

# Analyst / Investor Presentation Financial Results 2011





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## 2011 was the second best year in SMA's history

- > 7,6 GW inverter power sold in a highly competitive market environment
- > € 1.7 billion sales thanks to our strong foreign and project business
- > € 240 million EBIT represents the second best result in the company's history
- > 16.8% NWC-ratio is the result of excellent Net Working Capital management
- > € 473 million net cash position to finance future growth

**▶▶ Executive Board and Supervisory Board will propose a dividend of € 1.30 per share during the AGM<sup>1)</sup> on May 22, 2012**



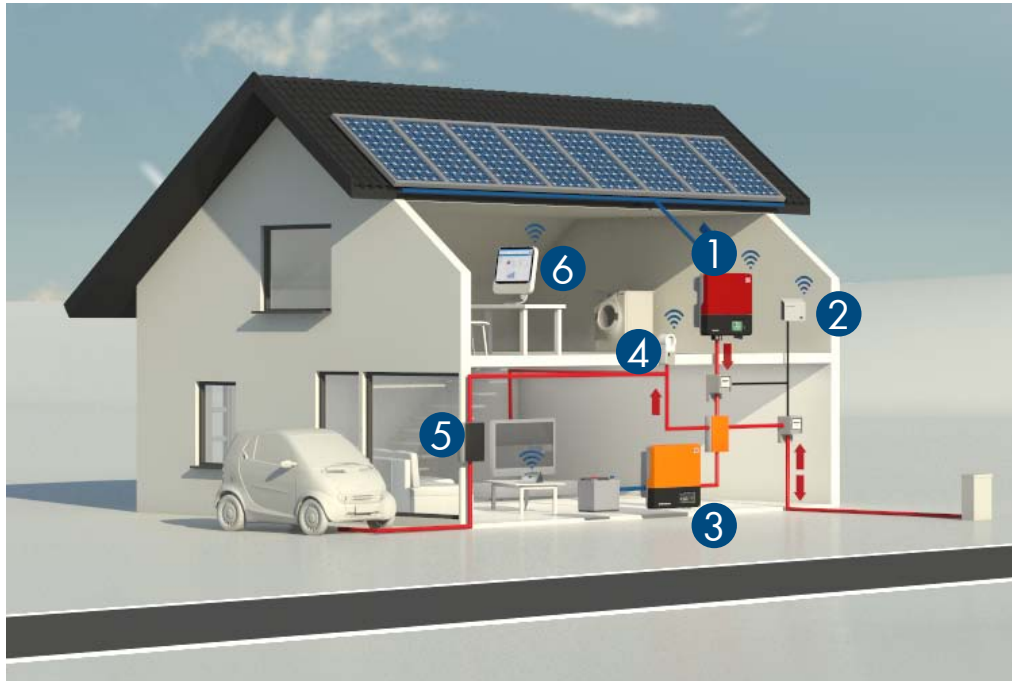
## SMA generated a positive free cash flow and demonstrated once again the advantage of the business model

	Full year		2011			
	2010	2011	Q1	Q2	Q3	Q4
MW sold	7,750	7,591	1,019	2,128	2,214	2,230
Sales <sup>1)</sup>	1,920.1	1,676.3	255.9	459.0	477.2	484.1
EBIT <sup>1)</sup>	516.8	240.3	13.7	90.0	74.7	61.9
as % of sales	26.9%	14.3%	5.3%	19.6%	15.6%	12.8%
Net Income <sup>1)</sup>	365.0	166.1	10.3	63.2	52.9	39.7
Free Cash Flow <sup>1)</sup>	225.6	55.0				
Net Cash <sup>1)</sup>	523.4	473.3				
NWC ratio	14.8%	16.8%				

► For 2012 SMA guided sales in a range of € 1.2 bn to € 1.5 bn and an EBIT margin of 5% to 10%



## The inverter is the center of gravity in intelligent energy management systems



- 1 **Sunny Boy** converts direct current into alternating current and provides reactive power to stabilize the grid
- 2 **Sunny Home Manager** controls consumers and Sunny Backup system
- 3 **Sunny Backup system** provides for temporary storage and offers a grid-quality power supply with protection against outages
- 4 **Bluetooth® radio-controlled socket with measuring function** provides for the activation of appliances via the Sunny Home Manager
- 5 Bi-directional **battery charger**
- 6 **SMA Sunny Portal** for energy forecast, remote monitoring and home energy management

▶▶ **With SMA products, the solar power can be consumed directly in the place where it is produced**



