

SMA SOLAR TECHNOLOGY AG

Analyst / Investor Presentation - Increased Forecast 2015  
Roadshow Frankfurt / Zurich / Edinburgh / London

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July, 2015



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# 1. Executive Summary



# SMA Increased Sales and Earnings Guidance for 2015



- > SMA Management increased its sales guidance to €800 million to €850 million (previously: €730 million to €770 million) in light of strong international demand
- > The execution of the transformation program is well on track. Therefore, SMA Management raised the EBIT target for 2015 to €-25 million to €0 million (previously: €-30 million to €-60 million)
- > As of July 1, 2015, approximately 1,000 employees already left SMA – more than 350 employees will leave the Company within the next six months<sup>1</sup>
- > SMA launched key products (high runner) for the market segments Residential, Commercial and Utility on time
- > SMA is best positioned for the energy storage demand and works closely with key European and American car makers as well as with Korean battery manufacturers
- > SMA increased its attractiveness with collaborations (e.g. Siemens, Plugwise)

> **SMA went through a massive transformation program. Management targets a break-even result in 2015 in the best case – 1 year earlier than originally planned**

1. FTE's w/o temporary employees, trainees, interns



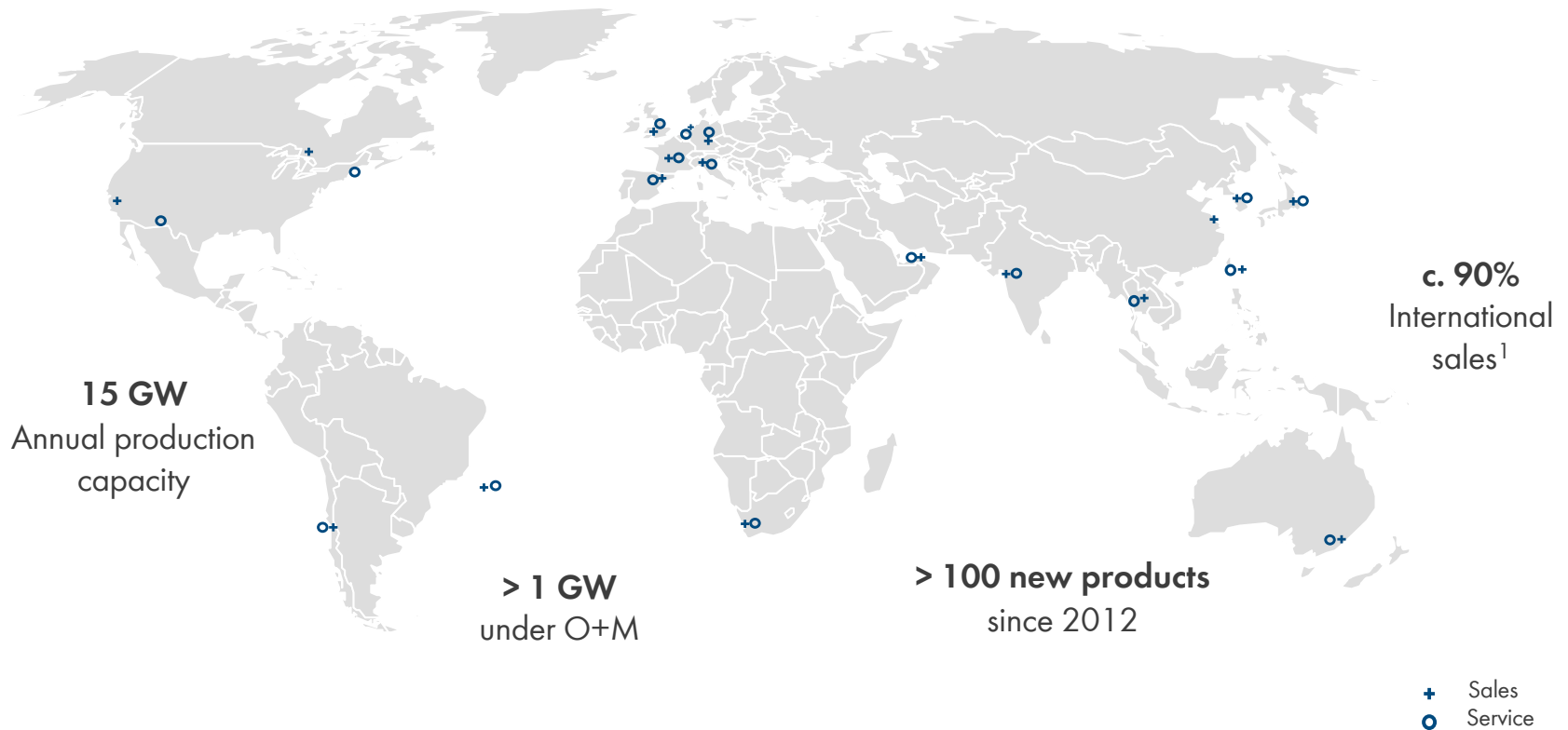
# SMA is the Clear #1 in the Global PV Inverter Industry



