

SMA SOLAR TECHNOLOGY AG

Analyst / Investor Presentation: Roadshow Zurich



Pierre-Pascal Urbon, CEO
April 28, 2017



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SMA Generated €947m Sales and an Attractive EBITDA-Margin of 15% in 2016



Top-Line	<ul style="list-style-type: none">> SMA generated sales of €947m (2015: 982m) despite high price pressure> Strong Commercial business (+27% Y/Y); Utility (-5% Y/Y) was impacted by numerous delays in major projects in EMEA and Americas; Residential declined (-31% Y/Y) due to weaker than expected demand in US and JP.> Balanced sales distribution (Americas 46%, EMEA 30%, APAC 24%).
Profitability/ Bankability	<ul style="list-style-type: none">> SMA increased gross margin to 26% in 2016 despite one-offs attributable to the consolidation of production sites and product mix changes.> SMA increased EBITDA significantly to €142m (2015: €121m) due to new products and reduced fixed costs (depreciation/amortization of €77m 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	<ul style="list-style-type: none">> 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 offset by strong growth in the storage segment> Management confirms guidance with sales of €830m to €900m and EBITDA of €70m to €90m> SMA will introduce new products in 2017 and beyond to protect the gross margin.> Management and Supervisory Board will recommend a dividend of € 0.26 per share.> Q1 sales are expected to reach up to €175m and Q1 EBITDA up to €18m.

> SMA's management expects the second half year to be stronger than the first six months 2017.

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



Key Financials (in € million)			
	2015	2016	Δ
MW sold	7,260	8,231	+13%
Sales	982	947	-4%
Residential	253	175	-31%
Commercial	207	263	+27%
Utility	416	397	-5%
Service ¹	50	45	-10%
Other Business	56	67	+20%
Gross margin	22%	26%	
EBITDA	121	142	+17%
EBIT	43	65	+50%
Thereof One-Offs ²	-24	-31	n.m.
Free cash flow (adj.)	55	121	n.m.
Depreciation	78	77	-1%
Capex (incl. R&D)	48	29	-40%

Key Financials (in € million)				
	2015/12/31	2016/12/31	Δ	
Net cash	286	362	+27%	
Total assets	1,160	1,211	+4%	
NWC ratio ³	22%	24%		
	2016			
	Q1	Q2	Q3	Q4
Sales	248	234	227	238
Residential	46	53	43	33
Commercial	60	64	71	68
Utility	115	90	84	108
Service ¹	13	12	14	6
Other Business	14	15	15	23
Gross margin	25%	24%	27%	27%
EBITDA	41	30	37	34
One-Offs	0	-2	-9	-20

1. External sales

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)

