

SMA SOLAR TECHNOLOGY AG

Analyst / Investor Presentation

Quarterly Financial Results: January to March 2016

Pierre-Pascal Urbon, CEO
May 12, 2016



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1. Summary Q1/2016



Q1/2016 Financial Summary: SMA Delivered Financial Results as Promised



Top-Line

- > SMA had €254m in sales (Q1/15: €226m); above guidance¹
- > Commercial was key growth driver (+50% Y/Y) due to new products for key markets (e.g. Japan/ North America). Utility, Residential and Service are stable (Y/Y)
- > Export business increased to >90% of sales (Americas: +40%; EMEA: -15%; APAC: +15% Y/Y)
- > Strategic partnership with Tigo Energy will open the market for MLPE² (>€700m p.a.) for SMA

Profitability/ Bankability

- > SMA increased EBIT to €25m (Q1/15: €-5m); in line with guidance¹
- > All core segments/ business units are profitable; Utility made highest profit contribution; Commercial had highest profit growth
- > Gross margin stood at 25% (Q1/15: 17%)
- > Improved financial result due to refinancing of Zeversolar
- > 1,425 employees³ have left SMA as of March 31, 2016
- > SMA secured a long-term revolving credit facility of €100m
- > High equity ratio of 50% and net cash position of >€320m

Outlook

- > According to IHS & GTM⁴ SMA is the global #1 inverter manufacturer in revenue-terms in 2015
- > Market outlook 2016 remains unchanged: 60 GW (+20% Y/Y) and €4.9bn (+5% Y/Y)
- > Price pressure in all regions and segments remains high. SMA strives to compensate price pressure with new products and new business models (e.g. energy management)
- > SMA's management confirms guidance 2016 with sales of €950m to €1,050m and an EBIT of €80m to €120m
- > Guidance is supported by balanced product portfolio and regional sales distribution⁵
- > Guidance is backed by a strong order backlog of €692m at the end of Q1 2016, thereof €295m products

> SMA Managing Board confirms guidance 2016

1. Guidance Q1/2016: Sales €235m-240m; EBIT €23-27m

of March 31, 2016

2. MLPE: Module-Level Power Electronics

4. IHS Inverter Market Tracker Q1 2016 from April 2016; GTM

3. Full time employees w/o temporary employees, trainees, interns as

Global PV Inverter Landscape – News from March 2016

5. Q1/2016 Sales Americas: 46%, EMEA: 34%, APAC 20%

Q1/2016 Sales Utility: 45%, Commercial: 24%, Residential: 18%,⁴ Service: 5%

Q1/2016 Financial Summary: SMA has a Balanced Revenue Distribution - This is Unique in the Solar Industry



Key Financials (in € million)

	Q1 2015	Q1 2016	Δ
MW sold	1,710	2,075	+21%
Sales	226	254	+12%
Residential	48	46	-4%
Commercial	39	60	+53%
Utility	114	115	+2%
Service (external)	11	13	+16%
Other Business	14	20	+38%
Gross margin	17%	25%	
EBITDA	13	42	n.m.
EBIT	-5	25	n.m.
Thereof one-offs ¹	-3	0	n.m.
EBIT w/o one-offs	-2	25	n.m.

Key Financials (in € million)

	Q1 2015	Q1 2016	Δ	
Free cash flow (Adj.)	-8	38	n.m.	
Depreciation	19	17	-11%	
Capex	19	7	-62%	
Net cash	286 ²	323	+13%	
Total assets	1,160 ²	1,173	+1%	
NWC ratio ³	22% ²	21%		
	2015		2016	
	Q2	Q3	Q4	Q1
Sales	203	270	301	254
Gross margin	18%	23%	26%	25%
EBITDA	8	38	54	42
EBIT	-9	18	30	25
One-offs	2	-13	-10	0

1. See appendix on slide 26 for more details

2. As of 2015/12/31

3. NWC= inventory+trade receivables-trade payables (no advanced payments included); as of last twelve month's sales

2. Market & Competition

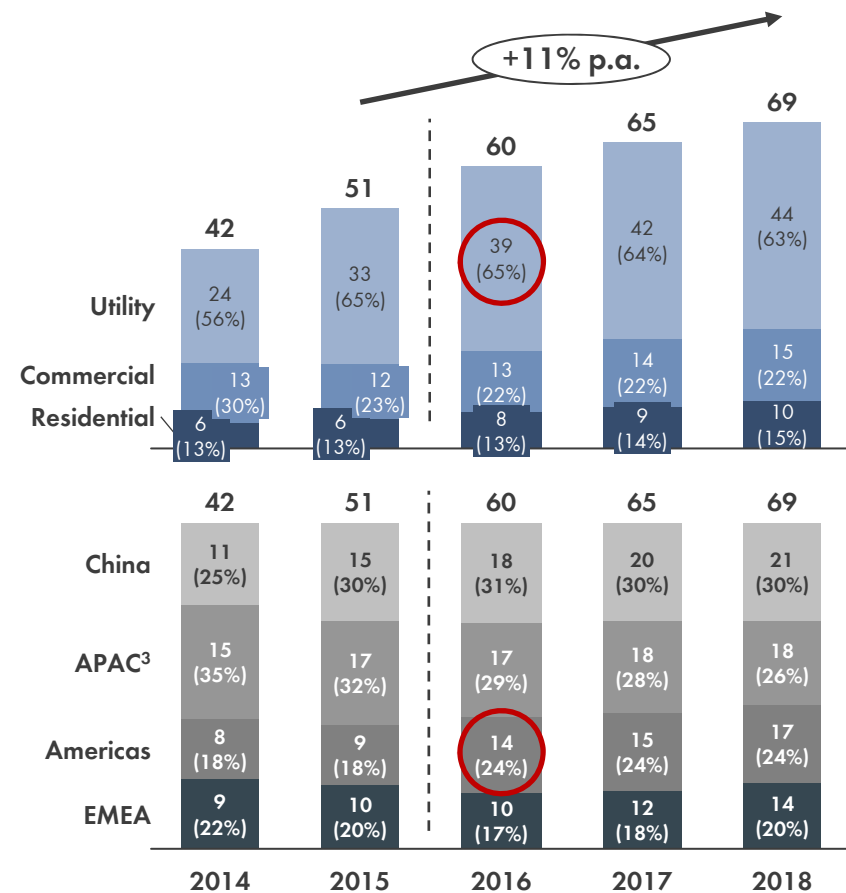


SMA Expects new PV Installations to Reach 60 GW in 2016, Thereof more than 60% in China, the USA and Japan



- > 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 continues to 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 the Middle East show a promising potential and account for more than 10% of global demand.

