

SMA SOLAR TECHNOLOGY AG

Analyst / Investor Presentation

Quarterly Financial Results: January to September 2016

Pierre-Pascal Urbon, CEO
November 10, 2016



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**HIGH CASH FLOW GENERATION AND
SUCCESSFUL PRODUCT INTRODUCTIONS.**

**MARKET VOLATILITY INCREASED IN RECENT
MONTHS.**

Attractive Cash Flow Profile, New Products and Implemented Measures to Improve the Cost Structure are Key Highlights



Top-Line	<ul style="list-style-type: none"> > SMA had €709m sales (Q1-Q3/15: 687m) despite increased price pressure > Strong Commercial (+36% Y/Y) and Service (+10% Y/Y) business; Utility (+1%) was impacted by numerous delays in major projects in EMEA and Americas; Residential declined (-24% Y/Y) due to weaker than expected demand in the US and Japan > Export business increased to 90% of sales (Americas: +14%; EMEA: -12%; APAC: +10% Y/Y)
Profitability/ Bankability	<ul style="list-style-type: none"> > SMA increased Gross Margin to 27% in Q3/16 compared to Q2/16 (24%) despite one-offs attributable to the consolidation of production sites and product mix changes > SMA increased EBIT significantly to €59m (Q1-Q3/15: €10m) due to new products and reduced fixed costs > SMA generated high operating cash flows of €124m (Q1-Q2/15: €70m) > Rock solid balance sheet structure with 50% equity ratio, > €350m net cash and €100m long-term credit facility
Outlook	<ul style="list-style-type: none"> > Management increased market forecast for 2016 by >10% to 73 GW (+25% Y/Y) because of Chinese installs (€4.9bn). SMA slightly increased market outlook for 2017 to 67 GW (€4.9bn) > The new US president is expected to impose a 45% import tariff on Chinese solar inverters because of unfair trade practice. SMA does not expect D. Trump to contest the ITC.¹ > SMA introduced cost-improved products and will reduce its fixed costs by up to 15% (€-40m) to improve its competitiveness by H1/17 > Management adjusted guidance to sales of €900m and €950m (previously €950m to €1,050m) and EBIT between €60m and €70m (previously €80m to €120m).

> SMA expects sales of up to €241m and earnings of up to €11m in Q4/2016

1. The Investment Tax Credit (ITC) was passed with broad congressional support in 2015

SMA Increased Sales and Earnings During the First Nine Months 2016



Key Financials (in € million, w/o SMA Railway) ¹			
	Q1-Q3/ 2015	Q1-Q3/ 2016	Δ
MW sold	5,031	5,655	+12%
Sales	687	709	+3%
Residential	186	142	-24%
Commercial	143	195	+36%
Utility	287	289	+1%
Service ²	36	39	+10%
Other Business	35	44	+27%
Gross margin	20%	25%	
EBITDA	65	108	+67%
EBIT	10	59	n.m.
Thereof One-Offs	-14	-11	n.m.
Free cash flow (adj.)	31	106	n.m.
Depreciation	56	49	-11%
Capex (incl. R&D)	39	19	-52%

Key Financials (in € million, w/o SMA Railway) ¹				
	2015/12/31	2016/06/30		Δ
Net cash	286	353		+24%
Total assets	1,160	1,206		+4%
NWC ratio ³	22%	21%		
	2015 Q4	2016 Q1	2016 Q2	2016 Q3
Sales	295	248	234	227
Residential	66	46	53	43
Commercial	64	60	64	71
Utility	130	115	90	84
Service ²	14	13	12	14
Other Business	21	14	15	15
Gross margin	27%	25%	24%	27%
EBIT	33	25	13	21
One-Offs	-10	0	-2	-9

1. SMA Railway is now classified as discontinued operation; see appendix for further details

2. External Sales

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

**THE MARKET ENVIRONMENT CHANGED
MID-2016 AFTER FIT CUTS IN CHINA.**

**THE ELECTION IN THE USA WILL IMPACT THE
COMPETITIVE ENVIRONMENT.**

ENERGY
THAT
CHANGES

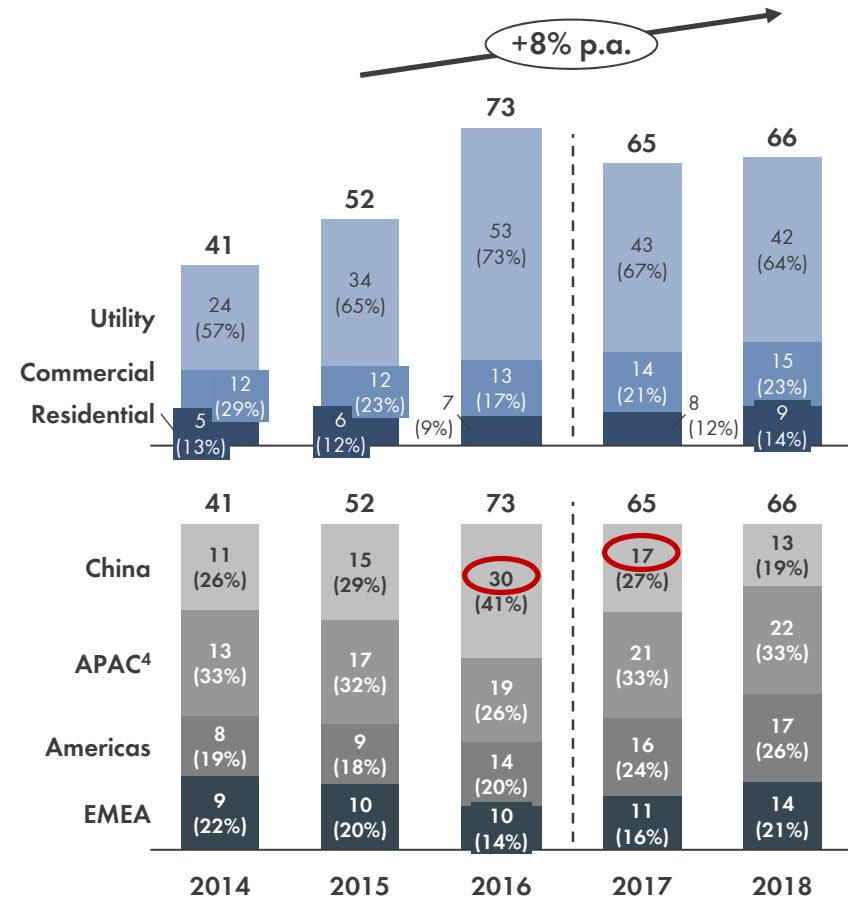


The Chinese Solar Market is Expected to Half in 2017- International Markets are Expected to Grow by >10 %



- > SMA increased global market outlook for 2016 by >10% to 73 GW due to high level of new installations in China in the first nine months. However, Chinese demand will collapse due to revised national solar target and FIT cuts.¹
- > 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).
- > SMA does not expect a negative impact in the US, since the ITC was passed with great support from Republicans and Democrats.
- > Utility remains the most important segment (>60% of global demand). Positive trend for commercial projects due to high rate of self-consumption.