**> 35 GW**  
Installed base








Products sold in  
**110 Countries**

**c. 4.100 Employees**  
worldwide<sup>1</sup>



# SMA Serves all Solar Segments in all Attractive Markets



Residential	Commercial	Utility	Service	Other Business
				 <p>SMA Offgrid and Storage</p>  <p>SMA Railway Technology GmbH</p> 
<p><b>Brand Values</b></p> <p>Attain affordable, controllable and reliable energy</p>	<p><b>Brand Values</b></p> <p>Boost in economic performance</p>	<p><b>Brand Values</b></p> <p>Most efficient use of technology</p>	<p><b>Brand Values</b></p> <p>Ensures profitability</p>	
<p>SMA is a Specialist in System Technology for Energy Management We Stand for Greater Independence in the Use of Energy</p>				
<p><b>Share of SMA Group's Sales in 2015</b></p> <p>25%-30% (2014: 31%)</p>	<p><b>Share of SMA Group's Sales in 2015</b></p> <p>20%-25% (2014: 20%)</p>	<p><b>Share of SMA Group's Sales in 2015</b></p> <p>35%-40% (2014: 37%)</p>	<p><b>Share of SMA Group's Sales in 2015</b></p> <p>&gt;5% (2014: 5%)</p>	

## 2. Market & SMA's Positioning



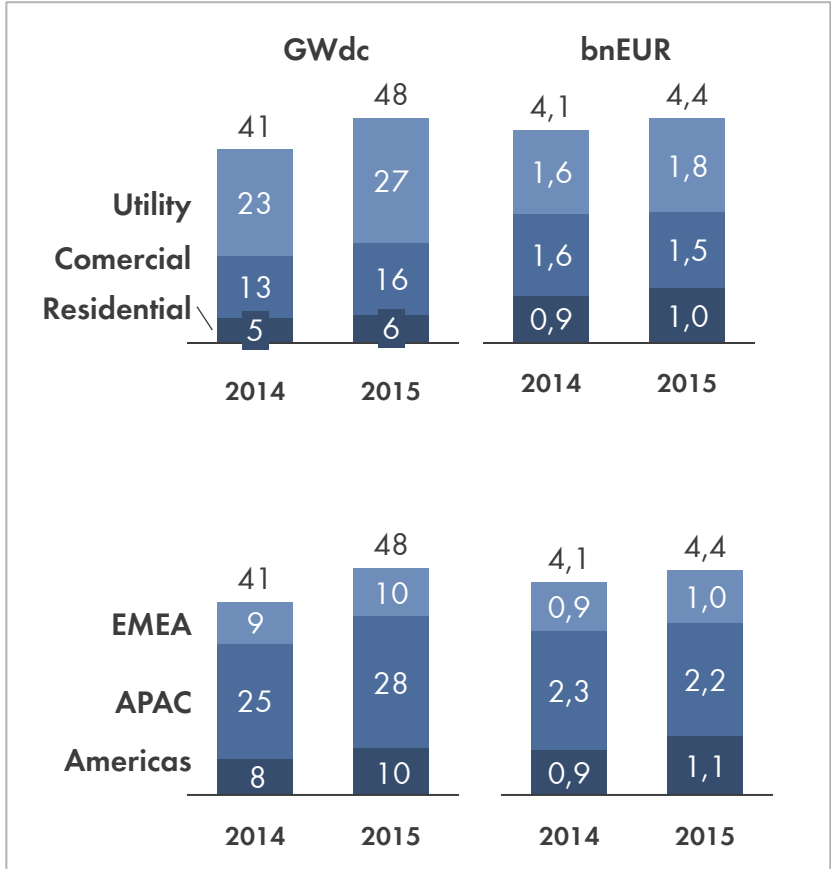
# The Market Outlook Improved since the Beginning of the Year<sup>1</sup> – North America and Japan are Key Growth Regions in 2015



## Comments

- > In APAC, growth in demand is higher than expected, especially in China and Japan
- > Utility segment becomes the key driver for growth, followed by commercial applications
- > New technologies (e.g. 1,500 V<sub>DC</sub>) and fast changing market dynamics will accelerate the consolidation process in the inverter industry (e.g. Advanced Energy exits the solar market in June 2015)

