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EXECUTIVE SUMMARY
SMA REACHED SALES AND PROFIT TARGETS 2013

- Global demand shifted to Asia and America and to industrial segments.
- Nearly 5.4 GW inverter output sold (-25%).
- €932 m sales due to a downturn in business, a shift in the product mix and lower selling prices (-36%).
- SMA has a strong position in international markets and increased its international share to 71.0% (2012: 56.3%).
- Operating loss of €-89 m is impacted by price decline, whereas material cost showed signs of cost reduction measures.
- A net working capital ratio of 26.6% SMA is in line with management guidance.
- The strong decline in sales let us generated an adjusted free cash flow of €-52 m.
- Solid balance sheet structure with an equity ratio of 57.5% and net cash of €308.1 m.

1 Guidance from November 4, 2013
**NEAR BREAK-EVEN EBITDA** in 2013 despite by a massive drop in demand

<table>
<thead>
<tr>
<th></th>
<th>Full year</th>
<th>2013</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>MW sold</td>
<td>7,188</td>
<td>5,361</td>
<td>1,167</td>
<td>1,338</td>
<td>1,454</td>
<td>1,402</td>
</tr>
<tr>
<td>Sales</td>
<td>1,463</td>
<td>932</td>
<td>212</td>
<td>250</td>
<td>248</td>
<td>222</td>
</tr>
<tr>
<td>EBITDA(^1)</td>
<td>172</td>
<td>-6</td>
<td>9</td>
<td>5</td>
<td>13</td>
<td>-33</td>
</tr>
<tr>
<td>Net Income /-loss</td>
<td>75</td>
<td>-67</td>
<td>-6</td>
<td>-10</td>
<td>-6</td>
<td>-45</td>
</tr>
<tr>
<td>NWC ratio</td>
<td>18.3%</td>
<td>26.6%</td>
<td>22.8%</td>
<td>26.1%</td>
<td>32.4%</td>
<td>26.6%</td>
</tr>
<tr>
<td>Net Capex(^2)</td>
<td>100</td>
<td>50</td>
<td>18</td>
<td>14</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>16</td>
<td>-52</td>
<td>-21</td>
<td>-5</td>
<td>-49</td>
<td>23</td>
</tr>
<tr>
<td>(Adj.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash</td>
<td>446</td>
<td>308</td>
<td>376</td>
<td>348</td>
<td>300</td>
<td>308</td>
</tr>
</tbody>
</table>

Numbers in million €, unless stated otherwise

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\(^1\) Analyst Consensus Median EBITDA 2013: €-14.5m

\(^2\) Without acquisition of ZeverSolar (€22m)
SINCE THE RECORD YEAR 2010 OUR WORLD HAS CHANGED COMPLETELY
DEMAND HAS SHIFTED FROM EUROPE TO ASIA AND AMERICA ...

While a few European photovoltaic markets dominated the global solar industry in 2010, nearly half of new installations occurred in Asian markets in 2013.

Europe

-33%

Asia/ROW

+570%

World

+74%

America

+179%
... AND FROM RESIDENTIAL APPLICATIONS TO INDUSTRIAL APPLICATIONS

While the global picture used to be dominated by small- to medium-sized PV systems in 2010, system technology solutions for large-scale PV power plants are now becoming increasingly important.

Residential

```
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>6,1 GW</td>
<td>5,7 GW</td>
</tr>
</tbody>
</table>
```

-7%

Commercial

```
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>7,3 GW</td>
<td>8,1 GW</td>
</tr>
</tbody>
</table>
```

+11%

World

```
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>23 GW</td>
<td>40 GW</td>
</tr>
</tbody>
</table>
```

+74%

Industrial

```
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>6,7 GW</td>
<td>25,9 GW</td>
</tr>
</tbody>
</table>
```

+287%
The fast growing Chinese and Japanese solar markets have high entry barriers.

