

SMA Solar Technology AG

Roadshow Frankfurt / London





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The market environment in the solar sector changed fundamentally



IN THE PAST

TODAY



IN THE PAST

TODAY



Within the last 12 months demand shifted from Europe to Asia and America. China became the biggest solar market in 2013.



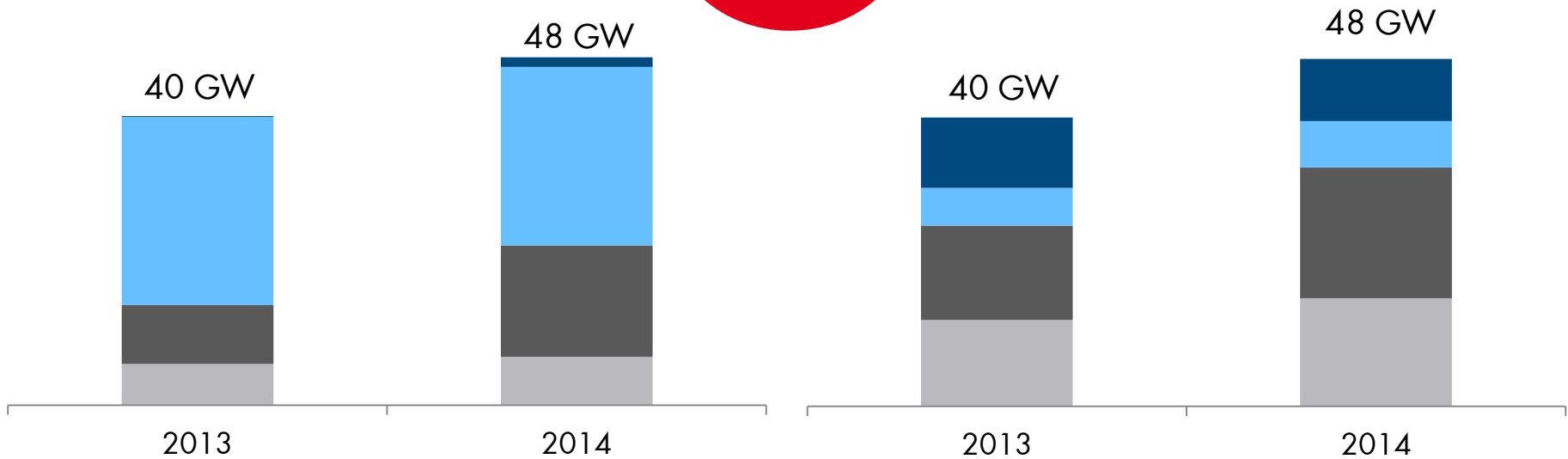
PV-Market by Application¹

- Others (n.m.)
- Industrial (+ 1% growth)
- Commercial (+ 89% growth)
- Residential (+ 17% growth)

PV-Market by Region¹

- Europe (- 11% growth)
- America (+ 23% growth)
- China (+ 38% growth)
- Rest of World (+ 25% growth)