## Global PV Installations per Segment/Region<sup>2,3</sup>



> **SMA is clearly the global #1 player.<sup>4</sup>**

1. 2015: 45 to 48 GW<sub>dc</sub>, raise in forecast affects APAC, especially China  
 2. Excluding Off-grid systems  
 3. Source: SMA MI Market Model, Prices according to IHS World Market Report (July 2014)  
 4. IHS PV Inverter Report Q2/2015



# SMA has a Unique Positioning in the PV-Inverter Industry



Product

Residential



**Sunny Boy**

- USP
- > Ease of installation
  - > Most flexible solution with high input voltage range
  - > Globally certified

Commercial



**Sunny Tripower**

- > Globally certified
- > Integrated Plant Control
- > Q-on-Demand (24/7)<sup>1</sup>

Utility



**Sunny Central**

- > 1500 V full range DC Input
- > Designed for harsh environments
- > Complete turnkey solution

Service



**O&M**

- > Largest service infrastructure for short response time
- > Advanced preventive monitoring features to secure investment



Product



**Zeverlution**

- USP
- > Lightweight
  - > Highly flexible configuration
  - > Low cost point



**Zeverlution Pro**

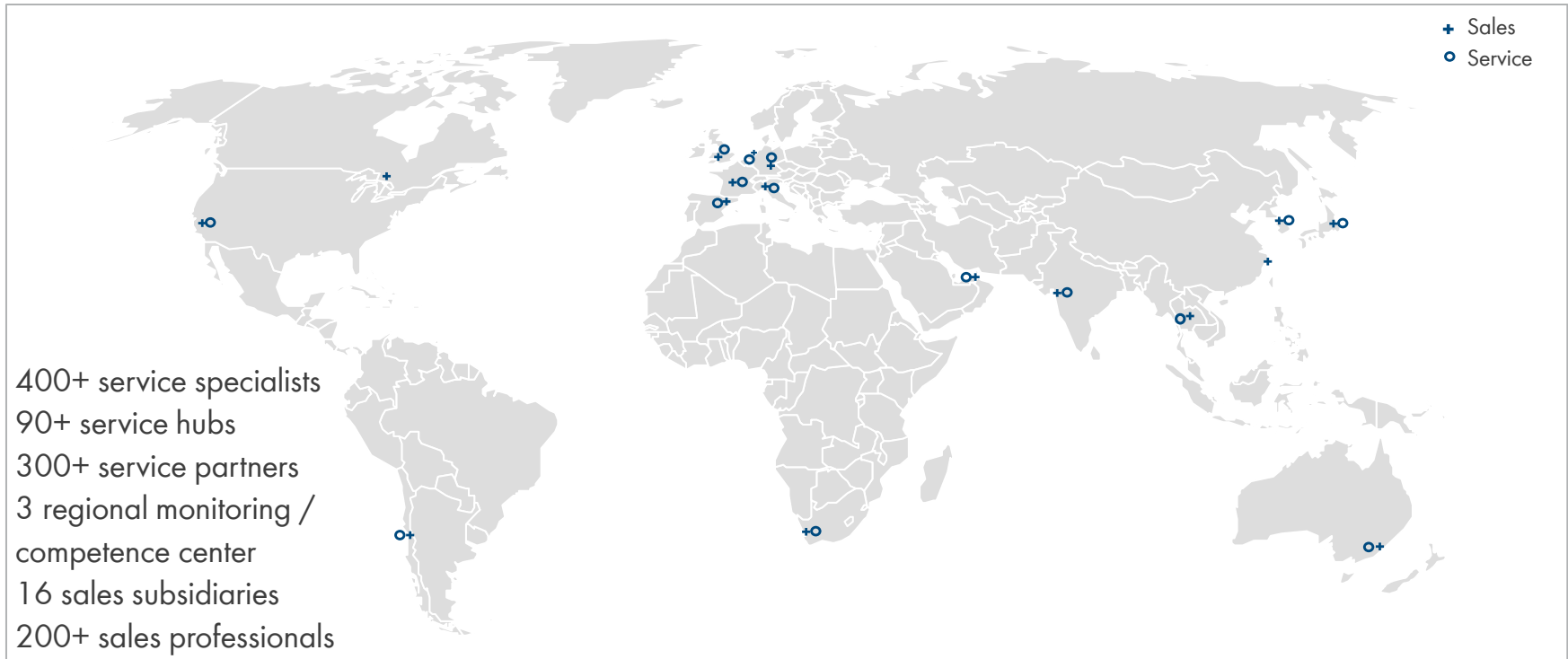
- > Fully ready for LV and MV plants
- > Very compact design
- > Low cost point

