

SMA SOLAR TECHNOLOGY AG
Analyst / Investor Presentation
Macquarie's 9th Alternative Energy Conference
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SMA INCREASED SALES & EARNINGS DURING THE FIRST SIX MONTHS OF 2016

Based on Current Performance and Solid Order Backlog SMA's Management Confirms Full Year Guidance



Top-Line	<ul style="list-style-type: none">> SMA had €494m sales (H1 2015: €429m); in line with Guidance> Commercial was key growth driver (+44% Y/Y) due to new products for key markets (JP/US). Utility growth (+16% Y/Y) was impacted by project delays; Residential declined (-13% Y/Y) due to weaker than expected demand in the US and Japan.> Export business increased to >90% of sales (Americas: +35%; EMEA: -2%; APAC: +6% Y/Y)
Profitability/ Bankability	<ul style="list-style-type: none">> Stable gross margin of 24% in Q2 2016 compared to Q1 2016 despite product mix changes> 4%-pts lower EBIT-margin in Q2 (compared to Q1) mainly due to volume, product mix, one-offs and reduced R&D capitalization> SMA increased EBIT to €39m (H1 2015: €-15m); in line with lower-end of guidance> Positive free cash flow (adj.) of €38m (H1 2015: €-20m) due to higher earnings, NWC improvements and lower capital expenditures> Rock solid balance sheet structure with c. 50% equity ratio, €294m net cash and €100m long-term credit facility
Outlook	<ul style="list-style-type: none">> Management increased market forecast for 2016 to 66 GW (+25% Y/Y). Due to accelerated price pressure global demand is expected to remain flattish at €4.6bn in 2016.> SMA will introduce cost-improved products and further reduce its fixed costs by up to 15% (€-40m) within the next 12 months to improve its competitiveness.> Management expects an accelerated industry consolidation in light of most recent price developments. SMA is well positioned to benefit from market dynamics and to prosper.> SMA expects sales between €950m to €1,050m and EBIT between €80m to €120m. The upper end of the earnings guidance seems ambitious.

> SMA made an early and decisive decision to consolidate the infrastructure and to introduce cost-improved products

Despite a Shift in the Product Mix, SMA's Gross Margin Stood Rather Stable at 24% in Q2 2016



Key Financials (in € million)

	H1/2015	H1/2016	Δ
MW sold	3,153	3,876	+23%
Sales	429	494	+15%
Residential	114	99	-13%
Commercial	86	124	+44%
Utility	176	205	+16%
Service ²	22	25	+10%
Other Business	31	41	+32%
Gross margin	17%	25%	
EBITDA	21	73	n.m.
EBIT	-15	39	n.m.
Thereof One-Offs	-1	-2	n.m.
Free cash flow (adj.)	-20	38	n.m.
Depreciation	36	34	-7%
Capex (incl. R&D)	32	12	-62%

Key Financials (in € million)

	2015/12/31	2016/06/30	Δ	
Net cash	286	294	+3%	
Total assets	1,160	1,181	+2%	
NWC ratio ¹	22%	23%		
	2015		2016	
	Q3	Q4	Q1	Q2
Sales	270	301	254	240
Residential	73	66	46	53
Commercial	57	64	60	64
Utility	111	130	115	90
Service ²	13	14	13	12
Other Business	16	27	20	21
Gross margin	23%	26%	25%	24%
EBIT	18	30	25	14
One-Offs	-13	-10	0	-2

1. NWC= inventory+trade receivables-trade payables (no advanced payments included); as of last twelve month's sales

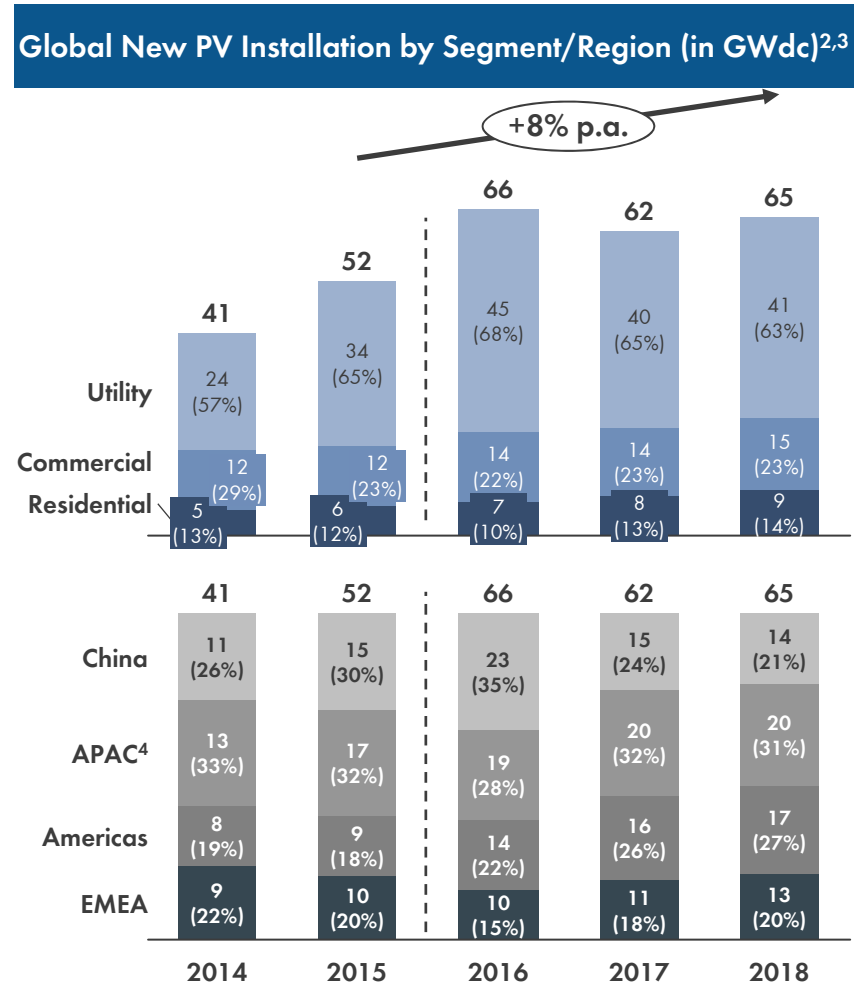
2. External Sales

THE MARKET ENVIRONMENT HAS CHANGED IN RECENT WEEKS

SMA Increased the Outlook for 2016 due to H1 Installs in China - New Targets in China will Impact Future Installations



- > SMA increased global market outlook for 2016 by >10% to 66 GW due to high level of new installations in H1 in China.¹ However, the expected national target reduction will cool-down the Chinese market in 2017.
- > Main drivers for global volume growth of up to 8% are long-term incentive programs (e.g. ITC (USA); FIT (EU/JP)) and CO₂ emission targets.
- > Americas, China and India are driving forces for new installations in coming years (>60% of global demand). Middle East, South East Asia and South America are expected to gain importance (>10% of global demand).
- > Utility remains the most important segment (>60% of global demand). However, smaller Utility plants are increasingly designed with string inverters.



