

SMA SOLAR TECHNOLOGY AG

Analyst / Investor Presentation

Financial Results 2015

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March 30, 2016



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1. Summary 2015



2015 Financial Results: Main Takeaways



Top-Line

- > SMA had €1bn in sales (+24% Y/Y); in line with Guidance.
- > Sales were largely driven by the Utility business (+48% Y/Y); the segments Residential (+2% Y/Y), Commercial (+30% Y/Y) and Service (+20% Y/Y) also recorded growth.
- > SMA benefits from the ongoing market consolidation (e.g. Advanced Energy) and increases market share from 17% to 21%.¹
- > Main markets were the U.S., followed by U.K., Japan and Australia (c. 70% of Group Sales).

Profitability

- > SMA significantly increased the operating profit (EBIT) to €34m (2014: €-165m).
- > Utility and Residential are key drivers of margin improvement; Residential turned profitable in 2015 again.
- > Margin improvement due to favorable product mix, material cost improvements, fixed cost reduction and x-rate effects.
- > Gross margin increased to 21% (2014: 17%).
- > One-Offs total €24m (2014: €110m).

Outlook 2016 – confirmed

- > Market outlook 2016 remains unchanged: 60 GW (+20% Y/Y) and €4.9bn (+5% Y/Y).
- > SMA Management confirms the Guidance for 2016 with sales of €950m to €1,050m and an EBIT of €80m to €120m.
- > The Guidance is backed by a strong order backlog of €695m per end of Q1 2016, Thereof €299m products.²
- > For Q1 2016 SMA estimates sales of €235m to €240m and an EBIT between €23m and €27m; project business will be stronger in the second half of the year.

> SMA Managing Board confirms Guidance 2016; solid order backlog

1. SMA MI Market Model; measured in euros

2. Expected to turn into sales in 2016

After Two Years in the Red We Are Back to Black



Key Financials (in € million)

	2014	2015	Δ
MW sold	5,051	7,260	+44%
Sales	805	1,000	+24%
Residential	249	253	+2%
Commercial	159	207	+30%
Utility	282	416	+48%
Service	41	50	+20%
Other Business	74	74	0%
Gross Margin	17%	21%	
EBITDA	-58	113	n.m.
EBIT	-165	34	n.m.
Thereof One-Offs ¹	-110	-24	-78%
EBIT w/o One-Offs	-55	58	n.m.

Key Financials (in € million)

	2014	2015	Δ
Free Cash Flow (Adj.)	-103	54	n.m.
Depreciation	107	79	-28%
Capex	76	51	-33%
Net Cash ²	225	286	+27%
Total assets	1,180	1,160	-2%
NWC ratio ³	31%	22%	

2015	Q1	Q2	Q3	Q4
Sales	226	203	270	301
Gross Margin	17%	18%	23%	26%
EBITDA	13	8	38	54
EBIT	-5	-9	18	30
One-Offs	-3	2	-13	-10

1. 2015: Impairment on working capital (€27m); R+D impairment (€6m) as well as release of restructuring provision (€9m);
2014: Restructuring provision (€50m); Impairment loss of

Zeversolar (€22m), working capital and R+D projects (€38m)

2. Net cash is impacted by pay-out of severance payments

3. NWC= Inventory+Trade Receivables-Trade Payables (no advanced

payments included); as of last twelve months sales

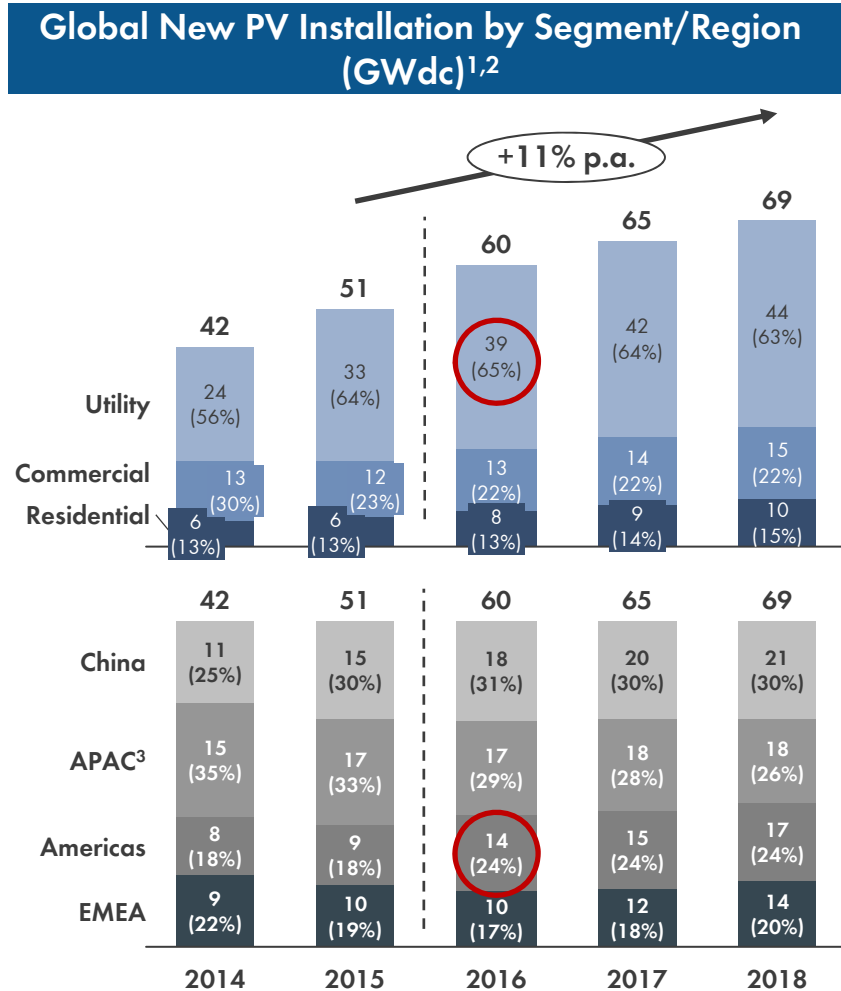
2. Market & Competition



SMA Expects New PV Installations to Reach 60 GW in 2016, thereof 60% in China, the USA and Japan



- > SMA expects a continuous market growth of c. 11% p.a. in global new installations until 2018. The underlying assumptions are among others long-term incentive programs (e.g. ITC in the USA) and CO₂ emission targets.
- > Since 2013, China has become the driving force of new installations. The relevance and share of the Chinese market will remain stable in future years. EMEA, Americas and Asia/Pacific³ will each account for approximately 20-30% of global demand.
- > There will be no significant change in breakdown of the segments Residential, Commercial and Utility in the next years. The Utility segment will play the major role covering almost two thirds of the market and will be dominated by China, India and the USA until 2018.
- > The emerging markets of South East Asia, Latin America and Middle East show a promising potential and account for more than 10% of global demand.



> The utility segment in Americas will grow much faster than the other regions/segments

1. SMA MI Market Model – March 2016

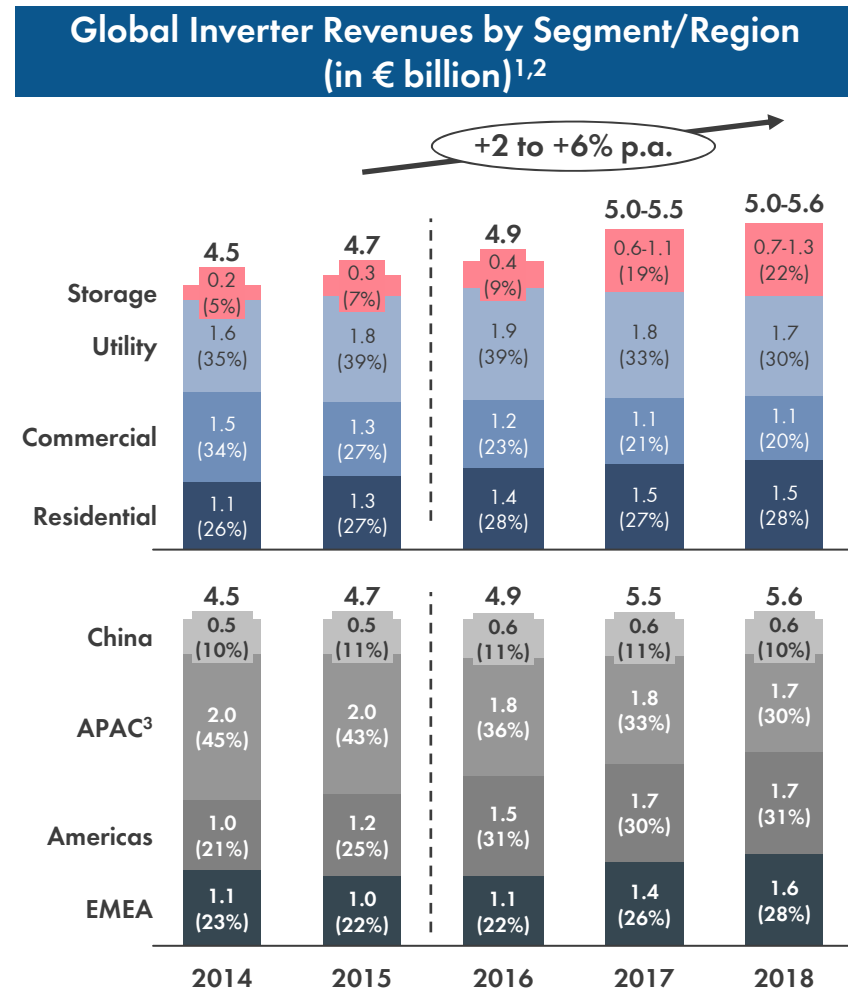
2. Incl. 1 GW Off-Grid installations: Residential, Remote and Micro-Grid applications