# High process maturity and long-term experience drive SMA's outstanding quality level

## Testing Processes

- > Pre-Production testing in our self-developed test center
  - > Accelerated life-time test
  - > Fully automated simulation of different grid-situations
- > Production testing
  - > Taking samples during production
  - > Continuous test at the end of production (100% control)
- > UL-Authorization / ISO 17025 / JET Certification
  - > Data Acceptance Programme (DAP)
  - > Client Test Data Programme (CTDP)
  - > Yearly audits
- > SMA already has invested more than € 40 million in its testing infrastructure since 2006

▶ **At SMA reproducible quality is not a coincidence**

## Testing Equipment



Test / simulation center



Continuous testing



Accelerated life time test (Shaker)



Accelerated life time test (Simulation)



Accelerated life time test (Climate)



Accelerated life time test (EMV)



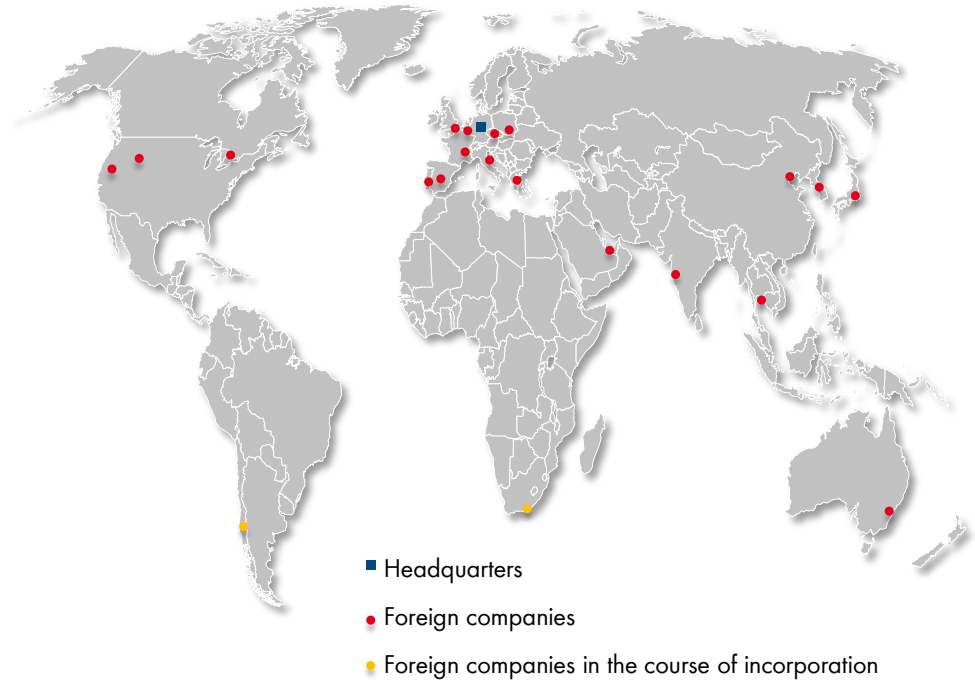


## Sales and service infrastructure is a high market entry barrier

### SMA's competitive advantages

- > More than 500 sales professionals to serve customers locally
- > Global service support with more than 700 service professionals
- > Local subsidiaries in 19 markets; Chile and South Africa are scheduled for 2012

