SMA Solar Technology AG
6th Capital Markets Day

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January 20, 2014 Niestetal
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Many investment banks reduced their research activities for the solar sector during the last 12 months

SMA Share Price Development

<table>
<thead>
<tr>
<th>Date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 13</td>
<td>70%</td>
</tr>
<tr>
<td>Jul. 13</td>
<td>110%</td>
</tr>
<tr>
<td>Jan. 14</td>
<td>190%</td>
</tr>
</tbody>
</table>

52-weeks low: €16,75
52-weeks high: €35,07
January 17, 2014: €30,05

Research Coverage

<table>
<thead>
<tr>
<th>Institute</th>
<th>Analyst</th>
<th>Last update</th>
<th>Recommendation</th>
<th>Target Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citigroup</td>
<td>Jason Channell</td>
<td>11/11/2013</td>
<td>Sell</td>
<td>€26</td>
</tr>
<tr>
<td>Commerzbank</td>
<td>Georg Remshagen</td>
<td>12/17/2013</td>
<td>Sell</td>
<td>€16</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>Alexander Karnick</td>
<td>01/16/2014</td>
<td>Buy</td>
<td>€31</td>
</tr>
<tr>
<td>Equinet Bank</td>
<td>Stefan Freudenreich</td>
<td>11/11/2013</td>
<td>Sell</td>
<td>€23</td>
</tr>
<tr>
<td>HSBC Trinkaus &amp; Burkhardt</td>
<td>Christian Rath</td>
<td>12/05/2013</td>
<td>Sell</td>
<td>€22</td>
</tr>
<tr>
<td>Independent Research</td>
<td>Sven Diermeier</td>
<td>11/11/2013</td>
<td>Sell</td>
<td>€27</td>
</tr>
<tr>
<td>Kempen &amp; Co</td>
<td>Serena Zuidema</td>
<td>08/12/2013</td>
<td>Hold</td>
<td>€22</td>
</tr>
<tr>
<td>LBBW</td>
<td>Erkan Aycicek</td>
<td>11/25/2013</td>
<td>Buy</td>
<td>€34</td>
</tr>
<tr>
<td>Main First</td>
<td>Andreas Thielen</td>
<td>03/27/2013</td>
<td>UP</td>
<td>€15</td>
</tr>
<tr>
<td>Matelan</td>
<td>Peter Wirtz</td>
<td>11/05/2013</td>
<td>Buy</td>
<td>€36.5</td>
</tr>
<tr>
<td>Warburg Research</td>
<td>Christopher Rodler</td>
<td>11/07/2013</td>
<td>Sell</td>
<td>€24</td>
</tr>
</tbody>
</table>
The market environment in the solar sector changed fundamentally
Within the last 12 months demand shifted from Europe to Asia and America. This trend continuous in 2014, but at slower pace

PV-Market by Application\(^1\)

- Others (n.m.)
- Industrial (+8% growth)
- Commercial (+33% growth)
- Residential (+16% growth)

PV-Market by Region\(^1\)

- Europe (-7% growth)
- America (+23% growth)
- China (+43% growth)
- Rest of World (+14% growth)

PV-Market in € bn.\(^1\)
- 2013: 3.9
- 2014: 4.1

SMA expects a moderate market increase in terms of Euro and Gigawatt in 2014

1) SMA estimates
SMA is the world market leader 2013 due to its complete product portfolio, service excellence and global presence.

**Market Share & Market Growth**

<table>
<thead>
<tr>
<th>Market share 2013(%)</th>
<th>Market 2014 in GW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>50</td>
</tr>
<tr>
<td>Americas</td>
<td>45</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>40</td>
</tr>
<tr>
<td>Japan</td>
<td>35</td>
</tr>
<tr>
<td>China</td>
<td>30</td>
</tr>
<tr>
<td>ROW</td>
<td>25</td>
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**Comments**

- Global demand 2014 depends on subsidy programs
  - High volatility
  - Rising protectionism
  - Increased market fragmentation
- „Fuel Parity” and „Socket Parity” will become a game changer in the mid-term
  - Paradigm shift (CapEx vs. OpEx)
  - New technologies
  - New customer groups and markets
- SMA’s global market share of 15% in 2013 is a result of the fast rising demand in China, Japan and few European markets.

