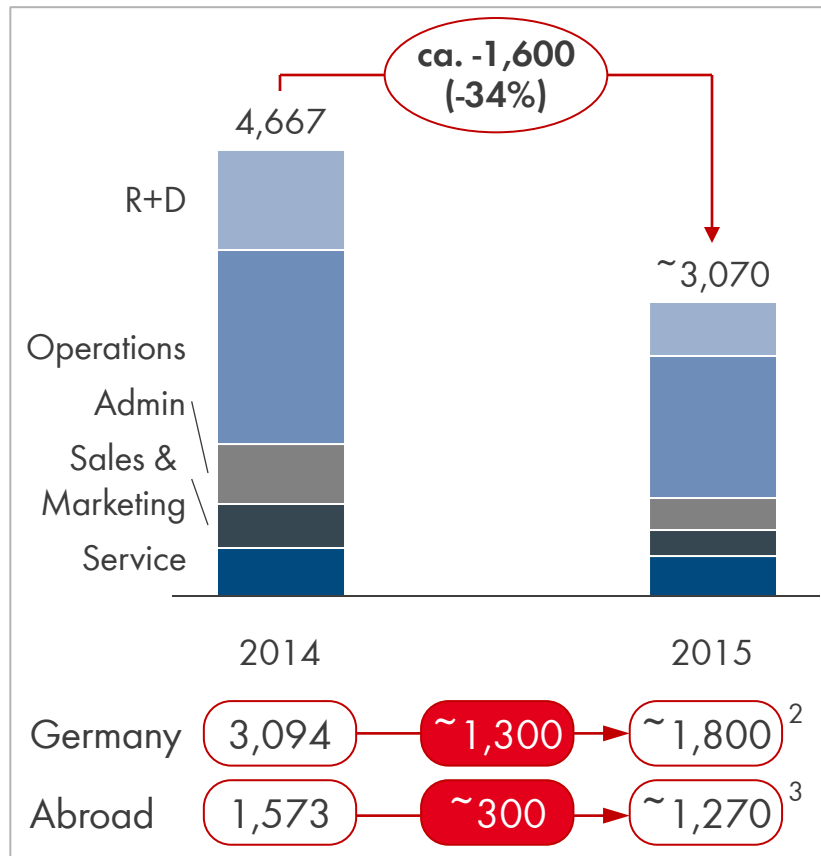
<b>Technology</b>	<ul style="list-style-type: none"> <li>&gt; Downsizing Kassel, Denver, Suzhou</li> <li>&gt; Reduction of ext. service providers</li> <li>&gt; Focus R&amp;D projects / portfolio</li> </ul>
From 1,050 to 550	
<b>Operations</b>	<ul style="list-style-type: none"> <li>&gt; Outsourcing of non-core activities</li> <li>&gt; Phase out interim managers</li> <li>&gt; Improvement of SCM and central inverter production</li> </ul>
From 2,030 to 1,480	
<b>Administration</b>	<ul style="list-style-type: none"> <li>&gt; Restructuring CFO/CEO functions</li> <li>&gt; Centralization of administration funct.</li> <li>&gt; Reduction of non-personnel expenses</li> </ul>
From 630 to 350	
<b>Sales &amp; Marketing</b>	<ul style="list-style-type: none"> <li>&gt; Reduction of back office staff</li> <li>&gt; Downsizing of communication &amp; marketing</li> <li>&gt; Closure of subsidiaries</li> </ul>
From 450 to 260	
<b>Service</b>	<ul style="list-style-type: none"> <li>&gt; Rightsizing infrastructure EMEA/APAC</li> <li>&gt; Reduction of service level</li> </ul>
From 510 to 430	
<b>Others</b>	<ul style="list-style-type: none"> <li>&gt; Reduction of office/production space</li> <li>&gt; Restructuring of IT services</li> </ul>

> **98% of measures are backed with specific and measurable tasks. The implementation will be monitored by a Project Management Office.**

# SMA will reduce its global workforce by up to 1,600 employees



## Headcount reduction (FTE)<sup>1</sup>



## Comments

- > SMA introduced a functional organization as of Jan 1, 2015
- > SMA will implement flat hierarchies and lay-off c. 50% of its managers world-wide
- > SMA will reorganize the R+D department to increase the efficiency and reduce cost
- > SMA will consolidate its global footprint and outsource non-core activities

## Headcount reduction (FTE):

Function	Germany	Abroad
R&D:	440	60
Operations:	510	40
Administration:	230	50
Sales&Marketing:	80	110
Service:	40	40