### SMA's global footprint



▶▶ **SMA strives to increase its direct export ratio to 80 % in 2012**

### 3. Market & Competition

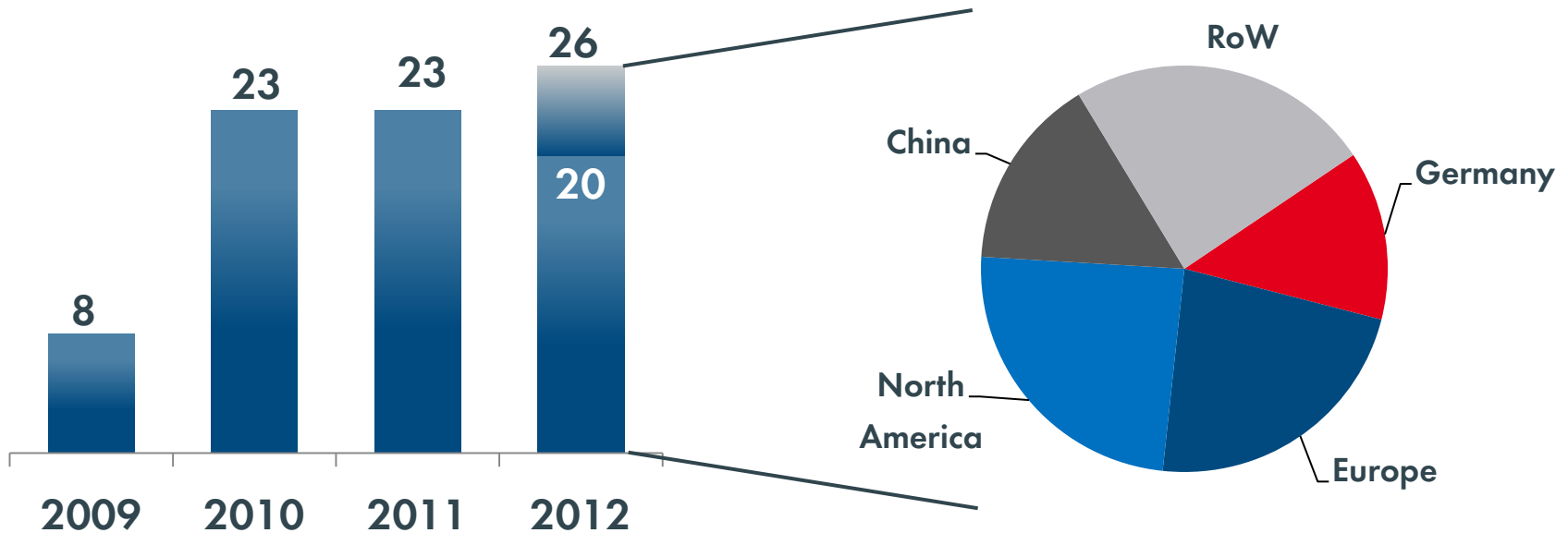




**SMA expects only moderate growth in 2012. Due to the uncertain political environment a slow down in demand can not be ruled out**

World demand in GW<sup>1)</sup>

World demand 2012 by region<sup>1)</sup>

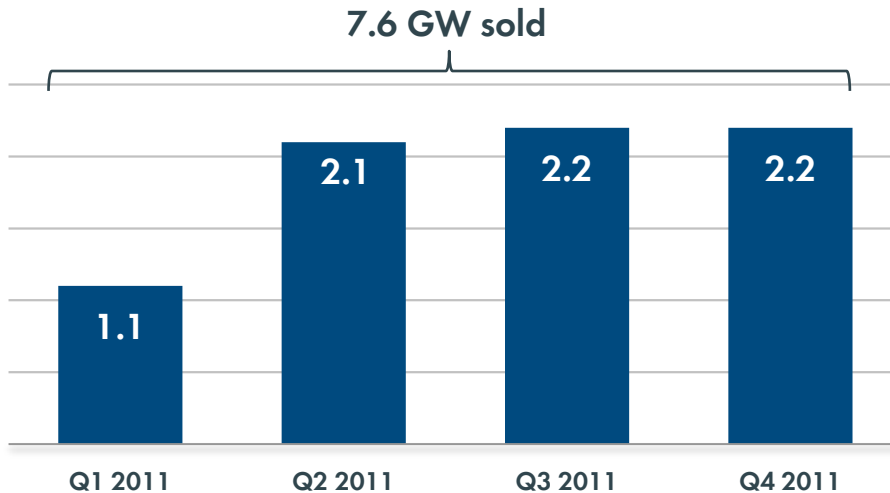


► The future of the solar industry is influenced by several megatrends (e.g. smart grid, Energy Management Systems, storage, variable tariffs)



## SMA maintained its high market share in 2011

### Inverter output sold <sup>1)</sup>



Total market size 2011: c. 23 GW<sup>2)</sup>

Estimated SMA share: c. 33%

### Industry characteristics

- > Smaller inverter manufacturer cannot easily increase their market share because they serve only selected regions / segments
- > Cost advantages mainly derive from new technologies and global sourcing and to a lesser extent from production in low cost countries
- > Megatrends require significant investments in R&D in order to invent solutions to manage the bi-directional routes of electric power