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

PHOTOVOLTAICS WILL BECOME THE MOST
IMPORTANT ENERGY SOURCE

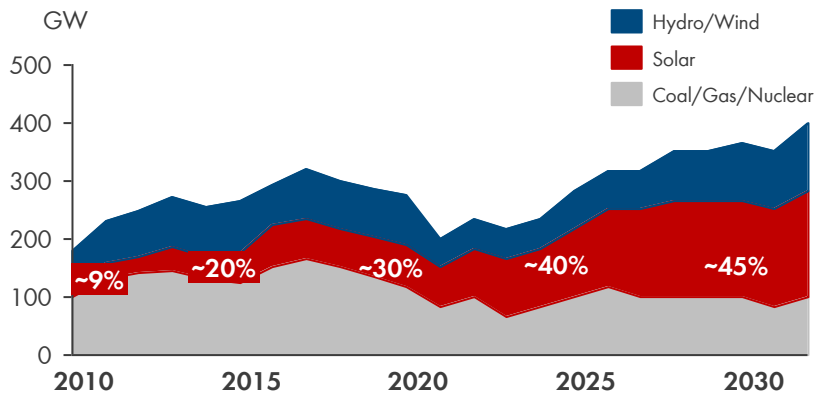
LOW COST POINT OF PHOTOVOLTAICS AND
CLIMATE TARGETS ARE KEY GROWTH DRIVERS

AUTOMATED ENERGY MANAGEMENT WILL
CHANGE BUSINESS MODEL

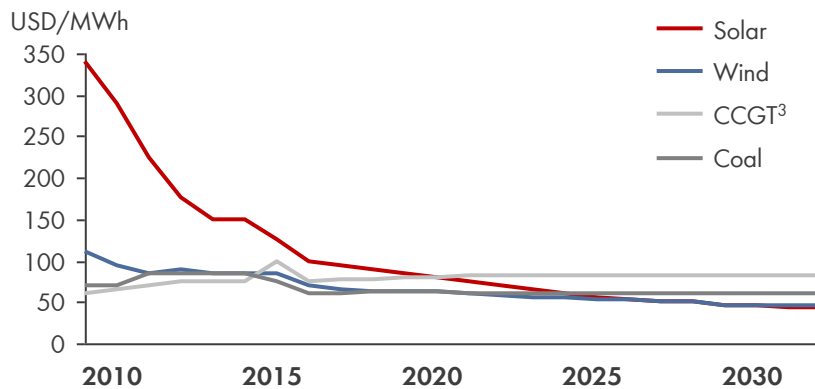
The Importance of Photovoltaic Power is Expected to Increase Significantly due to Low Cost Point and Climate Targets



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.**

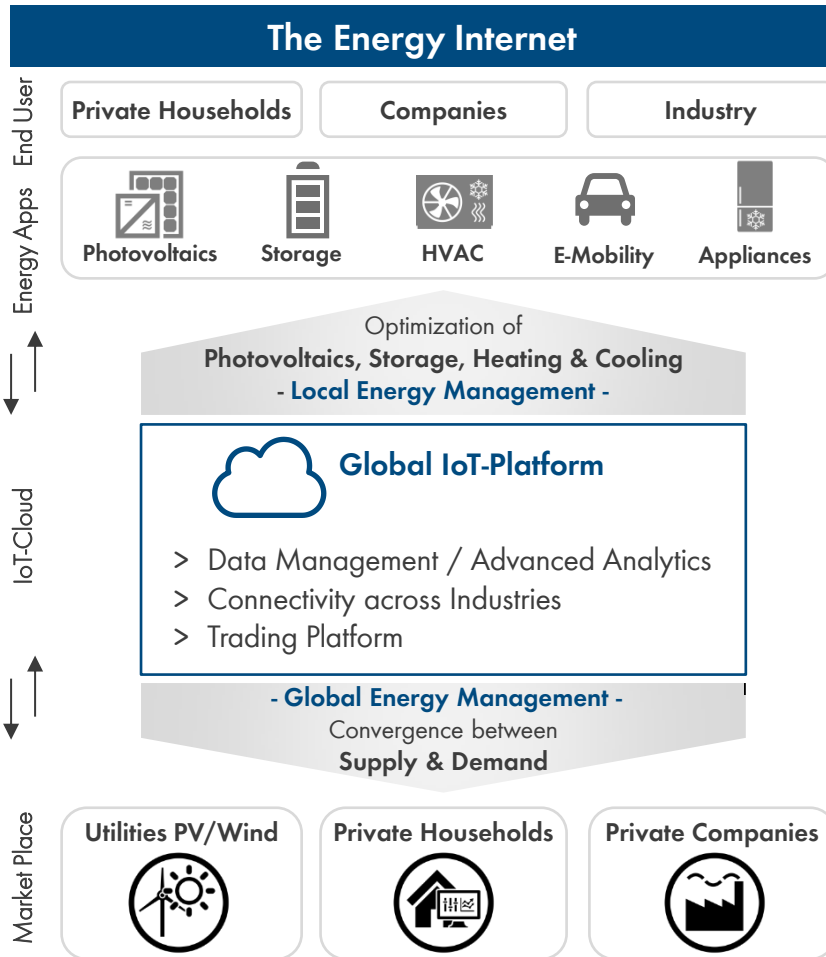
1. SMA (Solar data 2010-2020); Bloomberg New Energy Finance 2014 (data until 2015, except Solar) and BNEF NEO 2016 (2016-2030)