SMA was therefore unable to compensate for the sudden slump in European demand with new business in Asia.
HOW HAS SMA ADJUSTED TO THE CHANGED MARKET ENVIRONMENT?
WE DEVELOP **NEW TECHNOLOGIES** TO INCREASE SALES

SMA will continue to lower production costs and successfully distinguish itself from the competitors with new product platforms and new technological approaches.

In the last three years alone, we have invested more than €300 million in development.

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1 The new Sunny Central and Sunny Boy Smart Energy were presented in detail to investors, analysts and the press during the Capital Markets Day in January 2014.

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**Utility**
- Doubling of power to 2 MW
- 1500-V technology to connect more modules
- Complete solution with medium-voltage technology
- Available Q4-2014

**Residential**
- Complete solution for energy management
- Lithium-ion battery for higher self-consumption
- Sunny Home Manager for integration of loads and electric vehicles
- Available Q2-2014
WE GO EVEN MORE GLOBAL TO INCREASE SALES

SMA has its own sales and service infrastructure in all the attractive photovoltaic markets around the world.

By acquiring Zeversolar, SMA gained access to the strategically important photovoltaic market in China and the “budget” segment.
WE DEVELOP **NEW BUSINESS AREAS**
TO INCREASE SALES

We use our technological expertise to make consistent use of the sales potential arising from supplementing stationary diesel gensets with PV systems.

SMA has successfully expanded its range of services in order to tap into the sales potential arising from the installed basis of more than 30 GW around the world.

**PV Diesel Hybrid**

- PV is economically attractive when diesel prices are above U.S.$1 per liter.
- SMA has installed hybrid systems of more than 50 MW worldwide.
- SMA plans to expand the hybrid business

**Service**

- Complete O & M service for large-scale PV power plants
- Universal service provider for electric utility companies
- PV system monitoring for small PV systems
WE USE **GLOBAL SOURCING STRATEGIES** AND FORM ALLIANCES TO INCREASE EARNINGS

Our operational excellence initiatives and cost-out projects resulted in considerable savings.

The alliance with Danfoss will allow SMA to further lower costs and increase the attractiveness of the solar inverter portfolio.

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**Processes**

- €100 million in material costs and operating expenses saved 2013 (€80 - €100 million targeted for 2014)
- Improvement of processes and logistics
- Expansion of the global purchasing organization

**Cooperations**

- Economies of scale due to the pooling of purchasing volumes
- Cost advantages through technological innovations
- Increased attractiveness of the product portfolio
AND WHEN WILL SMA RETURN TO PROFITABILITY?
SMA IS THE **GLOBAL MARKET LEADER**
IN SYSTEM TECHNOLOGY FOR PV SYSTEMS

Sales in € million

<table>
<thead>
<tr>
<th>MW sold</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROW</td>
<td>1,463</td>
<td>932</td>
</tr>
<tr>
<td>Europe</td>
<td>1,006</td>
<td>453</td>
</tr>
</tbody>
</table>

International share

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROW</td>
<td>56.3%</td>
<td>71.0%</td>
</tr>
<tr>
<td>Europe</td>
<td>44.7%</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

Sales are at lower end of guidance\(^1\) mainly because of weaker demand in Europe and the shift in the product mix.

\(^1\)Management guidance 2013: Sales of €0.9 billion to €1.0 billion
### SEGMENT SALES AFFECTED BY REGIONAL SHIFT IN DEMAND

<table>
<thead>
<tr>
<th>Medium Power Solutions</th>
<th>Power Plant Solutions</th>
<th>Service</th>
<th>Railway Technology</th>
<th>Zeversolar</th>
</tr>
</thead>
<tbody>
<tr>
<td>969 €m</td>
<td>480 €m</td>
<td>441 €m</td>
<td>375 €m</td>
<td>13 €m</td>
</tr>
<tr>
<td>2012</td>
<td>2013</td>
<td>2012</td>
<td>2013</td>
<td>2012</td>
</tr>
</tbody>
</table>