> **PV becomes more and more popular in new markets – SMA's Management remains its positive mid-term view for established markets**

1. China reduced the Feed-in-Tariff (FIT) by the end of June 2016

2. SMA MI Market Model Q3 2016

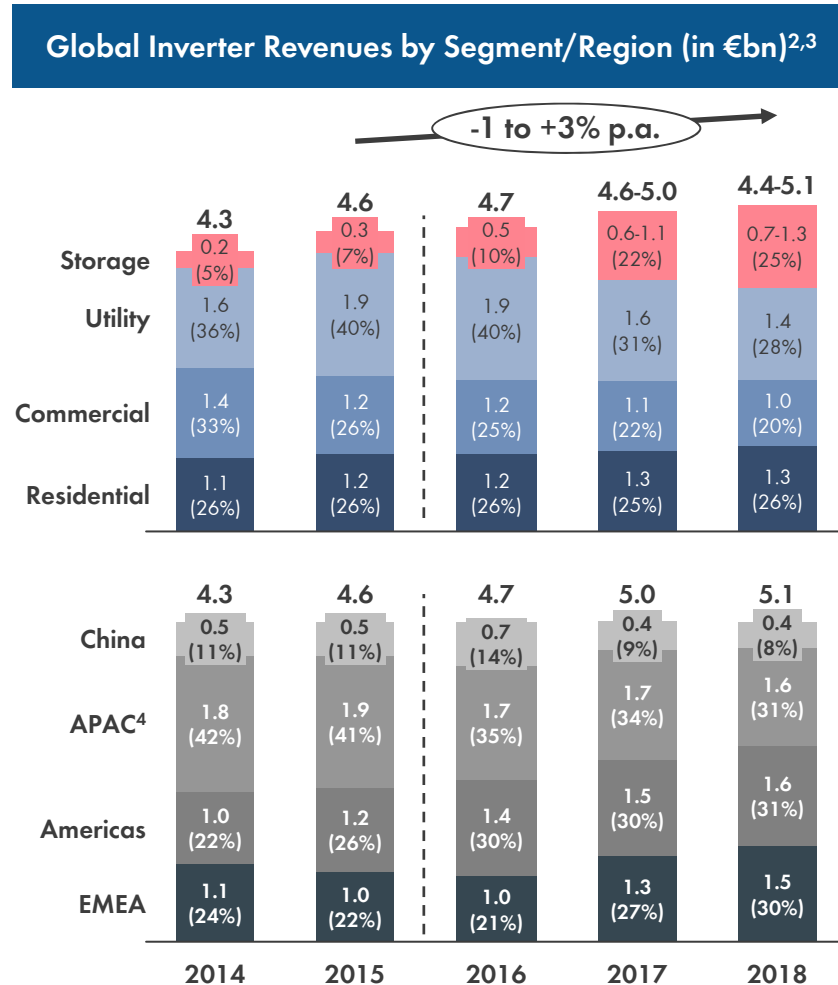
3. Incl. ~1 GW off-grid installations p.a.: residential, remote and micro-grid applications

4. w/o China

Price Pressure for Solar Inverters and Services Accelerated Since Mid-2016 in all Segments and Regions



- > In recent weeks especially Chinese players reduced their average selling prices to get faster access to established markets. The price strategy shall compensate the shift in regional demand.
- > However, compliance with regulations, cybersecurity, product quality, service and product features remain key decision criteria for solar inverter technology in many regions and segments.
- > SMA reduced its latest global inverter sales outlook for 2017 and 2018 by 4%. We expect a global market growth of up to 3% p.a. to €5.1bn until 2018 (before: up to €5.3 bn).
- > In €-terms Americas, Europe and Japan remain the most important markets (c. 65% of revenues).
- > Sales growth is driven by storage applications and highly efficient residential plants.¹



> **SMA's Management expects PV power to become competitive with on-shore Wind by 2020**

1. Including Module Level Power Electronics
 2. Prices for revenue calculation according to IHS (EUR/Wac) and SMA MI Market Model_Q3 2016

3. Incl. system technology for storage applications (e.g. hybrid, behind the meter, in the grid, co-located, etc.) and demand for replacement inverters
 4. w/o China

SMA WILL INTRODUCE NEW PRODUCTS AND SERVICES TO COMPENSATE PRICE PRESSURE

SMA WILL REDUCE ITS FIXED COST STRUCTURE TO IMPROVE ITS COMPETITIVENESS

Reduction of Customer Cost of Electricity through Intelligent System Solutions



PV-Inverter

Cost Improved New Products



NEW

Sunny Boy
Q2/2016¹



NEW

Sunny Tripower
Q3/2016¹

Energy Management

Up to 40% Savings of Energy Costs



Sunny Boy 1.5 / 2.5



Sunny Home Manager



SMA Energy Meter



Heat Pump



Mennekes
AMTRON®
Wallbox


Module Level Power Electronics

Lower Cost due to Selective Deployment


NEW

EASY CUSTOMISATION


- Monitoring
- Safety
- Optimization
- Long String



Sunny Boy



Sunny Portal





Storage Systems

Independence with Storage



Sunny Boy Smart Energy
Inverter with integrated battery



NEW

Sunny Boy Storage
Flexible solution with
high voltage battery



NEW

Sunny Island
Flexible solution with low
voltage battery

1. Market Introduction during Intersolar / Solar Power trade show

SMA is the First Inverter Manufacturer with a UL Certified Central Inverter with 1,500 Volt Technology for the US Market



