

SMA SOLAR TECHNOLOGY AG

Analyst / Investor Presentation: Roadshow London

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SMA Generated €>940m Sales and an Attractive EBITDA-Margin of c.15% in 2016



Top-Line

- > SMA generated sales of €>940m (2015: 982m) despite high price pressure
- > Strong Commercial (c.+25% Y/Y); Utility (c.-5% Y/Y) was impacted by numerous delays in major projects in EMEA and Americas; Residential declined (c. -30% Y/Y) due to weaker than expected demand in US and JP.
- > Balanced sales distribution (Americas 46%, EMEA 30%, APAC 24%).

Profitability/ Bankability

- > SMA increased gross margin to c. 26% in 2016 despite one-offs attributable to the consolidation of production sites and product mix changes
- > SMA increased EBITDA significantly to €>140m (2015: €121m) due to new products and reduced fixed costs (depreciation/amortization of c. €75m in 2016)
- > Cash break-even point <€600m in 2016
- > Rock solid balance sheet structure with almost 50% equity ratio, > €360m net cash and €100m long-term credit facility

Outlook

- > Positive medium-term outlook; importance of PV is expected to increase due to low cost point and climate targets
- > Management expects global inverter revenues to decline to €4.9bn (-6% Y/Y) because of a shrinking Chinese solar market. Global revenues w/o China are expected to be flattish in 2017; decline in traditional segments is off-set by strong growth in the storage segment (best case scenario).
- > Management confirms guidance with sales of €830m to €900m and EBITDA of between €70m and €90m.
- > SMA will introduce new products in 2017 and beyond to protect the gross margin.

> **SMA has a proven track record to cope with high price pressure and a changing market.**

SMA is Rock Solid With an Equity Ratio of Nearly 50% and Net Cash + Credit Facility of >€460m



Key Financials (in € million)		
	2015	2016 ¹
MW sold	7,260	>8,200
Sales	982	>940
Residential	253	c.175
Commercial	207	c.260
Utility	416	c.400
Service ²	50	c.45
Other Business	56	c.60
Gross margin	22%	c.26%
EBITDA	121	>140
EBIT	43	c.65
Thereof One-Offs ³	-24	c.-31
Free cash flow (adj.)	55	c.121
Depreciation	78	c.75
Capex (incl. R&D)	48	c.25

Key Financials (in € million)					
	2015/12/31	2016/12/31 ¹			
Net cash	286	c.>360			
Total assets	1,160	c.1,207			
NWC ratio ³	22%	c.24%			
		2016			
		Q1	Q2	Q3	Q4 ¹
Sales	248	234	227	227	>230
Residential	46	53	43	43	c.33
Commercial	60	64	71	71	c.65
Utility	115	90	84	84	c.111
Service ²	13	12	14	14	c.6
Other Business	14	15	15	15	c.16
Gross margin	25%	24%	27%	27%	c.27%
EBITDA	41	30	37	37	>32
One-Offs	0	-2	-9	-9	c.-20

1. Preliminary figures

2. External Sales

3. 2016: Consolidation of production sites (€-20m), Impairment on working capital (neg.),

R&D impairment (neg.), Release of employee bonus provision (pos.); thereof in COGS (€-18m)

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

PHOTOVOLTAICS WILL BE THE MOST IMPORTANT ENERGY SOURCE

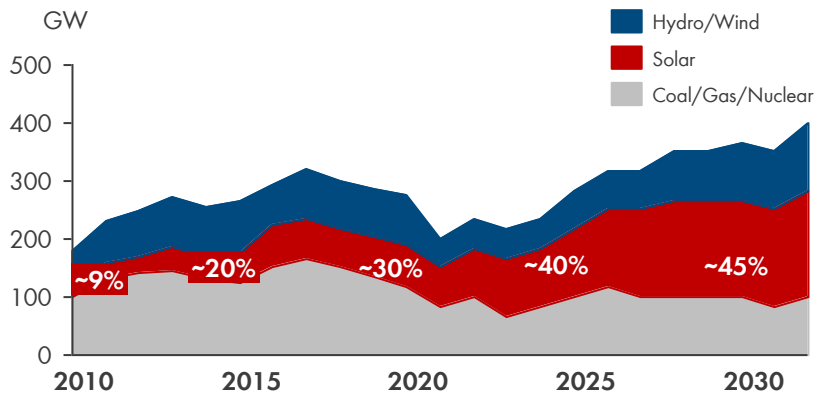
LOW COST POINT OF PHOTOVOLTAICS AND CLIMATE TARGETS ARE KEY GROWTH DRIVERS

AUTOMATED ENERGY MANAGEMENT WILL CHANGE BUSINESS MODEL

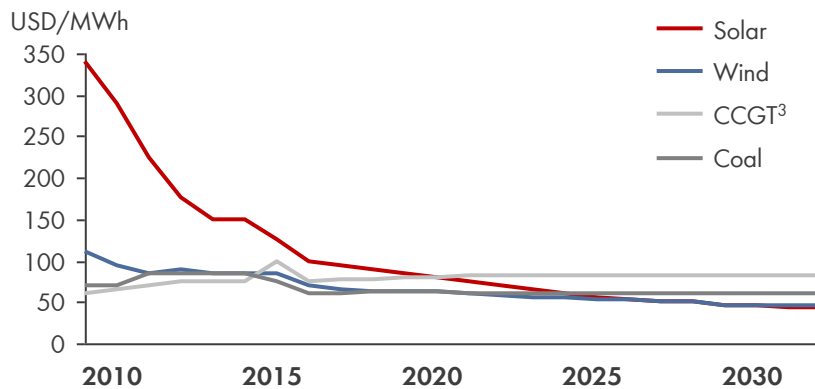
The Importance of Photovoltaic Power is Expected to Increase Significantly due to Low Cost Points and Climate Targets