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

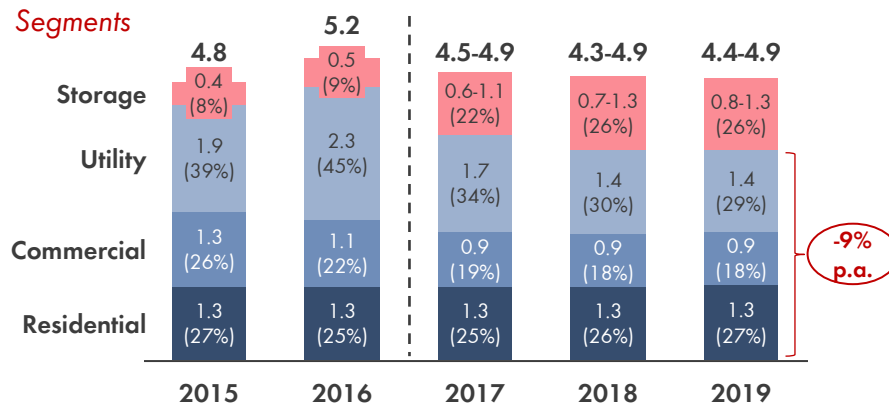
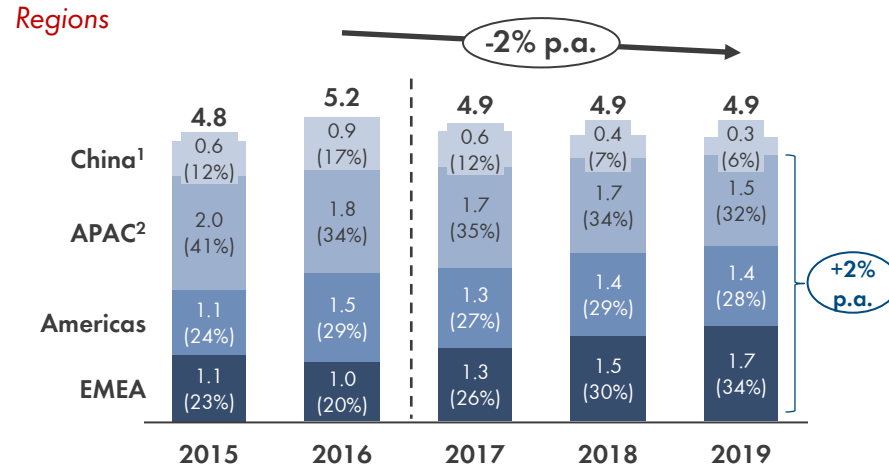
SYSTEM TECHNOLOGY FOR STORAGE WILL BE THE
MAIN GROWTH DRIVER UNTIL 2019