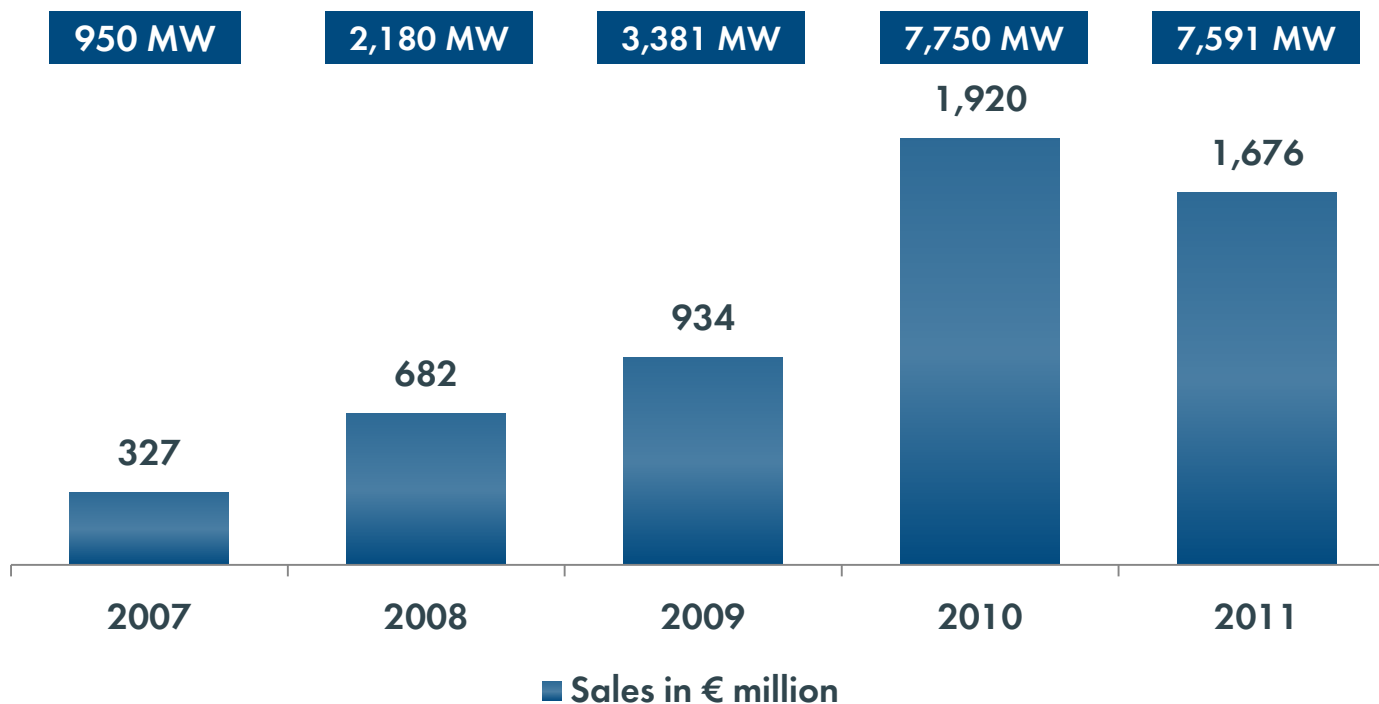
► The speed of innovation is likely to increase. This trend will accelerate the shake out process in the industry