1. Reactive power supply to stabilize the grid

# SMA Invested in its Global Infrastructure to Benefit from Fast Changing Market Conditions



## Infrastructure <sup>1</sup>



> No other solar inverter manufacturer has a similar global footprint and specialized sales and service team

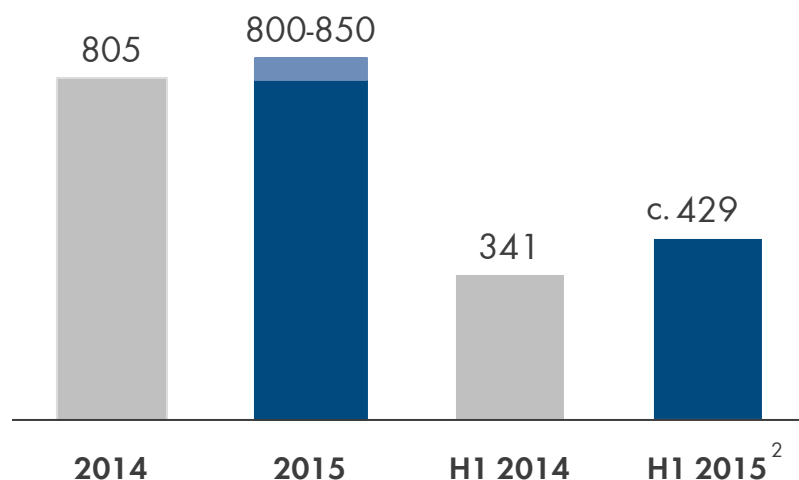
### 3. Financials & Investment Highlights



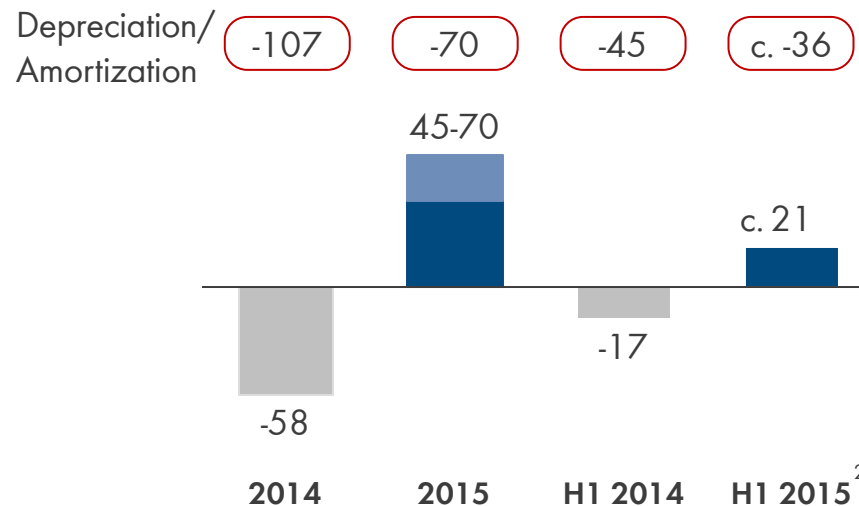
# SMA's Financials Improved Significantly – Strong Order Backlog Totals c. €595 Million on June 30, 2015<sup>1</sup>



Sales in € million



EBITDA in € million



	2014	2015	H1 2014	H1 2015 <sup>2</sup>
Total assets	1,180		1,183	c. 1,134
NWC ratio	31%	23-26%	32%	c. 26%
Equity ratio	47%	>47%	56%	c. 47%
Net Cash in € million	225		268	c. 211
Debt (loan liabilities excl. derivatives)	-63		-62	c. -65