- > Higher voltages will reduce the electrical BoS cost by up to 10% and increase power output by 14%
- > High strategic importance of alliance with Siemens: aligned technical solution from DC to high voltage grid; share of global network and abilities; joint product development



Service: Peace of Mind if SMA is on Your Side

- > Preventive maintenance include visual inspection and thermal scans. Expert advice is provided through remote system monitoring 24/7
- > Proactive maintenance adds 24 hrs emergency response time, spare parts inventory management and warranty management. System performance is improved by testing, real-time monitoring and thermography services

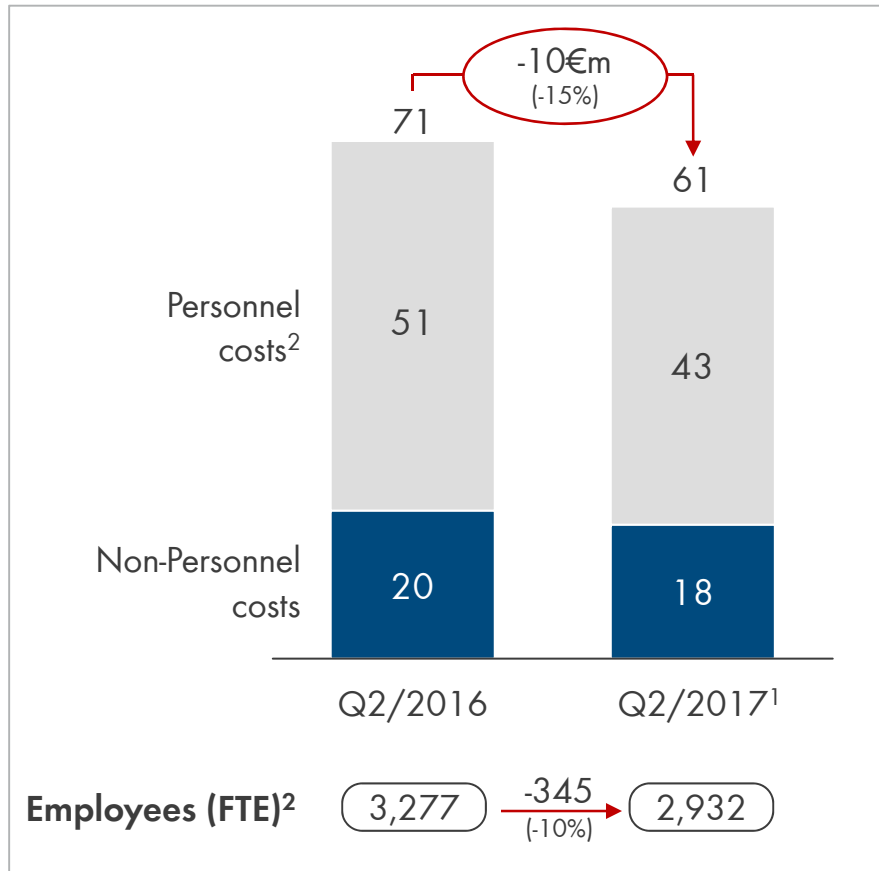
> SMA is already the global #4 of O+M Maintenance Providers for the PV industry and has 1.4 GW under management¹

1. GTM Research - Megawatt -Scale PV O&M and Asset Management 2015-2020, Nov. 2015

SMA will Reduce the Fixed Costs by up to €40m p.a. within the Next 12 Months



Fixed Cost Structure, w/o Depreciation (in €m)



Key Measures

- Operations**
 - > Closure of production sites in Denver (USA) and Cape Town (South Africa).
 - > Set up of local hubs in the USA (East/West Coast) to allow fast delivery times.³
 - > Increase utilization of production and repair facilities in Kassel (Germany) and Yangzhong (China). No significant investment required.
- Sales & Service**
 - > Closure of subsidiaries in markets with unattractive mid-term market outlook (Greece, Portugal).
 - > Increase sales & service professionals in markets with attractive mid-term outlook (USA, India, Japan).
- Others**
 - > Divestment of non-core assets (e.g. SMA Railway Technology; 165 FTE).
 - > Lease of office buildings in Kassel (>10,000 sqm; annual lease c. €1.5m).
 - > Cost reduction due to consolidation of admin. functions and streamlining of processes.

> **SMA's production sites in Germany and China with a capacity of more than 10 GW are not capital intense; capacity can be adjusted in a short period of time**

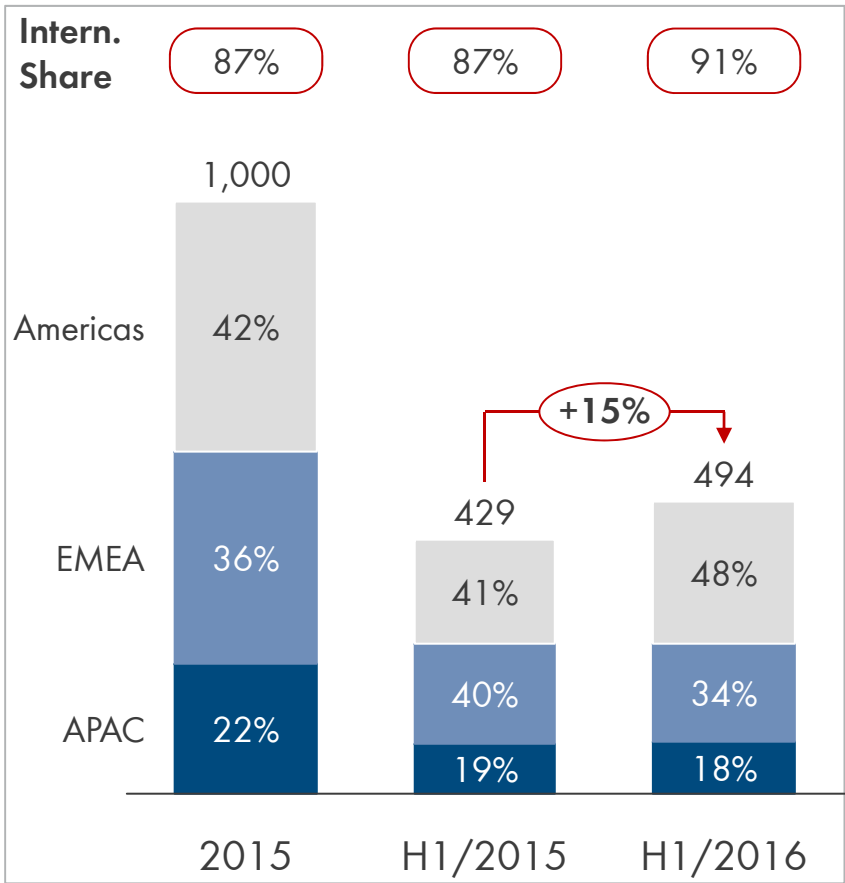
1. Target
 2. Full-time employees w/o temporary employees
 3. Managed by Third Party Providers