PV-Market
in € bn.¹
2013: 4.5
2014: 4.7

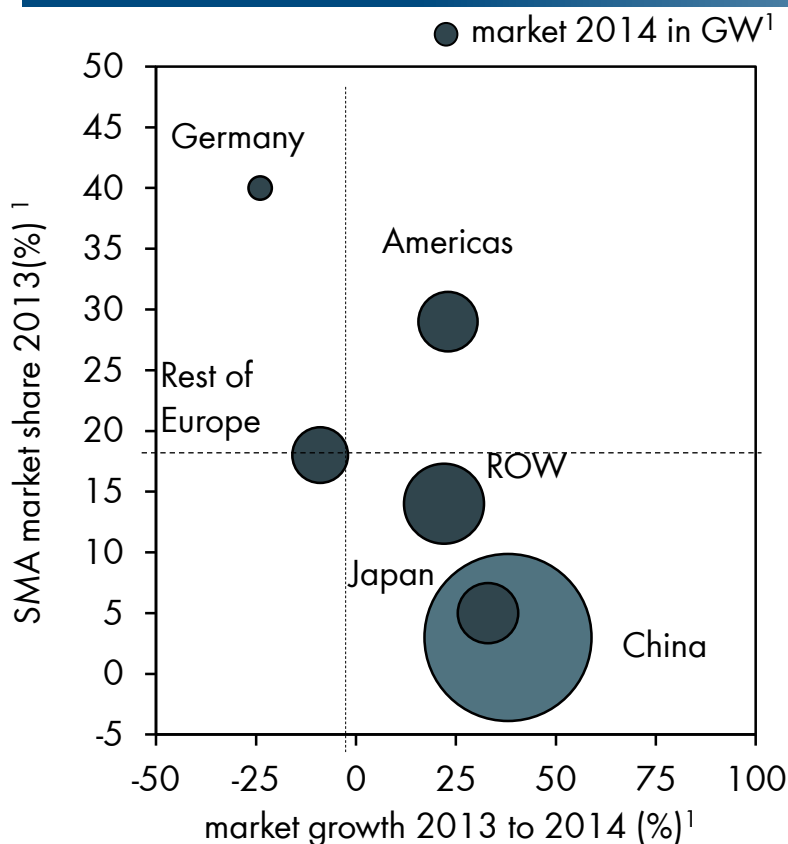


▶ SMA expects a moderate market increase in terms of Euro in 2014

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



Market Share & Market Growth



Comments

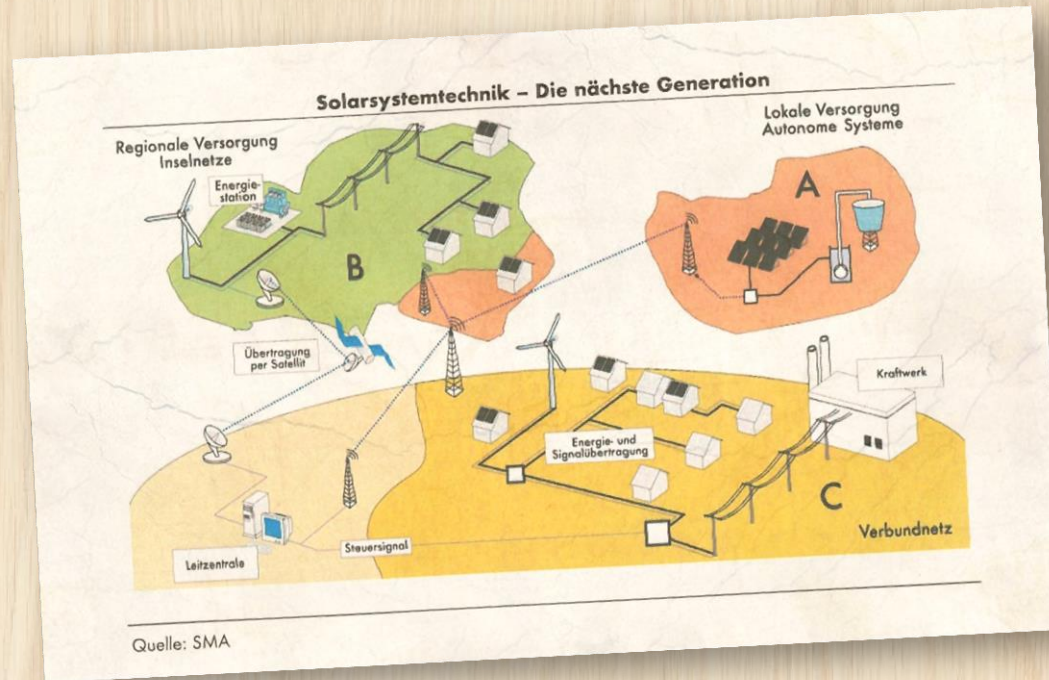
- > Global demand 2014 depends on subsidy programs
 - > High volatility
 - > Rising protectionism
 - > Increased market fragmentation
- > „Fuel Parity“ and „Socket Parity“ will become a game changer in the mid-term
 - > Paradigm shift (CapEx vs. OpEx)
 - > New technologies
 - > New customer groups and markets
- > SMA's global market share of c. 13% in 2013 is a result of the fast rising demand in China, Japan and few European markets. Without China SMA's market share stands at c. 20%.

▶ **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

SMA Targets for 2014	
Global market leader	<div style="background-color: red; color: white; border-radius: 50%; width: 150px; height: 150px; display: flex; align-items: center; justify-content: center; margin: 20px auto;"> <p style="text-align: center; margin: 0;"> Goals for 2014: Sales: €1.0 - €1.3 billion EBIT: Break-even NWC-Ratio: 20-23% </p> </div>
International focus	
Trendsetter	
Best practices	
Collaboration partner	
Profitable	

SMA 's Strategic Pillars		
	Market development to increase sales	System technology for storage applications PV diesel hybrid systems Service
	Process improvements to increase profitability	Global Sales Excellence Global Performance Excellence Global Leadership Excellence
	Two-brand strategy to grow market share	SMA product portfolio ZeverSolar product portfolio