## > SMA confirms 1 half year guidance<sup>3</sup>

1. Thereof c. €345 m from Service (for a ca. 10 years period) and c. €250 m from Solar and Railway (for 2015 only)

2. Preliminary figures

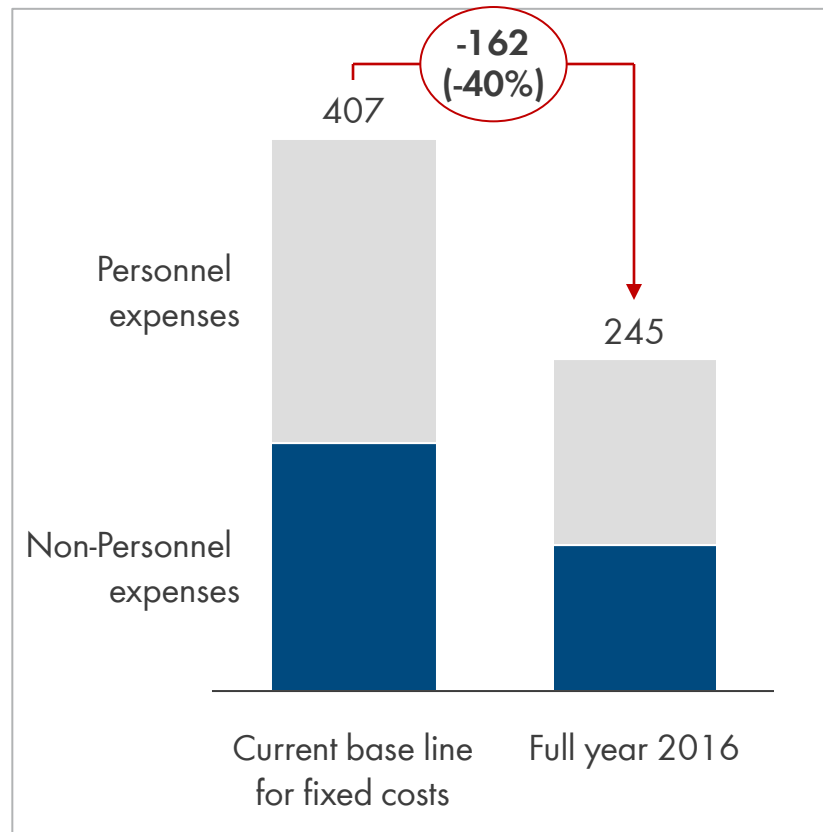
3. Sales: €400 to 450 m; EBIT: €-15 to -25 m; EBITDA: €15 to 25 m



# SMA is on Track to Reduce its Break-Even Point to Less than 700 € million by the End of 2015



## Fixed cost base (in MEUR)



## Key transformation measures (FTE)<sup>1</sup>

<b>Technology</b>	<ul style="list-style-type: none"> <li>&gt; Downsizing Kassel, Denver, Suzhou</li> <li>&gt; Reduction of ext. service providers</li> <li>&gt; Focus R&amp;D projects / portfolio</li> </ul>
From 1,050 to max. 570	
<b>Operations</b>	<ul style="list-style-type: none"> <li>&gt; Outsourcing of non-core activities</li> <li>&gt; Phase out interim managers</li> <li>&gt; Improvement of SCM and central inverter production</li> </ul>
From 2,030 to max. 1,500	
<b>Administration</b>	<ul style="list-style-type: none"> <li>&gt; Restructuring CFO/CEO functions</li> <li>&gt; Centralization of administration funct.</li> <li>&gt; Reduction of non-personnel expenses</li> </ul>
From 630 to max. 380	
<b>Sales &amp; Marketing</b>	<ul style="list-style-type: none"> <li>&gt; Reduction of back office staff</li> <li>&gt; Downsizing of communication &amp; marketing</li> <li>&gt; Closure of subsidiaries</li> </ul>
From 450 to max. 270	
<b>Service</b>	<ul style="list-style-type: none"> <li>&gt; Rightsizing infrastructure EMEA/APAC</li> <li>&gt; Reduction of service level</li> </ul>
From 510 to max. 420	
<b>Others</b>	<ul style="list-style-type: none"> <li>&gt; Reduction of office/production space</li> <li>&gt; Restructuring of IT services</li> </ul>

> **Approx. 1,000 employees<sup>2</sup> left the company already; >350 will leave until Q4 2015 – the gap to the overall target will be closed with normal employee turnover<sup>3</sup>**

1. Without temporary employees, trainees, interns

2. FTE's w/o temporary employees, trainees, interns as of July 1, 2015

3. The provision booked in 2014 is sufficient for the restructuring cost paid out in 2015

# Investment Highlights: SMA Is a Technology Driven Company With an Attractive Business Model



- ✓ Direct exposure to the global solar market
- ✓ SMA is the #1 for solar inverters for more than 2 decades
- ✓ Proven technology and game changing new products
- ✓ Flexible business model and best-cost sourcing strategy
- ✓ Powerful sales and service infrastructure
- ✓ Transformation process will lead to significant cost reduction
- ✓ Bankable partner due to high equity ratio and net cash position
- ✓ Conservative planning assumptions, despite unique positioning
- ✓ Stable shareholder structure with Danfoss as strategic anchor investor