Global New PV Installations by Segment/Region (GWdc)^{1,2}



- > **North America is the key growth region 2016. After the ITC extension, EPCs are already in the process to develop projects for the coming years**

1. SMA MI Market Model – April 2016

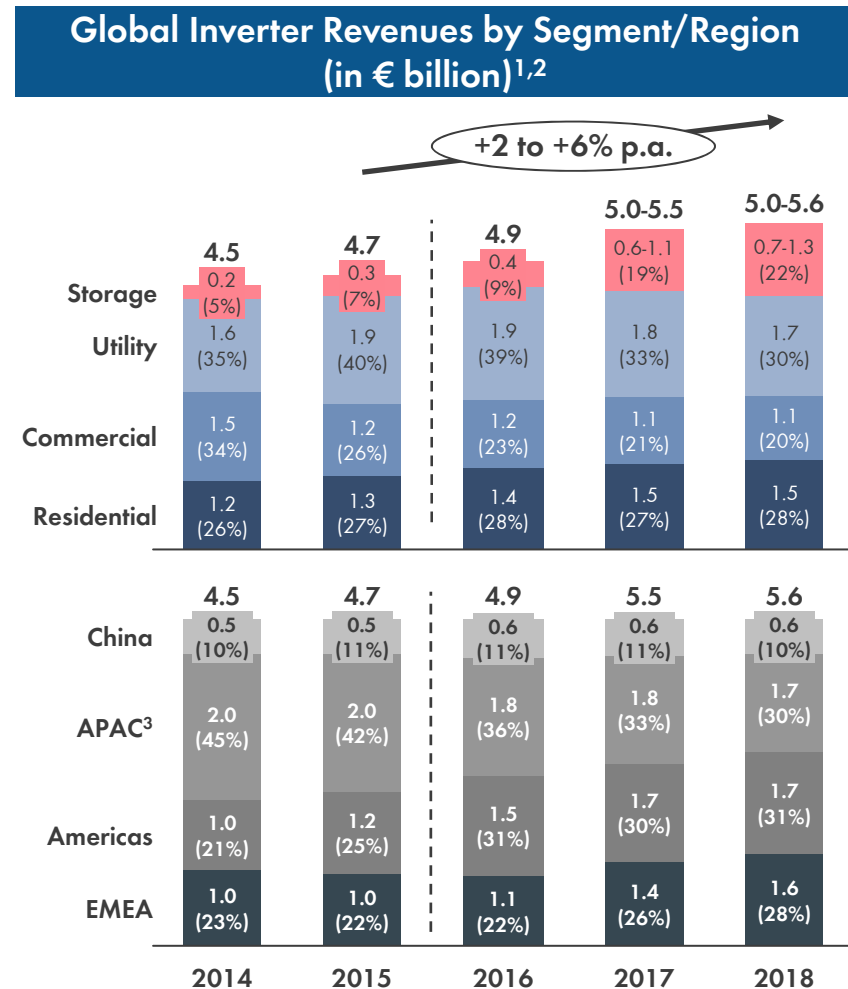
2. Incl. 1 GW off-grid installations: residential, remote and micro-grid applications

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 €5.6bn 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 and Germany. However, Africa and Middle East have a chance to overcompensate the sales decline in Europe.



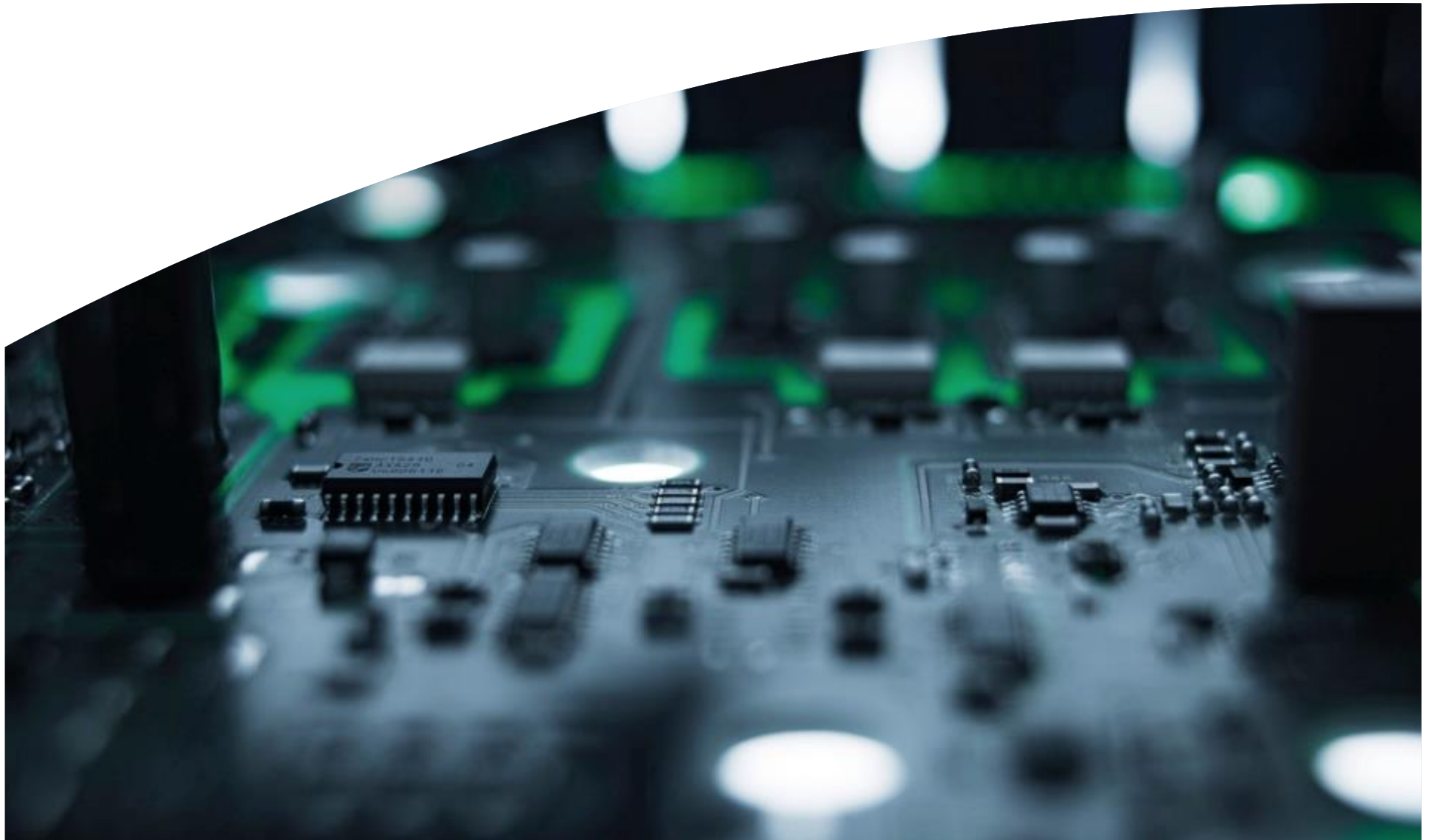
> **According to IHS and GTM, SMA is the global #1 market leader for PV inverter technology in revenue terms in 2015⁴**

1. Prices for revenue calculation according to IHS (EUR/Wac);
SMA MI Market Model – April 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. IHS Inverter Market Tracker Q1 2016 from April 2016;
GTM Global PV Inverter Landscape – News from March 2016;
based on revenues with PV inverters

3. SMA's Unique Positioning



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



SOLUTIONS

- Service
- O&M
- Energy Management

SYSTEMS

- Medium Voltage Technology
- System Technology for Storage and Hybrid
- Communication Products
- Sunny Portal

PRODUCTS

- Solar Inverter
- Module-Level Power Electronics (MLPE)
- Battery Inverter

DATA-BASED BUSINESS MODELS

- > SMA offers full scale energy solutions and services as well as high-end PV inverters and components.
- > The SMA/Tigo architecture offers the next generation of MLPE. The new MLPE technology provides the highest optimization potential most cost efficient.
- > The main goal is to easily integrate PV in existing and new energy infrastructure and optimize the use as cheapest energy source.
- > SMA will establish alliances with strategic partners to create best in class solution.
- > SMA's new products are modularly designed with improved connectivity.¹

> 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



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

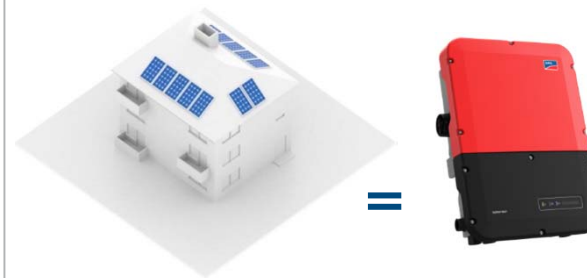
Tigo's New Product Architecture Offers the Next Generation of Module-Level Power Electronics



Market

- > The MLPE market is expected to grow by 10% p.a. until 2020 and had global sales of >€700m in 2015.
- > The MLPE market is highly concentrated and technology is the main market entry barrier.
- > The existing MLPE solutions¹ are expensive, because every solar module has to be equipped with power electronics.
- > Since only c. 20% of the solar modules in residential systems² need optimization of any kind, the Flex MLPE¹ technology from SMA/Tigo offers the most cost-effective solution for customers.

