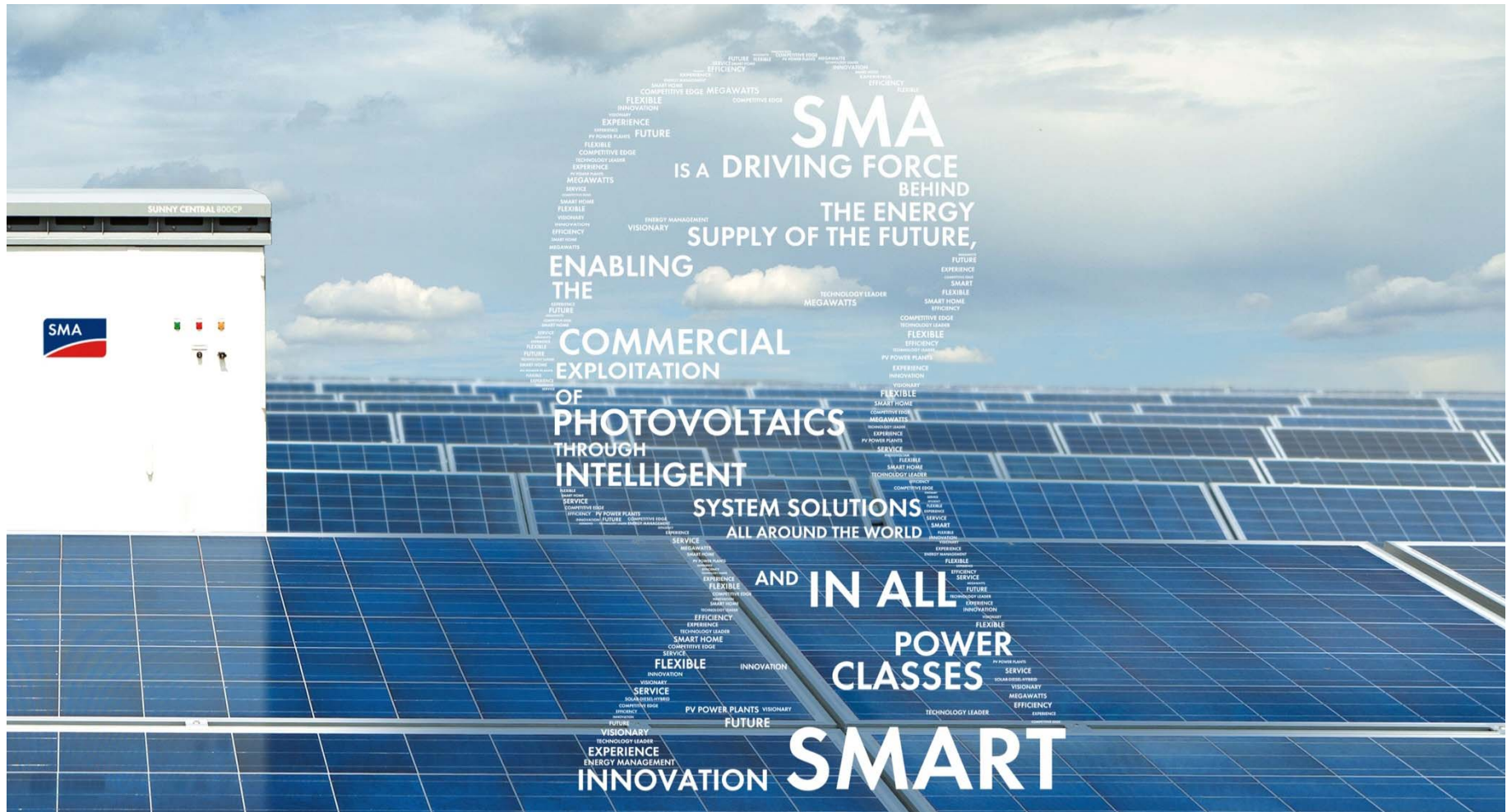


# Analyst / Investor Presentation

## Quarterly Financial Results: January to March 2013



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May 15, 2013



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# 1. Executive Summary





## SMA is the number 1 in the solar inverter industry

### Market Development

- > Weak global demand in Q1 2013
- > Accelerated price pressure in all market segments
- > Consolidation in the solar inverter market gains momentum