Global New PV Installation by Segment/Region (in GWdc)^{2,3}



> 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 and announced further FIT reduction for 2017; New National Solar target set in 13th Five-Year-Plan for Power released on Nov. 7th 2016 by NEA

2. SMA MI Market Model Q4 2016

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

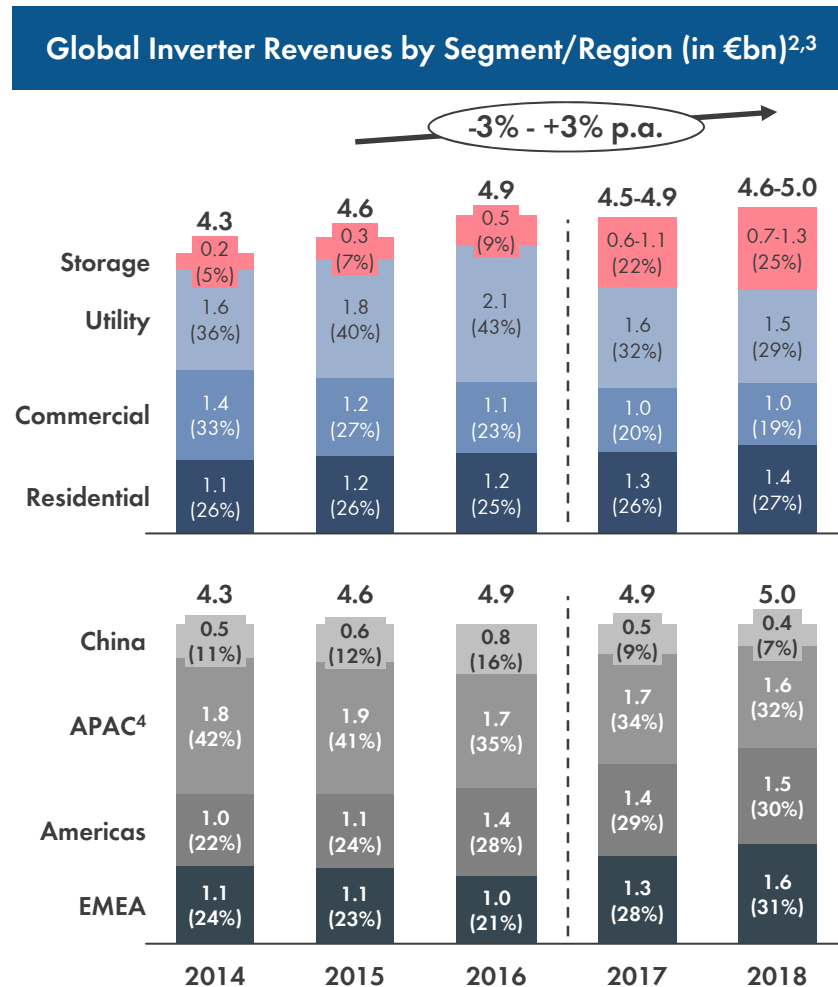
4. w/o China

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



- > Mid of this year especially Chinese players reduced their average selling prices to get faster access to established markets. The price strategy shall compensate the slowdown in their home market.
- > 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 expects a rather flattish market development until 2018 (ca. €5bn).
- > 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 expects an accelerated industry consolidation



1. Including Module Level Power Electronics and storage
 2. Prices for revenue calculation according to IHS (EUR/Wac) and SMA MI Market Model Q4 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

Negative Sentiments towards Chinese Solar Inverter Manufacturers due to Compliance Risks



Increased concerns about Chinese

Germany stalls Chinese takeover of Aixtron, citing security worries

Reuters, 24 October 2016¹

Australia formally bans Chinese from leasing power grid

The Washington Post, 19 August 2016²

China Is Another Step Closer to Controversial Cybersecurity Law

Reuters, 27 June 2016³

Huawei's telecom networking equipment [...] has effectively been banned in the U.S. after a 2012 congressional report [...] citing concerns that it could be used by Beijing to spy on Americans

The Wall Street Journal, Updated 2 June 2016⁴

Mr. Trump vowed to slap a 45% tariff on Chinese imports [...] if China doesn't change its trade practices, which the president-elect and other critics have called unfair.

The Wall Street Journal, 9 November 2016⁵



Impact PV

- > Some Chinese competitors do not fulfill the regulatory requirements (e.g. EMI), disclose wrong certifications and have undisclosed relationships to military.
- > Since solar inverter technology is regarded as a safety relevant control system, many customers expressed serious concerns about Chinese solar inverters. Furthermore, they request an existing service infrastructure.
- > Utility companies in all regions expressed their interest to use even larger central inverters for MW-projects in order to reduce the electrical balance of system costs and to have an easier integration into existing monitoring systems. Some Chinese competitors only offer string-inverter technology.

1. <http://www.reuters.com/article/us-aixtron-m-a-fujian-germany-idUSKCN12013G>; (Access 2016/11/07)

2. https://www.washingtonpost.com/world/asia_pacific/australia-formally-bans-chinese-from-leasing-power-grid/2016/08/19/13d0397c-65f0-11e6-b4d8-33e931b5a26d_story.html (Access 2016/11/07)

3. <http://fortune.com/2016/06/27/china-moves-toward-adopting-cybersecurity-law/>; (Access 2016/11/07)

4. <http://www.wsj.com/articles/u-s-seeks-huawei-records-on-dealings-with-sanctioned-nations-1464882905>; (Access 2016/11/07)

5. <http://www.wsj.com/articles/donald-trump-win-to-upend-trade-policy-1478692802>; (Access 2016/11/09)

SMA INTRODUCED NEW PRODUCTS AND SERVICES TO COMPENSATE PRICE PRESSURE.