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

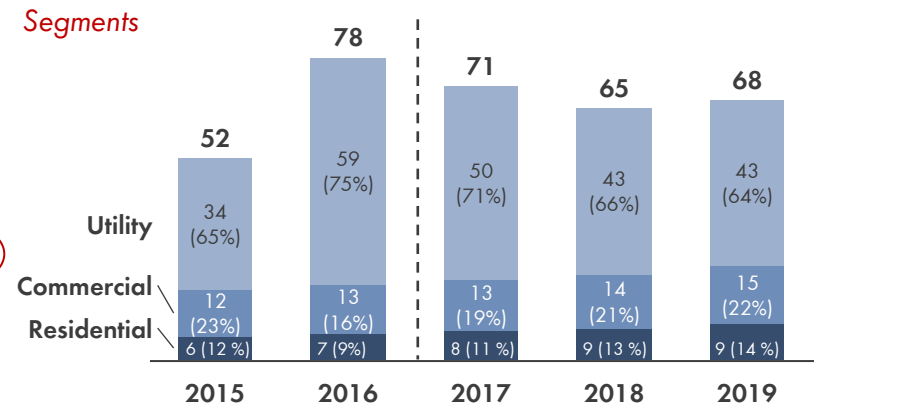
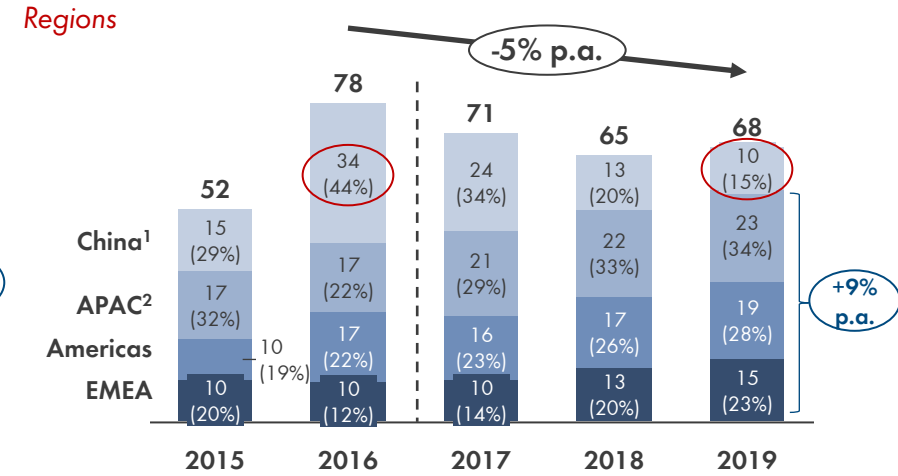
The Chinese Solar Market is Expected to Decline by 70% Until 2019 - International Markets are Expected to Grow by 9% p.a.



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

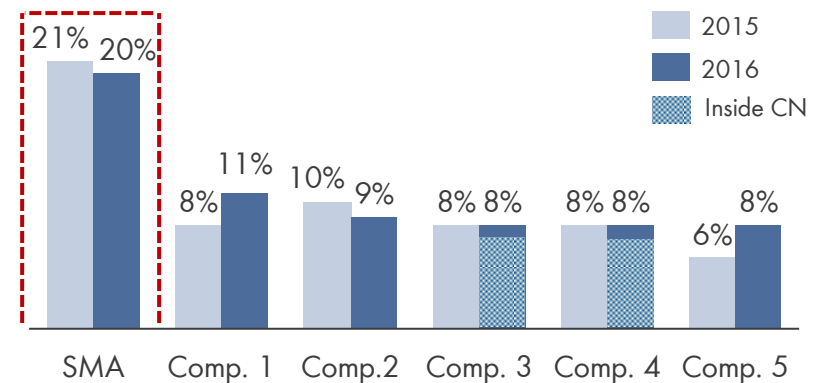
3. SMA MI Market Model Q1 2017
 4. Incl. ~1 GW Off-Grid installations p.a.: residential, remote and micro-grid applications
 5. Incl. inverter potential for retrofit

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

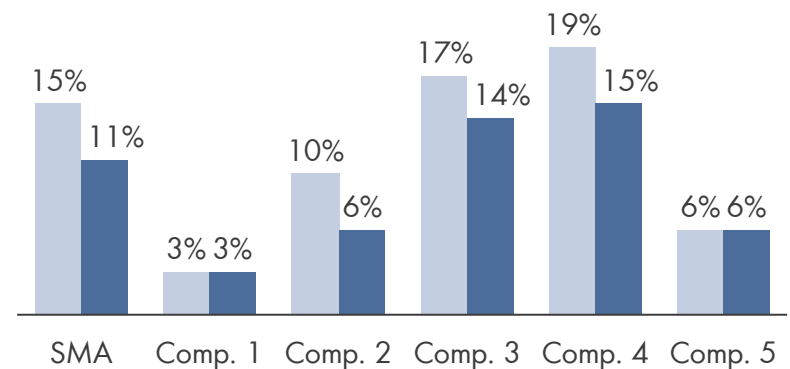


- > There is NO global inverter market. Due to the local requirements and the wide range of applications¹ the inverter market is very fragmented.
- > SMA is the only global player with a complete portfolio in all segments. Therefore, SMA has had the highest market share in sales for more than two decades.
- > 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