### Mega Trends

- > Transition from government-aided environment towards self-dependent markets (Energy Management)
- > Manage various energy sources to fulfill energy demand in the most economic way (Hybrid Solution)
- > New information and storage technologies are future mega trends (New Business Models)

▶▶ **The demand drivers for the solar industry will change quickly.**



## SMA met its sales guidance Q1 2013 and generated a positive EBITDA

- > Nearly 1.2 GW inverter output sold (-38.1%).
- > €212 million sales due to a slow market development and accelerated price pressure (-47.6%).
- > 67.5% (Q1 2012: 61.2%) of sales outside Germany underpins SMA's unique global footprint.
- > EBITDA of €9.4 million (Q1 2012: €57.3) despite strong decline in sales (depreciation €17.8 million).
- > Higher Net Working Capital ratio<sup>1</sup> of 22.8% as of LTM sales is mainly due to Zeversolar.
- > Solid balance sheet structure with equity ratio of nearly 60% and net cash of €375.5 million.

▶ **SMA will reduce the number of employees and implement further cost improvement measures to align the company.**



## SMA confirms sales and profit guidance 2013<sup>1</sup>

	January – March 2012	January – March 2013	Changes
MW sold	1,885	1,167	-38 %
Sales	405.0	212.3	-48 %
EBITDA	57.3	9.4	-84 %
Net Income /-loss	29.6	-5.8	-120%
Net Investments	27.1	18.4	-32%
Free Cash Flow <sup>2</sup>	-19.2	-20.7	-8%
Net Cash	468.7	375.5	-20%
NWC ratio	17.3%	22.8%	

▶▶ **SMA operates with a favorable cash flow profile.**



## 2. Demand and Supply



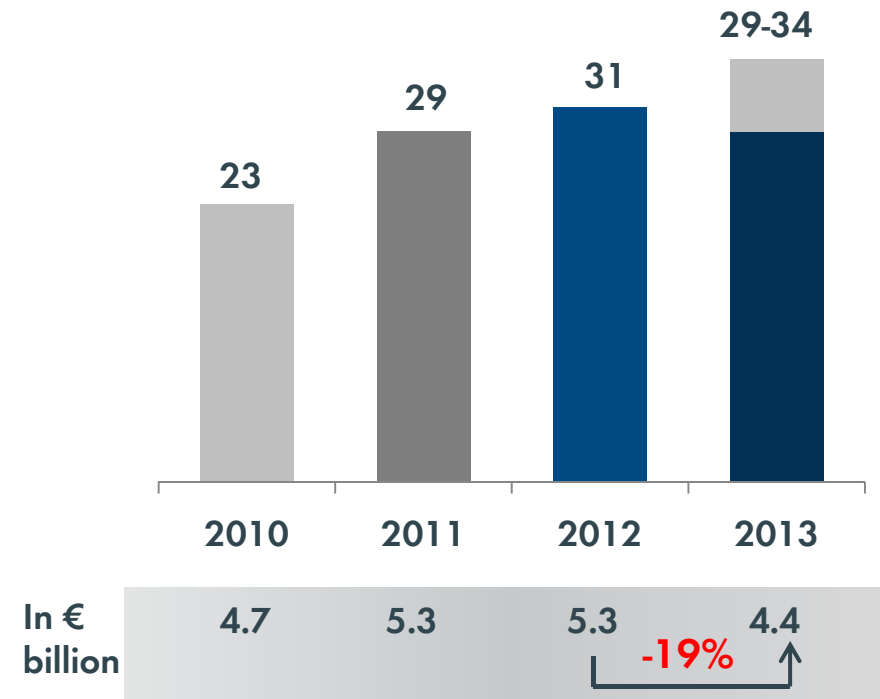
## Market development is impacted by high price pressure and regional shift in demand



### Dynamic

- > Enormous price pressure worldwide.
- > Dramatic downturn in Europe due to massive subsidy cuts and pending import tariffs on Chinese modules.
- > Strong volume growth in markets outside Europe.
- > Regional shift in demand is increasing the importance of system technology for large-scale PV power plants.