SMA'S MANAGEMENT CONFIRMS GUIDANCE 2016

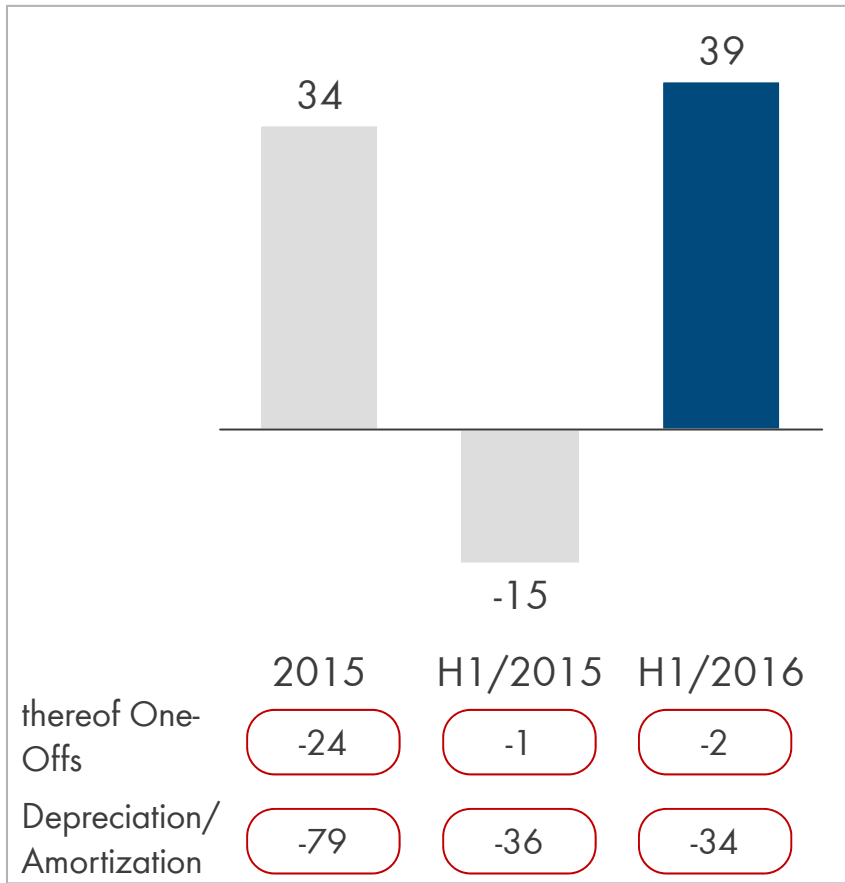
Business in North America is the Main Growth Driver



Group Sales (in € million)



EBIT (in € million)



> In H1 2016 almost all core business units were profitable

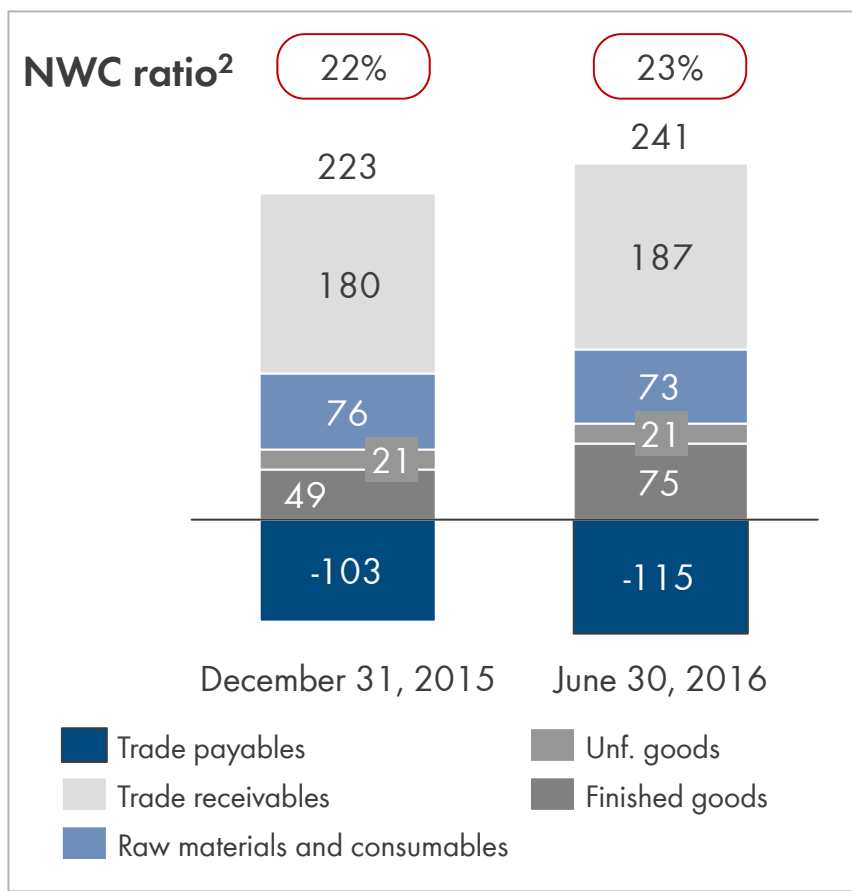
1. Internal sales (H1/2015: €33m; H1/2016: €32m) and external sales (H1/2015: €23m; H1/2016: €25m)