3. W/o China

Since the Volume Growth is Driven by Price Sensitive Countries and the Utility Segment, Revenues Will Grow Only Moderately



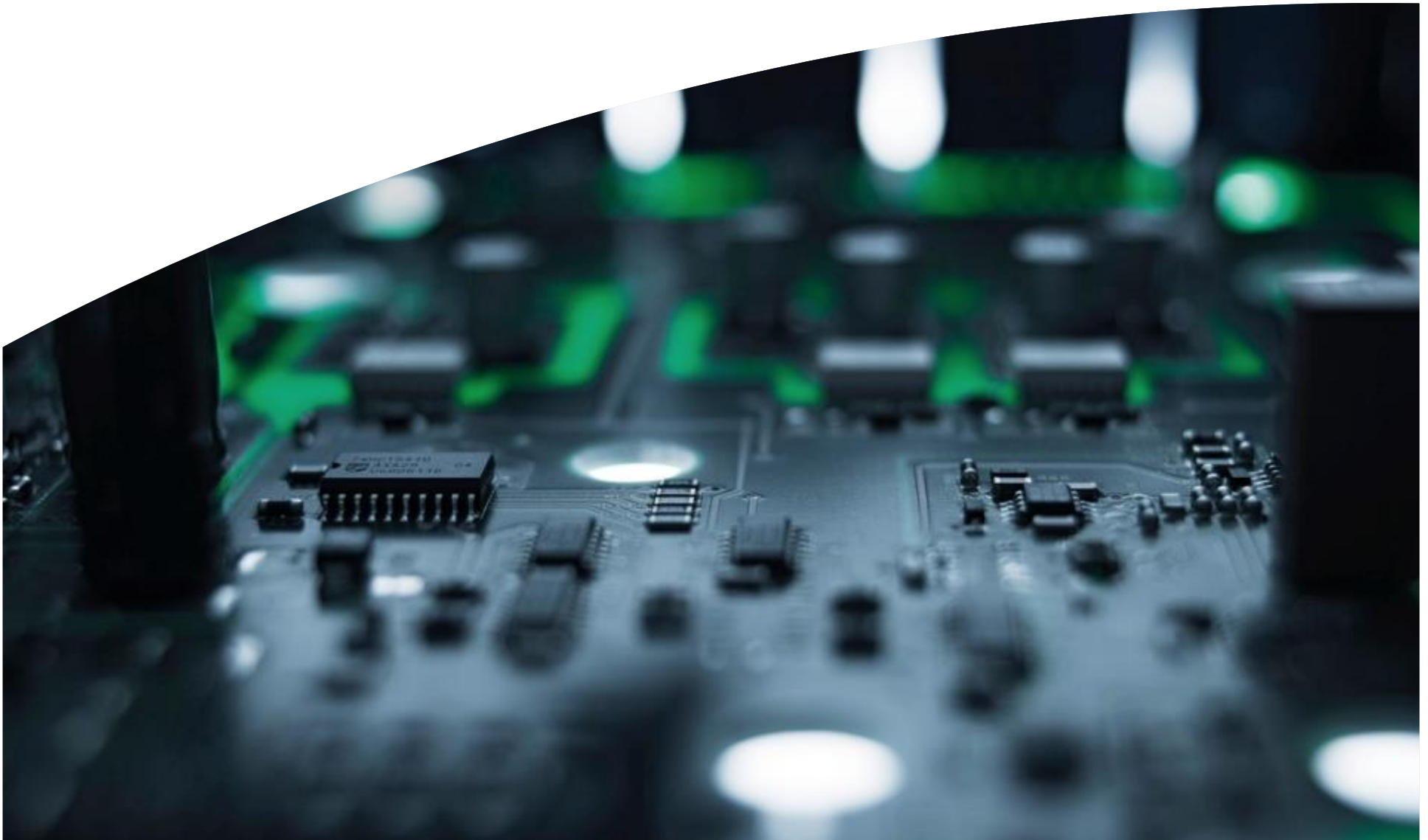
- > Global inverter revenues are expected to grow by 6% p.a. to 5.6 bn Euro until 2018. Price pressure in all regions and segments remains high.
- > Due to high price pressure the Chinese market remains rather flattish in Euro-terms, despite strong growth in GW.
- > Sales in Japan benefit from strong pipeline of already accepted PV projects. However, already implemented FIT-cuts will almost half revenues until 2018. Other markets in APAC (e.g. India) are expected to develop nicely.
- > The ITC will support attractive growth rates in the US. Other markets in the Americas region (e.g. Brazil, Chile, Mexico) will experience sales growth.
- > The European markets are expected to decline, mainly due to unfavorable FIT in UK, Germany, Italy and France. However, Africa and Middle East have a chance to overcompensate the sales decline in Europe



> **SMA has expanded its global market leadership and accounted for c. 21% of global demand for PV inverter technology in 2015 (2014: c. 17%)⁴**

1. Prices for revenue calculation according to IHS (EUR/Wac); SMA MI Market Model – March 2016
 2. Incl. system technology for storage applications (e.g. hybrid, behind the meter, in the grid, co-located, etc.) and demand for replacement inverters
 3. w/o China
 4. SMA MI Market Model; measured in euros

3. SMA's Unique Positioning



We Increase Our Claim to the Growing Market of Energy Management and Services



SOLUTIONS

- SERVICE
- O+M
- ENERGY MANAGEMENT

DATA-BASED BUSINESS MODELS

SYSTEMS

- MEDIUM VOLTAGE TECHNOLOGY
- SYSTEM TECHNOLOGY FOR STORAGE AND HYBRID
- COMMUNICATION PRODUCTS
- SUNNY PORTAL

PRODUCTS

- BATTERY INVERTER
- SOLAR INVERTER

- > SMA offers full scale energy solutions and services as well as high-end PV inverter and components.
- > Main goal is to easily integrate PV in existing and new energy infrastructure and optimize the use as cheapest energy cost
- > SMA will establish alliances with strategic partners to create best in class solution
- > SMA's new products are modular designed with improved connectivity¹

> In future, SMA will open up data based business models

1. Technology is protected with c. 700 patents and utility models

SMA's Complete Product Portfolio Offers Solutions for all Requirements Worldwide



SUNNY CENTRAL



Utility

SUNNY TRIPOWER



Commercial

SUNNY BOY



Residential

SUNNY BOY STORAGE SUNNY CENTRAL STORAGE SUNNY ISLAND



O&M / WARRANTY EXTENSION



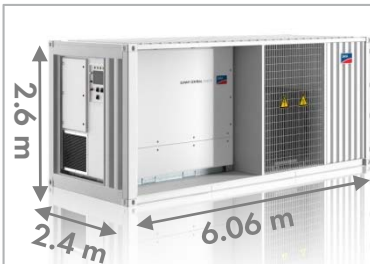
Service

> SMA's cumulative installed power of nearly 50 GW is the basis for a successful service and storage business

SMA Introduced New Products and Solutions in Key Segments and Important Solar Markets