# 4. Financials





## Sales have increased by 50% per year since 2007



Direct export ratio

29.4%

42.3%

38.4%

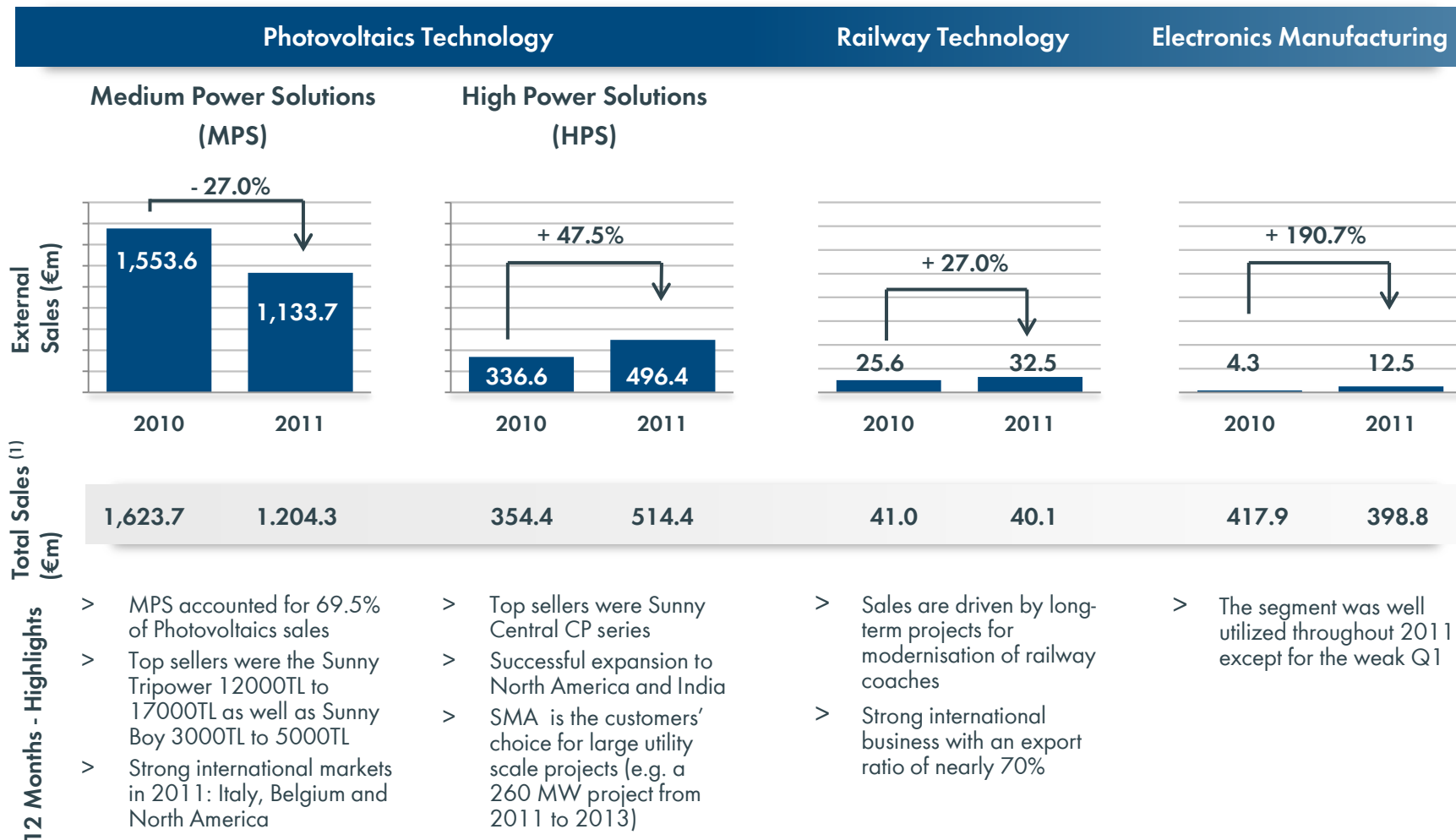
44.9%

53.6%

▶▶ International business contributed to € 919.6 million in 2011



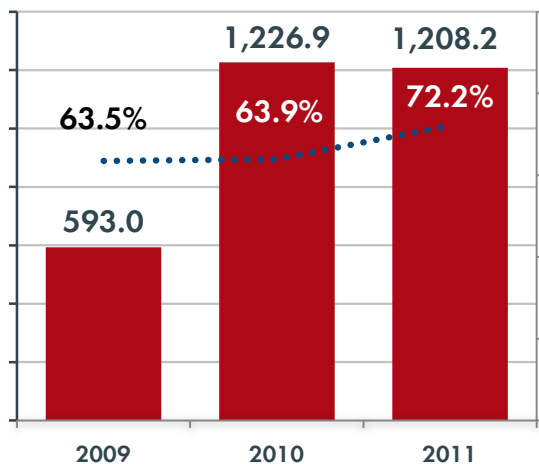
# Strong increase in High Power Solutions sales by nearly 50% in 2011



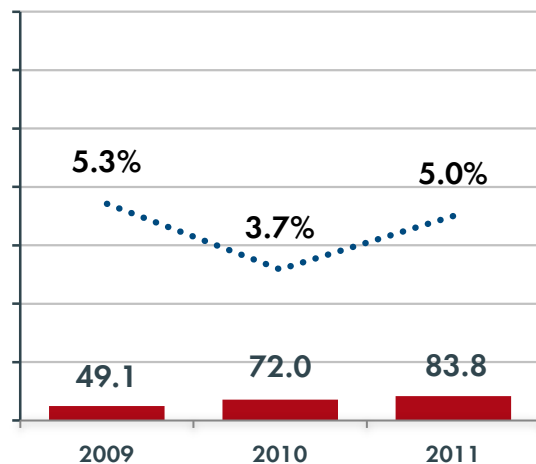


## The gross margin was impacted by the product mix

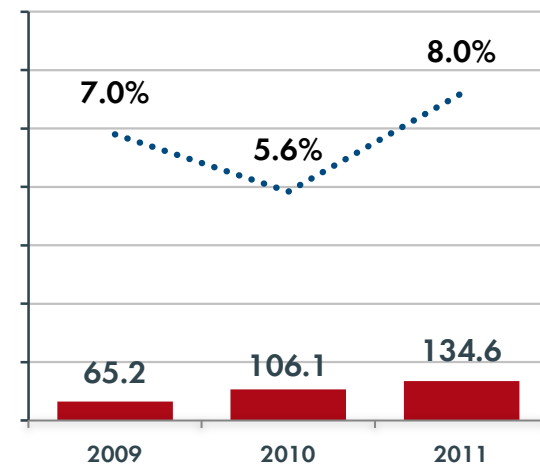
### COGS<sup>1)2)</sup>



### R&D expenses<sup>1)</sup>



### SGA expenses<sup>1)3)</sup>



- > Change in product mix in MPS segment impacted gross margin
- > The increase in COGS was partially compensated by the discontinuation of liabilities and the payment of insurance claims
- > Material expenses accounted for 75%; personnel expenses for 15% and other expenses for 10%

- > SMA invested nearly € 100 million in R&D in 2011 (incl. capitalized R&D projects)
- > Globally, SMA has more than 1,000 employees in R&D
- > R&D focuses on new products, cost reduction, grid and energy management