2. Including Zeyersolar

With an Equity Ratio of c. 50% and High Net Cash of €294m, SMA is Rock Solid



Net Working Capital (in € million)¹



Group Balance Sheet (reclassified, €m)

	2015/12/31	2016/06/30	Δ
Non current assets	471	462	-2%
Working capital	326	356	9%
Other assets	38	36	-5%
Total cash	325	327	1%
Shareholders' equity	570	581	2%
Provisions ³	170	171	1%
Trade payables	103	115	12%
Financial liabilities ⁴	39	33	-15%
Other liabilities ³	278	281	1%
Total	1,160	1,181	2%

> **SMA will use the high cash position to benefit from the ongoing consolidation⁵**

1. NWC= inventory+trade receivables-trade payables (no advanced payments included)

2. As of last twelve months sales

3. Not interest-bearing

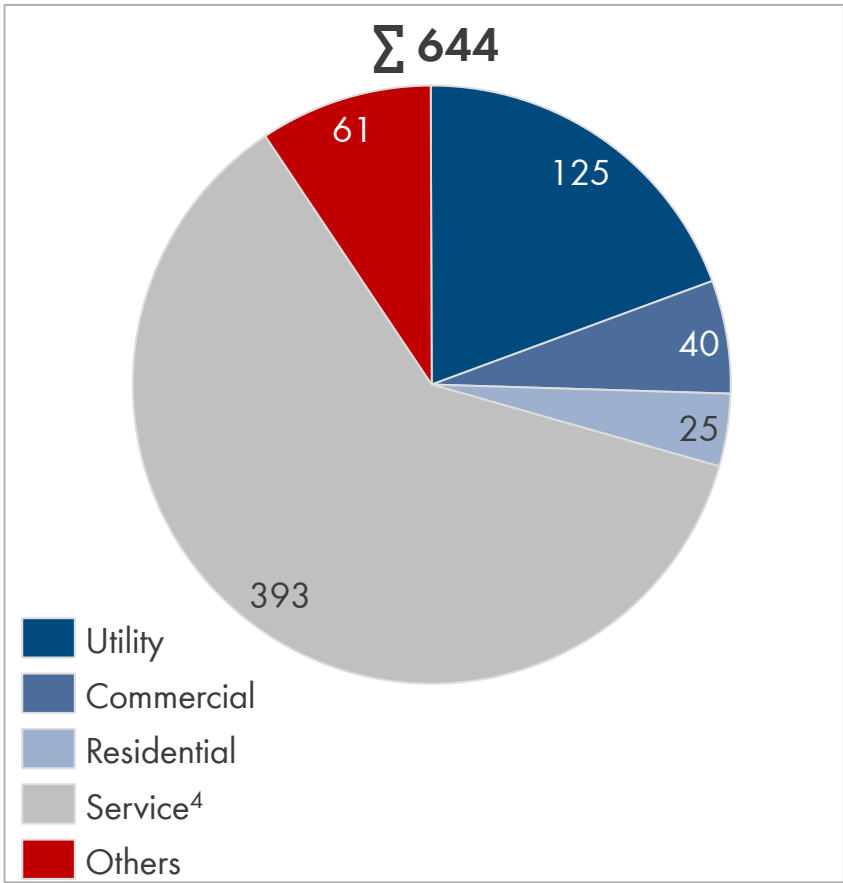
4. W/o not-interest-bearing derivatives: €4m (2015: €8m)

5. A buy-back of shares is not planned

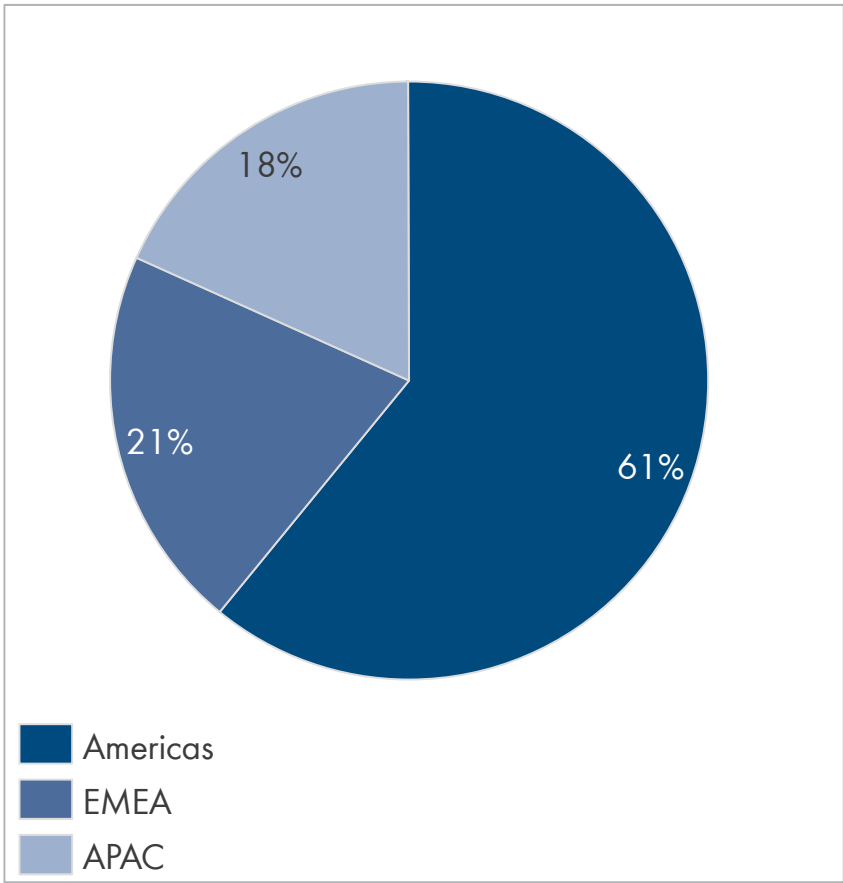
SMA has a Strong Order Backlog of c. €644m; thereof c. €251 m from Products¹



Order Backlog by Segments (in € m)²



Order Backlog by Region (in %)^{2,3}



> Approx. 75% of the full year sales guidance⁵ is already covered with current sales and backlog for products

1. Reduction of 8% compared to Dec. 31, 2015 is mainly due to unusual high order intake in Q4/15 (US ITC)
 2. As of June 30, 2016