> **According to IHS, quality is the most important decision factor for PV inverter technology.**

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

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

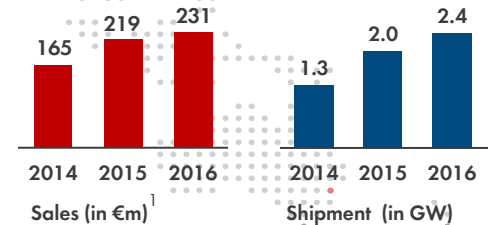
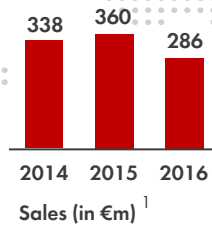
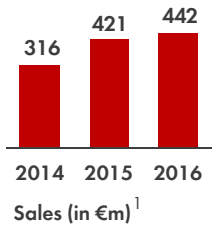
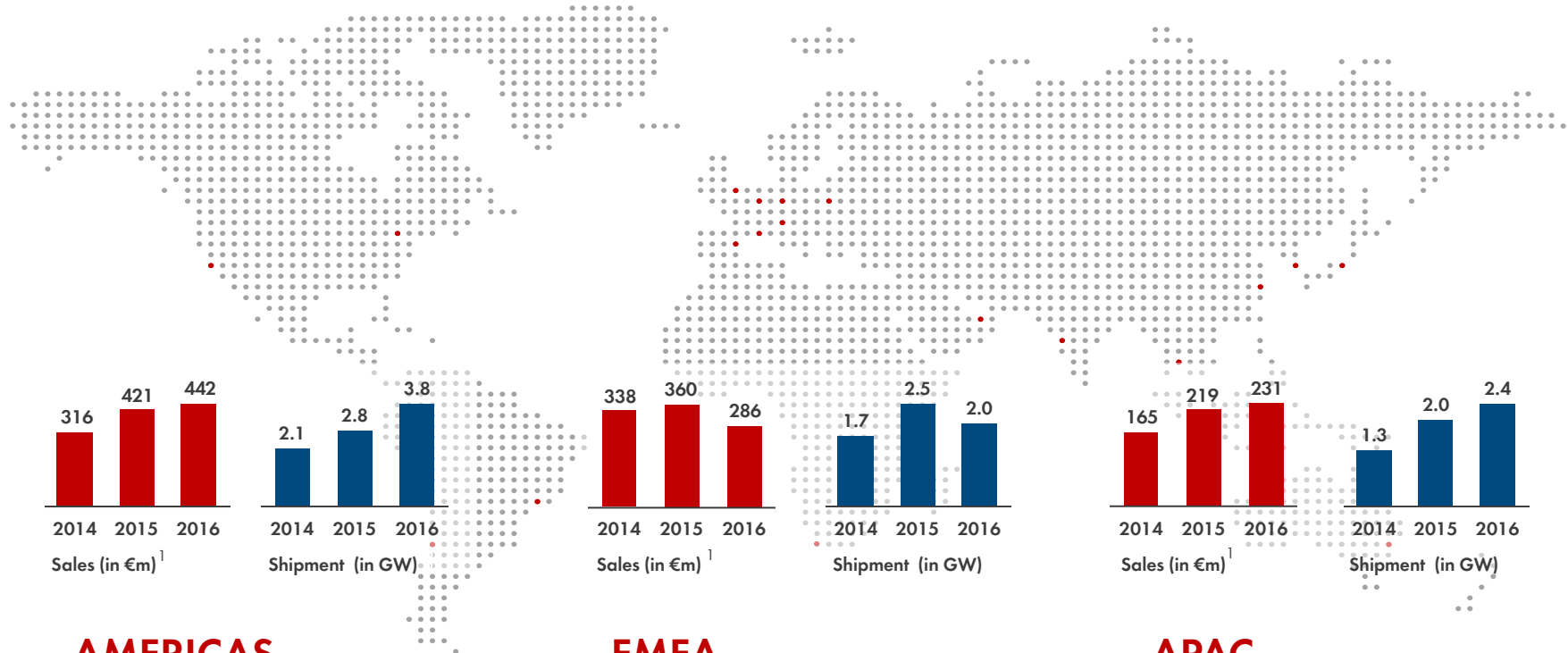
information and market research institutes; calculation based on PV inverter market w/o storage applications as of SMA market model Q1 2017