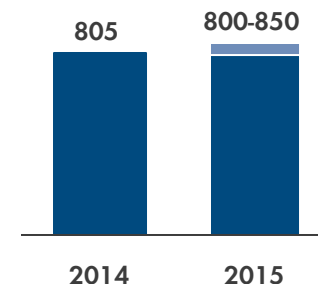
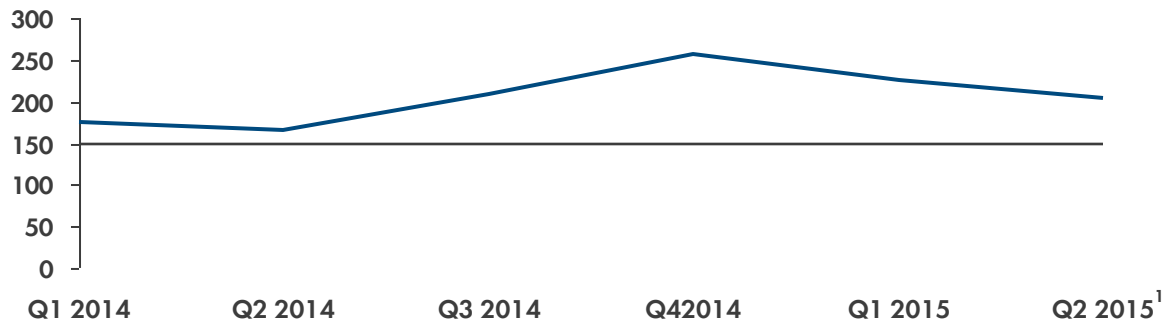
# Backup



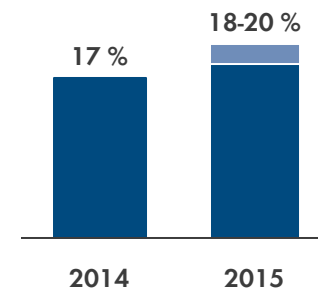
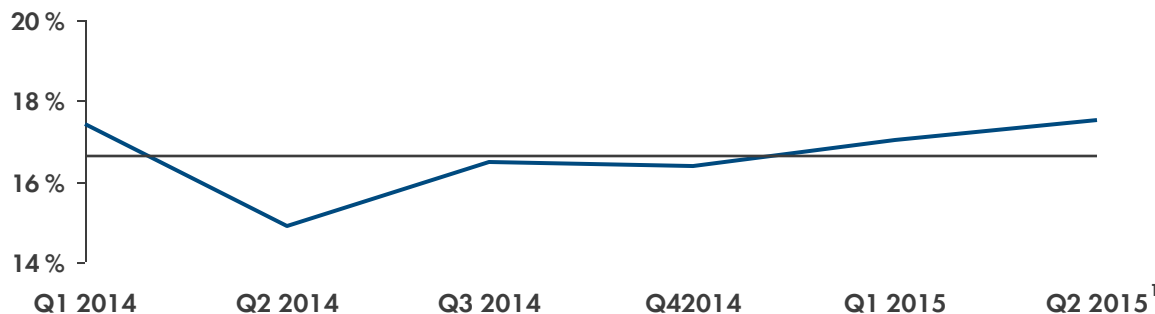


# Development of Key Financials

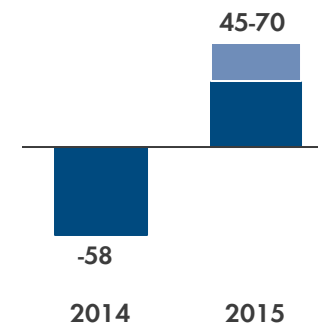
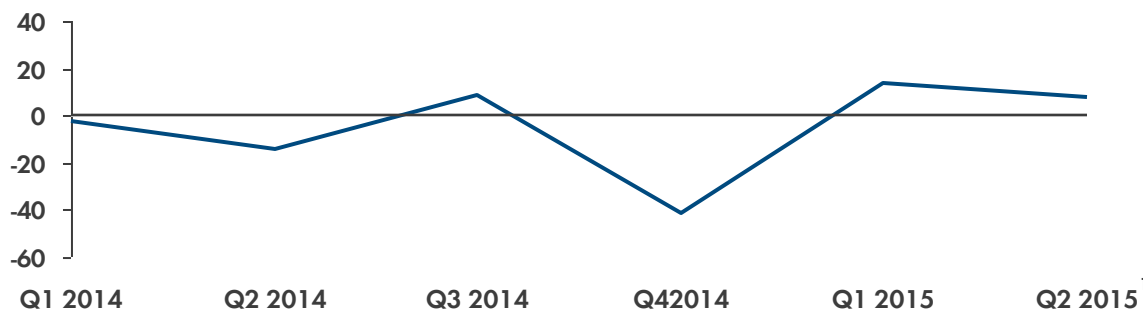
Sales in € million