Additions to Global Power Generation p.a.¹



Global Average Energy Cost (USD)²



Growth Drivers

- > In 2030, new solar installations are expected to increase to c. 200 GW.
- > Global energy consumption is expected to increase by 2% p.a. especially due to the economic growth in emerging countries.
- > The replacement of fossil energy sources by renewables is expected to accelerate due to the fast reduction of consumer cost of electricity from solar and wind.
- > Climate targets will lead to new regulations. As a consequence, oil- and gas-fired boilers will be replaced by eco-friendly solutions.⁴
- > Mandatory CO₂ emission reduction targets will increase the population of hybrid and electrical vehicles.

> By 2030, PV will be the most important energy source, because power is produced where it is consumed. PV technology has still room for further cost reductions.

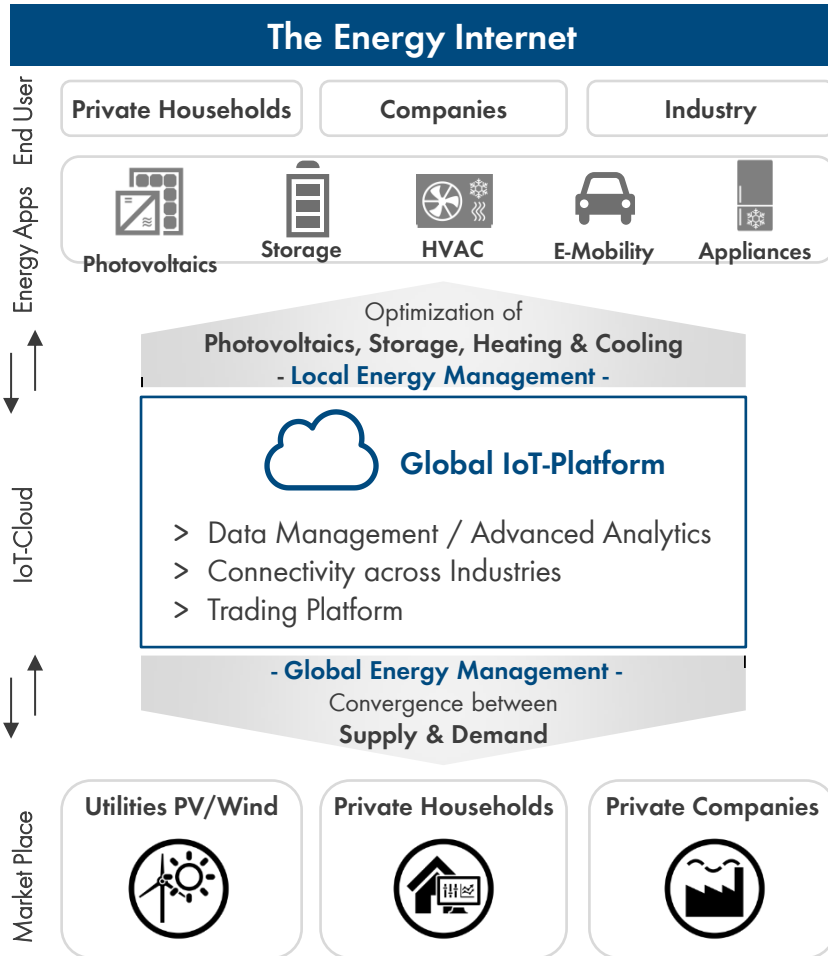
1. SMA (Solar data 2010-2020); Bloomberg New Energy Finance 2014 (data until 2015, except Solar) and BNEF NEO 2016 (2016-2030)

2. Bloomberg article on Energy Costs from January 3, 2017

3. CCGT= Combined Cycle Gas Turbine

4. Denmark will restrict the usage of oil-gas fired boilers already in 2019.

Automated Energy Management Will Become the Backbone of the Future Energy Market



Impact of Advanced Analytics

- > Matching of supply and demand across sectors (PV, storage, e-mobility, HVAC¹, load managed appliances) is paramount to reduce overall energy costs.
- > Complexity of the convergence between sectors is automatically managed by energy apps; no compromise in lifestyle or work processes.
- > Leverage of cost savings across micro-grids is secured with open IoT architectures.
- > Additional services will arise within the next 3-5 years, once the energy market has the same level of digitization as other industries (retail, telcos or banking) have today.

> **SMA will form alliances with key players to improve positioning and remove market entry barriers.**