### Total Sales (€m)

<table>
<thead>
<tr>
<th>Medium Power Solutions</th>
<th>Power Plant Solutions</th>
<th>Service</th>
<th>Railway Technology</th>
<th>Zeversolar</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,073 €m</td>
<td>468 €m</td>
<td>112 €m</td>
<td>30 €m</td>
<td>13 €m</td>
</tr>
</tbody>
</table>

### External Sales (€m)

- 2013 sales figures were impacted by subsidy cuts
- Important international markets were the U.S., Australia and Benelux countries
- Product range expansion in Japan and U.S.
- Includes dtw, off-grid solutions and hybrid

### Highlights

- PPS sold nearly the same output as the previous year
- In 2013 PPS equipped the largest PV power plants in India, Japan and the largest thin film European power plant
- Most important markets were North America, Germany, Japan and Thailand
- Universal services: E.ON Mitte moved to SMA in 2013
- Complete system services: 10 year contract signed with 100-MW Canadian PV system
- Railway Technology increased its global footprint with a subsidiary in Brazil and realigned companies towards project business
- Sales were almost exclusively generated within China
- Productivity, quality and cost reduction measures implemented
- Sales and organization adjusted to target growth in China and to serve international budget segments

1 Incl. Internal sales
COST OF GOODS SHOW INITIAL IMPACT OF COST REDUCTION MEASURES

- Sudden collapse of markets in Europe impacted gross margin.
- Material costs per watt were lowered by 11.8% year on year to 9.7 euro-cents per watt.
- Personal costs declined by 22.1%.
- Material expenses accounted for 66.4%; personnel expenses for 17.6% and other expenses for 16%.

> SMA invested €102.5 million in R&D in 2013 (incl. capitalized R&D projects).
> SMA further expanded development cooperations, intensified the measures to protect intellectual property, and founded a new development center in Denver, US.
> R&D focused on cost-down initiatives, new products and energy management.

> SMA’s sales and marketing structures reduced in Europe and expanded in Asia, South America and South Africa.
> SMA adjusted administrative structures in Germany to the lower sales level.
The project business protected its profitability despite strong competition. Service improved its profitability significantly due to process improvements.

1 Inventory write-down (€36m), HR-reduction (€25m), Zeversolar (€15m), Receivables write-down (€5m)
SMA HAS A **SOLID BALANCE SHEET STRUCTURE** WITH AN EQUITY RATIO OF 58% 

Net cash amounted to €308 million at the end of 2013.
**NET WORKING CAPITAL RATIO OF 26.6% IN LINE WITH GUIDANCE**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished goods</td>
<td>65</td>
<td>56</td>
</tr>
<tr>
<td>Unfinished goods, work in progress</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Raw materials and consumables</td>
<td>130</td>
<td>102</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>119</td>
<td>124</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>-73</td>
<td>-61</td>
</tr>
<tr>
<td>Total Net Working Capital</td>
<td>268</td>
<td>248</td>
</tr>
</tbody>
</table>

- **Management guidance:** 24% to 28% as of LTM sales
- **Net Working Capital** = Inventory + Trade Receivables - Trade Payables (no advanced payments included)
- **Relating to the last twelve months (LTM)**

**In 2014 SMA targets a net working capital ratio between 20% and 23% as of sales due to cost out program and operational excellence**

1 Management guidance: 24% to 28% 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)
CASH FLOW FROM OPERATIONS NEAR BREAK-EVEN
DESPITE SLUMP IN EARNINGS DUE TO OPTIMIZED NWC

<table>
<thead>
<tr>
<th></th>
<th>2012(^1)</th>
<th>2013(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Cash Flow</td>
<td>166</td>
<td>11</td>
</tr>
<tr>
<td>Cash Flow from Operating Activities</td>
<td>116</td>
<td>-2</td>
</tr>
<tr>
<td>Net Capex(^2)</td>
<td>-100</td>
<td>-50</td>
</tr>
<tr>
<td>Free Cash Flow (Adj.)</td>
<td>16</td>
<td>-52</td>
</tr>
<tr>
<td>Acquisition(^3)</td>
<td>-</td>
<td>-22</td>
</tr>
<tr>
<td>Net investments from securities and other financial assets</td>
<td>-160</td>
<td>106</td>
</tr>
<tr>
<td>Free Cash Flow (IFRS)</td>
<td>-144</td>
<td>32</td>
</tr>
</tbody>
</table>