### Global market for PV inverters in GW<sup>1</sup>



▶ **SMA expects a strong decline in demand in euro-term for the first time since many years.**



## SMA will continue to expand its technology leadership by developing brand new product platforms



### Selected Innovations



#### Sunny Boy Smart Energy

- > Supplies a four-person household with electricity for up to three hours in the evening.



#### Fuel Save Controller

- > Reduces diesel consumption of electricity generators in sunny regions.



#### Sunny Central 900CP

- > First megawatt inverter for outdoor application.

▶▶ **SMA entered into cooperation's to offer a comprehensive solution in the field of energy management.**

### Development Strategy

- > Two thirds of development resources<sup>1</sup> devoted to developing new platforms.
- > Build additional development locations in North America / China.
- > Cost reduction with a greater percentage of common parts.
- > Greater rate of innovation with modular design.

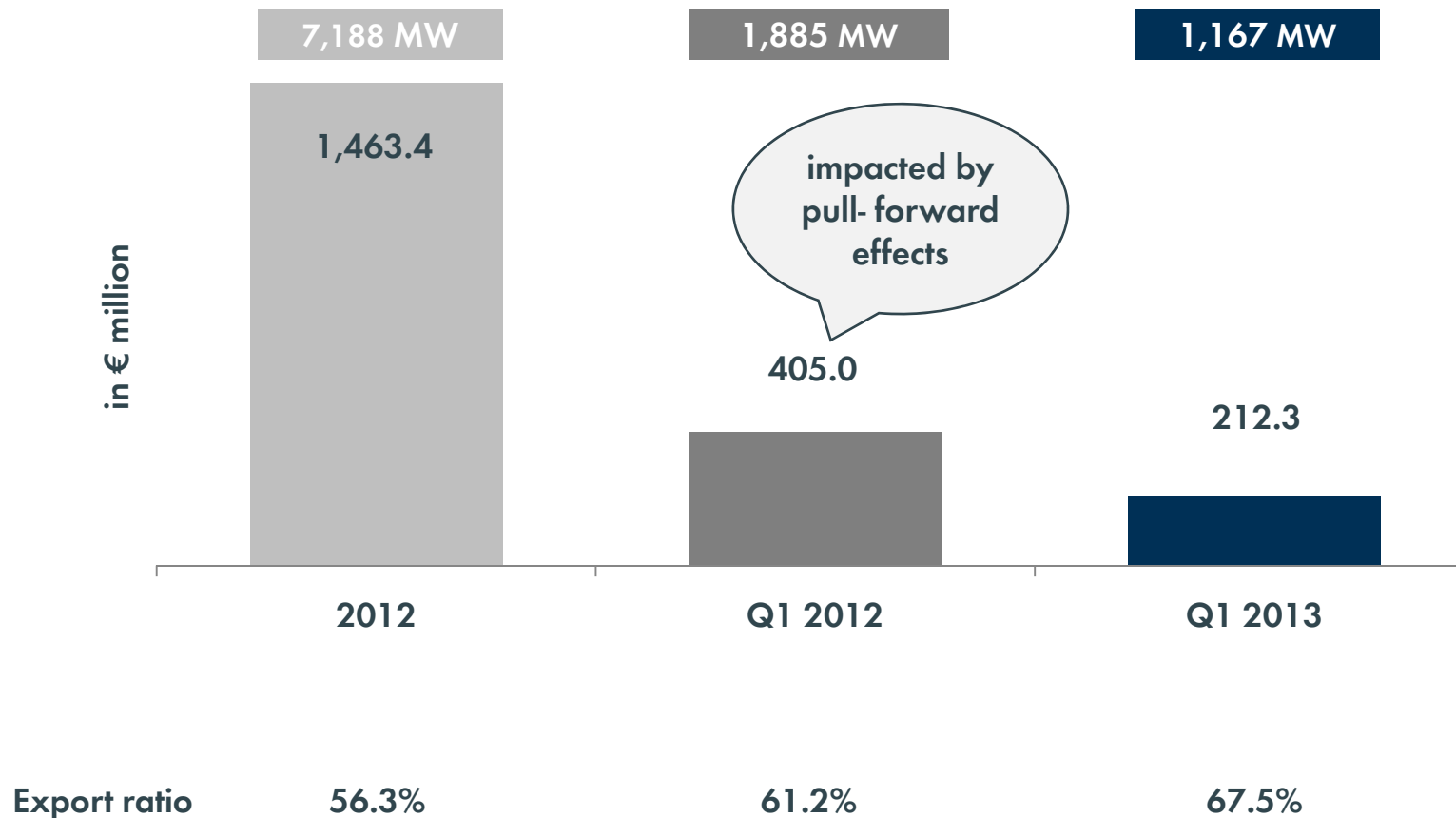


## 3. Financials





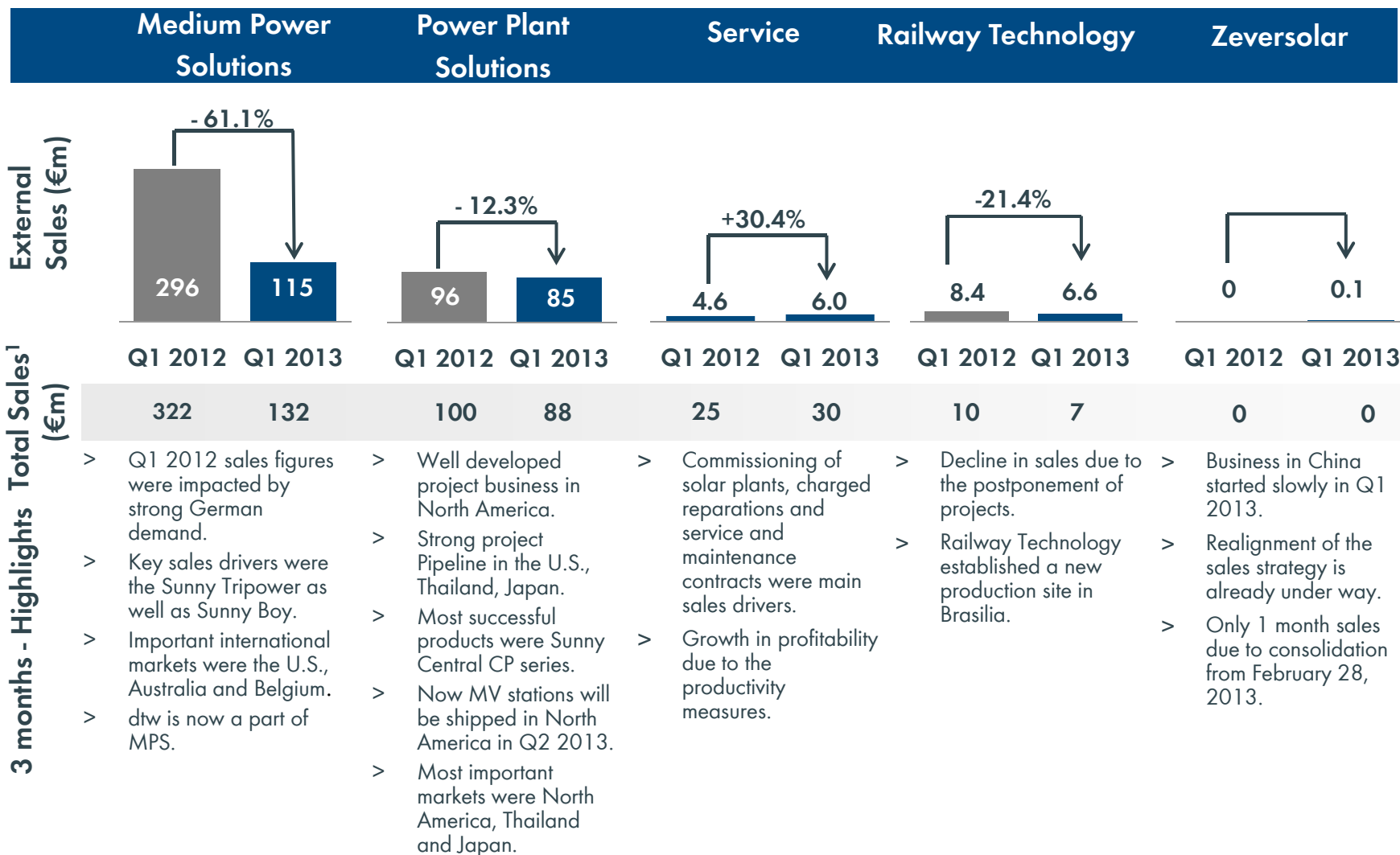
## SMA's inverter output sold dropped by 38% due to weak demand and accelerated price pressure