1. Heating, ventilation & air conditioning

FLATTISH GLOBAL PHOTOVOLTAICS MARKET WITH
5 BILLION EUR SALES

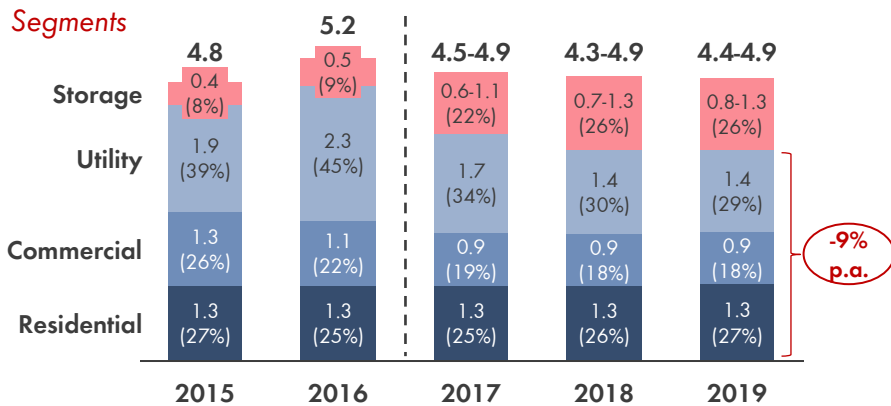
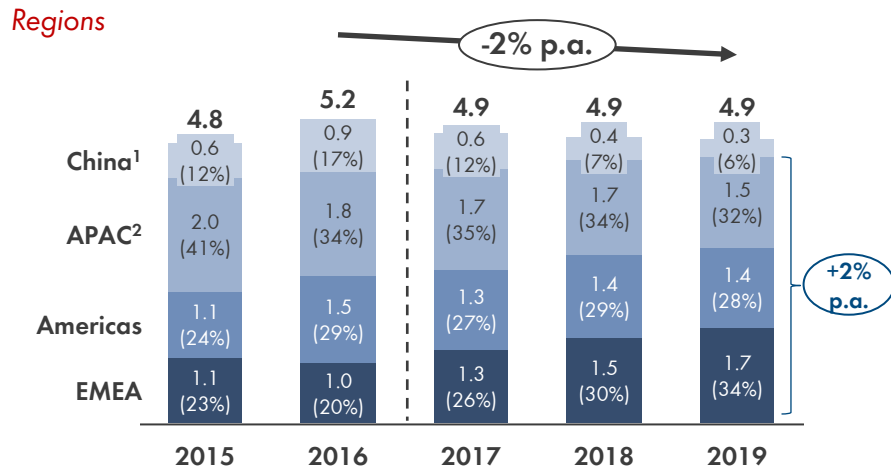
SYSTEM TECHNOLOGY FOR STORAGE WILL BE THE
MAIN GROWTH DRIVER UNTIL 2019

SMA HAS BEEN THE GLOBAL NUMBER 1 IN SALES
FOR THE LAST 2 DECADES

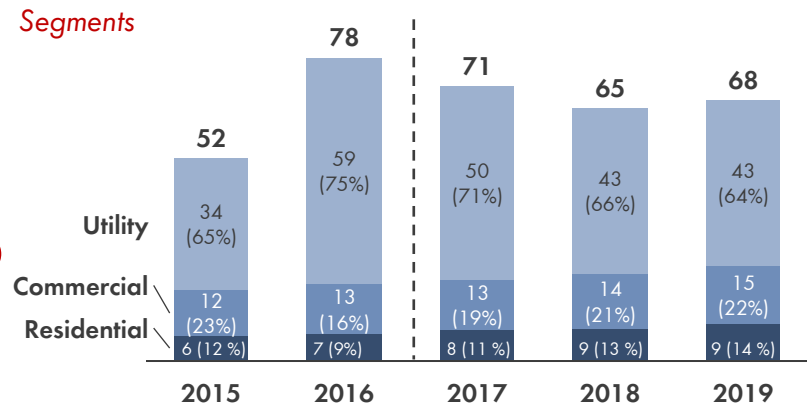
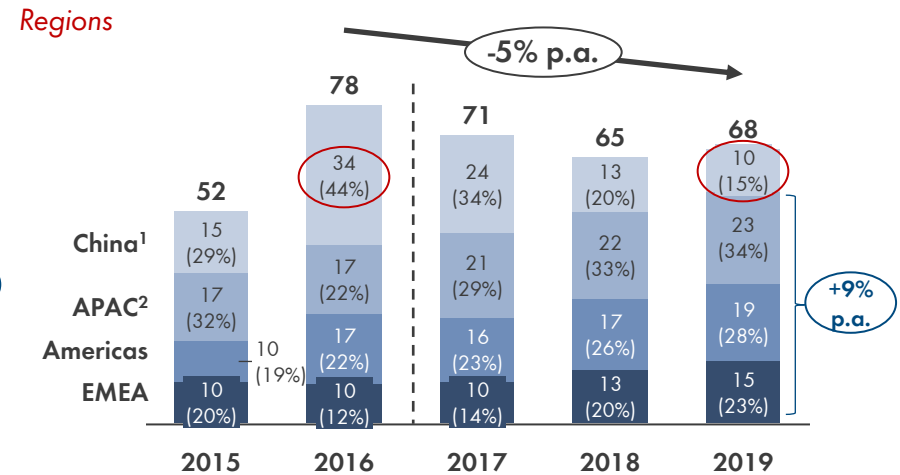
The Chinese Solar Market is Expected to Decline by 70% Until 2019 – International Markets are Expected to Grow by 9% p.a.



Global Inverter Revenues by Region/Segment (bn€)^{3,4,5}



Global New PV Install. by Region/Segment (GWdc)^{3,4}



> Today, utility PV plants (<10 MW) are installed for less than 1 USD per watt in the US.