Flexible Design



String inverter with 3 MPPTs for flexible design...



...plus Tigo for most cost-effective optimization

> **Flex MLPE from SMA/Tigo: More energy, less investment**

1. Optimization, Safety, Monitoring Functions

2. For Commercial and Utility applications the ratio is even lower

Superior Cost Performance with SMA/Tigo Flex MLPE



SIMPLE; FLEXIBLE DESIGN

- > More cost-effective design through selective display



IMPROVED LOGISTICS

- > Smart panel selection simplifies module choice
- > Sunny Boy is ideal for optimized and non-optimized applications



STREAMLINED INSTALLATIONS

- > SMA Sunny Boy is easy to install
- > Tigo boasts superior speed of installation



PRODUCTION

- > Communication not required for energy production
- > Active only when needed, highest efficiency when active



REDUCED O&M

- > Cover replacement completed in seconds
- > Less data loss with Tigo TS4 leading to more accurate diagnostics

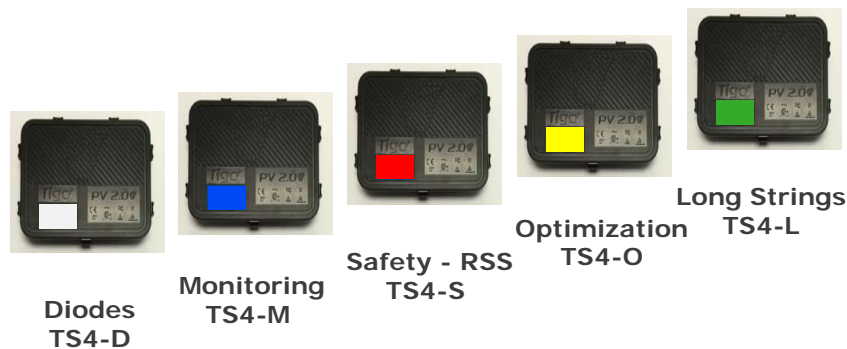
> **The Tigo TS4 product¹ works with many inverter brands. Only SMA has a fully integrated Flex MLPE solution for SMART PV modules and traditional PV modules.**

The New SMA/Tigo Flex MLPE Will be Used for Residential, Commercial and Utility Applications



SMA/Tigo Flex MLPE

- > The Tigo TS4 will work seamlessly together with SMA's inverters for residential, commercial and utility applications
- > The new SMA/Tigo Flex MLPE¹ is designed to work with any PV module (more than 40 module brands certified so far).
- > The base of the junction box can be selectively equipped with unique cover options (**Diodes**, **Monitoring**, **Safety**, **Optimized**, or **Long String**) at any point as needed.
- > Factory integrated and retrofit available.
- > Open communication platform (SMA and Tigo cloud)

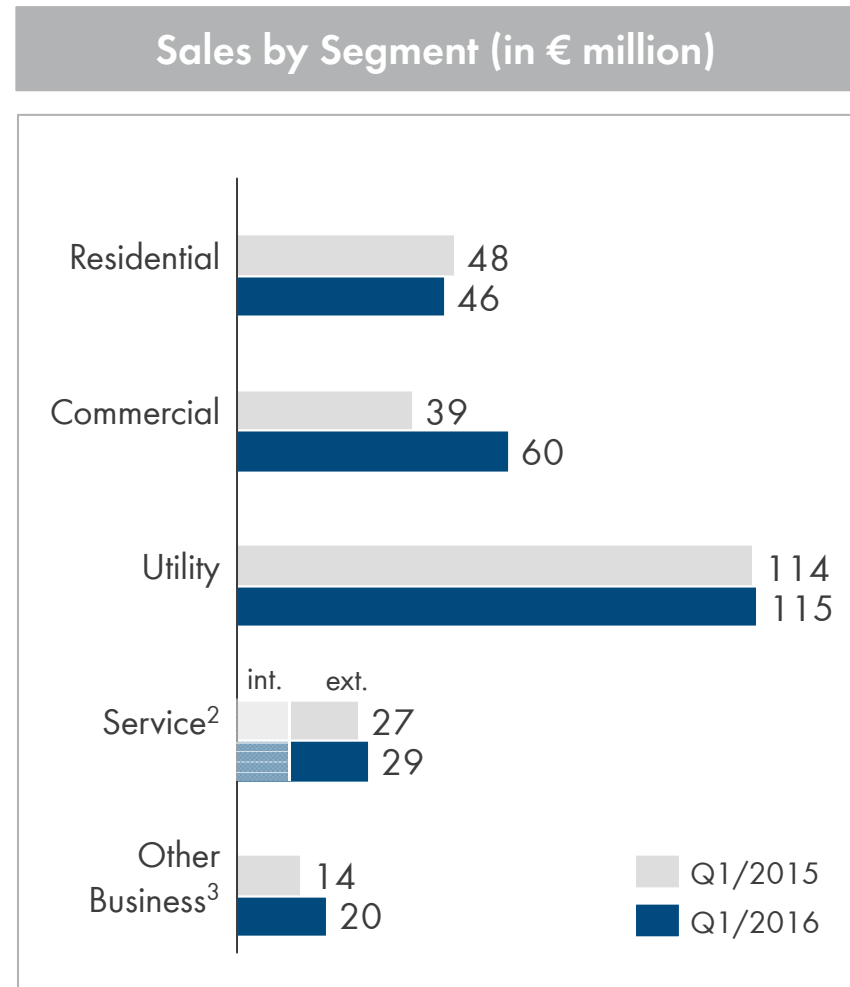
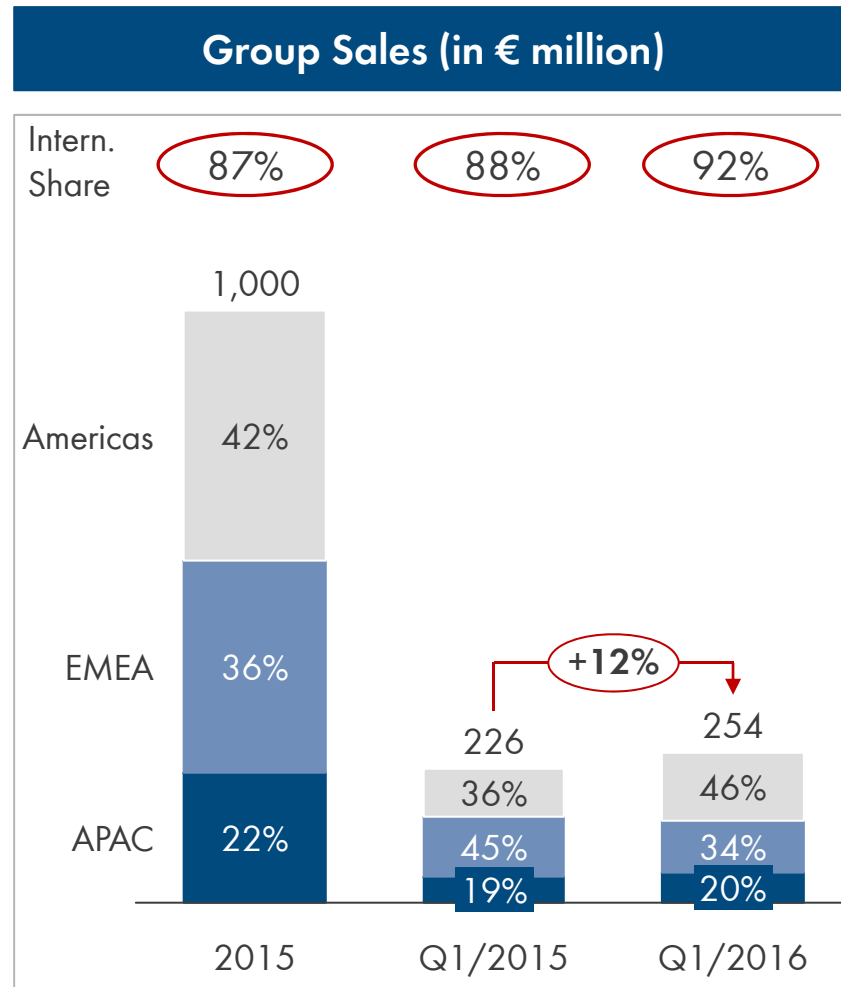