SMA developed sound go-to market strategies for the fast growing regions to increase its market share 2014.
As a specialist for system technology, SMA serves the fast growing market for decentralized energy supply
A decentralized power supply based on renewable energy will open up peer-to-peer business models

System technology to support control and storage functions is paramount for the upcoming transition in the energy sector
SMA’s strategy will lead to profitable growth

<table>
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<tr>
<th>SMA Targets for 2014</th>
<th>SMA ‘s Strategic Pillars</th>
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<tbody>
<tr>
<td>Global market leader</td>
<td>System technology for storage applications</td>
</tr>
<tr>
<td>International focus</td>
<td>PV diesel hybrid systems</td>
</tr>
<tr>
<td>Trendsetter</td>
<td>Service</td>
</tr>
<tr>
<td>Best practices</td>
<td>Global Sales Excellence</td>
</tr>
<tr>
<td>Collaboration partner</td>
<td>Global Performance Excellence</td>
</tr>
<tr>
<td>Profitable</td>
<td>Global Leadership Excellence</td>
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Goals for 2014:
- **Sales:** €1.0 - €1.3 billion
- **EBIT:** Break-even
- **NWC-Ratio:** 20-23%

**Market development to increase sales**

**Process improvements to increase profitability**

**Two-brand strategy to grow market share**

**SMA product portfolio**

**Zeversolar product portfolio**
SMA paved the way to return to profitability in 2014
SMA´s management specifies the 2013 guidance and confirms the 2014 outlook

**SMA Sales Guidance 2014**
- 2013: Ca. 0.9
- 2014: 1.0 - 1.3
  - 10% to 45%

**SMA EBIT-Guidance 2014**
- 2013: < -90
- 2014: 0 to 20

Including One-offs:
- Value adjustments (ca. €36 m)
- Head-count reduction (ca. €26 m)
- Zeversolar (ca. €17 m)

**Notes:**
1: SMA estimates
2: In € billion
3: In € million
### Key drivers of SMA financials

| Growth of PV-market | SMA’s financial performance is directly linked to the overall growth of the PV-market.  
> In 2014 non-European solar markets are expected to compensate the decline in European demand. SMA expects a global growth in new PV-installations by ca. 15% in 2014.  
> According to the Energy Outlook 2012 the global PV-market is expected to grow by 10% p.a. until 2035. |
| SMA’s global market share | SMA’s global market share in 2013 is approximately 15%. Decline compared to the previous year is mainly caused by the fast growing Chinese and Japanese solar markets. In both markets SMA is just at the beginning of the market penetration (new subsidiary; acquisition Zeversolar).  
> International sales will account for approximately more than 75% in 2014. |
| Technology Leadership | SMA’s market leadership position is based on its technology leadership; SMA will invest more than €130 million in R&D in 2014 (last three years: >€300 million); >1,000 engineers.  
> A new product generation will ensure a cost regression in €/Watt, more functions (e.g. storage; grid-management, etc.) and more same parts.  
> SMA will launch amongst other products the Sunny Boy Smart Energy, a new Sunny Central and a new online-portal in 2014. |
| Product Mix | Margin differences between MPS, PPS, Zeversolar and Service business segments and within business segments.  
> Profit margin of MPS, PPS and Zeversolar will improve due to cost-out initiatives and head-count reduction. Service profitability depends on installed base and warranty time. |
## Key drivers of SMA financials

<table>
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<th>Market volatility</th>
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<tr>
<td>Considerable market volatility in overall growing markets due to</td>
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<tr>
<td>Changes in/phase-outs of governmental support programs (e.g. Germany, Italy, Japan).</td>
</tr>
<tr>
<td>Weather conditions impact ability to install PV-systems in countries like Germany, USA, etc.</td>
</tr>
<tr>
<td>Tender processes.</td>
</tr>
</tbody>
</table>