1. China reduced the feed-in-tariff (FIT) by the end of June 2016 and set 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. w/o China

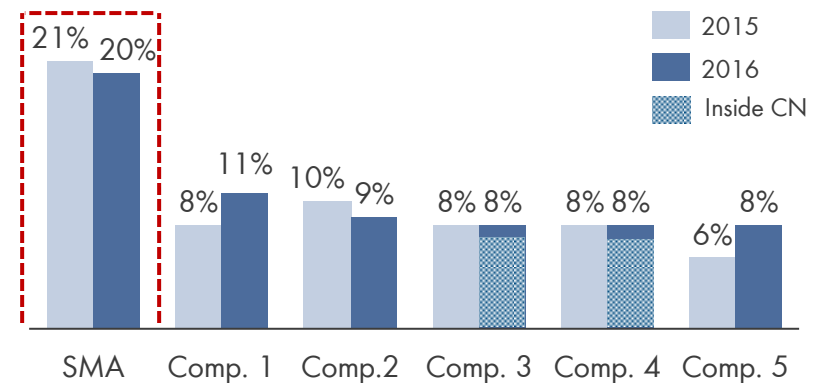
3. SMA MI Market Model Q1 2017
 4. Incl. ~1 GW Off-Grid installations p.a.: residential, remote and micro-grid applications
 5. Incl. inverter potential for retrofit

Two Decades of Market Leadership Have a Name: SMA Accounts for 20% of Global PV Inverter Sales

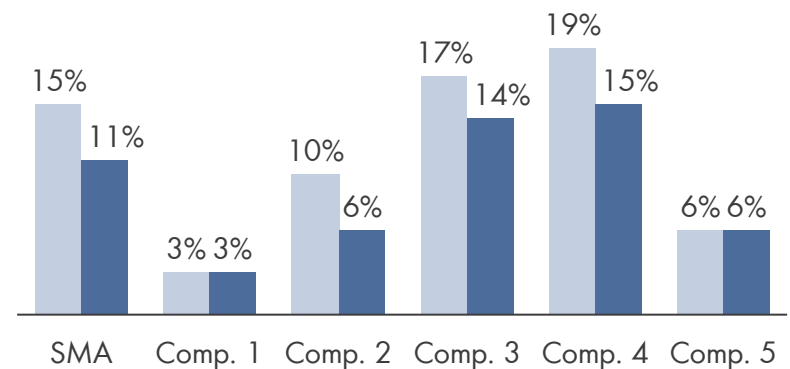


- > There is NO global inverter market. Due to the local requirements and the wide range of applications¹ the inverter market is very fragmented.
- > SMA is the only global player with a complete portfolio in all segments. Therefore, SMA has had the highest market share in sales for more than two decades.
- > Some competitors mainly benefit from local market developments. The biggest Chinese solar inverter player only shipped inverters for \$40m in the first nine months of 2016 in international markets, while domestic sales accounted for 95% of its sales.
- > Some other competitors benefit from little or no competition in certain PV applications (e.g. optimizer/micro inverters).
- > Some large conglomerates survived in the PV inverter business only because of cross-subsidization (e.g. with medium voltage technology).

Revenue-based Market Share²



GW-based Market Share²



> **Current export restrictions as well as compliance standards may impact the ability of Chinese competitors to serve international markets.**

1. Optimizer, Residential, commercial, utility, storage, off-grid, etc.

2. SMA: inverter revenues; competitors: SMA analysis based on financial reports of companies, public

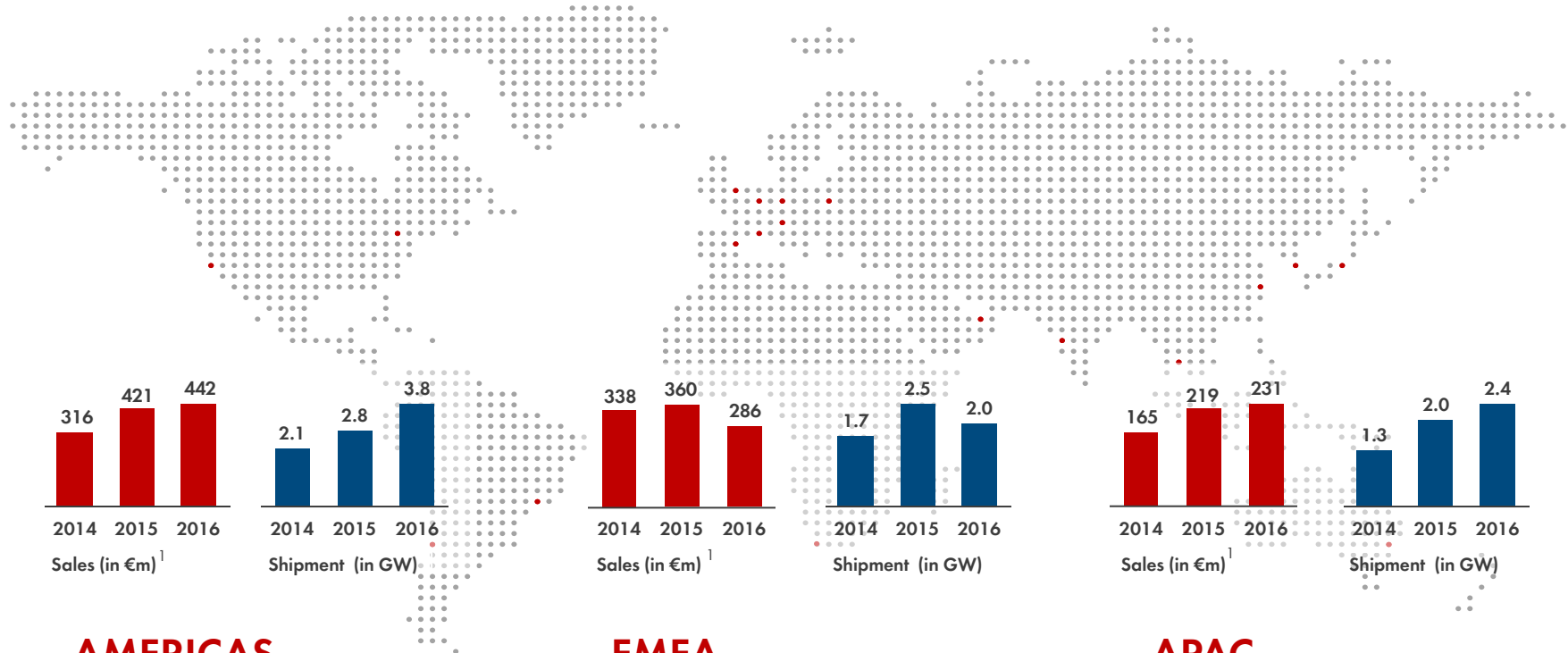
information and market research institutes; calculation based on PV inverter market w/o storage applications as of SMA market model Q1 2017