SMA WILL FURTHER 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 CUSTOMIZATION


- 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

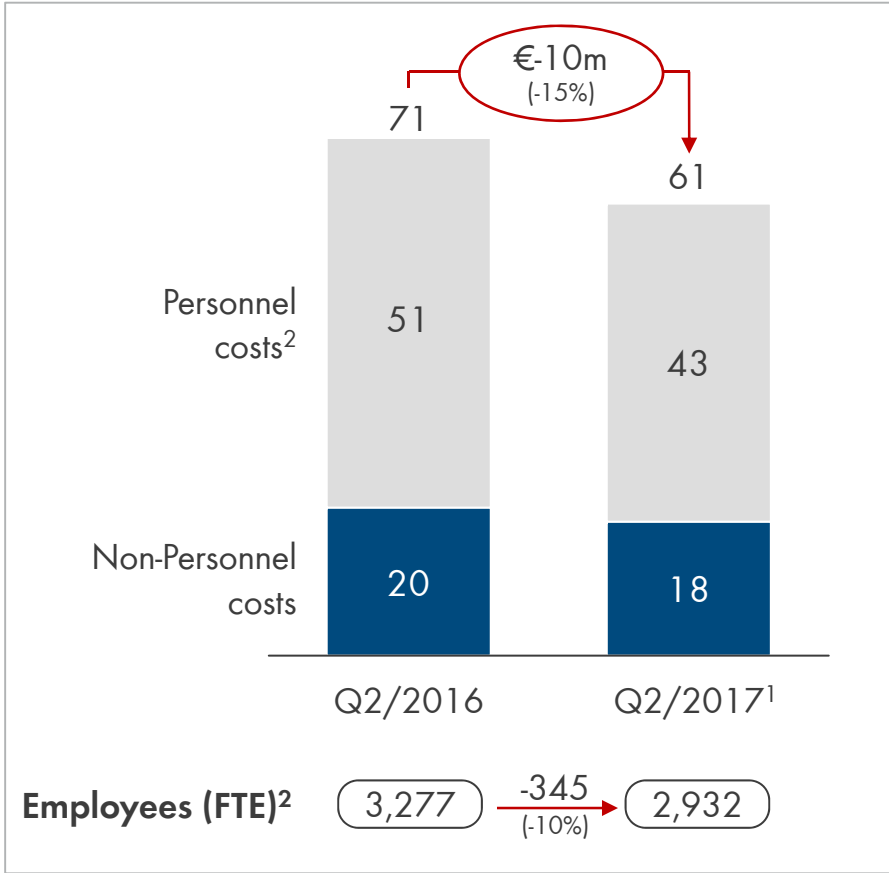
> SMA is already the global #4 of O+M maintenance providers for the PV industry and has 1.4 GW under management¹

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. Until H1/2017 – restructuring is on track



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 management expects the closing of the Railway Technology transaction in 2017⁴

1. Target

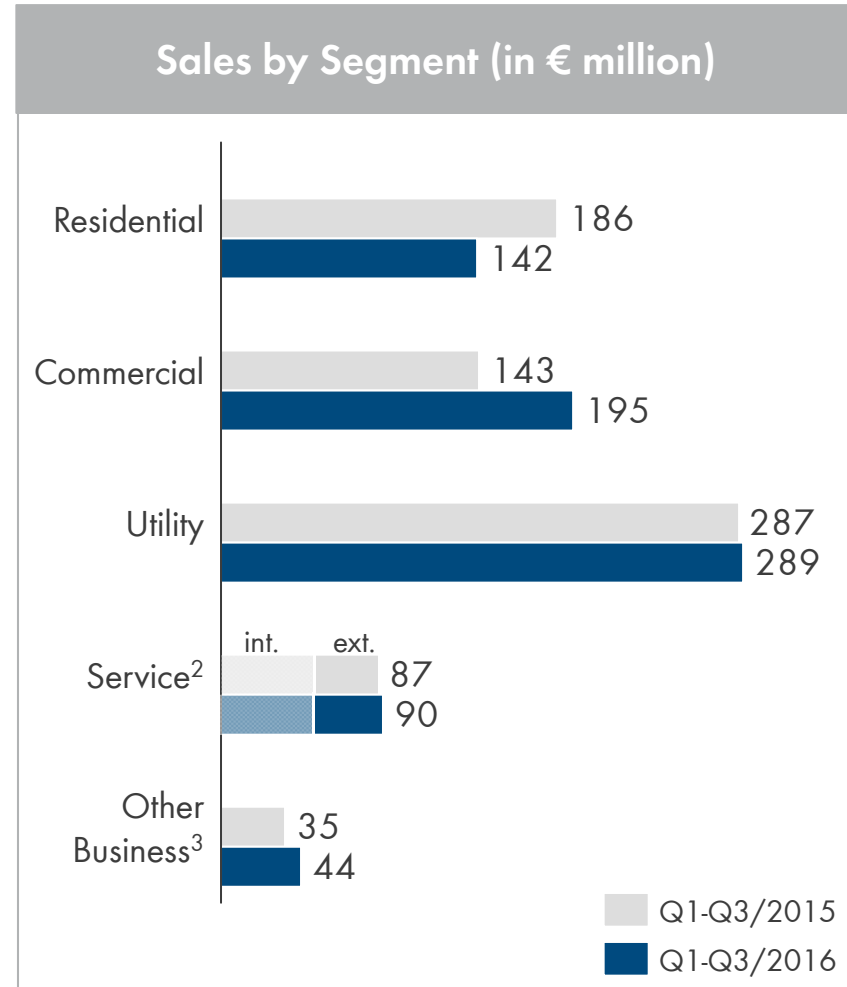
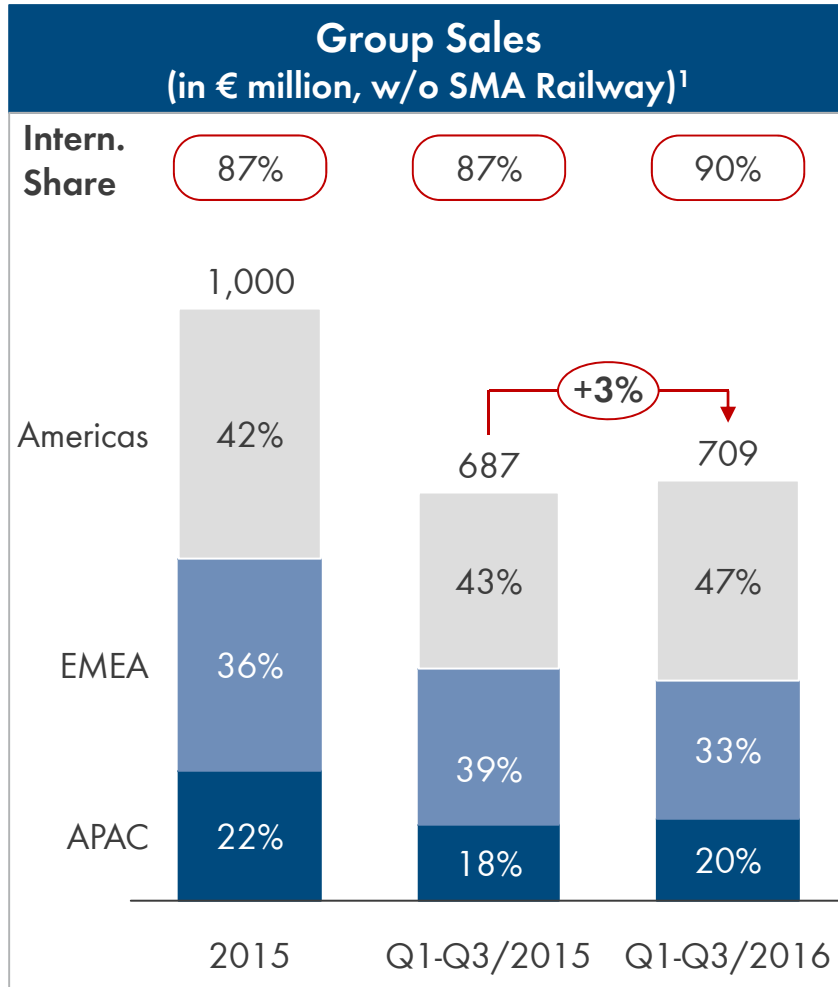
2. Full-time employees w/o temporary employees