- > **SMA/Tigo provides a platform for ALL MLPE types – not only optimization. The Flex MLPE is upgradable any time.**

6. Financials



Americas was the Strongest Growth Region¹ while EMEA Slowed Down due to FIT Cuts in the UK



> Commercial was the key growth driver with an increase of more than €20 million Y/Y (c. 75% of total growth)

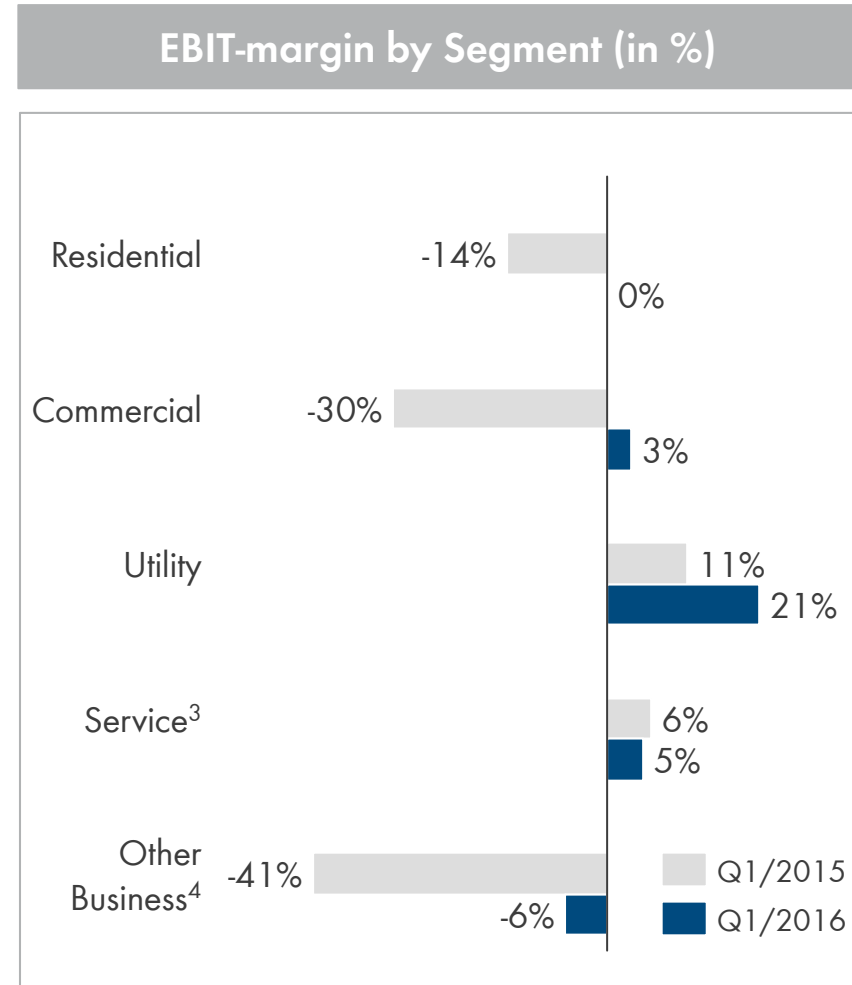
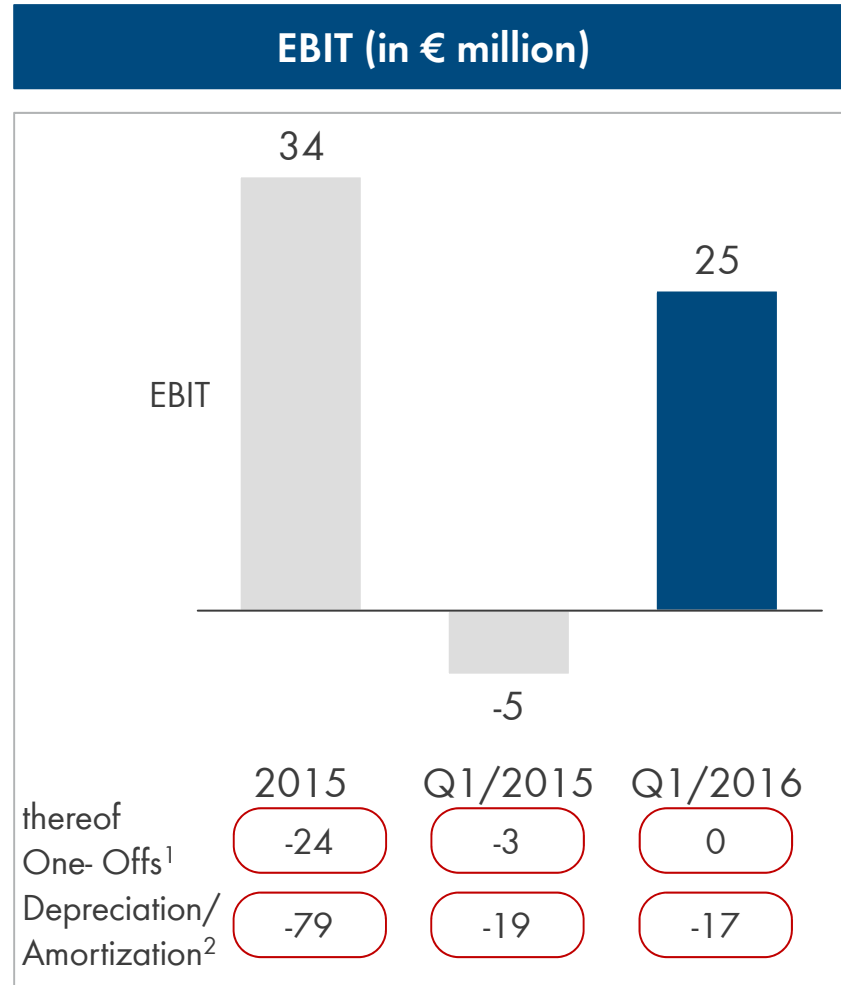
1. Q1/16: Americas +43% Y/Y

2. Internal sales (Q1 2015: €16m; Q1 2016: €16m)

and external sales (Q1/2015: €11m; Q1/2016: €13m)

3. Including Zeversolar

All of SMA's Core Business Units are Profitable in Q1/2016 – Earlier than Expected