SMA HAS A STRONG GLOBAL PRESENCE TO
ENSURE BEST CUSTOMER SERVICE

SMA IS AN ENGINE OF INNOVATION AND
OFFERS A COMPLETE PORTFOLIO

SMA IS A TRUSTED BUSINESS PARTNER

Global Presence: SMA has an Unmatched Global Infrastructure of PV Sales and Service Experts



AMERICAS

39 GW Cum. Installed Base²
36 % SMA Cum. Market Share
150+ Sales & Service Experts

EMEA

97 GW Cum. Installed Base²
34 % SMA Cum. Market Share
390+ Sales & Service Experts

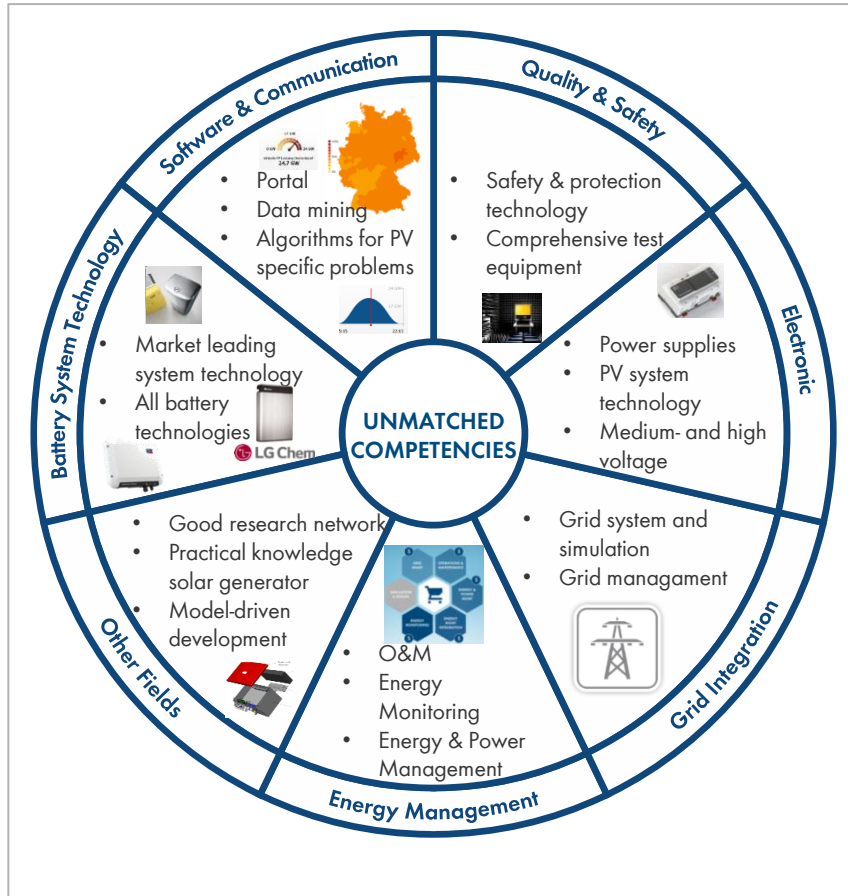
APAC

141 GW Cum. Installed Base²
12 % SMA Cum. Market Share³
130+ Sales & Service Experts

> SMA will invest in its global sales infrastructure to gain market share.

1. w/o sales deductions (2014 incl. Railway: -14 m€; 2015: -18m€; 2016: c. -13m€)
 2. Cumulated installed inverters in GWac by end of 2016
 3. Share excl. China; incl. China 6%

PV Know How: SMA is an Engine of Innovation With Unmatched Competencies and Strong Alliance Partners



We have **380** employees in R&D in Germany, Thereof 90 in research and 290 in development. Furthermore **90** developers in China



Globally, SMA has been granted ca. **870** patents and utility models, c. **600** ongoing application procedures and **> 800** trademarks



More than **20** strategic partnerships, e.g. with Danfoss, Siemens, Tigo Energy, leading car manufacturers

> The PV industry is very much driven by new technologies and business models.

SMA's Complete Product Portfolio Offers Best Technical Solutions for all PV-Applications Worldwide



55 GW Installed Capacity

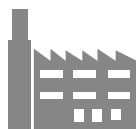
Utility

28 GW



Commercial

14 GW



Residential

13 GW



Storage & Energy Mgmt.