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

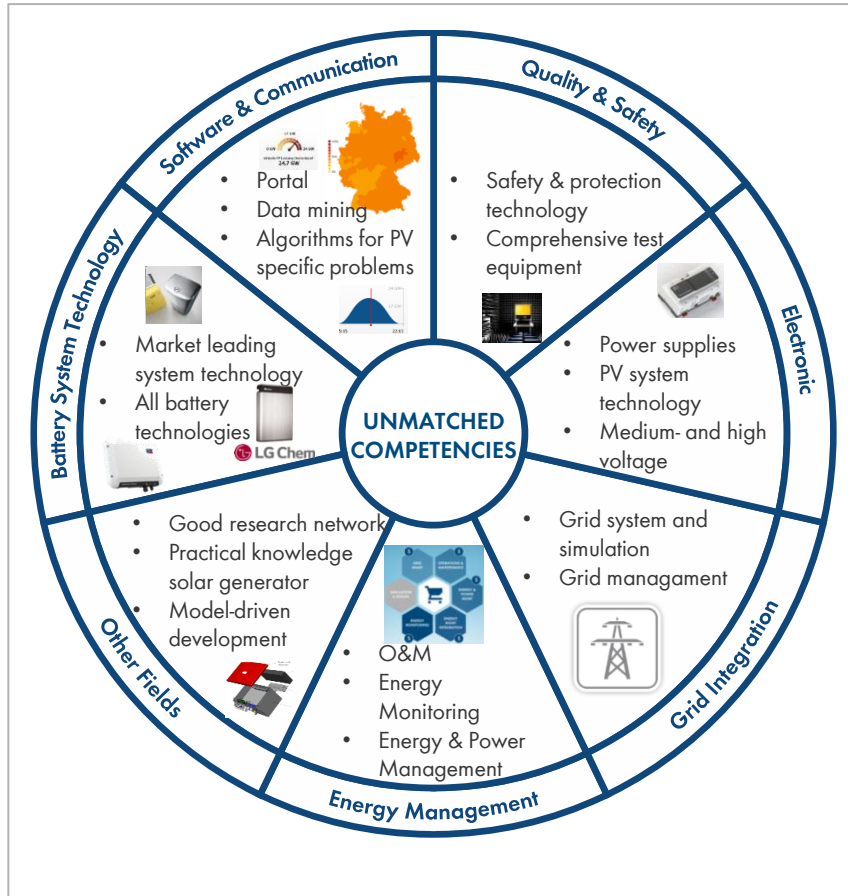
APAC

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

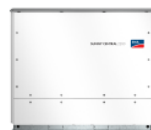


Service + O&M

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 incl. 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.