3. Only Utility, Commercial, Residential, Other Business
 4. Order backlog in Service will be recognized over a period of 5 to 10 years

5. Midpoint (€950m-1,050m)

The Upper End of the Earnings Guidance Seems Ambitious in Light of the Current Price Dynamic in the Solar Industry



Guidance 2016 (in € million)

EBIT	Sales	
	2015	2016
	34	80-120
	1,000	950-1,050
thereof Residential	25%	>20%
thereof Commercial	21%	>20%
thereof Utility	42%	>40%
International Share	87%	c. 90%
Depreciation/ Amortization	79	c. 70
CapEx (incl. R&D)	51	25-30
NWC ratio	22%	20-23%
Tax rate	51% ¹	c. 40% ²

- > The order backlog gives SMA's Management confidence to reach the sales guidance. Majority of Utility projects will be shipped in Q4 2016.
- > Strong earnings development in Q3 2016.³ However, to reach the upper end seems ambitious due to price pressure.
- > Lower CapEx due to Denver closure
- > Positive one-offs from divestments will likely compensate negative one-offs from restructuring.
- > Improvement in variable and fixed costs will start to kick-in early 2017. Full effect is expected by mid-2017.
- > Tigo MLPE technology will impact sales and earnings in Q4 2016 at the earliest.

1. Tax Rate 2015 incl. One-Off from tax audit (2010-2012)

2. Tax Rate 2016 incl. One-Off from tax review for previous years

3. Before one-offs from restructuring

Investment Highlights: Attractive Investment Opportunity



- ✓ Direct exposure to the global solar market
- ✓ SMA has been 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
- ✓ Bankable partner due to high equity ratio, net cash position and credit facility
- ✓ Stable shareholder structure with Danfoss as strategic anchor investor
- ✓ Experienced management team

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BACK UP

Financial Calendar

BACKUP



Sep 16, 2016	Macquarie's 9th Alternative Energy Conference London
Oct 24 - Nov 10, 2016	Investor Relations - Quiet Period
Nov 10, 2016	Publication of Quarterly Financial Statement: January to September 2016 Analyst Conference Call: 09:00 a. m. (CET)
Jan 16-27, 2017	Investor Relations - Quiet Period
Jan 27, 2017	Capital Markets Day: Publication of Guidance 2017 Kassel/Niestetal
Mar 13-30, 2017	Investor Relations - Quiet Period
Mar 30, 2017	Publication of the SMA Group 2016 Annual Report Analyst Conference Call: 09:00 a.m. (CET)

Development of Key Financials

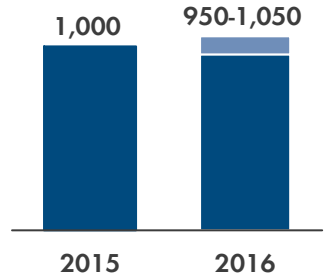
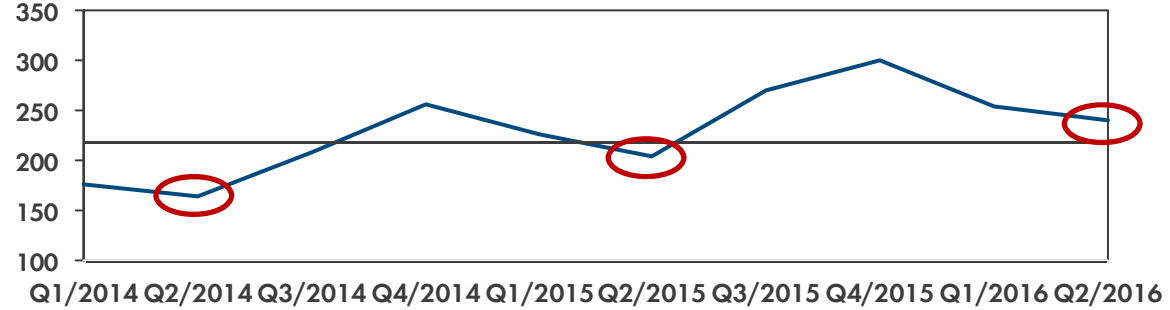


Quarterly Key Financials (in € million)

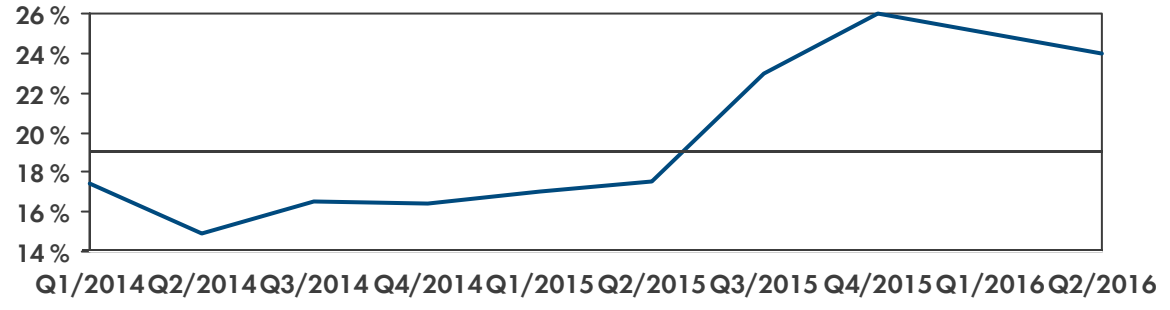
	Q1/2015	Q2/2015	Q3/2015	Q4/2015	Q1/2016	Q2/2016
Sales	226	203	270	301	254	240
Gross margin	17%	18%	23%	26%	25%	24%
EBITDA	13	8	38	54	42	31
EBIT	-5	-9	18	30	25	14
One-Offs	-3	2	-13	-10	0	-2

Development of Key Financials (Cont')