SMA Utility



Sunny Central 2,200/2,500

Power: 2.2 -2.5 MW

Input V: 570-1,500V

Region: world-wide (new)

- > Complete 20'' Container solution secures higher energy yield, plant availability and reduces the installation time/costs
- > Already 1.4 GW sold
- > UL certification for SC 2,500 available in Q3 2016

SMA Commercial



Sunny Tripower

Power: 12-30kW

Input V: 150 - 1.000V

Region: USA (new)

- > Highly flexible due to multistring concept and wide input voltage range
- > First supplier with fully integrated medium voltage solution for commercial applications (10'' container)

SMA Residential



Sunny Boy 5.0/6.0/7.0/8.0

Power: 6,000W

Input V: 600V

Region: North America (new)

- > String Monitoring and web/wireless interfaces for improved connectivity
- > New signed large inverter contract from a global customer underpins SMA's strong position (c. 5.5 GW over 3 years)

SMA Service



- > SMA earned extended warranty & demand based overhaul contract from a global customer (USD46m)
- > SMA is #4 of O+M Maintenance Providers for the PV industry and has 1.4 GW under management¹

1. GTM Research - Megawatt -Scale PV O&M and Asset Management 2015-2020, Nov. 2015

SMA Strives To Improve the Profitability of Other Business in 2016



Zeversolar: Answer for Budget-Market



Zevelution 3680/ 4000/ 5000

Power: 3.7 - 5kW

Input V: 100-520V

Region: Most of World

Available: Q2 2016

- > More than 60% of business is already outside China
- > Entire product portfolio renewed during last 2 years
- > Break-even expected in 2016

Off-Grid & Storage: Photovoltaic Anytime



Sunny Boy Storage

Power: 2.5kW

Input V: 100-500V

Mx. Efficiency: 97%

Available: Q2 2016

- > New product for high voltage (Lithium) batteries (e.g. Tesla Powerwall)
- > For new and retrofit PV plants and even for storage without PV plant

Railway: Portfolio Asset in Metro Market



SMARTconverter 3

- > -50% weight¹
- > New standard for metro, tram and regio
- > 2 independent DC-outputs (new)

- > The new SMARTconverter 3 offers min. weight & high efficiency
- > Product combines high standard but allows custom-tailored solutions
- > Company already turned profitable in Q1 2016; strong order backlog

Sales (in € million)

	2014	2015	Q1/15	Q1/16e
Zeversolar	18	22	5	4
Off-Grid & Storage	28	35	5	8
Railway Technology	28	18	5	6

- > In the medium term, growth will arise from new segments such as the integration of electric storage systems and the combination of different energy carriers

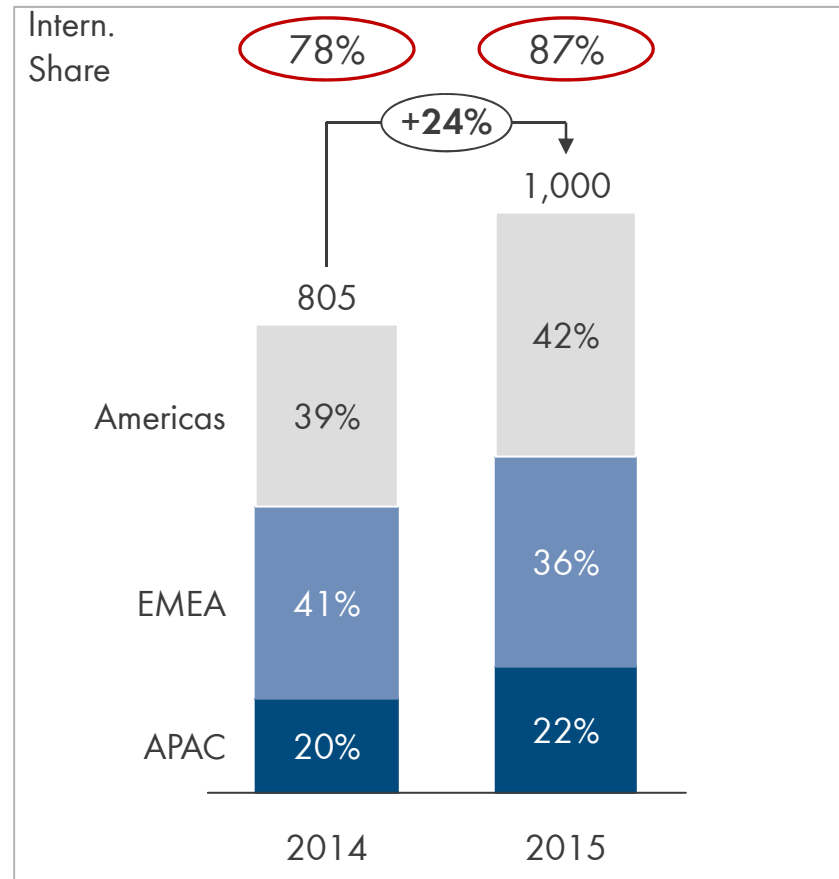
6. Financials



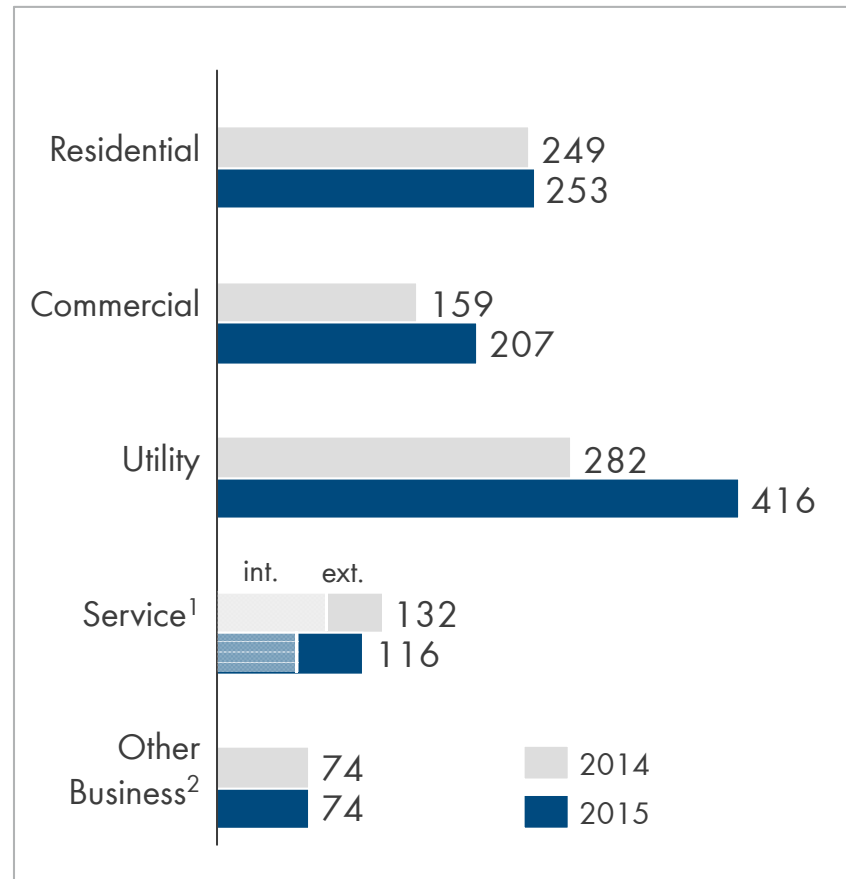
Revenue Growth is Mainly Driven by Strong Utility and Commercial Business; External Service Sales up 20% (Y/Y)



Group Sales (in € million)



Sales by Segments (in € million)