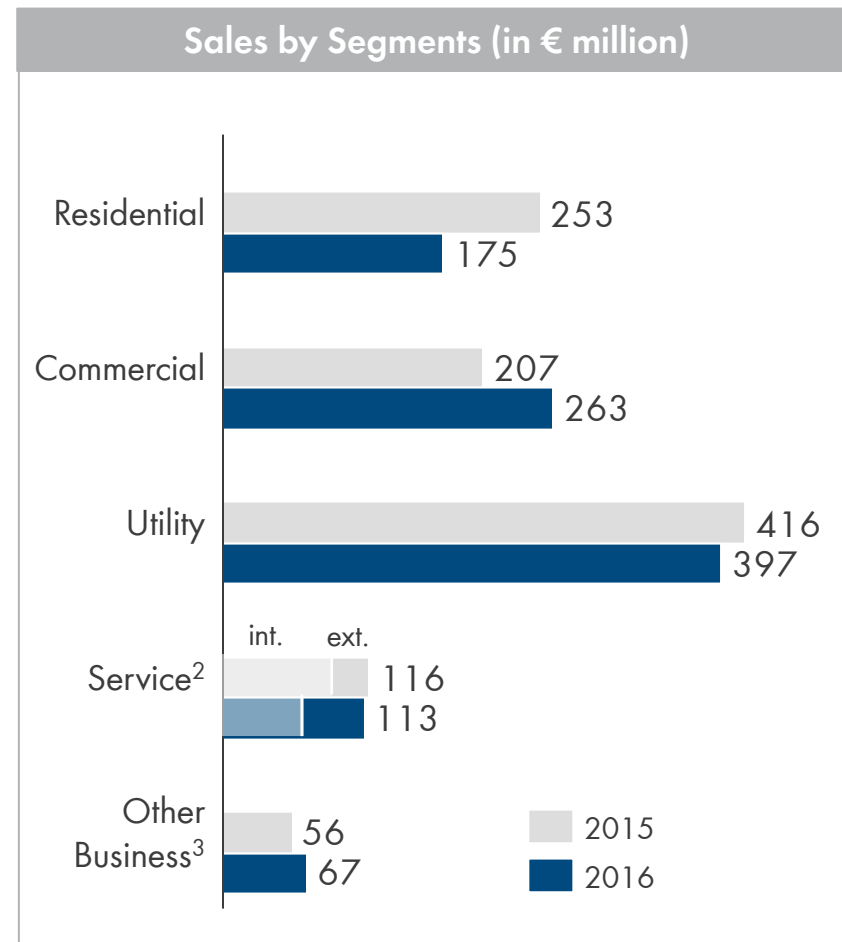
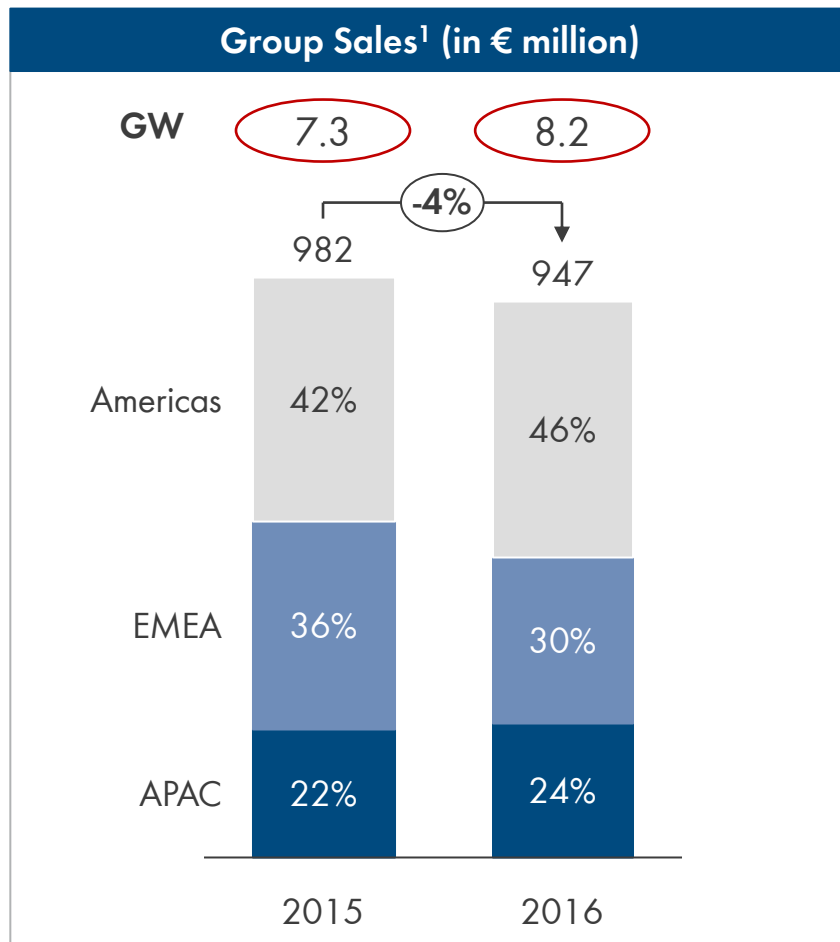
€947M IN SALES AND ATTRACTIVE
EBITDA-MARGIN OF 15% IN 2016