> The concept will be presented to SMA's workers council during the coming weeks

1. Without temporary employees, trainees, interns

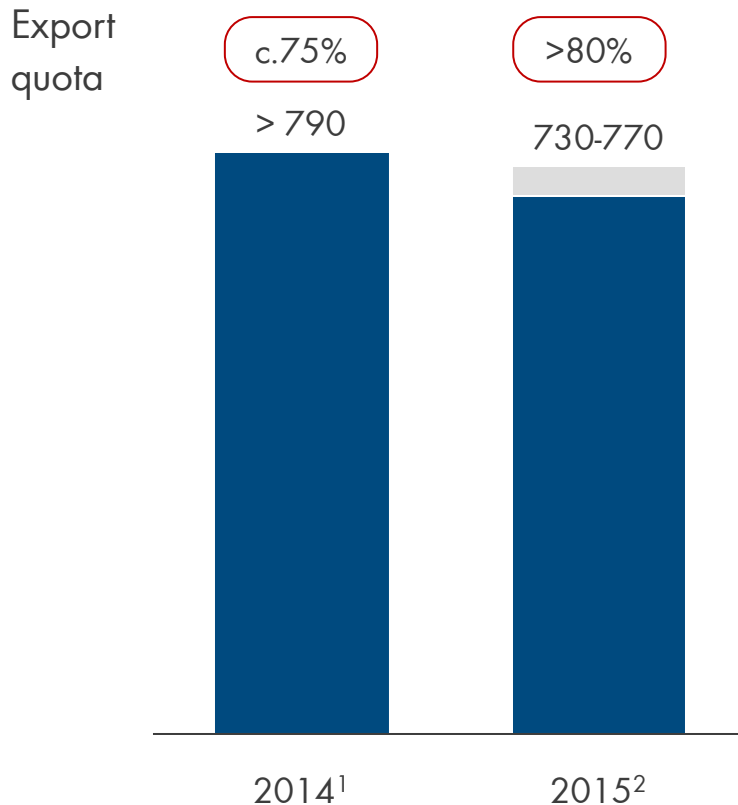
2. Employment level SMA used to have in 2008

3. Incl. ca. 510 FTE from dtw and Zeversolar

# The SMA Management Board estimates a sales decline of up to 10% for 2015



## SMA sales (MEUR)



## Comments

- > The estimated sales figure 2015 assumes a slight increase of inverter power sold in the best case
- > The sales range is based on further price concessions (ASP)<sup>3</sup> compared to 2014
- > String inverters will account for more than 50% of sales in 2015. The large string inverters will gain importance. Central inverters will account for >30% and service for >5% in 2015
- > More than 80% of sales will be generated outside Germany – Key international markets are North America, Japan, UK and Australia

1. Preliminary figures  
2. Sales Guidance 2015  
3. ASP: Average Selling Price



SMA's profitability and cash flow is very much determined by the speed of the implementation of restructuring measures



## SMA EBIT (MEUR)

Depreciation/  
Amortization<sup>1</sup>

74

c. 70

One-offs  
(60 MEUR)

Zeversolar  
(15 MEUR)

-115

2014<sup>2</sup>

-30 to -60

2015

## Comments

- > Most of the restructuring measures are factored into the 2nd half 2015
- > Cost-out initiatives and programs to improve efficiency total up to 10-20 MEUR and will support gross margin
- > R+D expenditure will be limited to less than 10% of sales
- > Due to the downsizing of Zeversolar the Management Board does not assume further operating losses in 2015
- > Capital expenditures (w/o cap. R+D)<sup>3</sup> will be reduced to 15-20 MEUR
- > Operating cash flow is expected to be negative despite NWC-deployment (target 23-26% of sales)

> The business model of SMA is profitable after the implementation of the restructuring measures

1. Including capitalized R+D and without one-offs

2. Without restructuring charges for headcount reduction

3. Ca. 15-20 MEUR

# SMA will keep the strategy unchanged



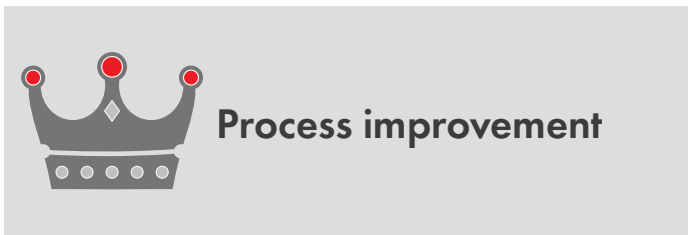
## SMA's strategic pillars



System technology for storage application

PV Diesel hybrid systems

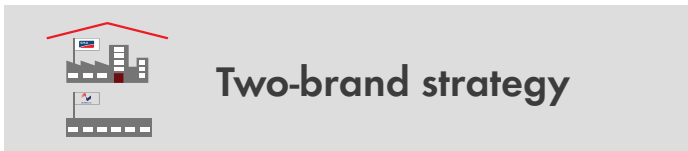
O+M service



Global sales excellence

Global performance excellence

Global leadership excellence



SMA product/solution portfolio

Zeversolar product portfolio

➤ SMA will focus on profitability rather than market share

# Summary: SMA will reduce the overcapacity and cut losses in China to become break-even with sales of less than 700 MEUR