SMA and Danfoss plan to enter into a close strategic collaboration

- > Since several years, the market of drives is characterized by a fierce international competition. The inverter industry has only recently experienced similar conditions.
 - > Stronger than before, the sustained success of both industries will depend on the ability of systematic cost reduction and technological leadership.
 - > Both companies will sustainably improve the cost position by leveraging economies of scale and by integrating their know how.
 - > By combining their product and service range, Danfoss and SMA will serve new customer groups and new markets.
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- ▶▶ **SMA and Danfoss will form one of the world's largest converter alliances and will sustainably strengthen their competitiveness.**

SMA and Danfoss will cooperate closely in research and development as well as purchasing

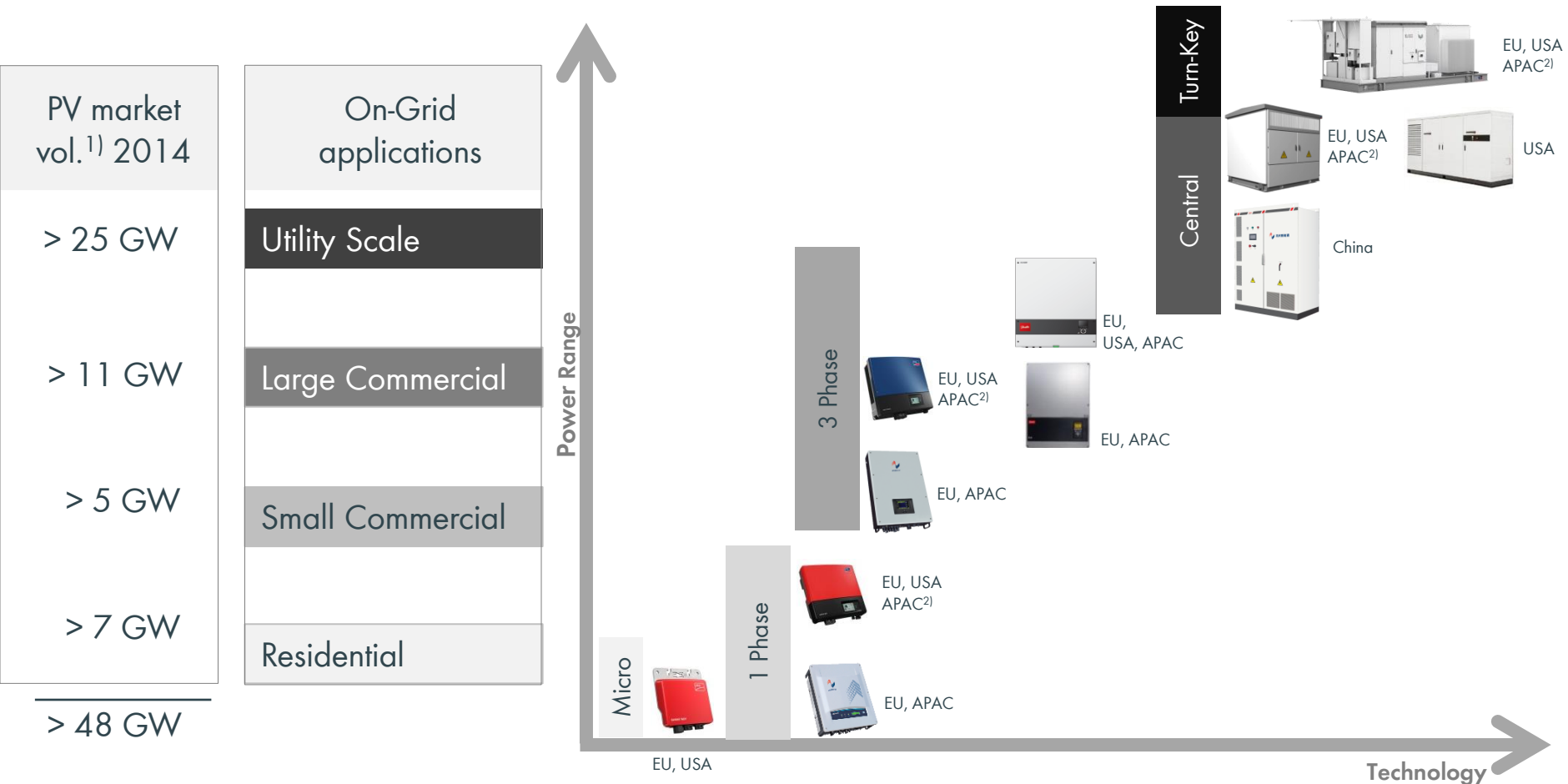


- > **Technology:** Both partners use their mutual strengths
 - Accelerate innovation to improve quality and performance
 - Product cost-down and design to-cost-initiatives
 - Best practice product design
 - Use of Danfoss technology in SMA-products and vice versa