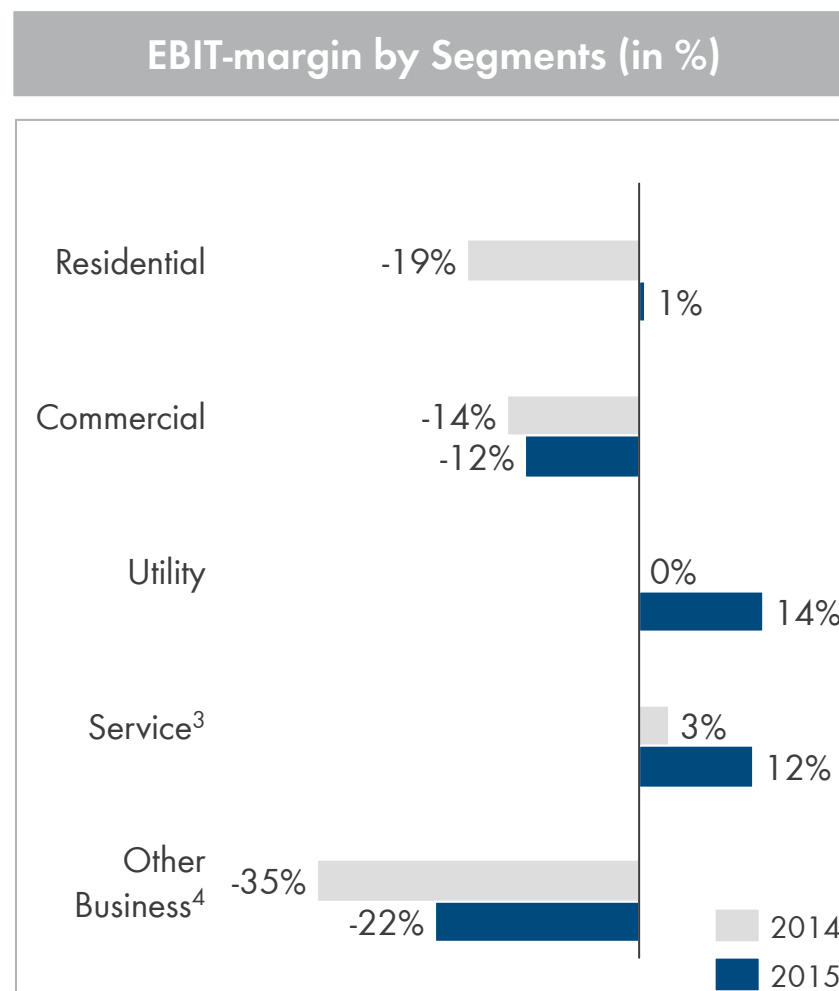
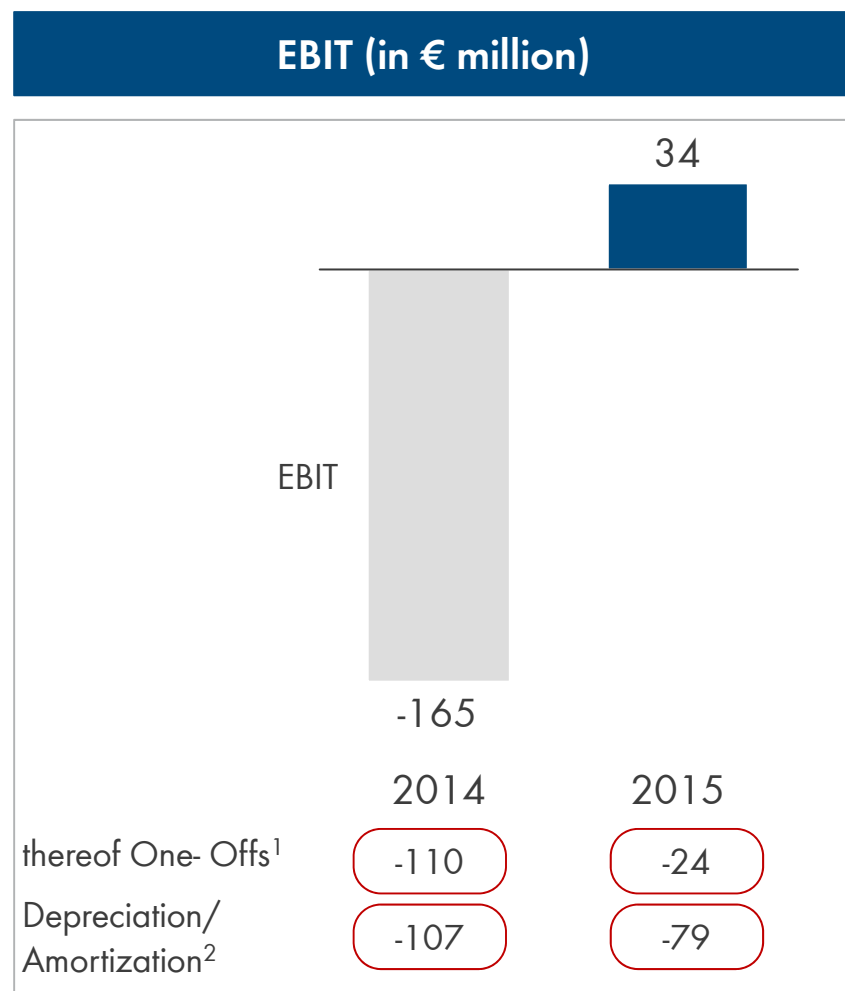


> The most important markets in 2015 were the U.S., followed by Great Britain, Japan and Australia (combined c. 70% of Sales)

1. Internal sales (2015: €66m; 2014: €91m) and external sales (2015: €50m; 2014: €41m)

2. Including Zevversolar

The Utility and Residential Segments are Key Drivers of Margin Improvement - Commercial Segment is Impacted by One-Offs



> Margin improvement due to favorable product mix, material cost improvements, fixed cost reduction and x-rate effects

1. 2015: Impairment on working capital (€27m); R+D impairment (€6m) as well as release of restructuring provision (€-9m);
2014: Restructuring provision (€50m); Impairment loss of

Zeversolar (€22m), working capital and R+D projects €38m)
2. Including €6m One-Offs (2014: €31m)
3. Internal and external sales

4. Including Zeversolar

SMA Implemented an Ambitious Restructuring Plan Within 12 Months



Key Transformation Measures

Technology From 1,050 to 640 FTE ¹	<ul style="list-style-type: none"> > Downsizing Kassel, Denver, Suzhou > Reduction of ext. service providers > Focus R&D projects / portfolio
Operations From 2,090 to 1,540 FTE ¹	<ul style="list-style-type: none"> > Outsourcing of non-core activities > Phase out interim managers > Improvement of SCM and central inverter production
Administration From 580 to 355 FTE ¹	<ul style="list-style-type: none"> > Restructuring CFO/CEO functions > Centralization of administration funct. > Reduction of non-personnel expenses
Sales & Marketing From 435 to 325 FTE ¹	<ul style="list-style-type: none"> > Reduction of back office staff > Downsizing of communication & marketing > Closure of subsidiaries
Service From 510 to 416 FTE ¹	<ul style="list-style-type: none"> > Rightsizing infrastructure EMEA/APAC > Reduction of service level
Others	<ul style="list-style-type: none"> > Reduction of office/production space > Restructuring of IT services