> **Margin improvement due to new products and fixed cost reduction**

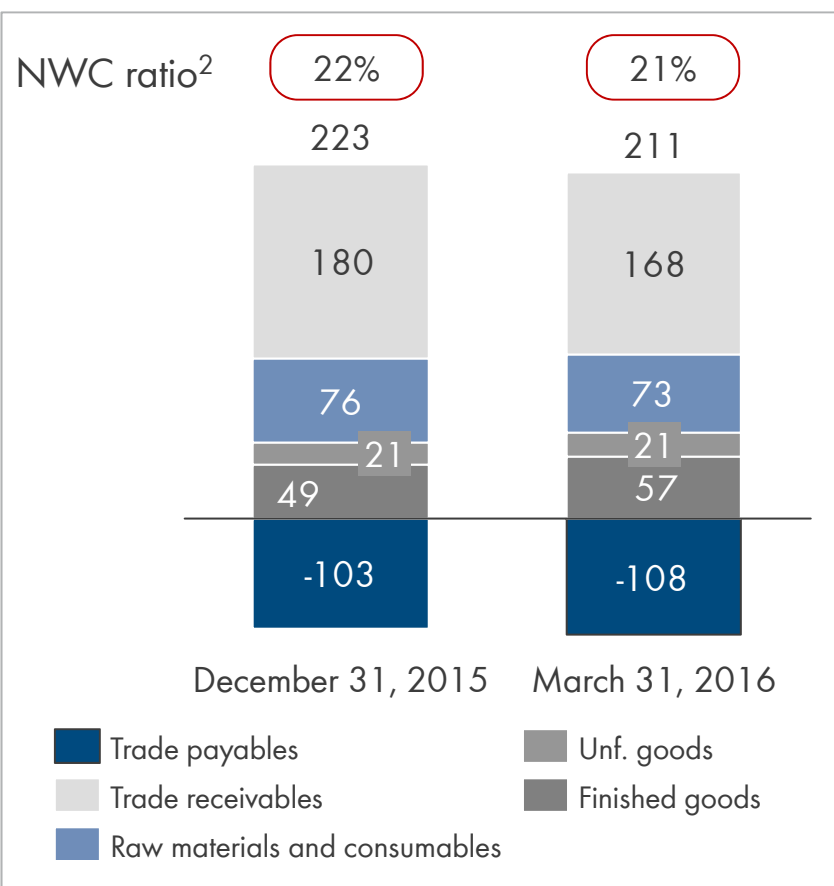
1. See Appendix on slide 26 for more details
2. Including €0m One-Offs (Q1/15: €1m)

3. In relation to internal and external sales
4. Including Zeyersolar

With an Equity Ratio of c. 50% and High Net Cash of €323m, SMA is Rock Solid



Net Working Capital (in € million)¹



Group Balance Sheet (reclassified, €m)

	2015/12/31	2016/03/31	Δ
Non current assets	471	453	-4%
Working capital	326	319	-2%
Other assets	38	40	5%
Total cash	325	361	11%
Shareholders' equity	570	585	3%
Provisions ³	170	171	1%
Trade payables	103	108	5%
Financial liabilities ⁴	39	38	-2%
Other liabilities ³	278	271	-3%
Total	1,160	1,173	-1%

> **SMA has proven its bankability by signing a long-term revolving credit facility of €100m with Commerzbank, Deutsche Bank und Hessische Landesbank**

1. NWC= inventory+trade receivables-trade payables (no advanced payments included)

2. As of last twelve months sales

3. Not interest-bearing

4. Includes not interest-bearing derivatives : €1m (Q1/2015: €8m)

Higher Cash Flow due to Higher Earnings, Improved Net Working Capital and Lower Capital Expenditures



Cash Flow (in € million)		
	Q1/2015	Q1 2016
Net income	-8	19
Gross cash flow	16	41
Cash flow from operating activities	11	45
Net capex ¹	-19	-7
Free cash flow (Adj.)	-8	38
Net investments from securities and other financial assets	-2	-19
Free cash flow (IFRS)	-10	19

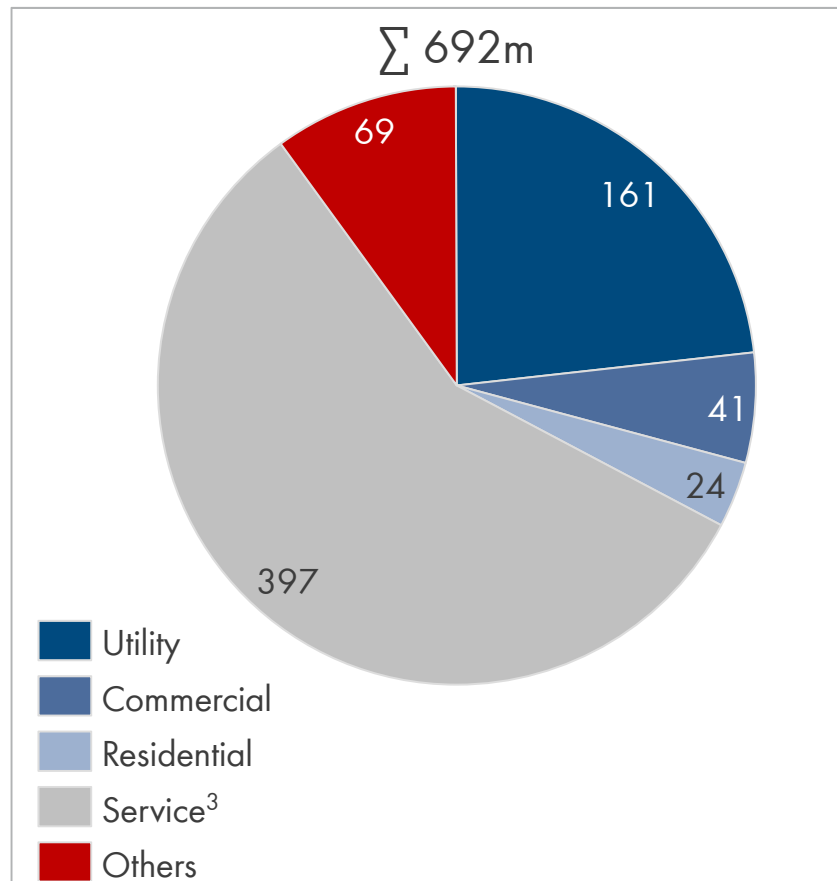
> **SMA's business is not capital intense; Therefore, SMA offers an attractive cash flow profile**

1. Thereof R&D capitalization: €5m (Q1/15: €13m)

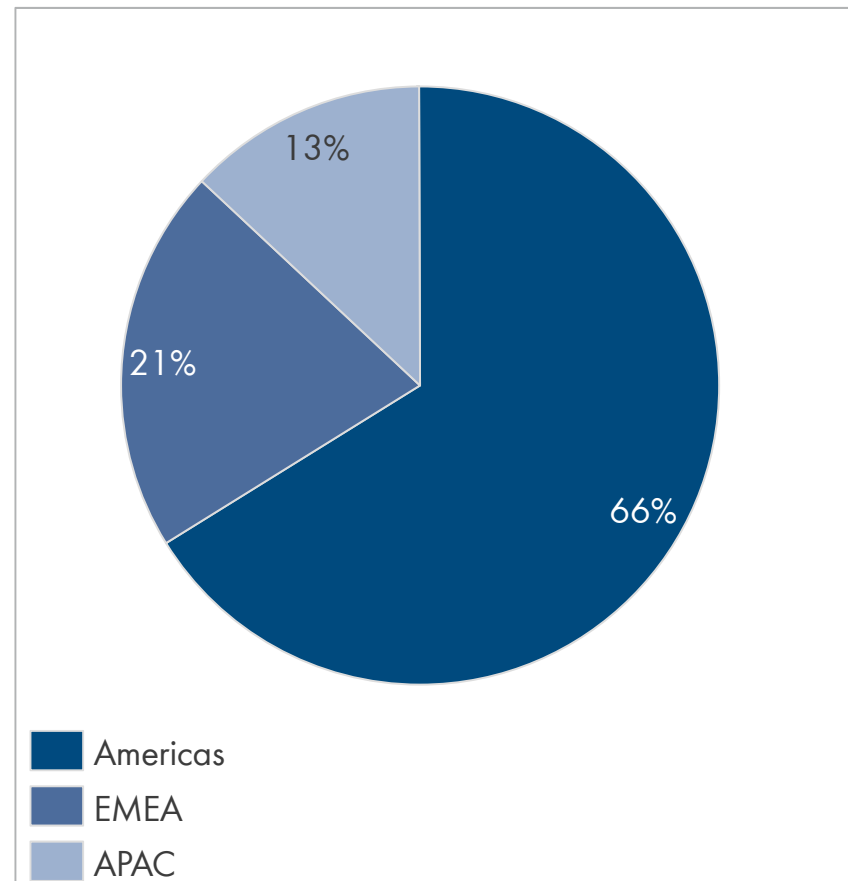
SMA has a Strong Order Backlog of c. €692m; Thereof c.295m from Products