0,5 GW

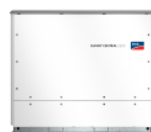


Service + O&M

1,7 GW



No Competitor has a Comparable Portfolio



Sunny Central

High reliability; 2 IGBTs in series to improve uptime
DC:AC ratio of 1.5:1 for flexibility and energy yield
Air cooling with OptiCool™ (Derating at 25°C)
Complete turnkey solution including transformer and switchgear



Sunny Tripower

60% faster installation
6 MPPTs to ensure optimum energy production
DC:AC ratio of 1,5:1 for flexibility and energy yield
Storage-ready for commercial energy management



Sunny Boy

Selective deployment (highest yield with lowest costs)
Solutions for markets with NEC code enforcement
50% faster inverter installation on residential rooftops
3 MPPTs and better heat dissipation for high power production and long lifetime



Sunny Boy Storage

AC coupled solutions with superior grid-management
Compliance with zero export jurisdictions
Avoids costly utility demand charges through peak shaving
Compatibility with leading battery suppliers

> SMA's portfolio covers all PV applications.

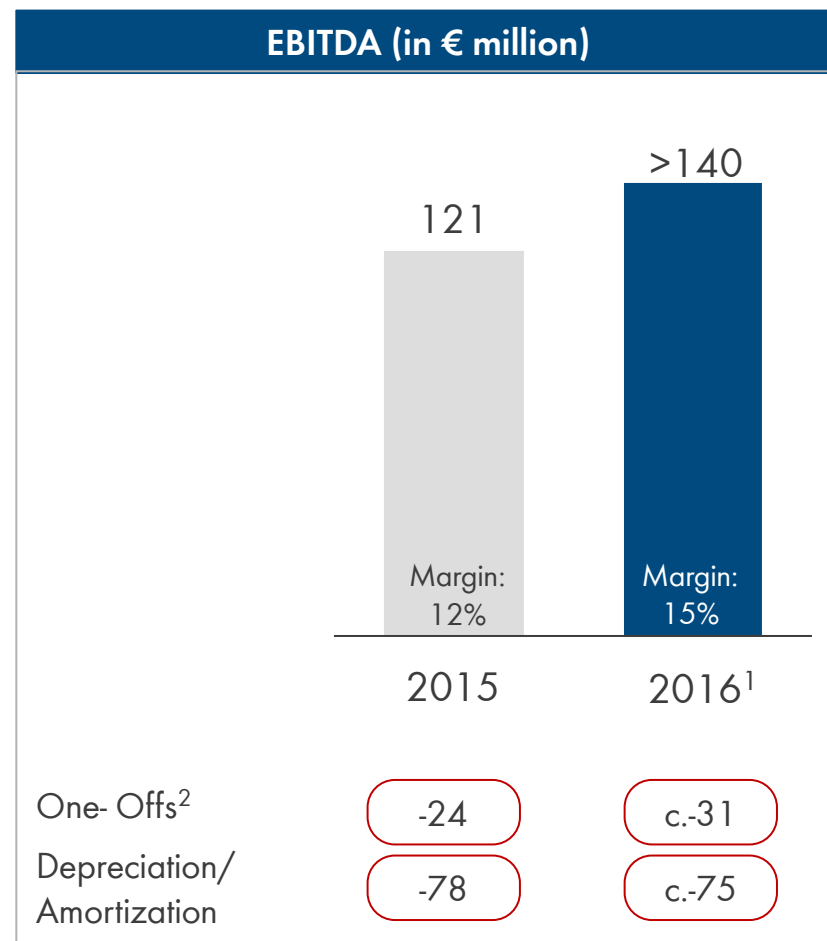
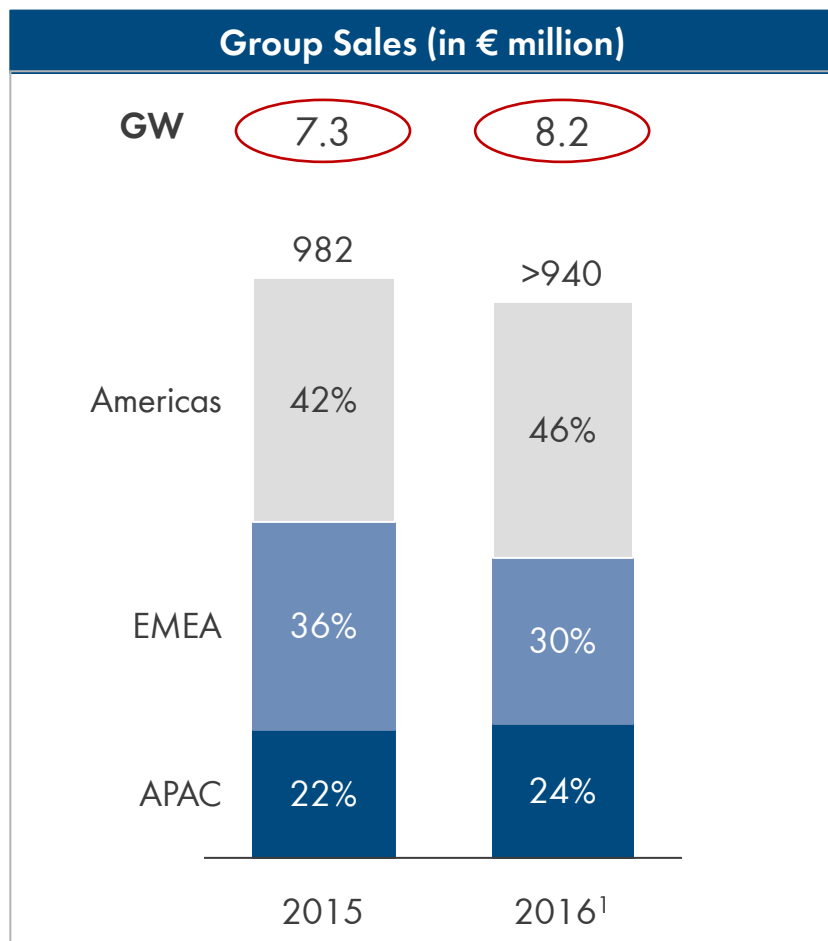
MORE THAN €940M SALES AND ATTRACTIVE
EBITDA-MARGIN OF C. 15% IN 2016