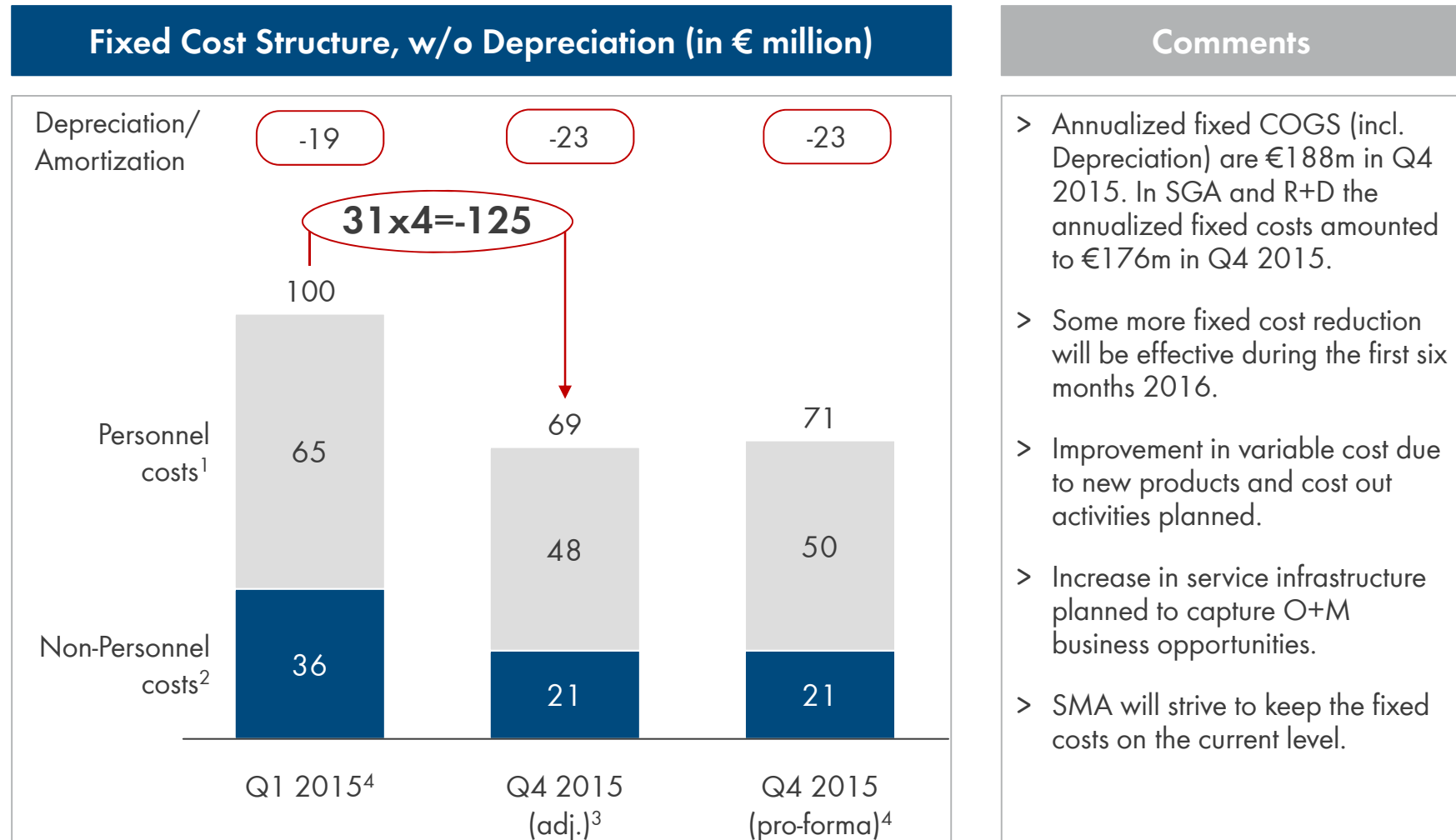
Implementation

- > More than 80% of all measures are already implemented
- > The measures have been transformed into the budget 2016 to avoid swing-back effect
- > Some measures are delayed due to strong growth in recent months (e.g. outsourcing of non-core activities)
- > The avg. salary reduction of headcount is below initial target. In addition, the full head count reduction target will not be reached fully

> Nearly 1,400 employees¹ left SMA as of December 31, 2015; 130 employees¹ are expected to leave within the first 6 months 2016

1. Full time employees w/o temporary employees, trainees, interns as of December 31, 2015. Additional c. 130 employees are expected to leave SMA within the first six months 2016

SMA's Fixed Cost Structure Has Been Reduced Significantly



> **SMA has a break-even point of c. €750m at the end of 2015**

1. W/o temporary workers (Q1 2015: €2,6m, Q4 2015: €5,5m)

2. See Notes 5-8 to the Income Statement SMA Group:SGA, Gross R&D & COGS w/o Material expenses

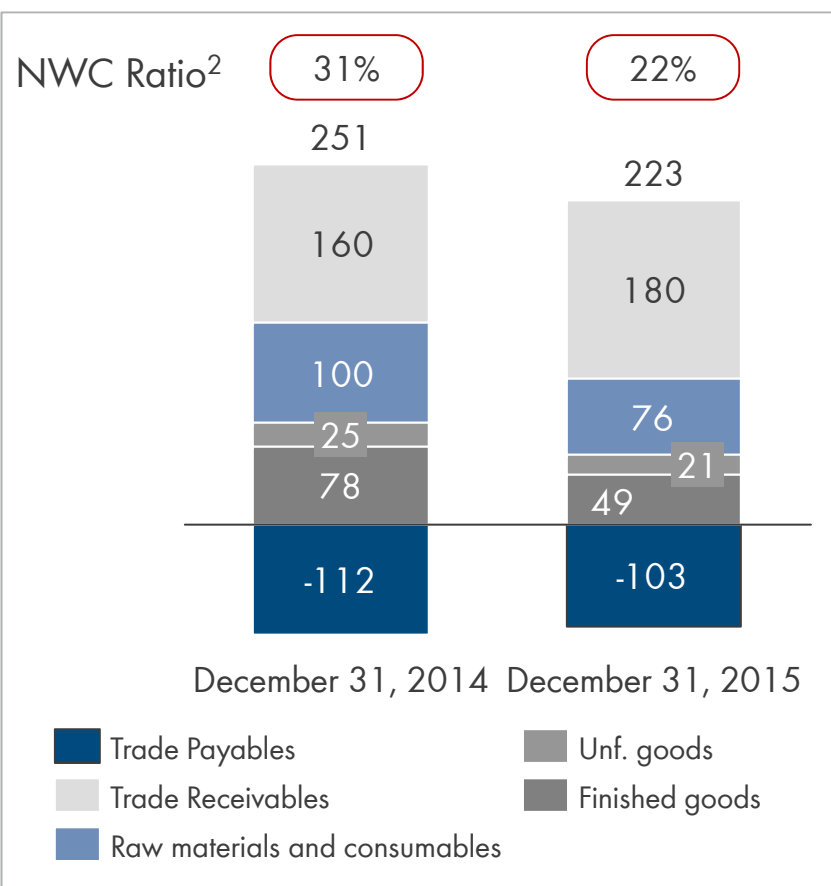
3. W/o Performance Bonuses and Christmas allowances

4. Including normalized Bonuses and Christmas allowances

SMA's Group Balance Sheet is Rock Solid



Net Working Capital (in € million)¹



Group Balance Sheet (reclassified, €m)

	12/31/2014	12/31/2015	Δ
Non Current Assets ³	488	471	-4%
Working Capital	363	326	-10%
Other Assets	42	38	-5%
Total Cash	287	325	13%
Shareholders' Equity	552	570	3%
Provisions ⁴	213	170	-25%
Trade Payables	112	103	-10%
Financial Liabilities ⁵	62	39	-59%
Other liabilities ⁴	241	278	13%
Total	1,180	1,160	-2%

> With an equity ratio of c. 50% and high net cash of €286m, SMA can implement its long-term strategy with its own funds

1. NWC= Inventory+Trade Receivables- Trade Payables (no advanced payments included)
2. As of last twelve months sales
3. W/o rent deposits of €3m
4. Not interest bearing

5. Includes not-interest bearing derivatives amounting to €8m (2014: €7m)

Gross Cash Flow Improved Significantly Despite the Substantial Cash Outflow for Severance Payments



Cash Flow (in € million)		
	2014	2015
Net Income	-179	14
Gross Cash Flow	-37	62
Cash Flow from Operating Activities	-28	104
Net Capex ¹	73	50
Free Cash Flow (Adj.)	-102	54
Net Investments from Securities and Other Financial Assets	101	-15
Acquisitions	3	-1
Free Cash Flow (IFRS)	-3	38