► SMA benefitted from global presence.



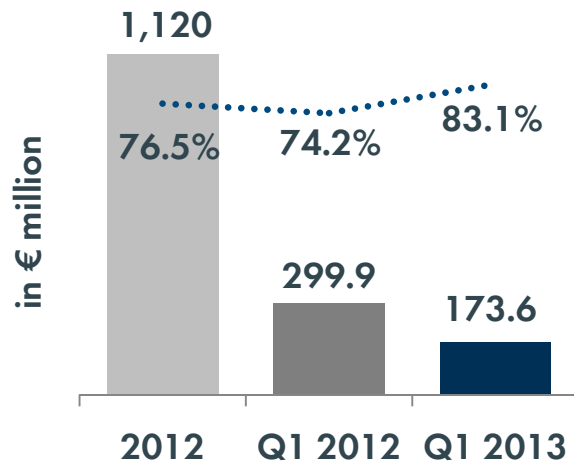
## Sales in Germany and Europe declined due to massive cuts in the solar subsidies





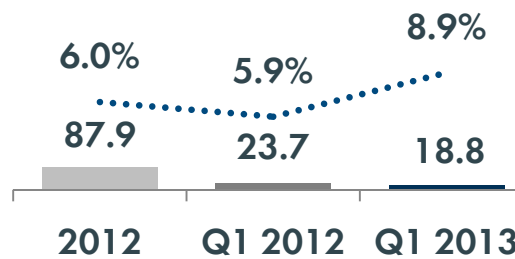
## SMA reduced its cost for R&D and SGA by nearly 20% y-o-y

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



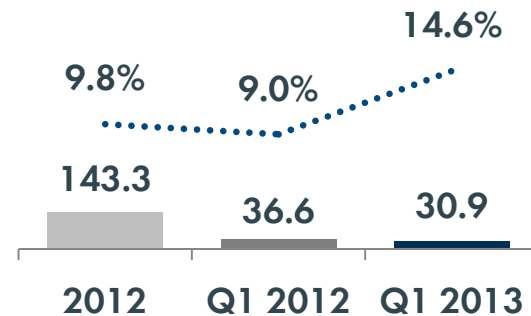
- > Price decline impacted gross margin.
- > Reduction in material costs due to improved procurement processes and a change in product mix.
- > Material expenses accounted for 65%; personnel expenses for 21% and other expenses for 14%.
- > Ongoing measures to boost productivity and savings in material costs could not compensate for the strong decline in sales.

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



- > SMA invested €24.3 million in R&D in Q1 2013 (incl. capitalized R&D projects).
- > SMA further expanded development cooperation's and intensified the measures to protect intellectual property.
- > Cooperations' with VW and BMW as well as Stiebel Eltron, Vaillant and Miele.