3. Managed by Third Party Providers

4. Previously Q4/2016

**STRONG FINANCIALS DURING
THE FIRST NINE MONTHS.**

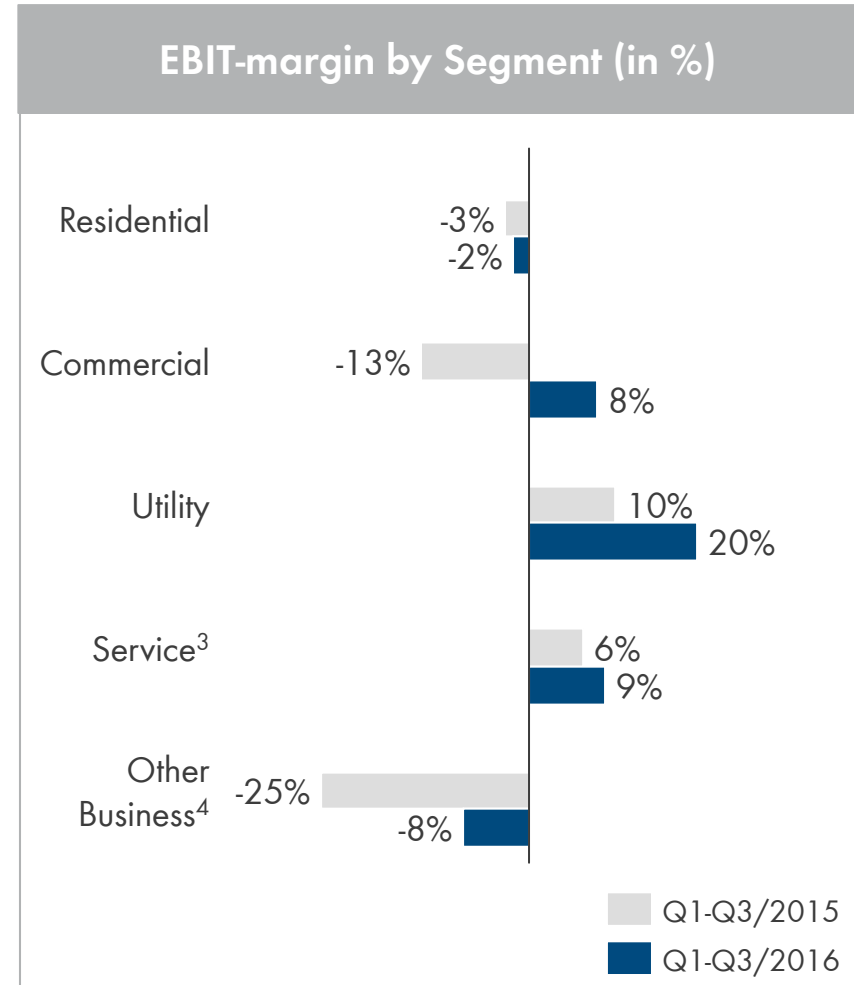
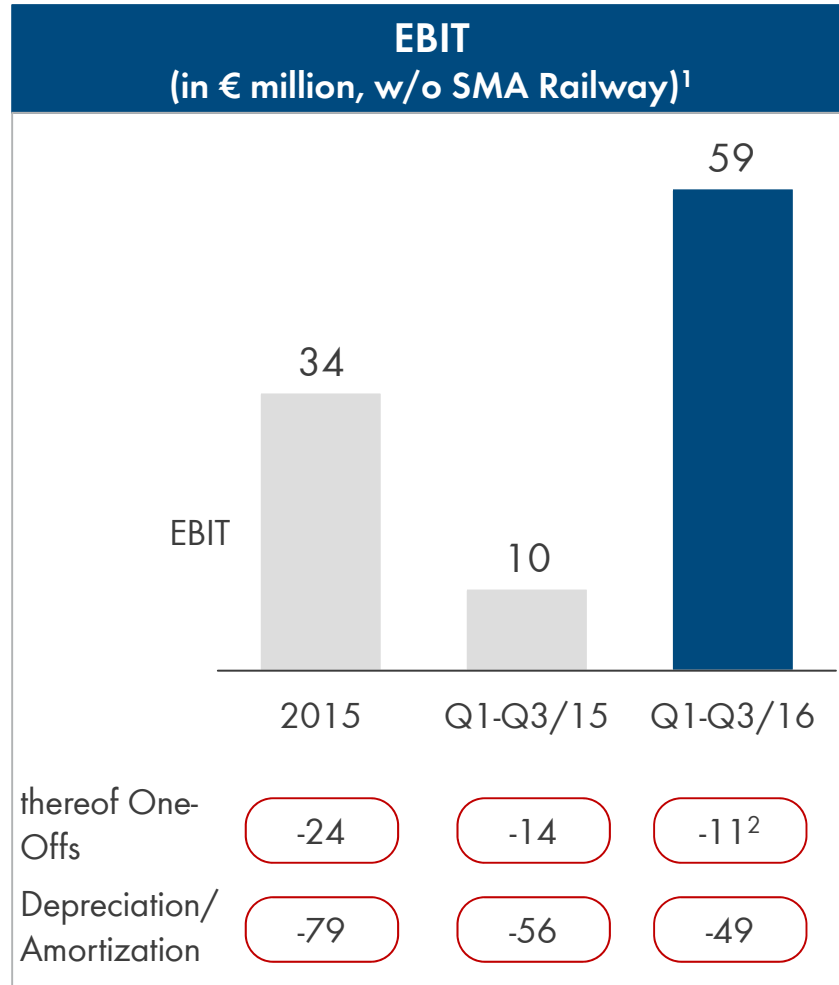
The Strong Growth in Commercial is Equally Driven by All Regions