EQUITY RATIO OF C. 50% AND NET CASH OF
MORE THAN €360M

BACKLOG OF €630M; POSITIVE BOOK-TO-BILL
RATIO SINCE JANUARY 2017

GUIDANCE ANTICIPATES HIGH PRICE PRESSURE
IN ALL SEGMENTS & REGIONS

SMA Generated Sales of >€940m Despite Strong Price Pressure in all Segments and all Regions

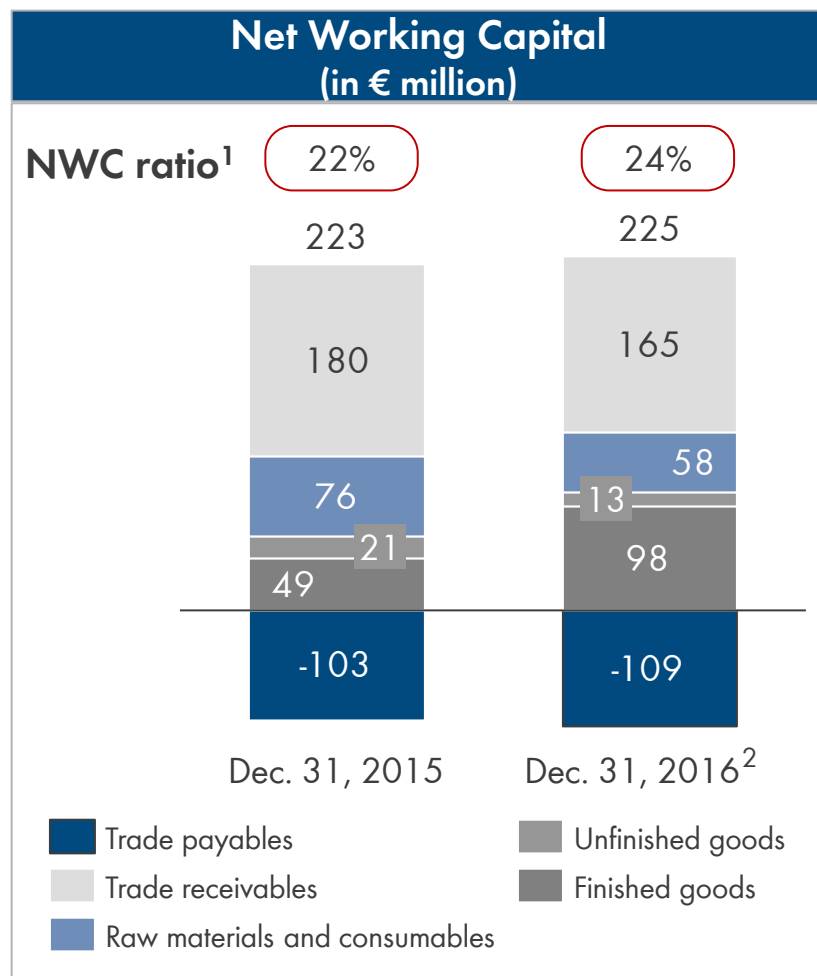


> Consolidation of production infrastructure impacted earnings in 2016

1. Preliminary figures

2. 2016: Consolidation of production sites (€-20m), Impairment on working capital (neg.), R&D impairment (neg.), Release of employee bonus provision (pos.); thereof in COGS (€-18m)

With an Equity Ratio of Almost 50% and Net Cash of More Than €360m SMA is Well Prepared for the Future



Group Balance Sheet , reclassified (in € million)

	2015/12/31	2016/12/31 ²	Δ
Non-current assets	471	423	-10%
Working capital	326	334	2%
Other assets	38	65	71%
Total cash	325	385	18%
Shareholders' equity	570	582	2%
Provisions ³	170	177	4%
Trade payables	103	109	6%
Financial liabilities ⁴	39	23	-41%
Other liabilities ³	278	316	14%
Total	1,160	1,207	4%

> **SMA is an investment grade company with a revolving credit facility of €100 million.**