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

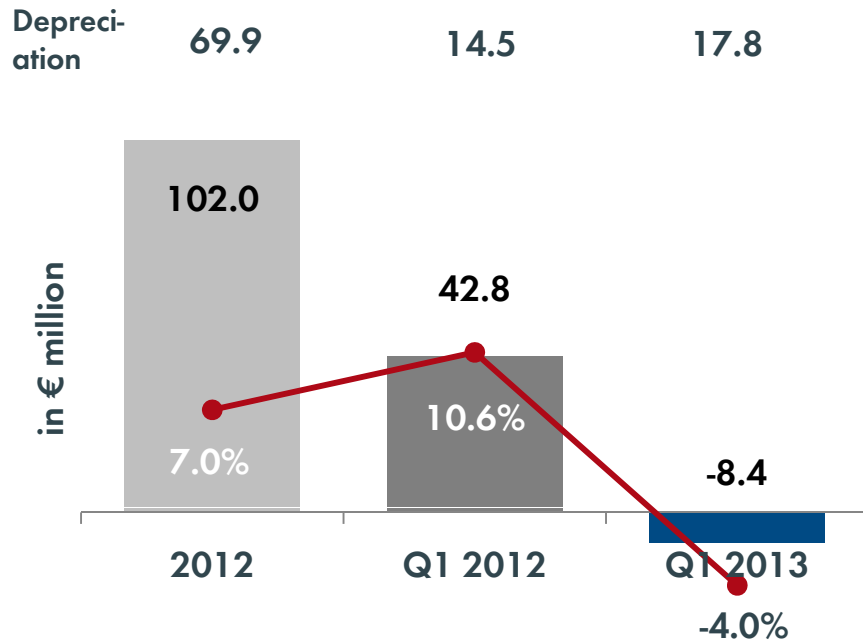


- > SMA realigned its international sales and marketing structures.
- > A further reduction of head counts is unavoidable .