> Residential sales are impacted by slower than expected demand in North America, especially California

1. SMA Railway is now classified as discontinued operation; see appendix for further details
 1. In relation to internal and external sales
 2. Including Zeversolar, w/o SMA Railway

SMA Increased its Profitability with New Products and Significant Fix Cost Reductions



> EBIT during the first nine months 2016 includes negative one-off items of €11 m, mostly for the consolidation of SMA's infrastructure

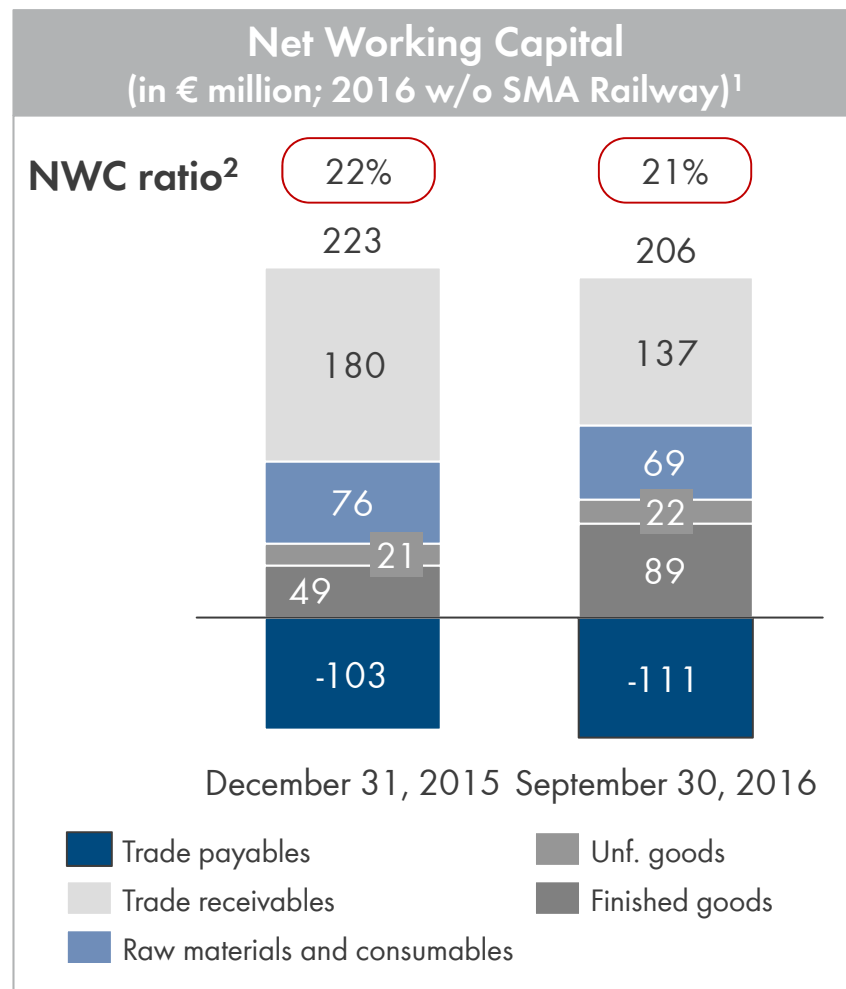
1. SMA Railway is now classified as discontinued operation; see appendix for further details

2. Q1-Q3 2016: Impairment on working capital (neg.), Consolidation of production sites (neg.), Others (neg.), Release of employee bonus provision (pos.); thereof in COGS (€-11 m)

3. In relation to internal and external sales

4. Including Zeversolar, w/o SMA Railway

With an Equity Ratio of 50% and High Net Cash of >€350m, SMA is Rock Solid



Group Balance Sheet , reclassified
(in € million; 2016 w/o SMA Railway)¹

	2015/12/31	2016/09/30	Δ
Non current assets	471	448	-5%
Working capital	326	317	-3%
Other assets	38	61	61%
Total cash	325	380	17%
Shareholders' equity	570	599	5%
Provisions ⁴	170	183	8%
Trade payables	103	111	8%
Financial liabilities ⁵	39	27	-31%
Other liabilities ⁶	278	286	3%
Total	1,160	1,206	4%

> Finished goods increased due to closure of Denver and inventory increase in Asia

1. SMA Railway is now classified as discontinued operation; see appendix for further details

2. Not interest-bearing

1. NWC= inventory+trade receivables-trade payables (no advanced payments included); As of last twelve months sales

3. W/o not-interest-bearing derivatives: €3m (2015: €8m)

Higher Cash Flow due to Higher Earnings, Improved Net Working Capital and Lower Capital Expenditures



Cash Flow (in € million); w/o Railway¹

	Q1-Q3/2015	Q1-Q3/2016
Net income	-7	36
Gross cash flow	31	105
Cash flow from operating activities	70	124
Net capex ²	-39	-18
Free cash flow (Adj.)	31	106
Acquisition	-1	-19
Net investments from securities and other financial assets	-2	-47
Free cash flow (IFRS)	28	40

> **SMA's strong cash flow profile provides flexibility in the highly volatile PV industry**