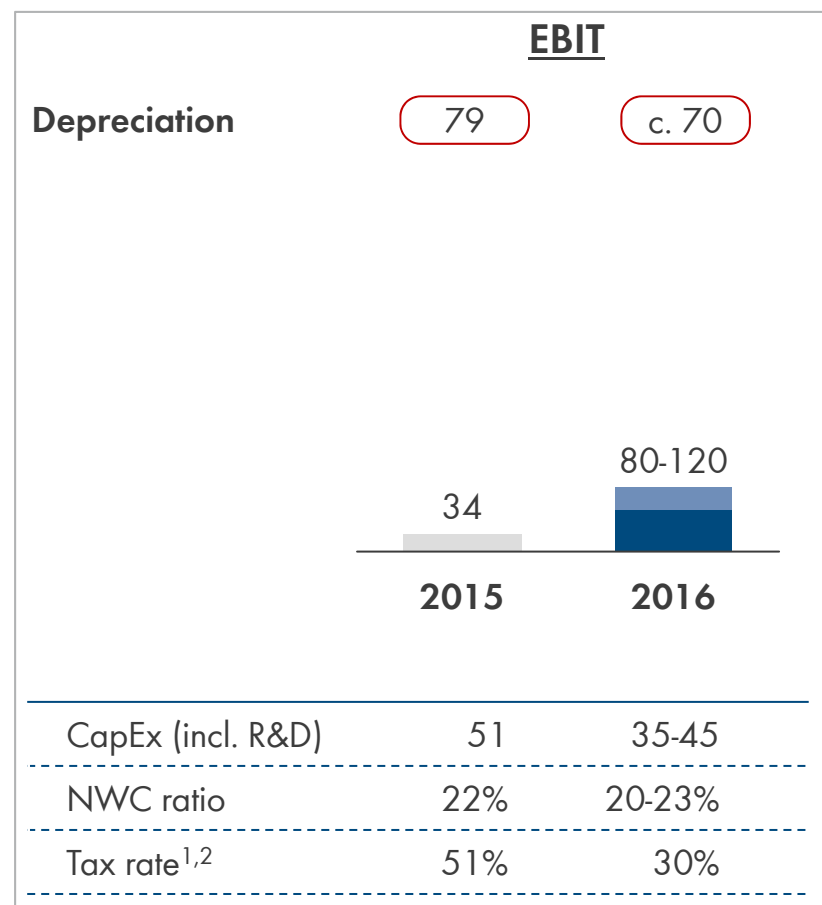
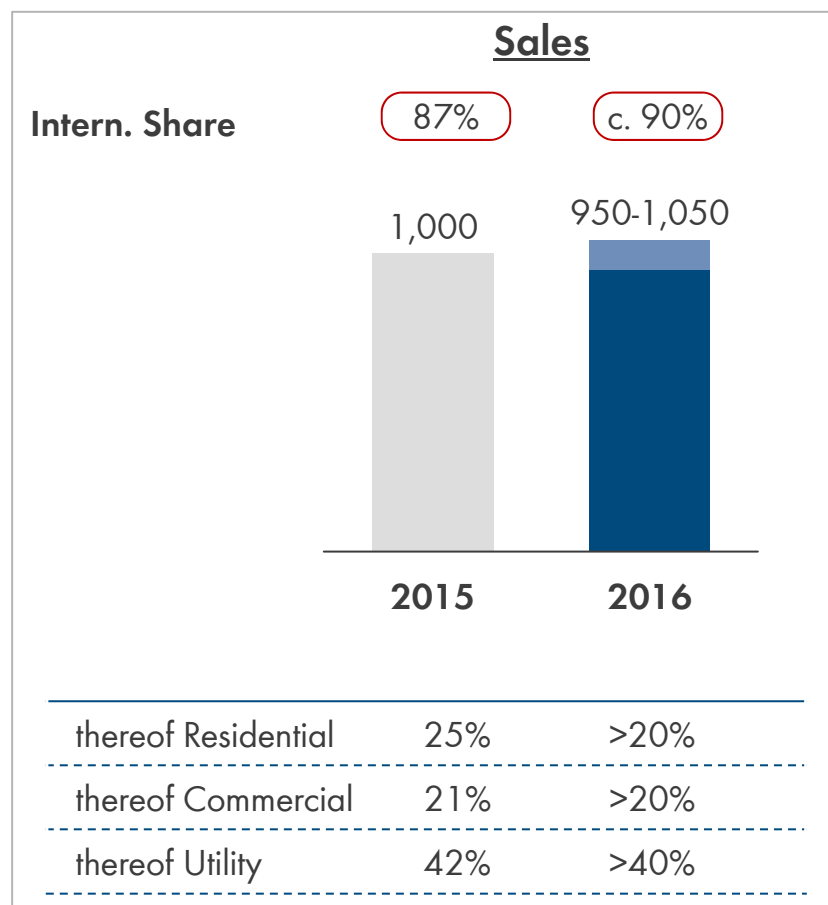
> **SMA's business is not capital intense; Therefore, SMA offers an attractive cash flow profile**

1. Thereof R&D capitalization: 2014: €41m ; 2015: €32m

The SMA Management Expects Flattish Revenues, but a Significant Earnings Increase due to Lower Var./Fixed Costs



Guidance 2016 (in € million)



> The Guidance 2016 is backed by a strong order backlog per end of Q1 2016 of €695m³

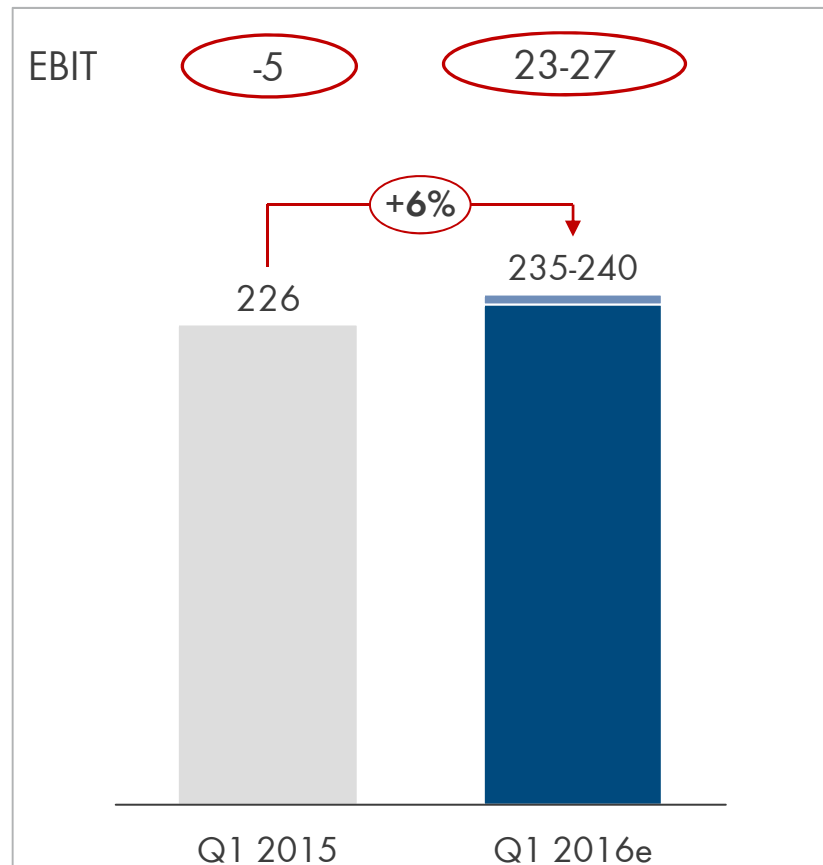
1. Loss carryforwards of €220m as of 2015/12/31 in Germany (SMA AG)
2. Tax Rate 2015 incl. One-Off from tax audit

(2010-2012)
3. Thereof Americas 41%, EMEA 52% and APAC 7%;
thereof Utility 23%, Commercial 6%, Residential 4%, Other Business 10% and 57% Service, which will be recognized over a period of 5-10 years

SMA is Well On-Track to Reach the Full Year Guidance

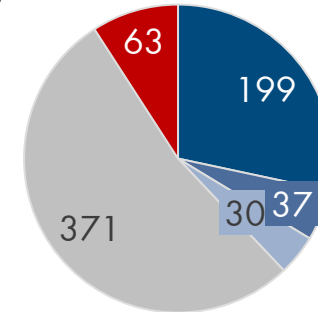


SALES & EBIT Guidance Q1 2016e (€m)

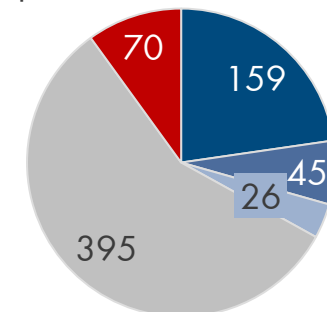


Order Backlog (in € million)

Total €700m,
thereof products €329m
per 12/31/15



Total €695m,
Thereof products €299m
per end of Q1 2016



Utility Residential Others
Commercial Service¹

Highlights Q1 2016

- > Cooperation with TenneT (databased business model)
- > Large inverter contract from a global customer (c. 5.5 GW over 3 yrs)
- > Launch of Sunny Boy Storage and medium voltage solution for commercial application

> Q1 2016 was impacted by delivery delays; SMA's Management expects stronger demand in H2 2016

1. Order Backlog in Service will be recognized over a period of 5 to 10 years

Investment Highlights: Attractive Investment Opportunity



- ✓ Direct exposure to the global solar market
- ✓ SMA has been 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
- ✓ Bankable partner due to high equity ratio and net cash position
- ✓ Conservative guidance, despite unique positioning
- ✓ Stable shareholder structure with Danfoss as strategic anchor investor
- ✓ Experienced management team

ENERGY
THAT
CHANGES





BACK UP

Development of Key Financials

Quarterly Key Financials (in € million)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016e
Sales	226	203	270	301	€235-240m
Gross margin	17%	18%	23%	26%	—
EBITDA	13	8	38	54	—
EBIT	-5	-10	18	31	€23-27m
One-Offs	-3	2	-13	-10	—