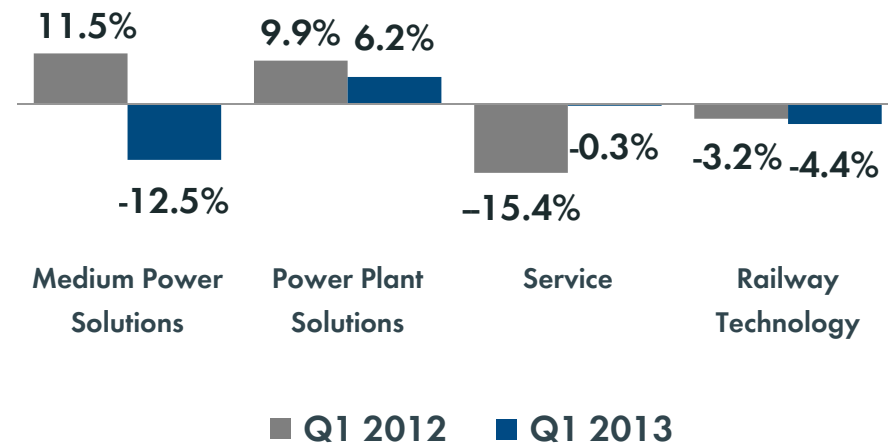


## Already initiated cost improvement measures will be EBIT- effective later 2013

### EBIT and EBIT margin SMA Group



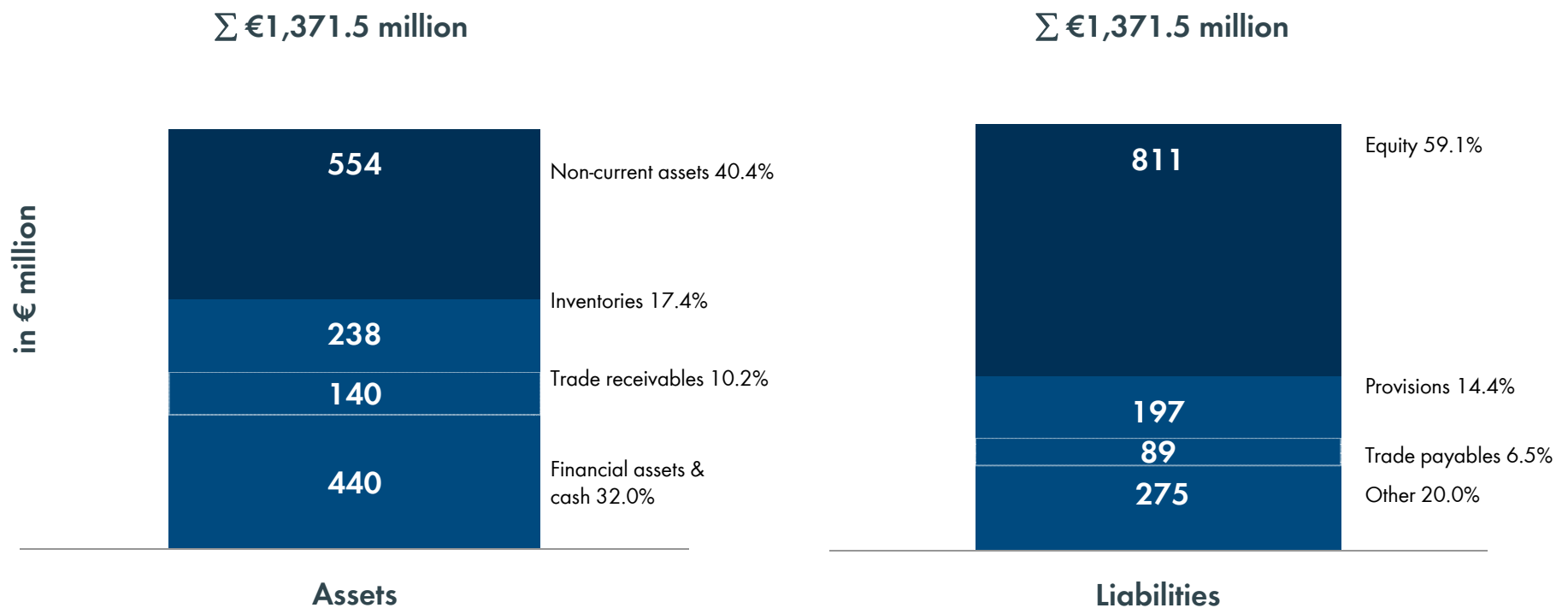
### EBIT margin by segment<sup>1</sup>



► The Medium Power Solutions division experienced a harsh decline in profitability due to a much slower business and price erosion.