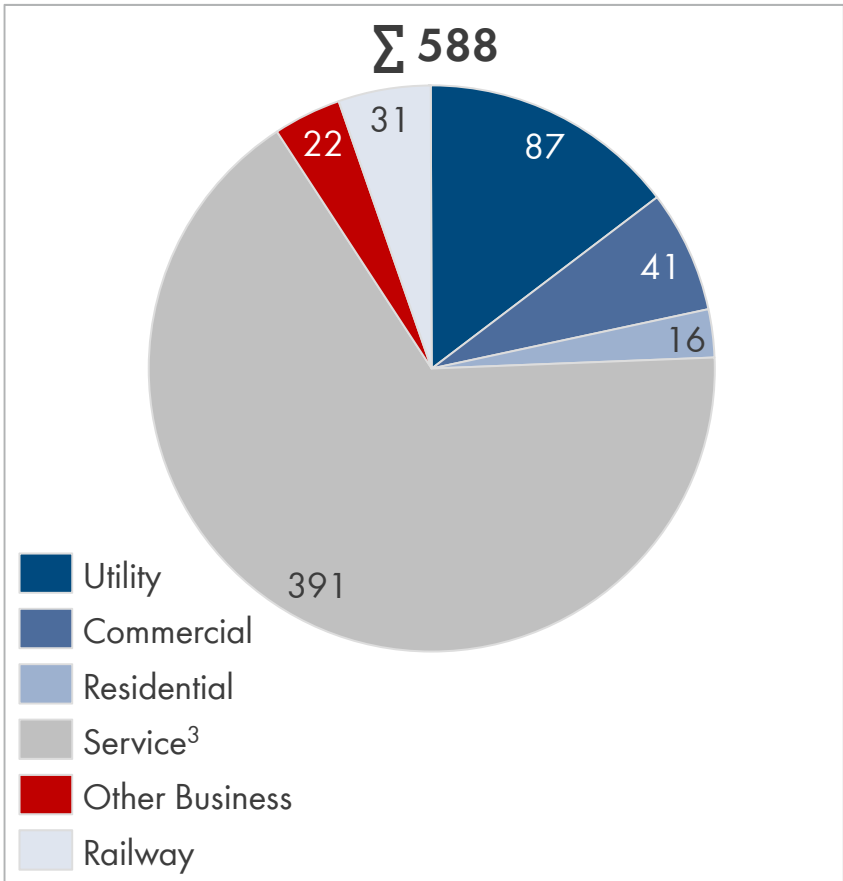
1. SMA Railway is now classified as discontinued operation; see appendix for further details

2. Thereof R&D capitalization: €9m (Q1-Q3/15: €24m)

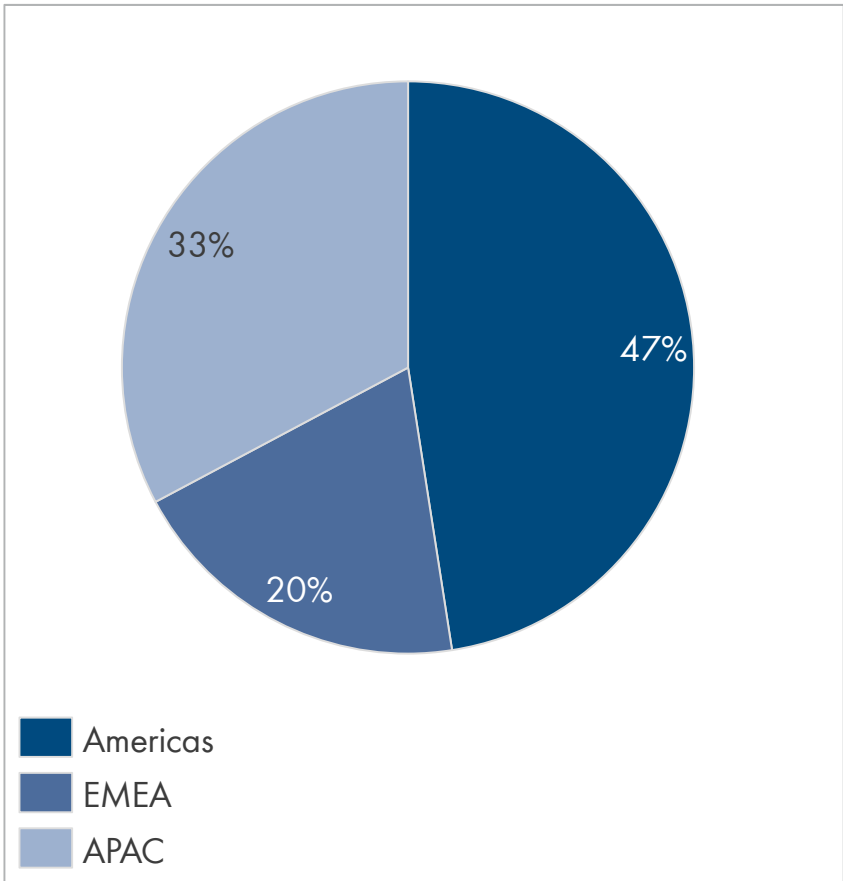
SMA has a Strong Order Backlog for Service Business, Order Backlog for Products Decreased due to Project Delays



Order Backlog by Segments (in € m)¹



Order Backlog by Region (in %)^{1,2}



> The visibility in the solar industry decreased

1. As of September 30, 2016

2. Only Utility, Commercial, Residential, Other Business

3. Order backlog in Service will be recognized over a period of 5 to 10 years

SMA does not Expect a Year-end Rallye due to the Uncertainty in the Market



Guidance 2016 (in € million, incl. SMA Railway)

EBIT	<u>Sales</u>	
	2015	2016 ¹
	34	60-70
	1,000	900-950
thereof Residential	25%	>15%
thereof Commercial	21%	>25%
thereof Utility	42%	c. 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% ²	c. 40% ³

- > SMA's Management adjusted the sales and earnings guidance due to price pressure emerging in all market segments worldwide since the middle of 2016 and numerous delays in major solar projects.
- > Lower CapEx due to the consolidation of production sites.
- > SMA expects sales of up to €241m and earnings of up to €11m in Q4/16.
- > Q4 earnings are impacted by additional one-offs.
- > Positive one-offs from divestments is not considered in the 2016 guidance anymore
- > 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. Previously €950-1,050m sales and €80-120m EBIT
 2. Tax Rate 2015 incl. One-Off from tax audit (2010-2012)

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

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

ENERGY
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BACK UP

Financial Calendar

BACKUP



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)

Note



- > Pursuant to IFRS 5, the figures for the previous year in the income statement and the statement of cash flows were adjusted retrospectively for the planned sale of the Railway Technology business division. However, there was no adjustment to the previous year's balance sheet as prescribed by the provisions of IFRS 5. The Railway Technology business division is reported as a discontinued operation.