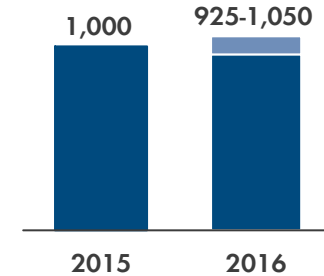
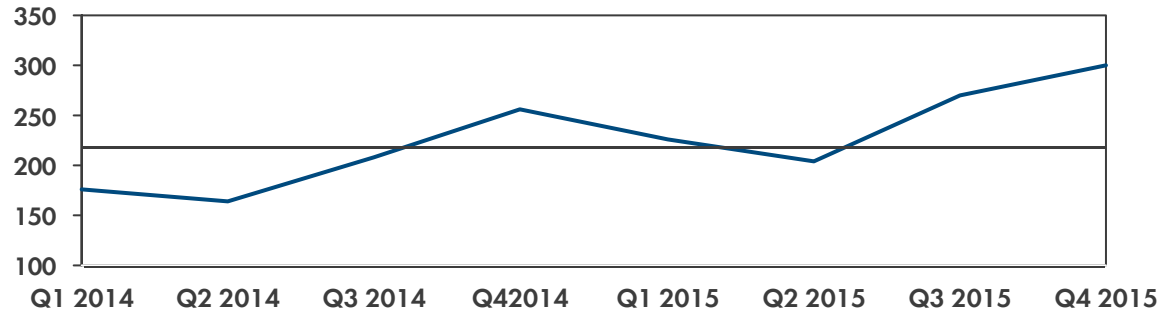
Development of One-Offs

One-Offs (in € million)

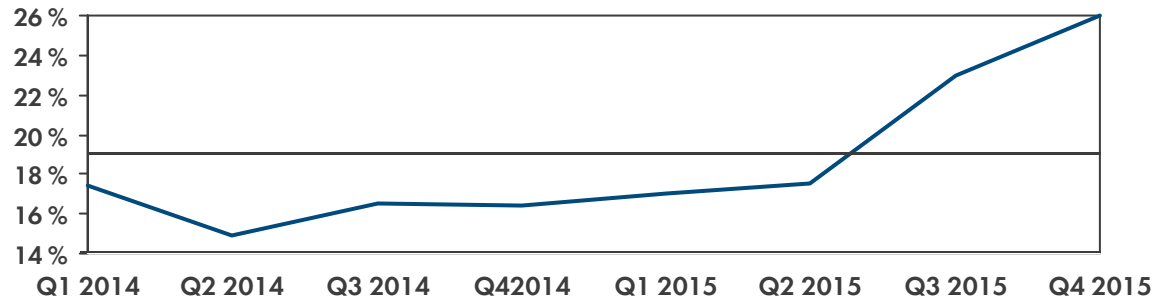
	2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015
One-Offs, by category	-24	-3	2	-13	-10
Impairment on Working Capital	-27	-2	-6	-13	-6
R&D Impairment	-6	-1	0	0	-5
Release of Severance payment provision	9	0	7	0	2
One-Offs, by line-item	-24	-4	2	-13	-9
in COGS	-30	-3	-5	-11	-11
In other operating income/ other operating Expense	6	-1	7	-2	2

Development of Key Financials

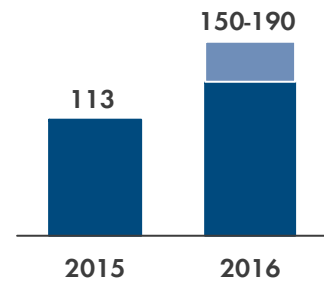
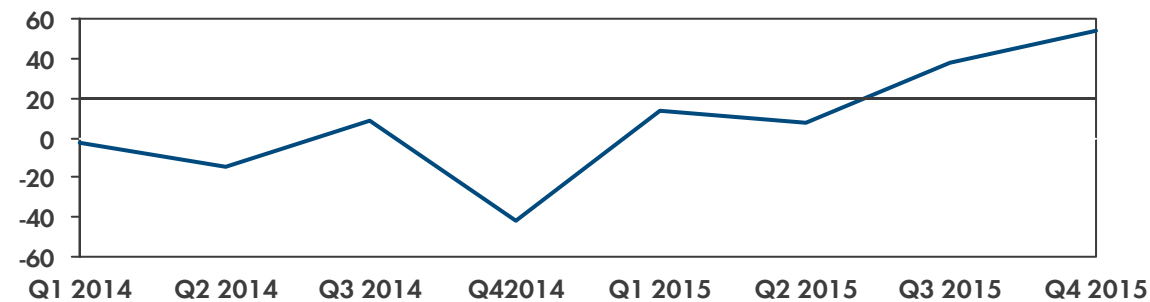
Sales in € million



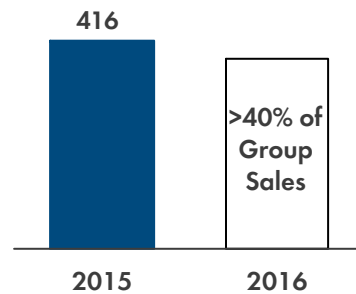
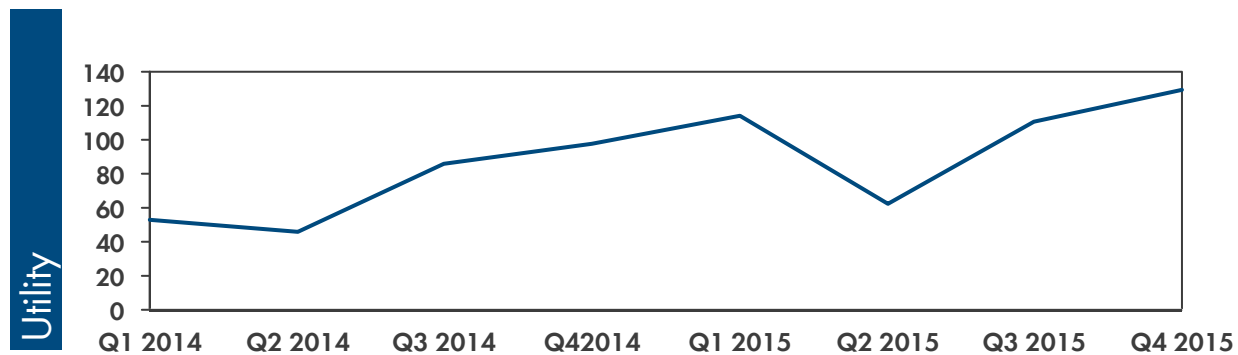
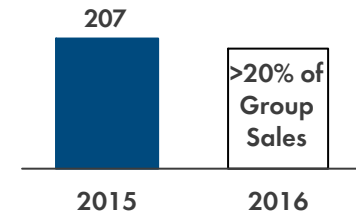
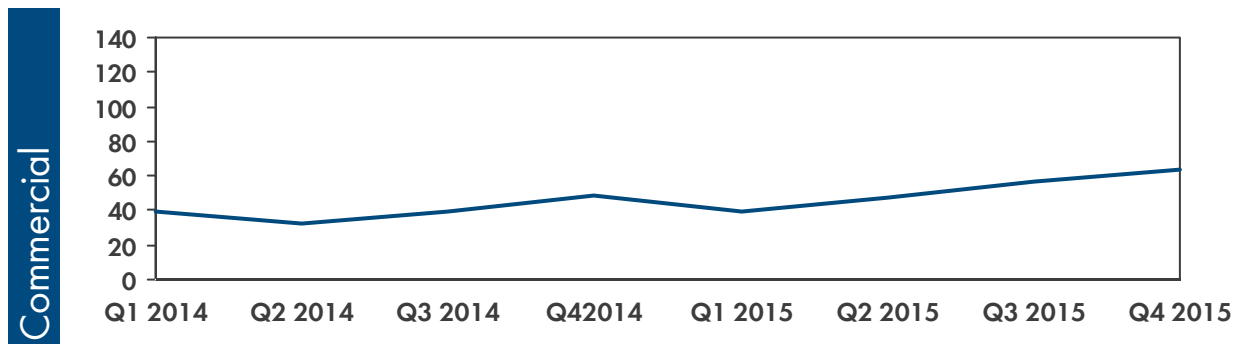
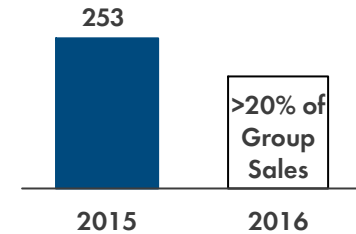
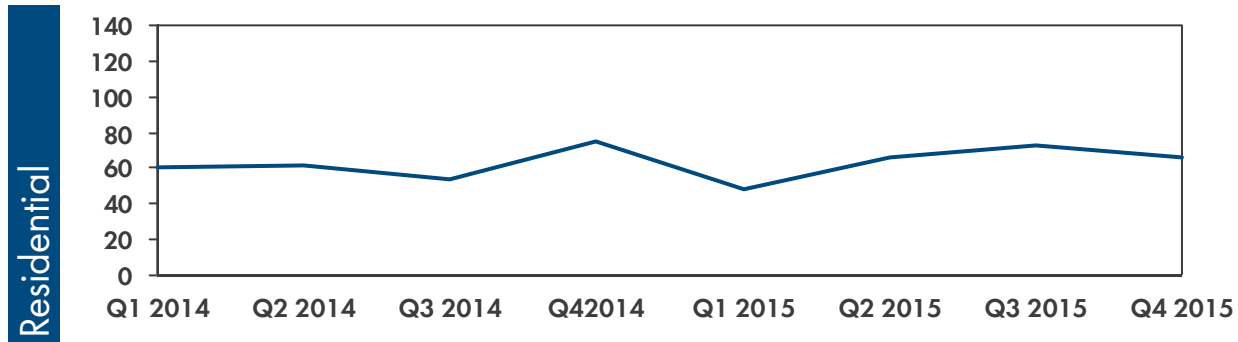
Gross margin