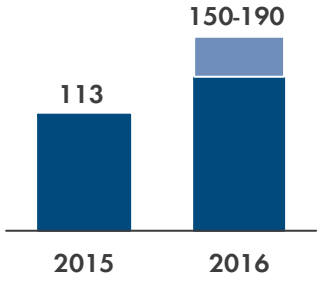
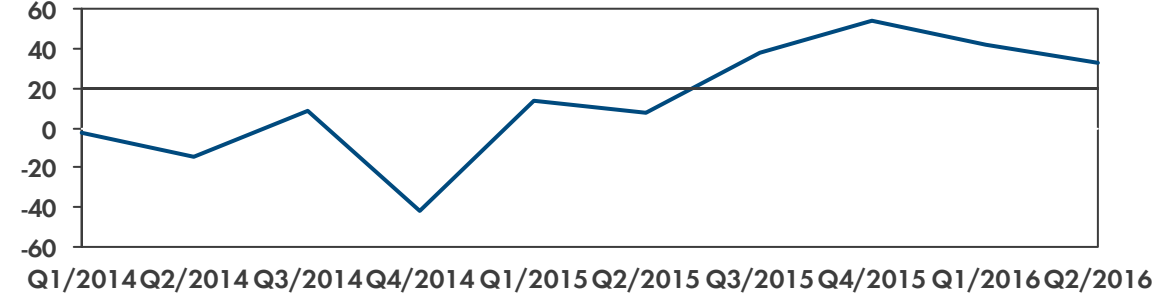
Sales in € million



Gross margin

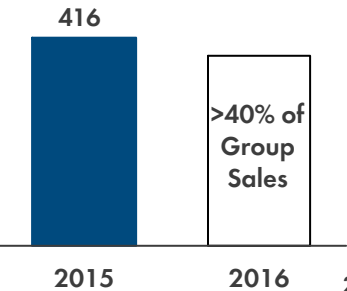
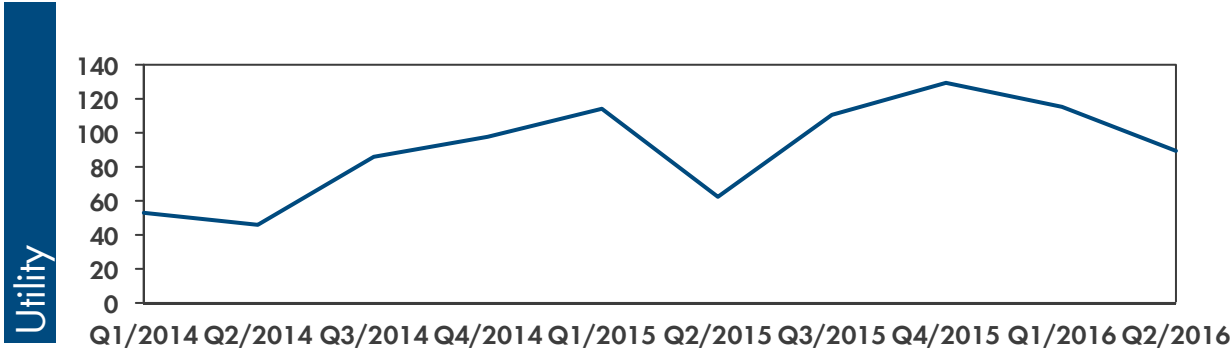
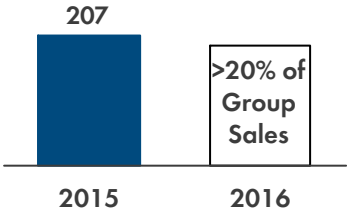
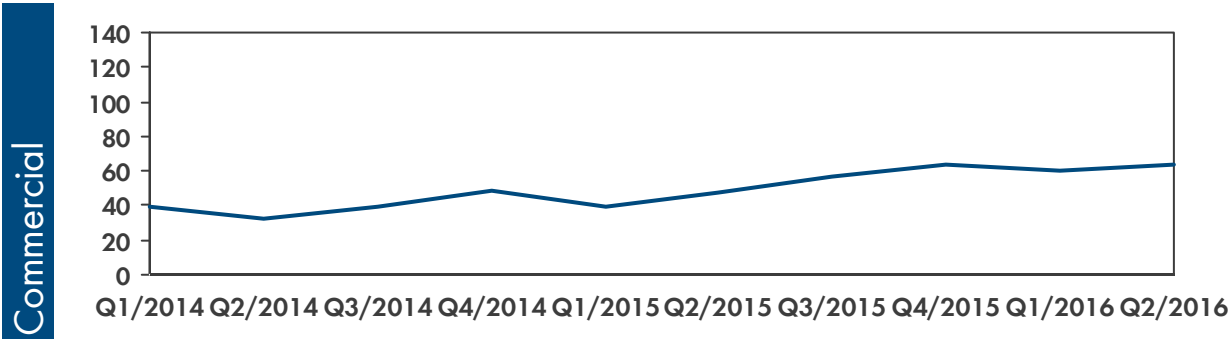
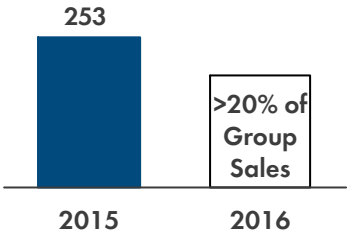
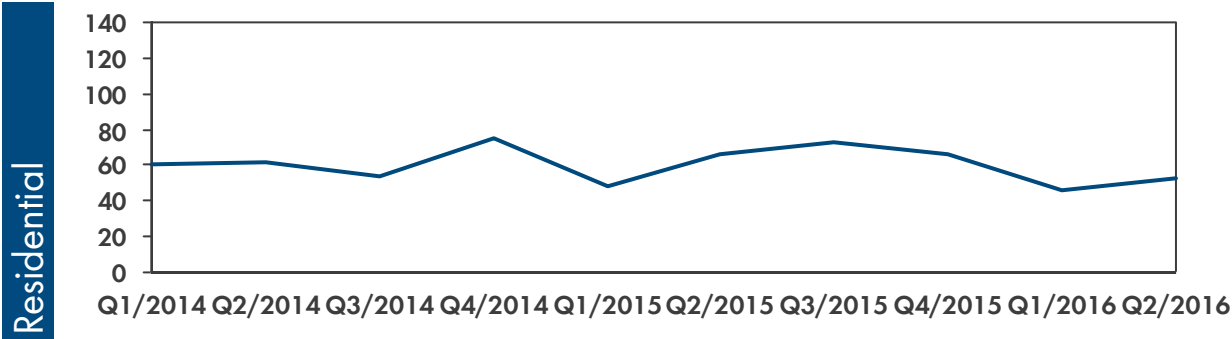