Development of Key Financials

BACKUP



Adjusted Quarterly Key Financials (in € million; w/o SMA Railway)

	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
Sales	221	200	266	295	248	234	227
Gross margin	17%	18%	23%	27%	25%	24%	27%
EBITDA	15	11	39	56	41	30	37
EBIT	-3	-7	20	33	25	13	21

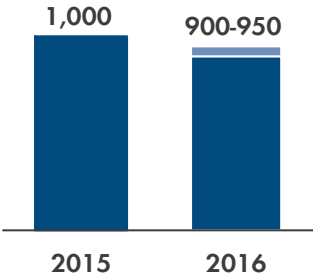
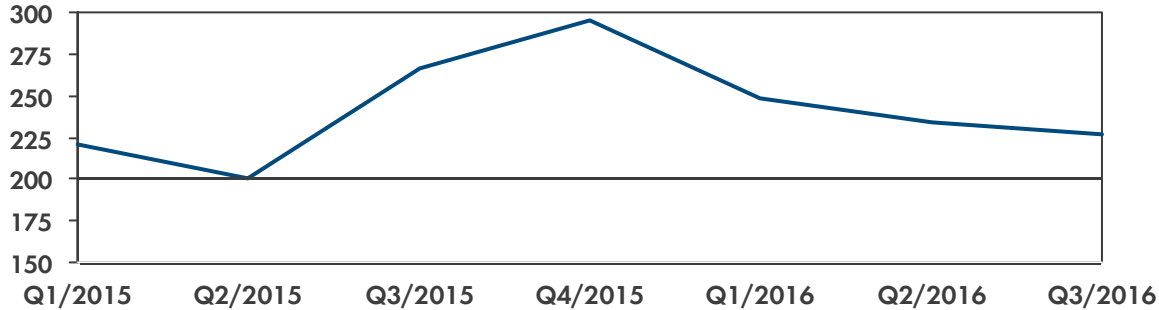
Previous Quarterly Key Financials (in € million; incl. Railway)

	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
Sales	226	203	270	301	254	240	233
Gross margin	17%	18%	23%	26%	25%	24%	26%
EBITDA	13	8	38	54	42	31	37
EBIT	-5	-9	18	30	25	14	21

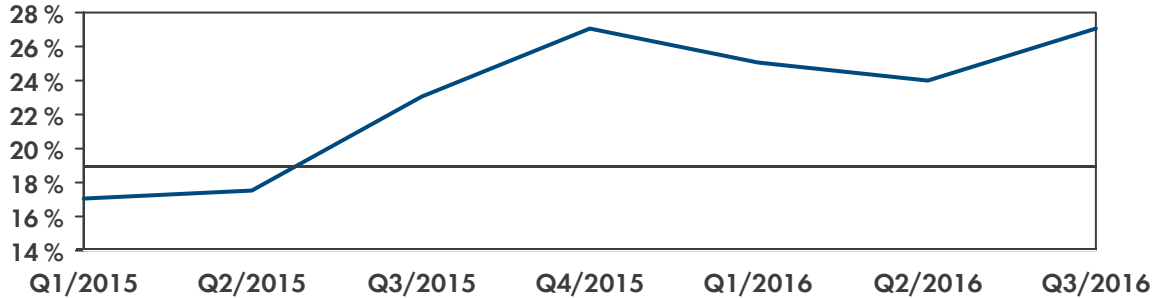


Development of Key Financials (Cont')

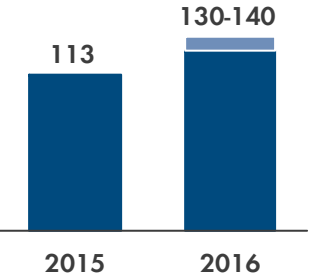
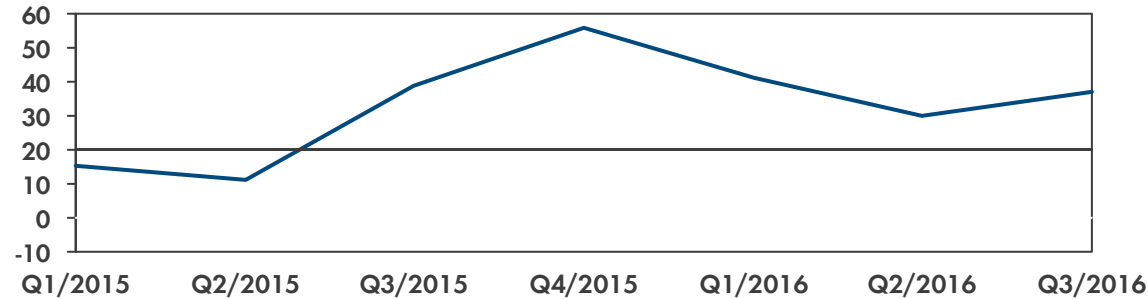
Sales in € million