Gross margin



EBITDA in € million



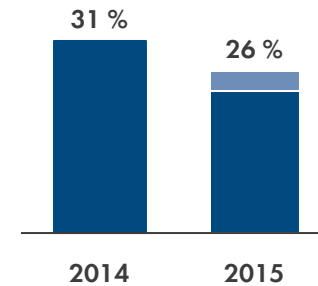
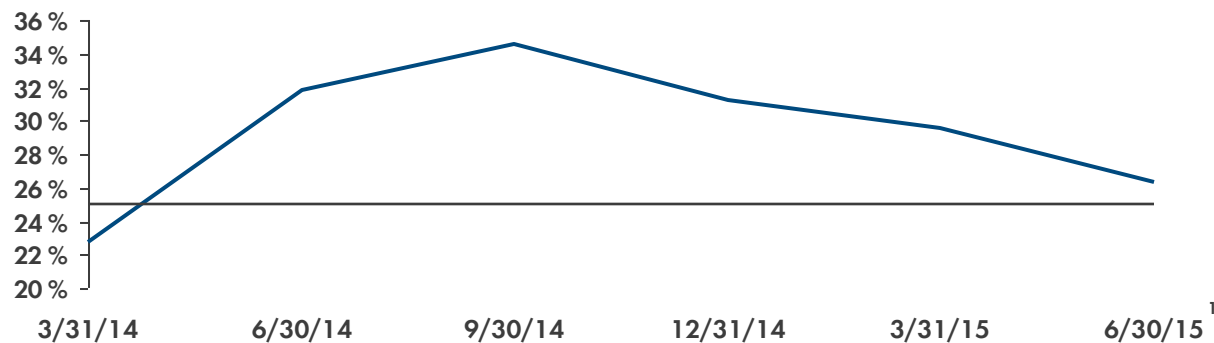
1. Preliminary figures



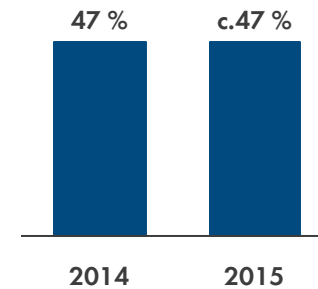
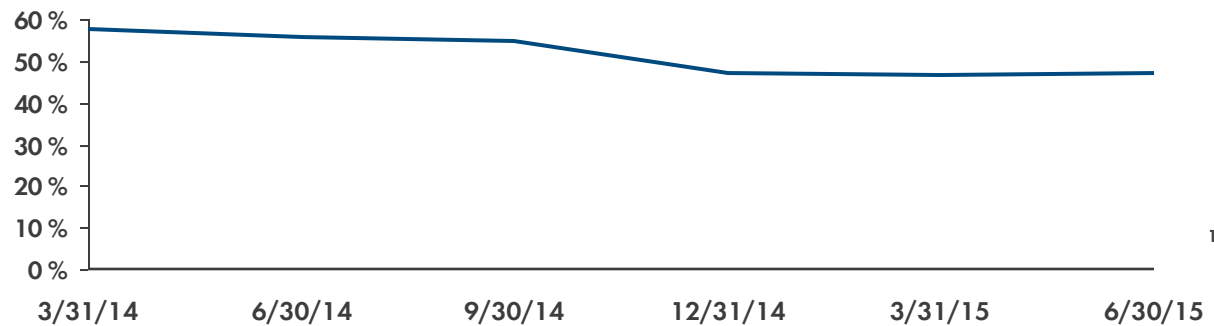