| Cost out program  
Operational excellence |
<table>
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<tbody>
<tr>
<td>Significant flexibility in SMA’s production set-up. Production capacity of approx. 14 GW p.a.</td>
</tr>
<tr>
<td>Powerful global sourcing organization in Germany, Poland, China, USA. Cross-functional teams (R&amp;D, Procurement, Quality, etc.) and leverage of Zeversolar resources to drive down costs.</td>
</tr>
<tr>
<td>Cost-out program and operational excellence initiative will lead to cost savings of approximately €80 - €100 million in 2014. SMA targets a NWC-Ratio of 20% - 23% as of sales in 2014.</td>
</tr>
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<tr>
<th>Head-count reduction</th>
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<tr>
<td>More than 500 FTE participated in the job reduction program in Germany. At the end of 2014 SMA targets more than 3,100 FTE in Germany.</td>
</tr>
<tr>
<td>Severance payments will account for approximately €26 million (accrued in 2013).</td>
</tr>
<tr>
<td>Savings from headcount reduction amount to approximately €40 million p.a.</td>
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<thead>
<tr>
<th>Capital structure</th>
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<tbody>
<tr>
<td>Net cash will amount to approximately €300 million in 2013. The net cash position and high equity ratio of 60% underlines SMA’s bankability and helps to generate sales. A share buy-back program is not planned.</td>
</tr>
<tr>
<td>Fixed assets amount to approximately more than €360 million in 2013. Capital expenditure will amount to €70 - €90 million (including €20 - €30 million for capitalized R&amp;D).</td>
</tr>
</tbody>
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# Investment Highlights

1. Direct exposure to growing PV-market (all markets - all module types - all power ranges)
2. SMA – Specialist for system technology and global market leader
3. Proven technology leadership and high rate of innovation
4. Powerful global sales and service infrastructure
5. Flexible business model with favourable risk profile
6. Commitment to adjust organization and drive down product costs
7. Special corporate culture and strong balance sheet
SMA acquired ZeverSolar for strategic reasons
## Acquisition Rationale

Access to the fast growing Chinese solar market

### Assessment

- Official forecast of new installations in China doubled to 35-40 GW since Signing
- Zeversolar operates a competent team in China and offers products designed for the Chinese solar market
- Access to local customers and politicians

Access to additional R&D resources, a different product portfolio as well as to a new supplier base in China

### Assessment

- 80 talented Zeversolar engineers to develop string and central inverters
- Chinese R&D team already supports SMA in its various cost-out initiatives
- Together with SMA engineering team the Zeversolar-team improved the quality and costs structure of its existing portfolio
Zeversolar is a well-established Chinese inverter company with a balanced domestic and international market focus

### Regional Presence

1. Xinjiang,
2. Qinghai,
3. Gansu,
4. Ningxia,
5. Beijing,
6. Suzhou/Shanghai

### China

> Product portfolio designed for the Chinese specification requirements

> Local R&D-team with excellent inroads to Chinese research facilities.

> Local sales-team with a broad customer base in the utility and commercial segments.

> Local service-team with service-hubs across China

> Local production with 5 string inverter lines, 4 central inverters lines and production capacity of approximately 2 GW p.a.
In international markets Zeversolar only serves the budget segment

**International Markets**

- **High Customer Benefit**
  - **Low Complexity**
    - Zeversolar offers basic solar inverters only (component business - no solution business)
  - **High Complexity**
    - Zeversolar offers reliable inverters for all segments (tested by SMA research labs)
    - Zeversolar offers reliable but limited after sales service
    - Zeversolar offers good value (Functionality, Quality and Services) (attractive prices)
    - Zeversolar distributes in selected markets only

**Brand Benefits in International Markets**

- **Product & Service Offering**
  - Good Enough

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SMA Solar Technology AG
The restructuring of Zeversolar is on-track and will be completed by the end of Q2-2014.

**Product Portfolio**

- **Single-Phase Inverter**
  - 2/3 kW
  - 5 kW
- **Three-Phase Inverter**
  - 4/6 kW
  - 15/17/20 kW
- **Central Inverter**
  - 500 kW
  - 1,000 kW

**Completed Restructuring Efforts**

- New management team
- New sales and service strategy
- Improvement of existing product portfolio
- Improvement of operational processes and implementation of build-to-order strategy
- Improvement of capital structure and realignment of shareholder structure
- Set up of cost-out office to support SMA in its cost reduction efforts

The SMA management expects a break-even result from the Zeversolar business in 2014. Market success in China very much depends on the political environment.