## Market & Competition

- > The global PV inverter market is expected to grow by 5% to 4.1 bn Euro in 2015. Japan and USA are key growth markets.
- > Until 2017, the global PV inverter market is expected to decline to 3.7 bn Euro due to price pressure and slow-down of US-utility segment (ITC expires).
- > The PV inverter market has high market entry barriers and is therefore highly concentrated (Top 5 players account for 53% of global demand).
- > SMA is the clear market leader in revenue terms (market share 2014: 20%) and almost twice as big as next player.

## Positioning

- > SMA will continue to serve all market segments<sup>1)</sup> and all attractive solar markets.
- > SMA will maintain its technology leadership position to drive the trend towards decentralized power solutions.
- > SMA will capitalize on its global infrastructure and expand market position in individual markets.
- > SMA is highly flexible and prepared for faster than expected market growth.

# Summary: SMA will reduce the overcapacity and cut losses in China to become break-even with sales of less than 700 MEUR



## Key Financials

- > Continuous sales decline since 2010 is due to the collapse of European markets.<sup>1</sup> Decline accelerated during last 48 months.
- > Overcapacity, loss from Chinese activities and one-off items are main reasons for high loss in 2014.
- > SMA expects sales between 730-770 MEUR and an EBIT of -30 to -60 MEUR in 2015. Depreciation and amortization will total c. 70 MEUR.
- > With net cash of nearly 230 MEUR as of December 31, 2014 and the high equity ratio SMA is financially stable.

## Transformation

- > Management initiated a bold transformation program to cut fixed costs by more than 160 MEURO within next 6 months.
- > SMA plans to reduce the number of employees by 1,600 (FTE) to 3,070 by mid-2015.
- > SMA plans to reduce non-personnel costs, consolidate its global footprint, concentrate on strategic important R+D projects and outsource non-core activities.
- > 98% of restructuring measures are clearly defined and the implementation will be closely monitored.

ENERGY  
THAT  
CHANGES



SOCIAL MEDIA  
[www.SMA.de/Newsroom](http://www.SMA.de/Newsroom)

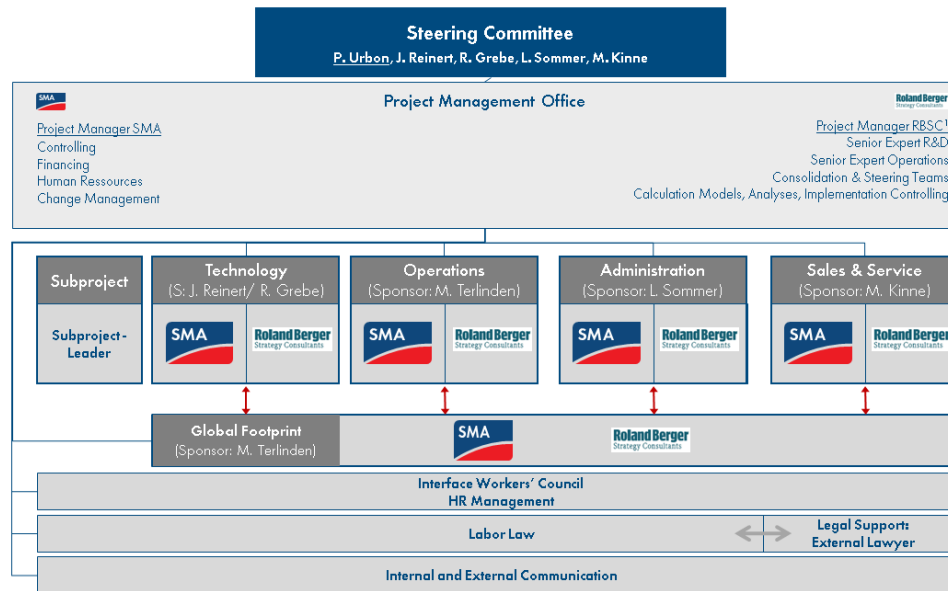


# SMA has set up a core team to manage the complex transformation process



## Project Management Office

### PROJECT ORGANIZATION CONCEPT & DETAILED PLANNING



1. RBSC = Roland Berger Strategy Consultants

## Net Cash, Dec 31, 2014 [MEUR]

Cash + Cash equivalent <sup>1</sup>	291
Interest bearing debt	63
<b>Net Cash</b>	<b>228</b>

➤ SMA has an additional 16 MEUR of revolving credit facilities available for cash drawings as of December 31, 2014

1. Includes restricted cash due to pledge of securities of 24.3 MEUR as of Dec 31, 2014