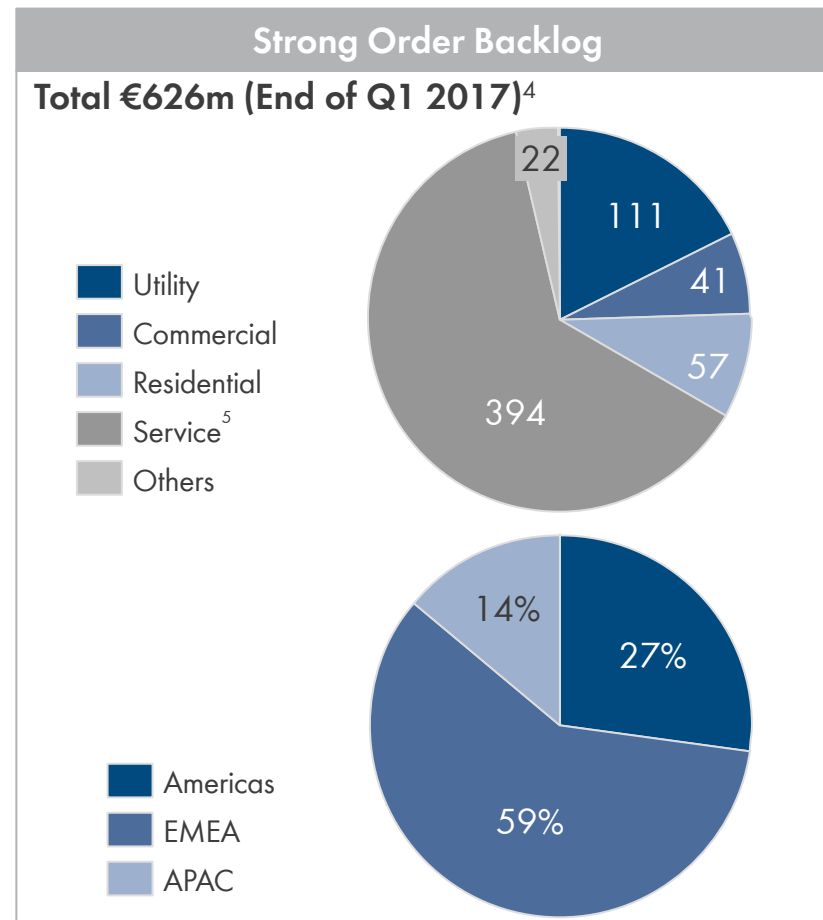
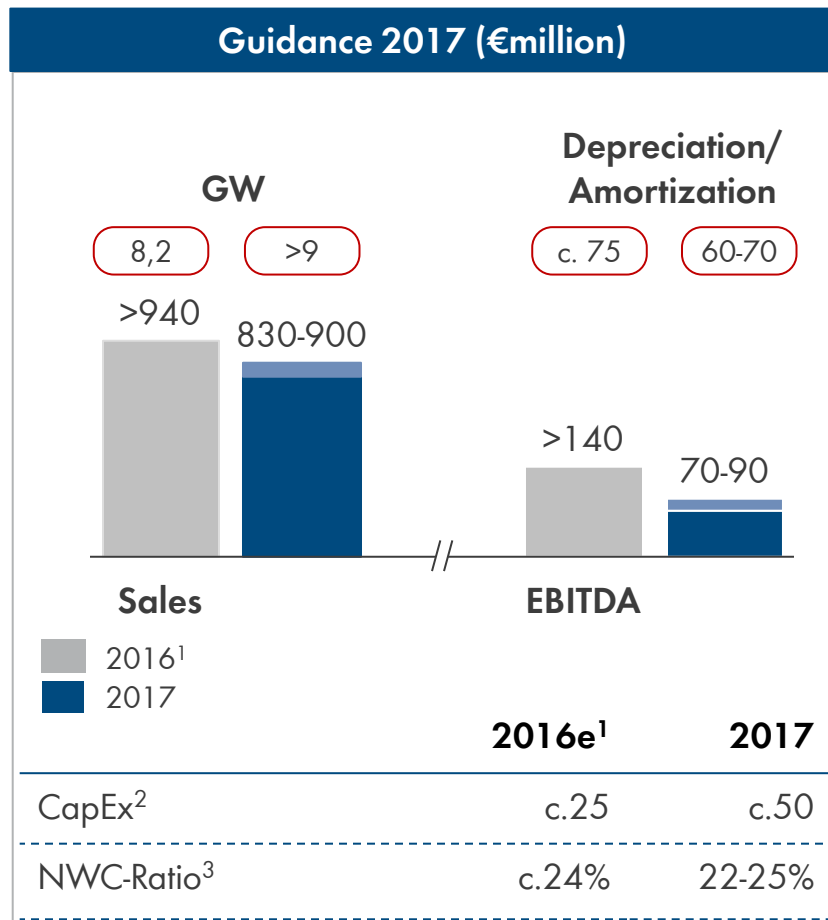
1. NWC= inventory+trade receivables-trade payables (no advanced payments included); As of last twelve months sales

2. Preliminary figures

3. Not interest-bearing

4. Incl. not-interest-bearing derivatives: €18m (2015: €8m)

SMA Expects to Increase Net Cash to >€400 Million and Equity Ratio to >50%



> Sales and profit decline is mainly due to the high price pressure; SMA will introduce new products to improve competitiveness in the coming months.

1. Preliminary figures

2. Higher CapEx in 2017 mainly due to new test equipment and IT-infrastructure

3. Net Working Capital Ratio (NWC) as of last 12 months sales

4. Order Backlog per 12/31/2016: €538m, thereof products €145m.

5. Order Backlog will be recognized over a period of 5 to 10 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 new solutions for the energy Internet
- ✓ 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 with proven track record



BACK UP

Contacts and Financial Calendar



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Stephanie Peschinger	Investor Relations
E-Mail:	IR@SMA.de

Financial Calendar:

Mar 30, 2017	Publication of the SMA Group 2016 Annual Report Analyst Conference Call: 09:00am (CET) / Annual Press Conference: 10.30am (CET)
Q2/2017	Roadshow London / Edinburgh / Zurich
Q3/2017	Roadshow London / Frankfurt

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