# Development of Key Financials (Cont')

NWC ratio



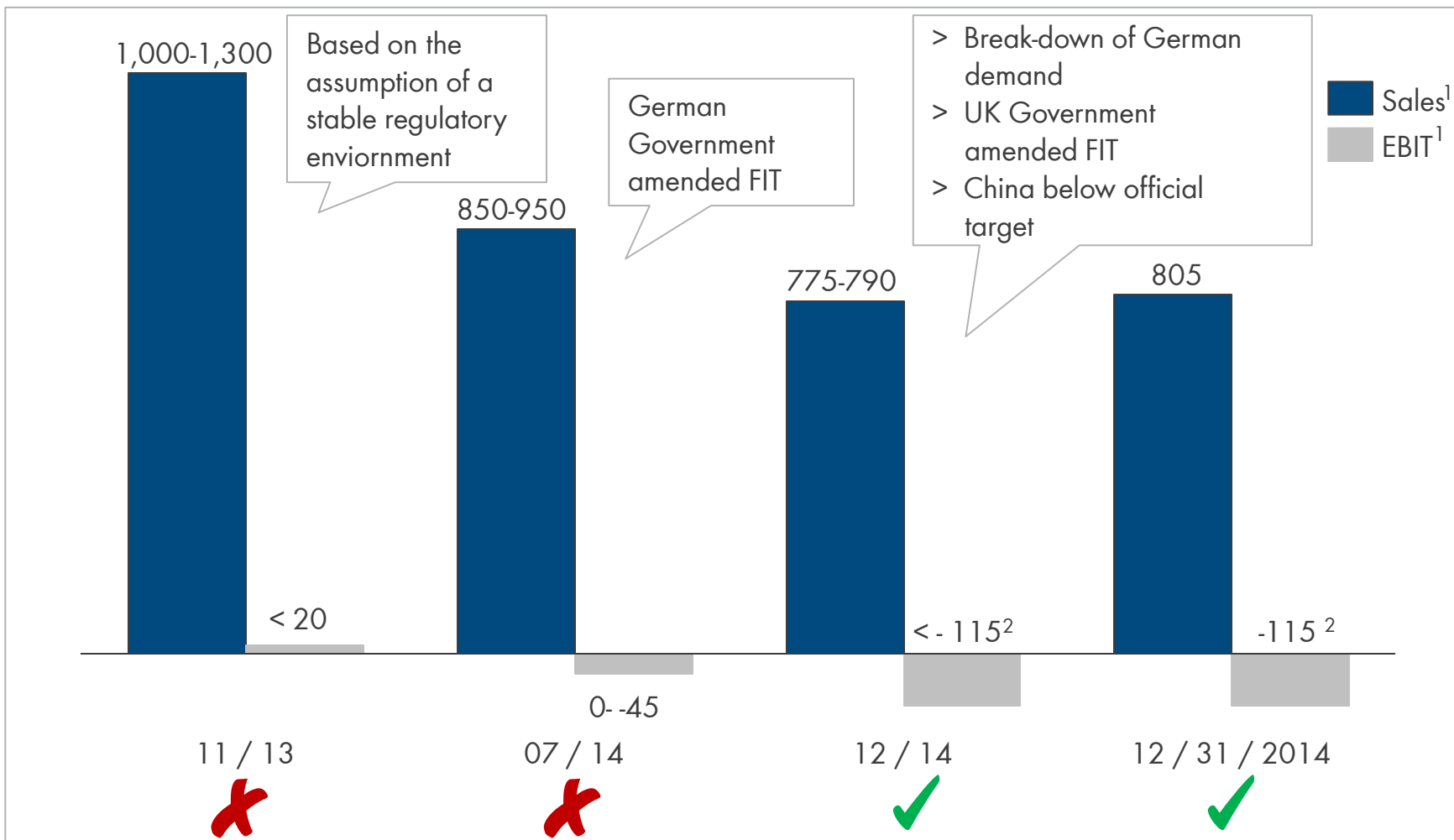
Equity ratio



1

# The Management Missed the Guidance Two Times in 2014 – Since December 2014 SMA Outperformed its Guidance

## History of FY 2014 Guidance



1. In € million  
2. Without restructuring charges for headcount reduction



# The Cooperation with Siemens Brings Specialists Together to Increase the Attractiveness of their Solution for Utility-Scale PV Projects



Sunny Central 2500



## SIEMENS

Transformer  
Switchgear

Know-how: PV plant design; grid access; project management

- > Both parties combine their core businesses as opposed to mixing several non-core activities.
- > Clients don't have to deal with a small solar unit from a total scope provider.
- > They receive direct involvement and access to main units responsible for the business towards the customer.
- > **SMA and Siemens either act as individual contract partners or as a consortium - There is no exclusivity**

# Combined Technology and Service Leadership for Maximum Customer Value

BACKUP



Perfectly aligned technology from components to even the most complex grid connections



Competent partners for all complex PV plants from planning through commissioning to services and support



Deep experience in regulatory and application framework with fast, professional response and good access to grid operators worldwide



Top level engineering support helping you solve all the complex engineering tasks associated with connecting to the grid



Less interfaces, optimized technical solutions and coordination from a single source mitigate risks, accelerate processes and increase availability of the PV Power plant



ENERGY  
THAT  
CHANGES



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