Gross margin

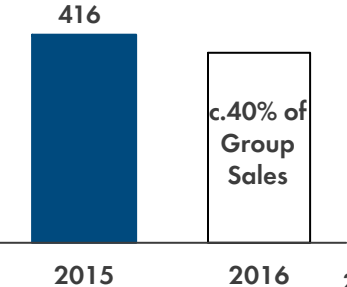
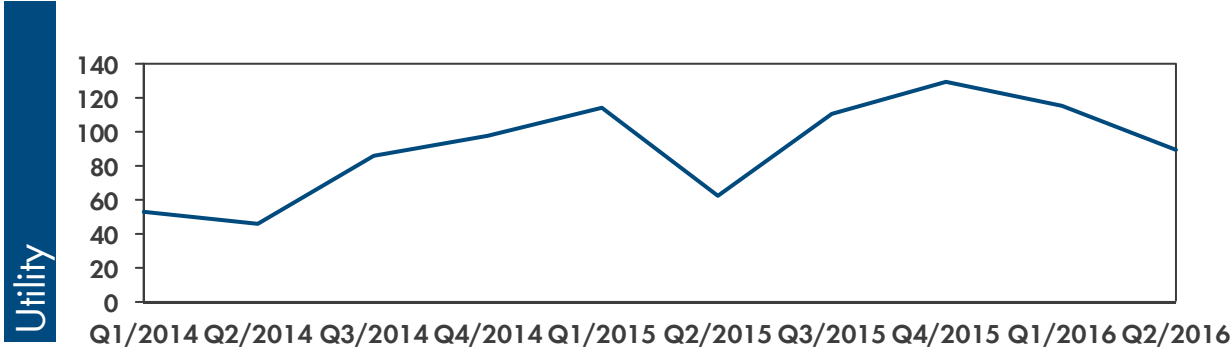
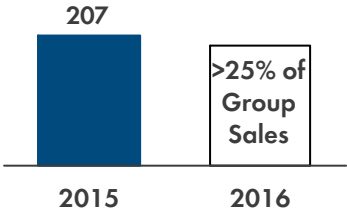
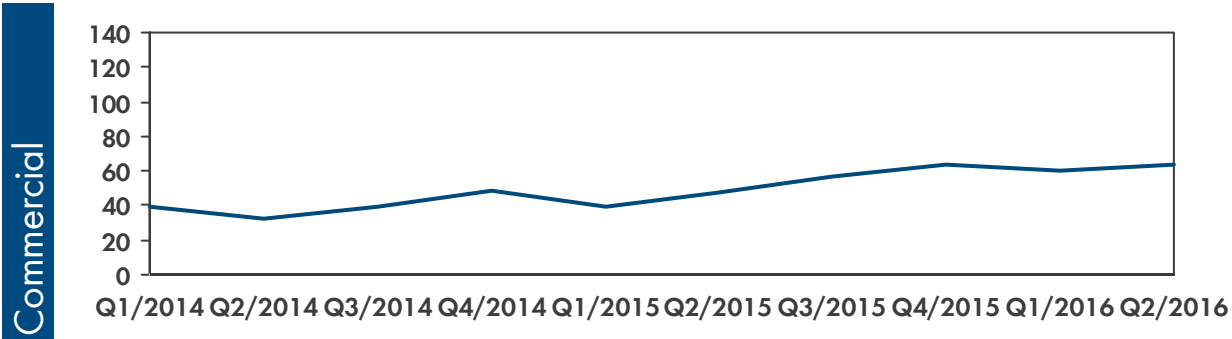
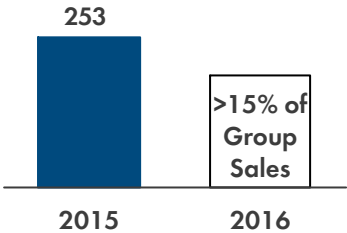
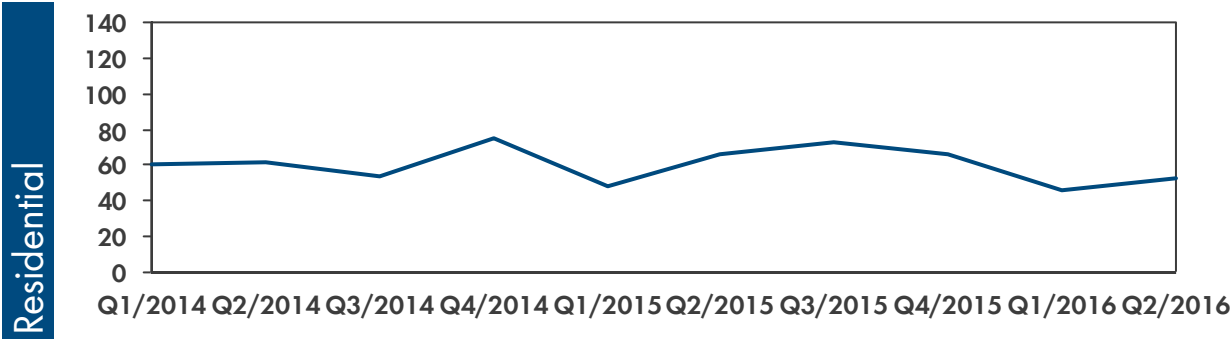


EBITDA in € million





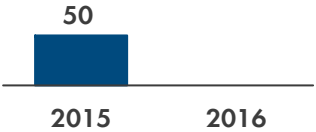
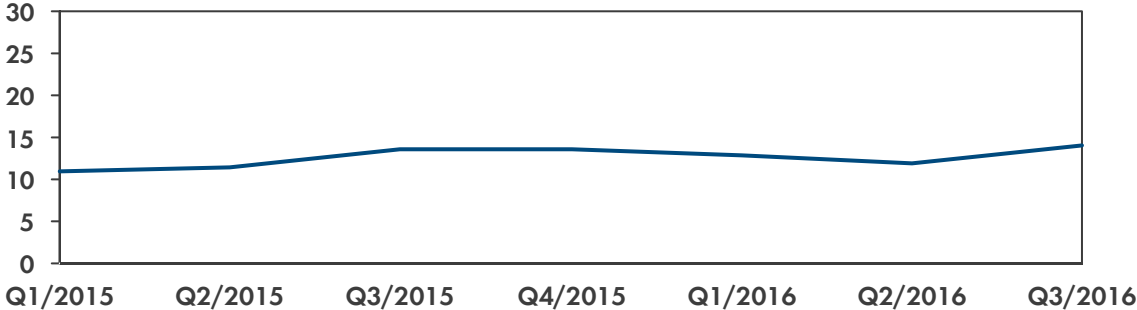
Development of Key Financials (Cont') - Sales Development by Segment (in € million)



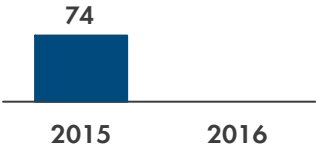
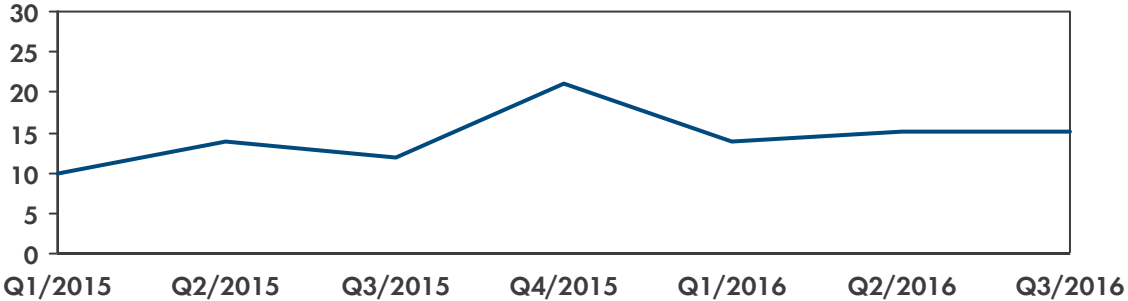


Development of Key Financials (Cont') - Sales Development by Segment (in € million)

Service (external)



Other Business



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