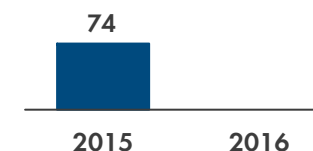
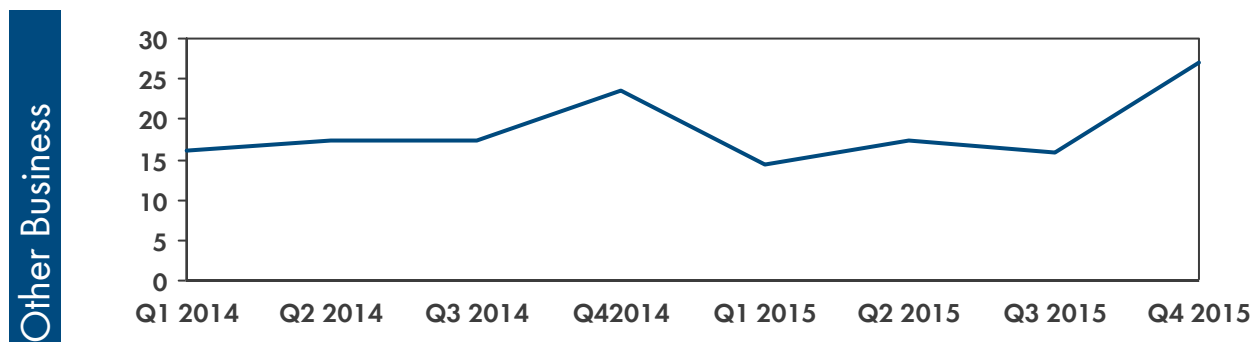
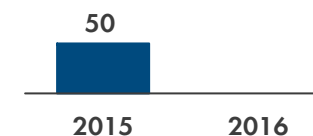
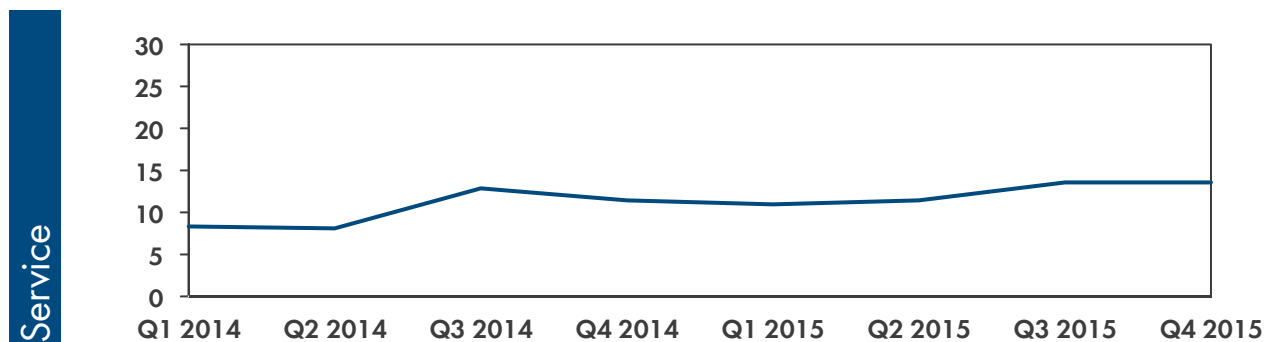
EBITDA in € million



Development of Key Financials (Cont') – Sales Development by Segment (in € million)



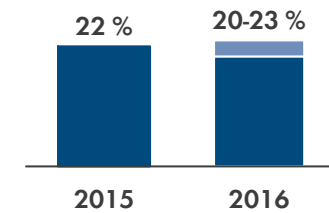
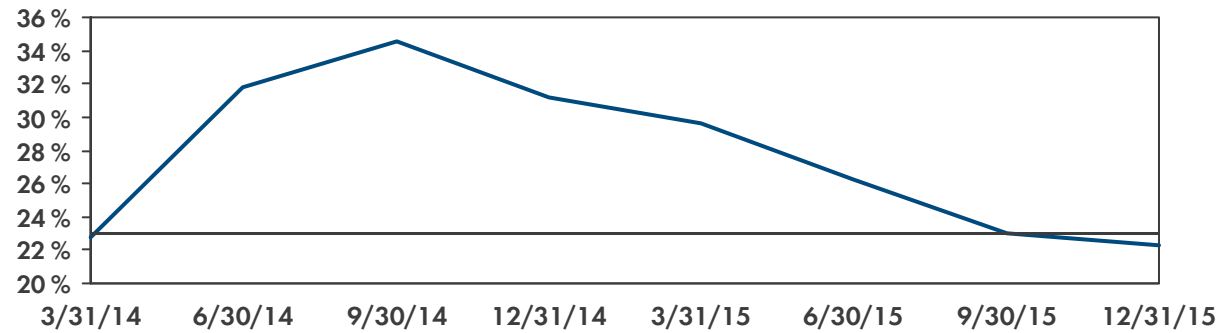
Development of Key Financials (Cont') – Sales Development by Segment (in € million)



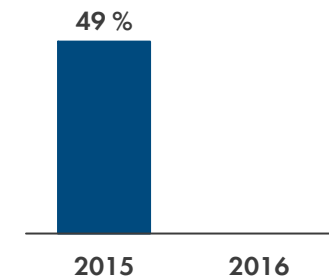
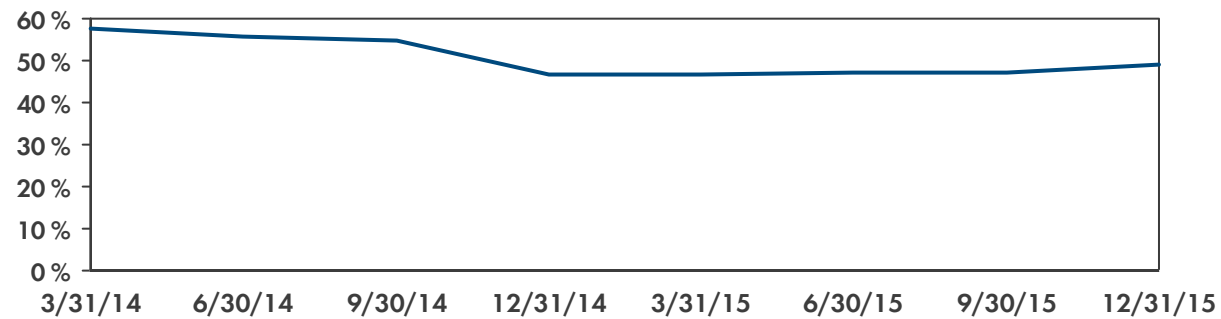
Development of Key Financials (Cont')



NWC ratio



Equity ratio



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CHANGES



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