Order Backlog by Segments (in € m)¹



Order Backlog by Region (in %)^{1,2}



> More than 50% of the full year sales guidance⁴ is already covered with current sales and backlog for products

1. As of March 31, 2016

2. Only Utility, Commercial, Residential, Other Business

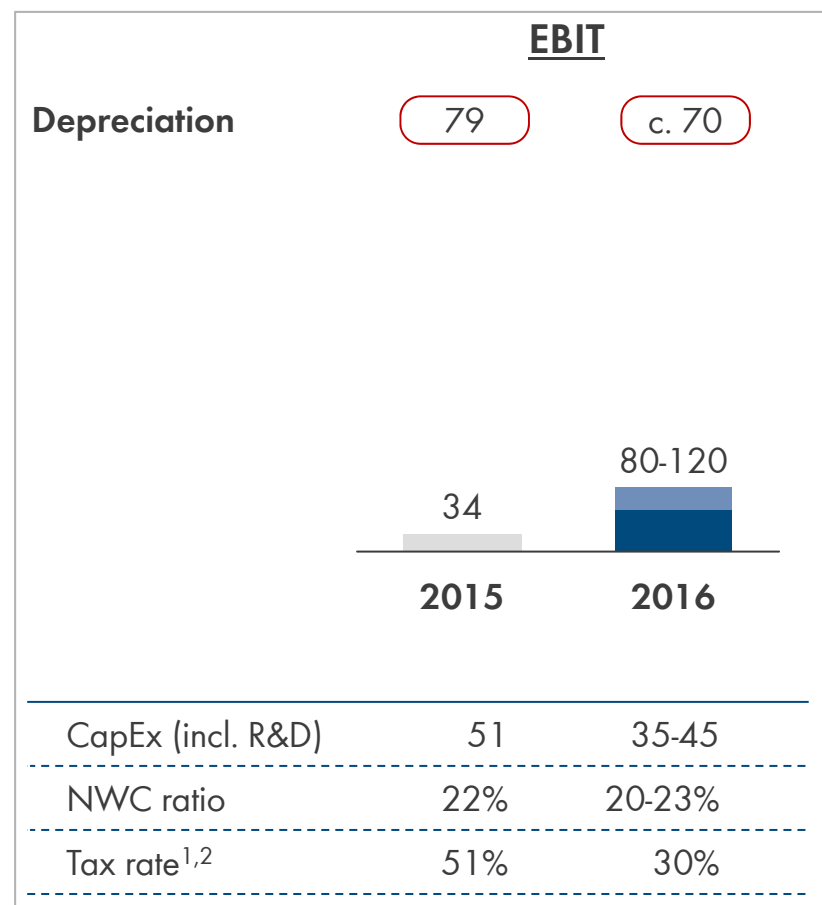
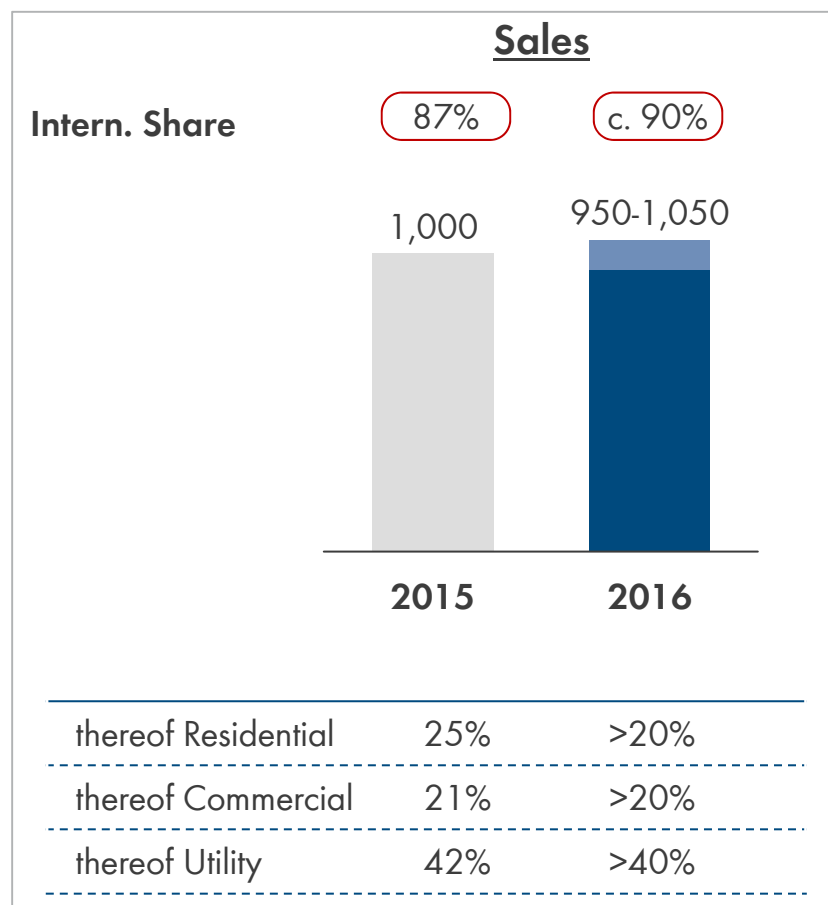
3. Order backlog in Service will be recognized over a period of 5 to 10 years

4. Mid point (€950m-1,050m)

SMA Management Confirms Guidance 2016 – The Second Half 2016 is Expected to be Stronger



Guidance 2016 (in € million)



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

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, net cash position and credit facility
- ✓ 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

Appendix 1: Quarterly Key Financials (in € million)

	Q1/2015	Q2/2015	Q3/2015	Q4/2015	Q1/2016
Sales	226	203	270	301	€254m
Gross margin	17%	18%	23%	26%	25%
EBITDA	13	8	38	54	42
EBIT	-5	-10	18	31	€25m
One-Offs	-3	2	-13	-10	0

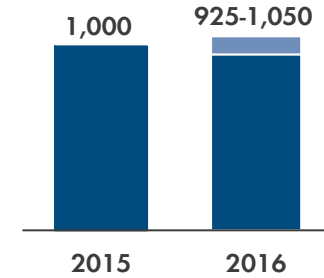
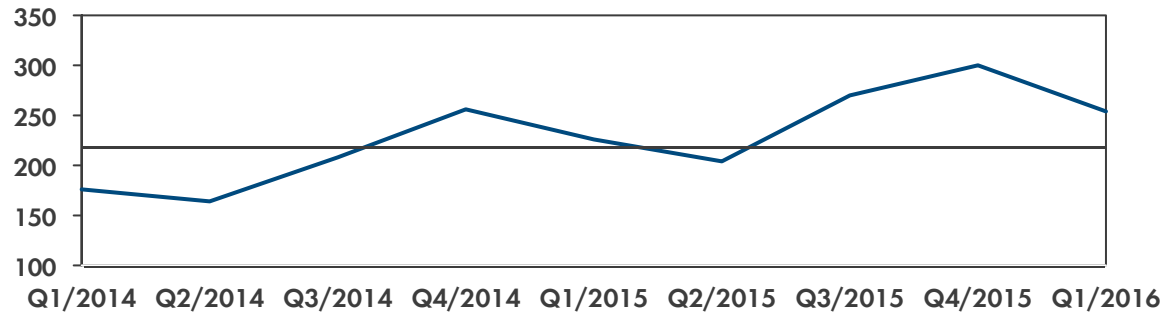
Development of One-Offs