## With an equity ratio of nearly 60% - SMA has a solid balance sheet structure

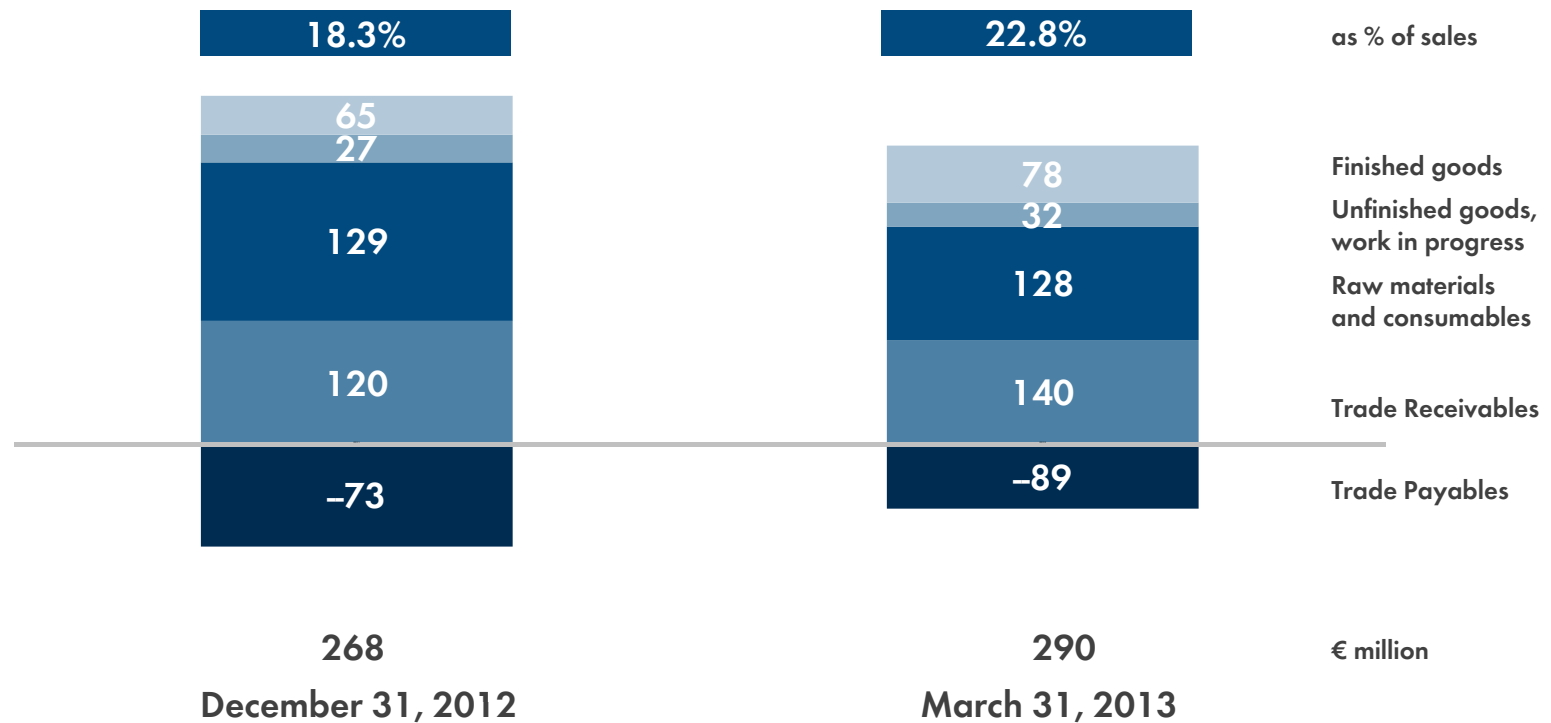


▶ Net cash amounted to €375.5 million at the end of March 2013.



## Net Working Capital ratio<sup>1</sup> of 22.8% due to the acquisition of Zeversolar

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



►► In 2013 SMA targets to drive down raw materials and finished goods.





## SMA generated a similar free cash flow<sup>1</sup> despite strong decline in sales

	Q1 2012 <sup>2</sup>	Q1 2013 <sup>2</sup>
Gross Cash Flow	+53	+1
Net Cash Flow from Operating Activities	+8	-3
Net investments in fixed and financial assets <sup>3</sup>	-27	-18
Free Cash Flow before dividend payment and acquisition	-19	-21
Net investment from acquisitions	-0	-22
Net investments from securities and other financial assets	-60	+46
Free Cash Flow (IFRS)	-79	+3



## 4. Summary





## SMA sharpened its strategy to benefit from changed market environment

### Market Outlook

- > SMA expects a decline in demand in euro-terms for the first time since many years.
- > Hybrid applications and energy management as well as service will become future growth drivers.

### Innovation Strategy

- > With brand new product platform SMA strives to reduce cost and innovation cycle.
- > Continuous high R&D budget of more than €120 million to secure technology leadership.

### Cost Reduction Strategy

- > Systematic cost reduction via cross-functional teams and global sourcing.
- > A further staff reduction is unavoidable.

### Internationalization

- > With Zenersolar access to fastest growing solar market (China).
- > Expansion in the U.S. and Asia planned; Europe will be reduced.

### ▶▶ Management confirms guidance for 2013.<sup>1</sup>



**Energy that Changes**