1 In € million, with rounding difference
2 Reduction in Capex due to no additional construction projects
3 Acquisition of Zeversolar
WILL SMA 2014 RETURN TO PROFITABILITY?
SALES IN THE FIRST THREE MONTHS 2014 WILL BE LOWER COMPARED TO 2013 DUE TO WEAKER PROJECT BUSINESS

Forecast Q1-2014 in € million

-8 EBIT - 20 to -25

212 Sales

Q1 2013

200

170

Q1 2014

Forecast 2014

> Forecast depends on stable regulatory environment, particularly in Europe
> Sales of between €1.0 bn and €1.3 bn
> International sales share > 75%.
> Break-even result, in the best case an EBIT of up to €20 million.
> Net working capital of between 20% and 23% as of sales in 2014.
> Capital expenditure up to €90 million, including capitalized R&D.

Management board confirms full year guidance but highlights regulatory risks.

1 SMA estimates
2 First announced November 4, 2013
3 €20 million to €30 million
SMA IS THE **WORLD’S LEADING SPECIALIST** FOR PV SYSTEM TECHNOLOGY

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
6. Commitment to adjust organization and drive down product costs
7. Special corporate culture and strong balance sheet
APPENDIX
ONE-OFFS IMPACTED THE RESULT

In order to improve structures sustainably and reduce financial risks, SMA had to cope with considerable one-off expenditures.
SMA AND DANFOSS PLAN TO ENTER INTO A CLOSE STRATEGIC PARTNERSHIP

> 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.

▶ 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 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**

<table>
<thead>
<tr>
<th>PV market vol.¹ 2014</th>
<th>On-Grid applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 25 GW</td>
<td>Utility Scale</td>
</tr>
<tr>
<td>&gt; 11 GW</td>
<td>Large Commercial</td>
</tr>
<tr>
<td>&gt; 5 GW</td>
<td>Small Commercial</td>
</tr>
<tr>
<td>&gt; 7 GW</td>
<td>Residential</td>
</tr>
<tr>
<td>&gt; 48 GW</td>
<td></td>
</tr>
</tbody>
</table>

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.
SMA SHAREHOLDER STRUCTURE

Shareholder structure before the transaction

- Reiner Wettlaufer Trust: 5.76%
- Peter Drews Trust: 5.76%
- Günther Cramer Trust: 7.03%
- Prof. (em.) Dr.-Ing. Werner Kleinkauf: 7.03%
- Dr.-Ing. h. c. Günther Cramer: 7.05%
- Peter Drews: 7.05%
- Reiner Wettlaufer: 7.05%
- Free float; held by the SMA founders, their trusts and families: 4.10%
- Free float; freely tradable: 25.05%
- Pool SMA Solar Technology AG: 25.20%

Shareholder structure after the transaction

- Free float; held by the SMA founders, their trusts and families: 25.20%
- Danfoss: 20.00%
- Shares under control of the SMA founders, their trusts and families (free float): 29.75%
- Free float; freely tradable: 25.05%
- Pool SMA Solar Technology AG: 25.20%
SMA EXPANDS ITS MANAGING BOARD

Roland Grebe
Board Member for Technical Innovation
Contract duration 2019

Dr.-Ing. Jürgen Reinert
Board Member for Technical Development
Contract duration 2019

Lydia Sommer
Board Member for Finance & HR (CFO)
Contract duration 2017

Pierre-Pascal Urbon
Board Member for Strategy (CEO)
Contract duration 2017

Marko Werner
Board Member for Sales & Service
Contract duration June 2014

SMA Managing Board as of April 1, 2014