Appendix 2: One-Offs (in € million)

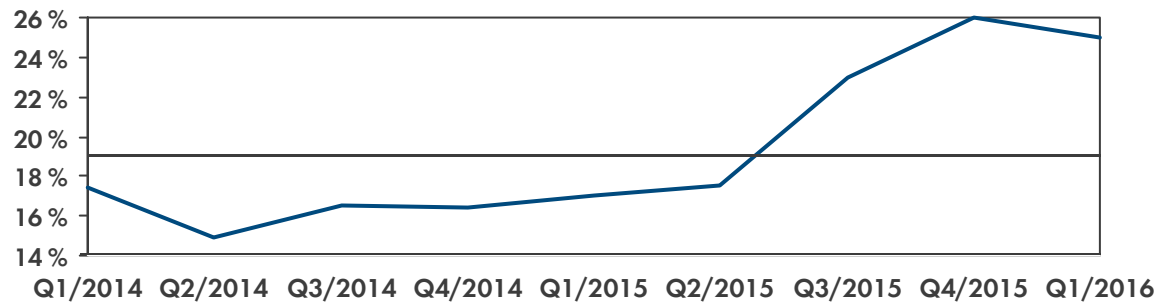
	2015	Q1/2015	Q2/2015	Q3/2015	Q4/2015	Q1/2016
One-Offs, by category	-24	-3	2	-13	-10	0
Impairment on working capital	-27	-2	-6	-13	-7	0
R&D impairment	-6	-1	0	0	-5	0
Release of severance payment provision	9	0	7	0	2	0
One-Offs, by line-item	-24	-3	2	-13	-10	0
in COGS	-30	-3	-5	-11	-11	0
In other operating income/ other operating expense	6	0	7	-2	2	0

Development of Key Financials

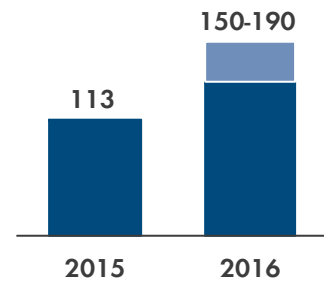
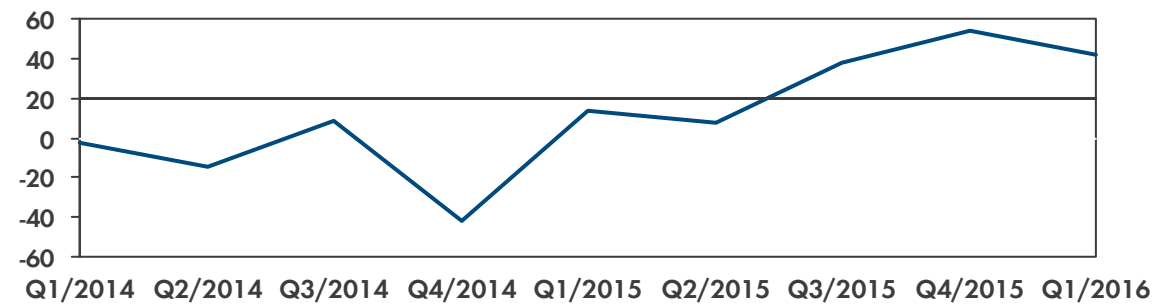
Sales in € million



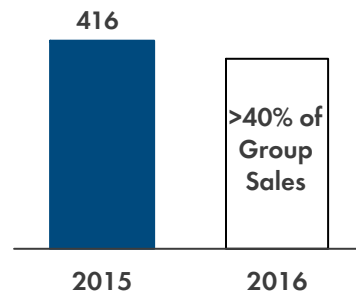
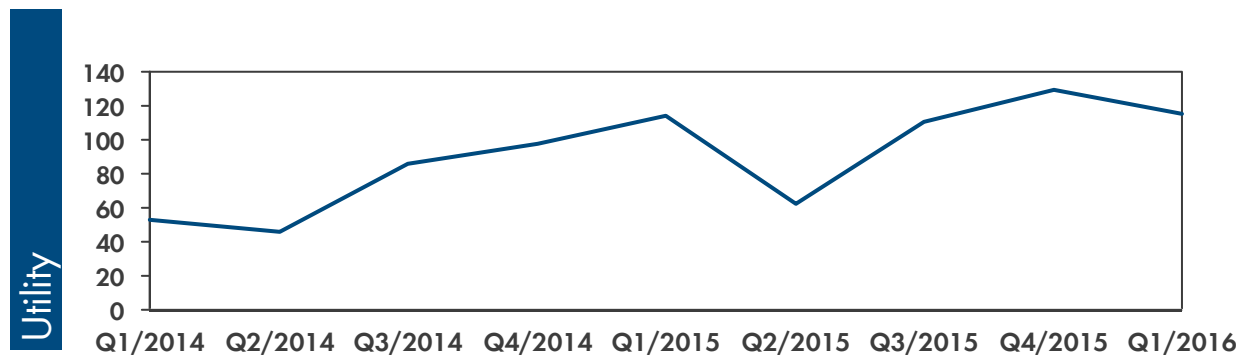
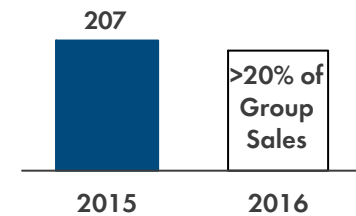
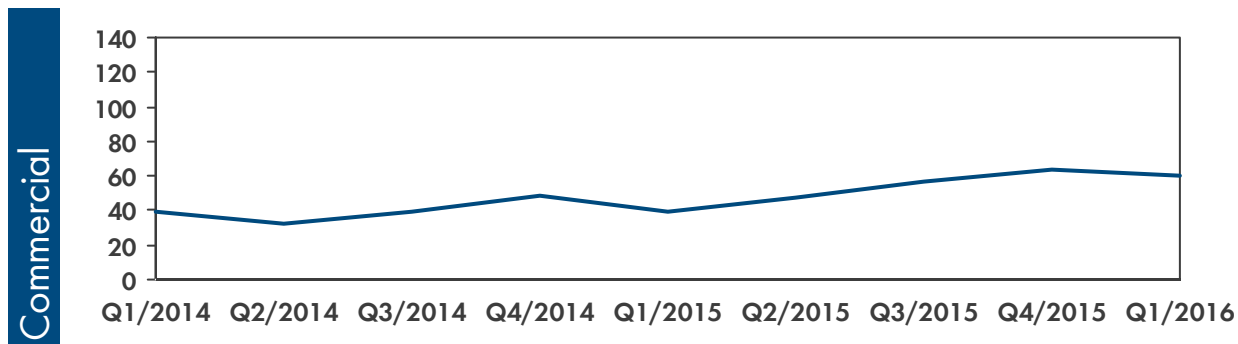
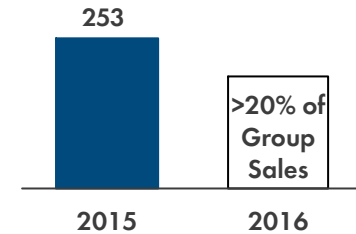
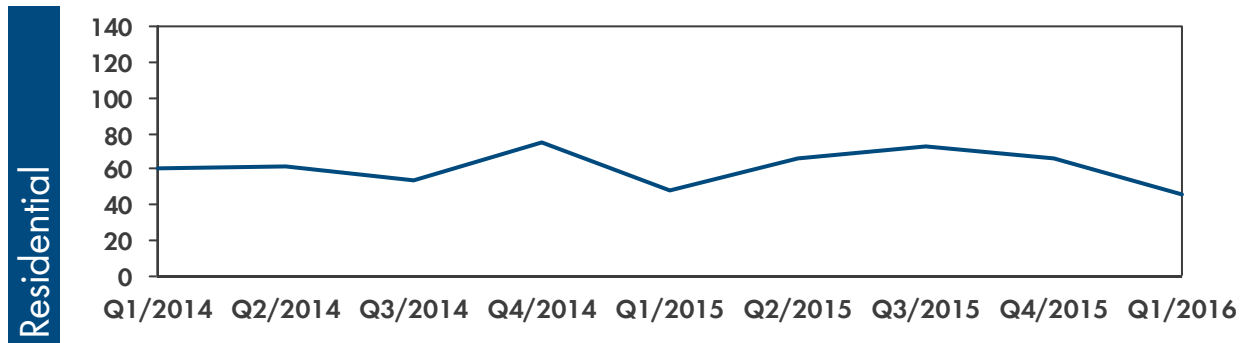
Gross margin