- > **Scale:** Advantage of procurement synergies which will amount to a sum in the double-digit million EUR range per year from 2015
 - Aggregate volume
 - Harmonize specification to lower costs
 - Best practice global sourcing
 - Significantly higher growth rates in the solar industry

- ▶▶ **The combined business will benefit from economies of scale and the commitment to drive innovation and competitiveness.**

Danfoss will exit the pv-market and transfer the solar inverter portfolio to SMA; the transaction will increase the attractiveness of SMA's portfolio



▶ Danfoss transfers the rights for all solar inverter products in form of an exclusive, perpetual license. SMA will assign Danfoss as contract manufacturer and service the installed base³⁾.

1) SMA estimates; worldwide
2) Without China

3) SMA will not take over employees or fixed assets. Danfoss inverters will be produced in the scope of contract manufacturing in Denmark.

With a 20%-stake Danfoss will become one of SMA's anchor investors; SMA founders will control the majority also after the transaction



Share Price Development SMA



▶▶ **The freely tradable free float of the SMA share (excluding SMA founders, their trusts and families) will be at 25.05%.**

Transaction Details

- > SMA founders, their trusts and families will sell 6.94 million SMA shares at €43.57 to Danfoss
- > The majority of the shares will be sold by the SMA founders' trusts.
- > With the shareholding, Danfoss will benefit from the future development of the solar industry.
- > The cash consideration represents a premium¹⁾ of 50% of the 60 day-volume-weighted average and an equity value of €1.5 bn.
- > Danfoss will not buy or sell SMA shares for a period of at least 2 years (lock-up)



The envisioned cooperation will strengthen the competitiveness of Danfoss and SMA.

- > Step change in competitiveness by integrating Danfoss know how from the drive technology to the solar inverter business.
 - > Significant potential to improve the cost position of both companies due to economies of scale.
 - > SMA will increase the attractiveness of its product portfolio in particular for the fast growing commercial market segment in China, USA and Europe.
 - > SMA is rock solid with the new anchor investor. The shareholding in SMA proves Danfoss' continued dedication and confidence in the solar business.
 - > The entire transaction is subject to regulatory approval. Closing is expected in Q3 2014.
 - > As specialists Danfoss and SMA will continue to focus on their main business fields.
- ▶▶ **The cooperation brings two specialists together to create one of the world's largest inverter alliances.**



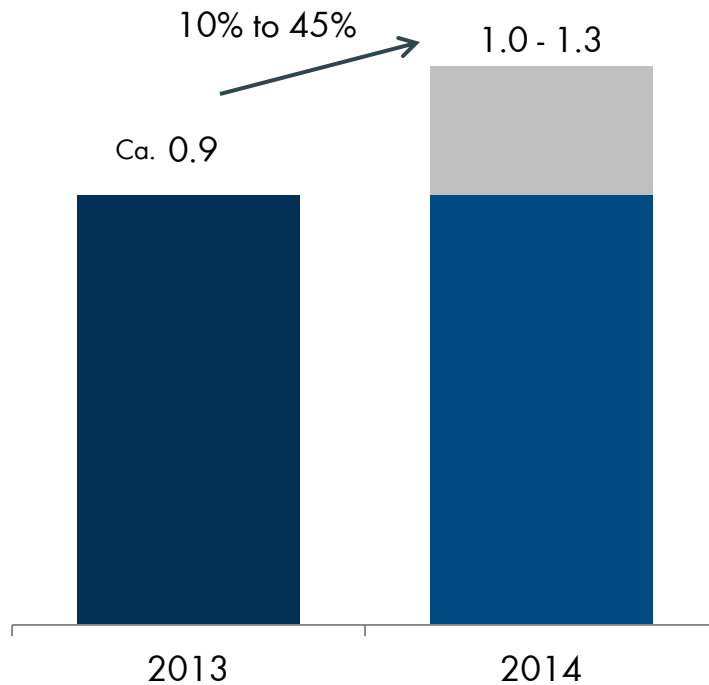
SMA paved the way to return to profitability in 2014