EBITDA in € million





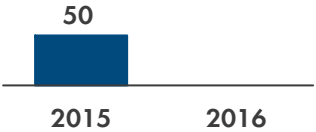
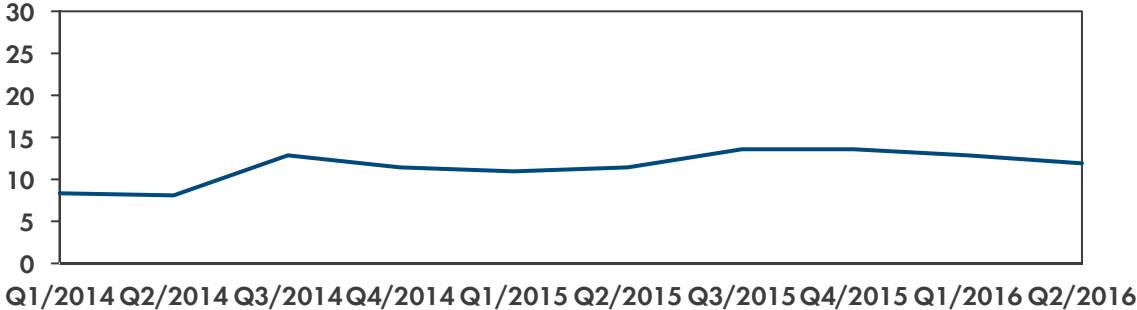
Development of Key Financials (Cont') - Sales Development by Segment (in € million)



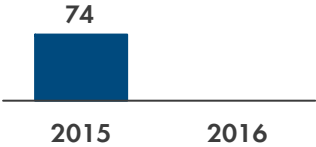
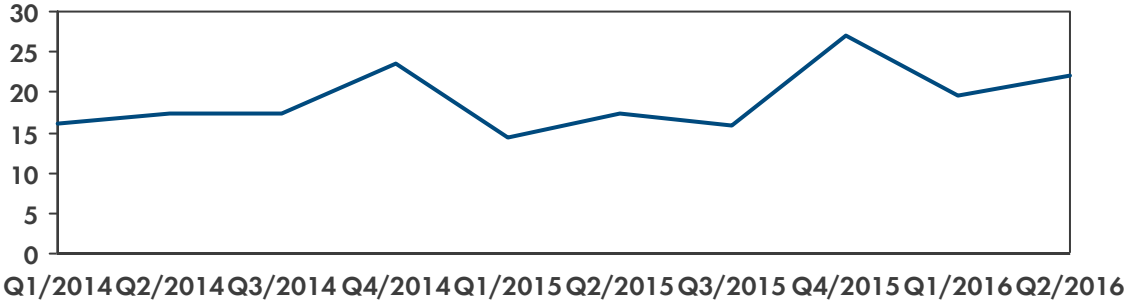


Development of Key Financials (Cont') - Sales Development by Segment (in € million)

Service (external)



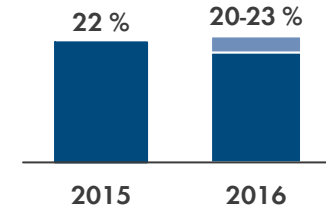
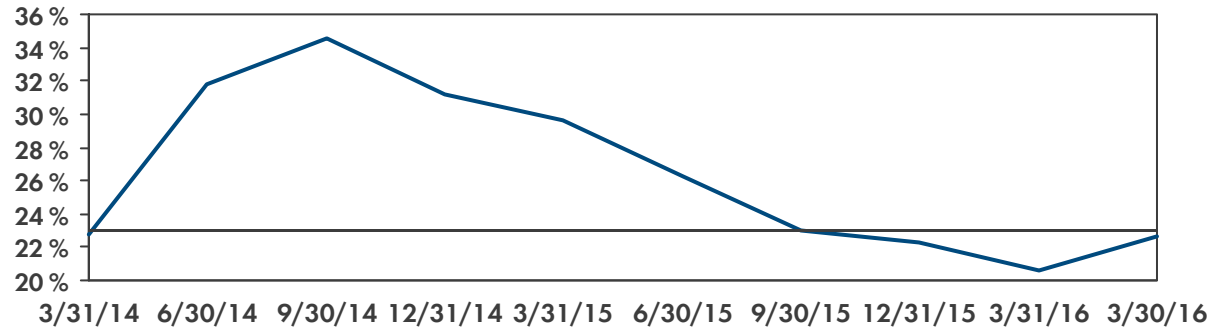
Other Business



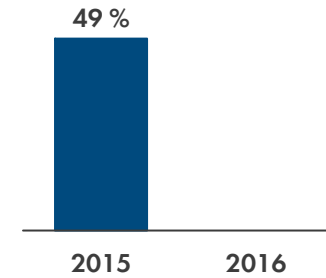
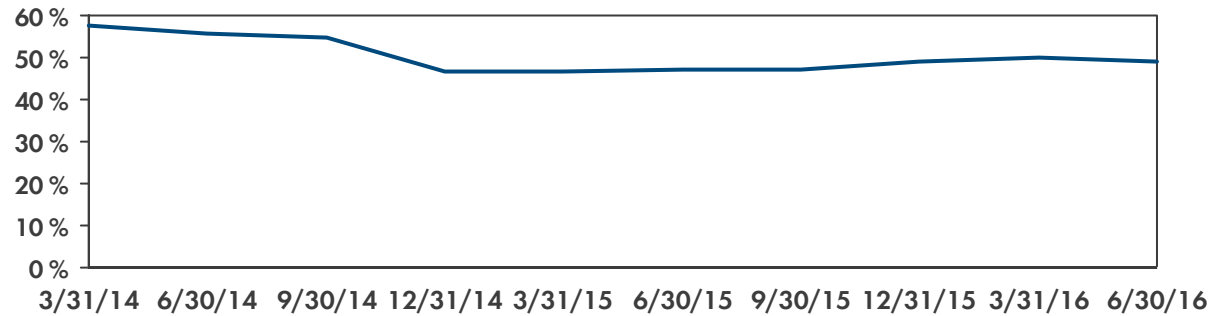
Development of Key Financials (Cont')



NWC ratio



Equity ratio



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