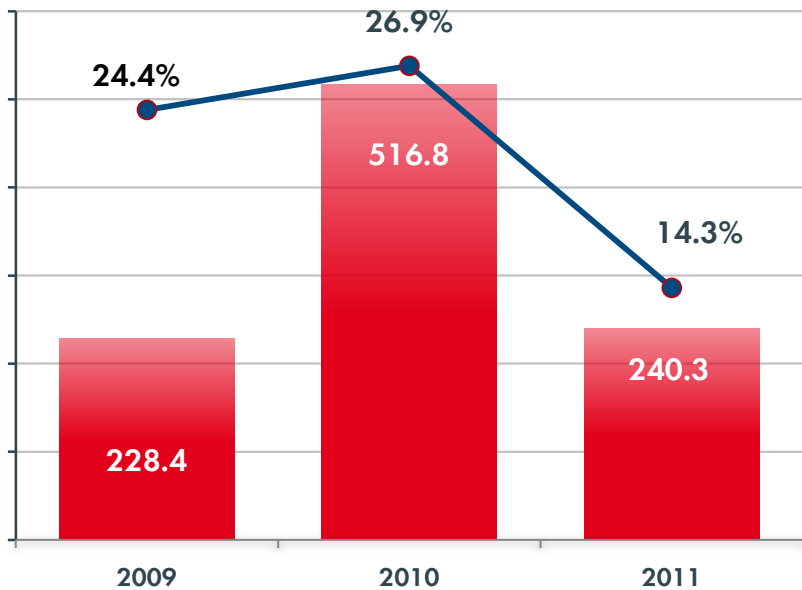
- > In view of the increasing internationalization SMA created new structures abroad as well as in the headquarters
- > IT and tax projects impacted general administrative expenses