EBITDA in € million

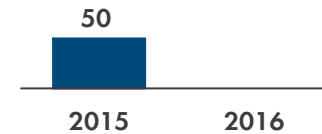
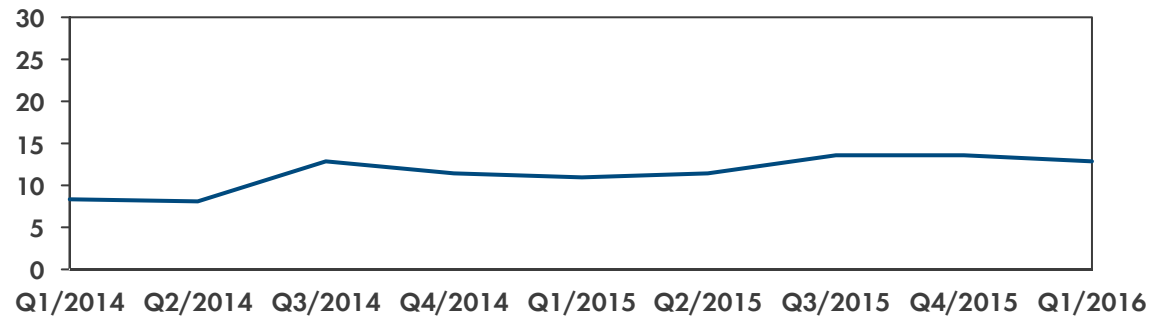


Development of Key Financials (Cont') – Sales Development by Segment (in € million)

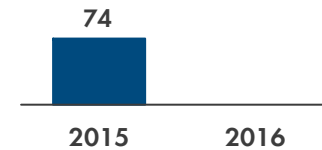
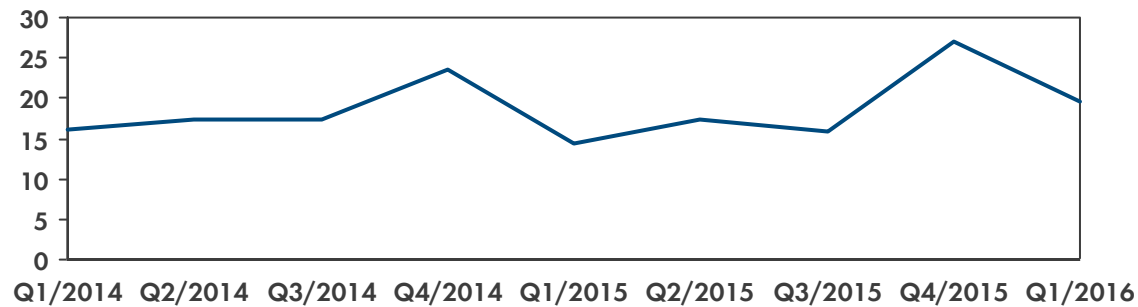


Development of Key Financials (Cont') – Sales Development by Segment (in € million)

Service (external)



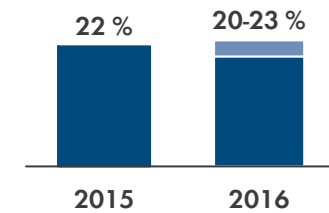
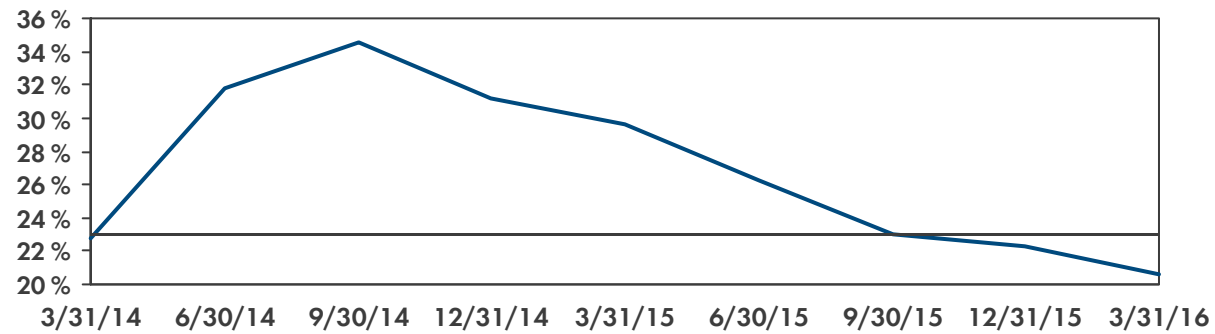
Other Business



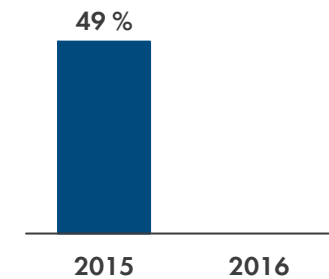
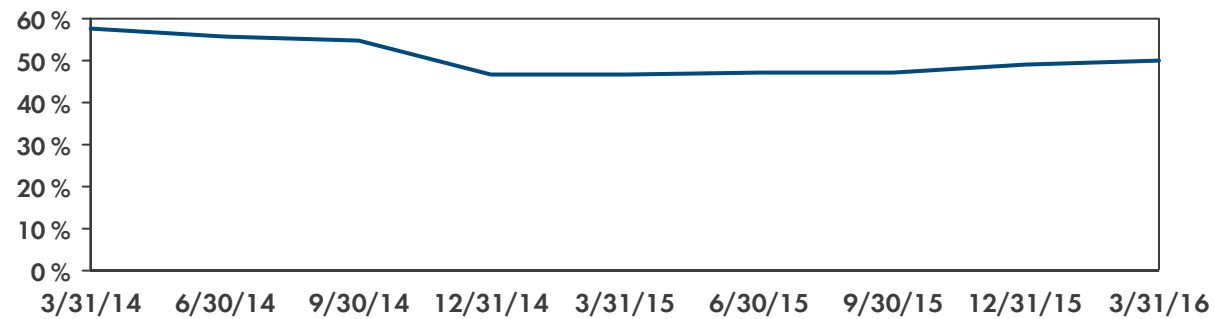
Development of Key Financials (Cont')



NWC ratio



Equity ratio



ENERGY
THAT
CHANGES



SOCIAL MEDIA
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