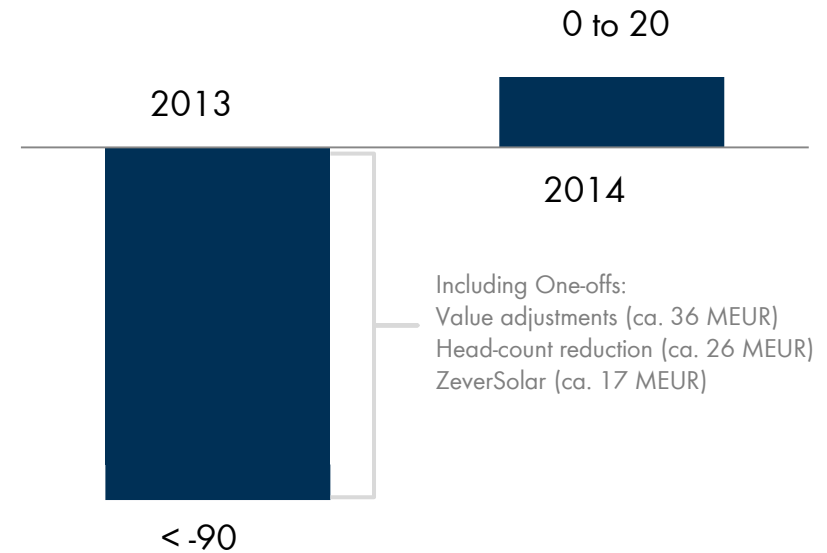
SMA's management specifies the 2013 guidance and confirms the 2014 outlook



SMA Sales Guidance 2014^{1,2}



SMA EBIT-Guidance 2014^{1,3}



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 13%. 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 Zeyversolar).
- > 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 Euro in R&D in 2014 (last three years: >300 million Euro); >1,000 engineers.
- > A new product generation will ensure a cost degression 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, Zeyversolar and Service business segments and within business segments.
- > Profit margin of MPS, PPS and Zeyversolar 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

Market volatility

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

Cost out program Operational excellence

- > Significant flexibility in SMA's production set-up. Production capacity of approx. 14 GW p.a.
- > Powerful global sourcing organization in Germany, Poland, China, USA. Cross-functional teams (R&D, Procurement, Quality, etc.) and leverage of Zeyersolar resources to drive down costs.
- > Cost-out program and operational excellence initiative will lead to cost savings of approximately 80-100 million Euro in 2014. SMA targets a NWC-Ratio of 20% - 23% as of sales in 2014.

Head- count reduction

- > 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.
- > Severance payments will account for approximately 26 million Euros (accrued in 2013).
- > Savings from headcount reduction amount to approximately 40 million Euro p.a.

Capital structure

- > Net cash will amount to approximately 300 million Euro 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.
- > Fixed assets amount to approximately more than 360 million Euro in 2013. Capital expenditure will amount to 70 - 90 million Euro (including 20 - 30 million Euro for capitalized R&D).

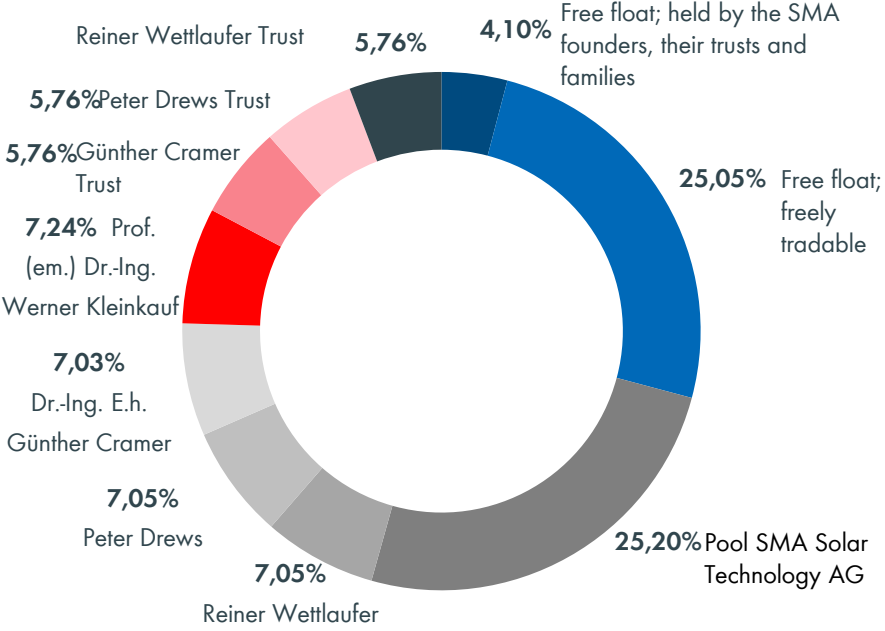
Investment Highlights

- 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



Appendix:

Shareholder structure before the transaction



Shareholder structure after the transaction