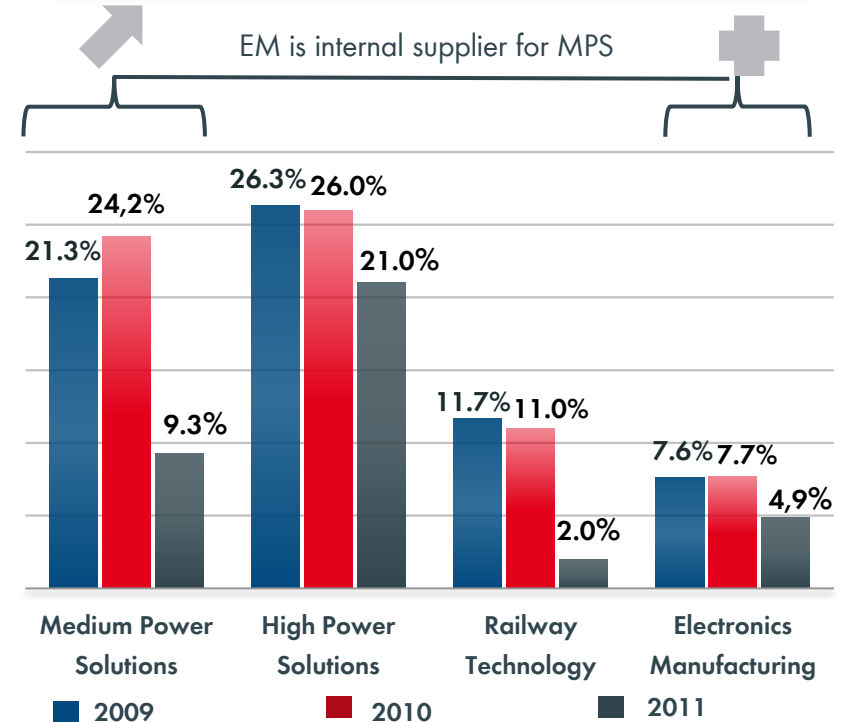


## SMA generated second best EBIT in the Group's history

### EBIT and EBIT margin SMA Group<sup>1)</sup>



### EBIT margin by segment

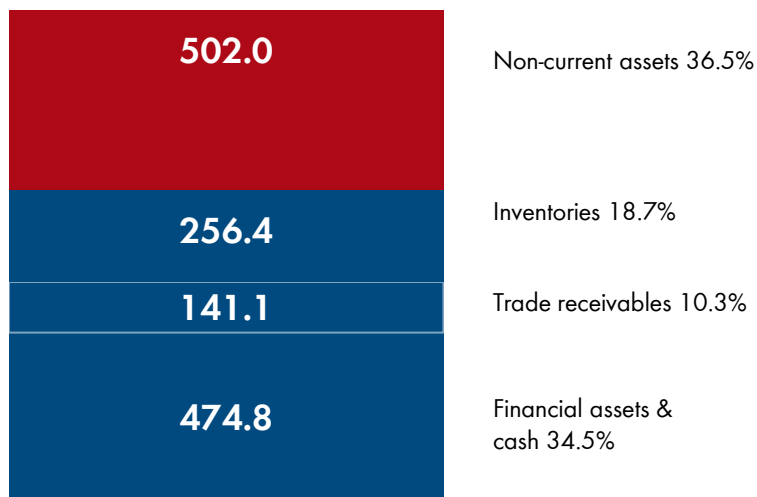


▶▶ SMA reached its earnings guidance in 2011



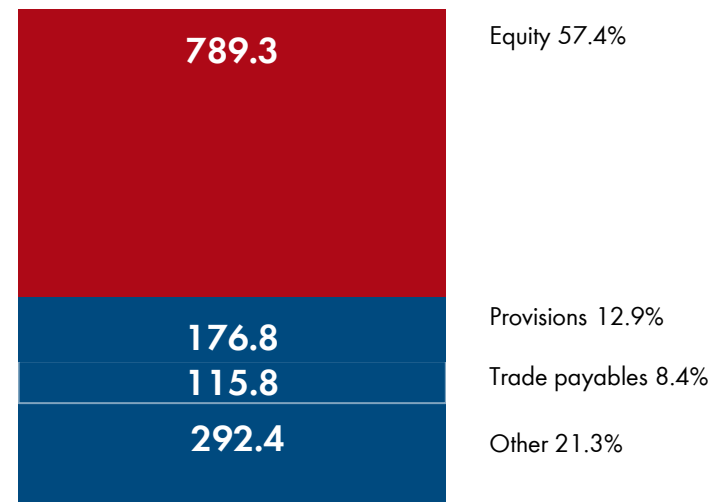
# SMA has a solid balance sheet structure: fixed assets and trade working capital is financed with equity

Σ € 1,374.3 million



Assets

Σ € 1,374.3 million



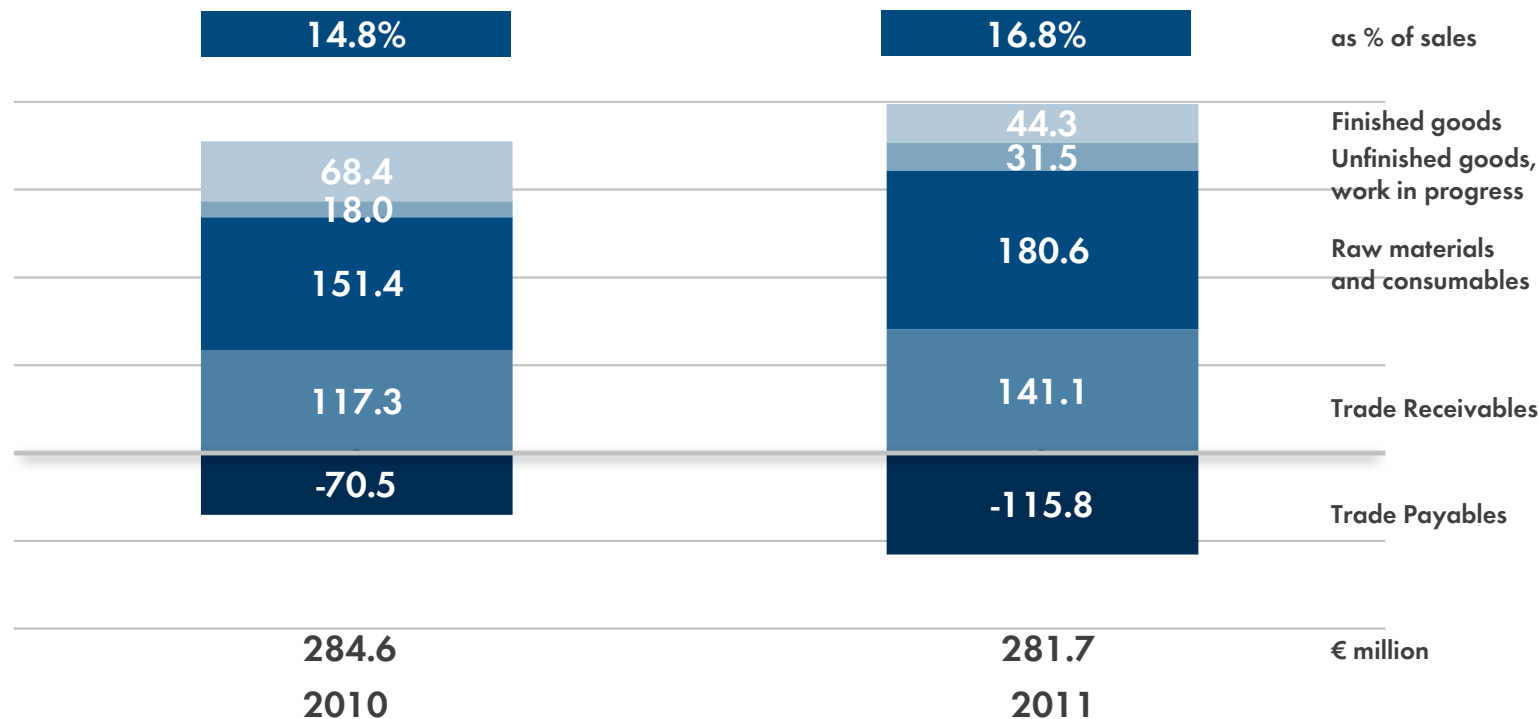
Liabilities

▶▶ Net cash amounted to € 473.3 million at the end of 2011



## Net Working Capital ratio of 16.8% was below management guidance<sup>1)</sup>

### Net Working Capital<sup>2)3)</sup>



► In 2012 SMA targets a net working capital ratio between 19% to 21% as of sales due to higher share of project and international business

(1) Management guidance: 18% to 20% 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)



## SMA's ability to generate a positive Free Cash Flow underpins the advantages of the business model

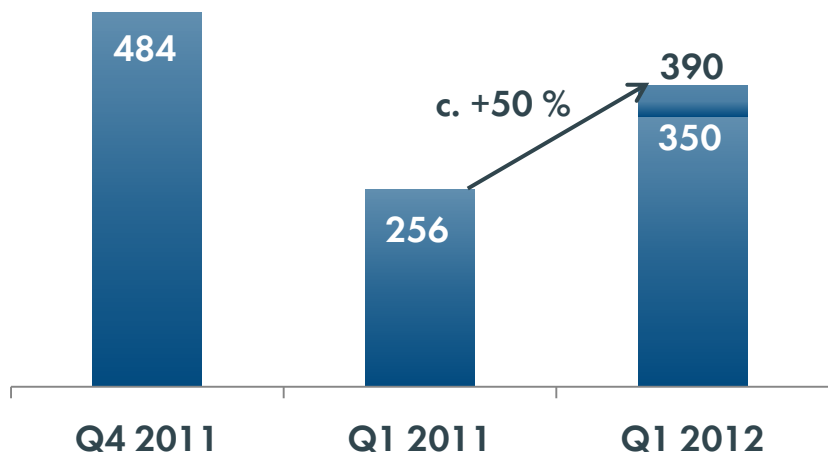
	2010	2011
Gross Cash Flow	+497.1	+240.7
Net Cash Flow from Operating Activities	+386.3	+238.9
Net investments in fixed and financial assets	-158.2	-160.9
Net investment from acquisitions	-2.5	-23.0
<b>Free Cash Flow</b>	<b>+225.6</b>	<b>+55.0</b>
Net investments from securities and other financial assets	-50.0	+54.8
<b>Free Cash Flow (IFRS)</b>	<b>+175.6</b>	<b>+109.8</b>

▶▶ SMA is financially independent



## Q1 sales are influenced by the cut-off date in Germany and strong project business in the United States

### Sales<sup>1)</sup>



### Impact

- > Low stock level of our customers in Q4 2011 led to catch-up effects
- > Commercially commissioned installations have been processed to a large extent in January
- > Unsecure political situation in Europe, especially in Germany and Italy, leads to pull-forward effects
- > Low interest rates and good weather conditions have benefited demand

► Strong market fluctuations in Q1 2012 require high flexibility

## 5. Strategy



# With our comprehensive know how in system technology SMA will play an active role in energy transition



**Expansion of technology leadership**  
(cost reduction, energy management, grid integration)

**Further internationalization**  
(19 countries + Chile + South Africa)

**Increase of value added**  
(increase in efficiency, strategic HR management)



▶ **SMA is well prepared for all kinds of market scenarios**

## 6. Backup







## Pierre-Pascal Urbon's contract as Managing Board member extended for further five years



Jürgen Dolle (CHRO)  
Human Resource  
Contract duration: 04/2015



Roland Grebe (CTO)  
Technology  
Contract duration: 06/2014



Pierre-Pascal Urbon (CEO/CFO)  
Strategy & Finance  
Contract duration: 03/2017



Marko Werner (CSO)  
Sales & Marketing  
Contract duration: 06/2014

►► **Pierre-Pascal Urbon acts as the speaker of the Managing Board**



## Contacts and Financial Calendar

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### > Financial Calendar 2012

May 10, 2012:	Publication of the Quarterly Financial Report: January to March 2012
May 15, 2012:	Deutsche Bank: German, Swiss & Austrian Conference, Frankfurt
May 22, 2012:	Annual General Meeting 2012, Kassel
June 14, 2012:	Capital Markets Day, Munich at the Intersolar

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