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 €947 Million Despite Strong Price Pressure in all Segments and all Regions



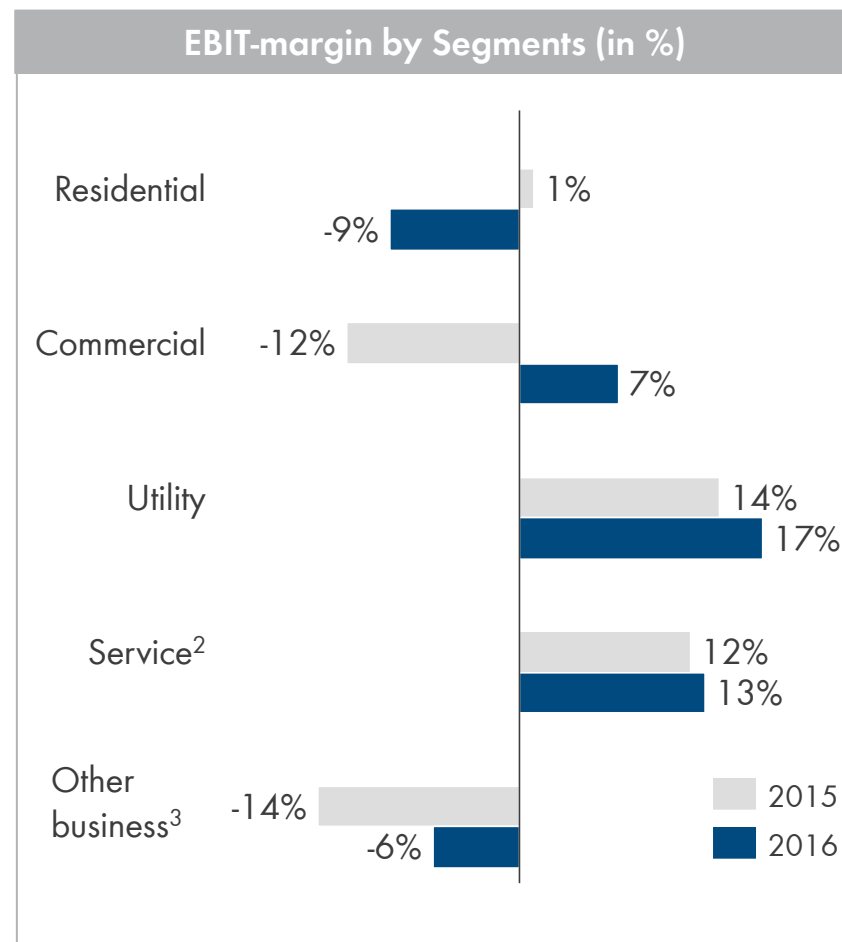
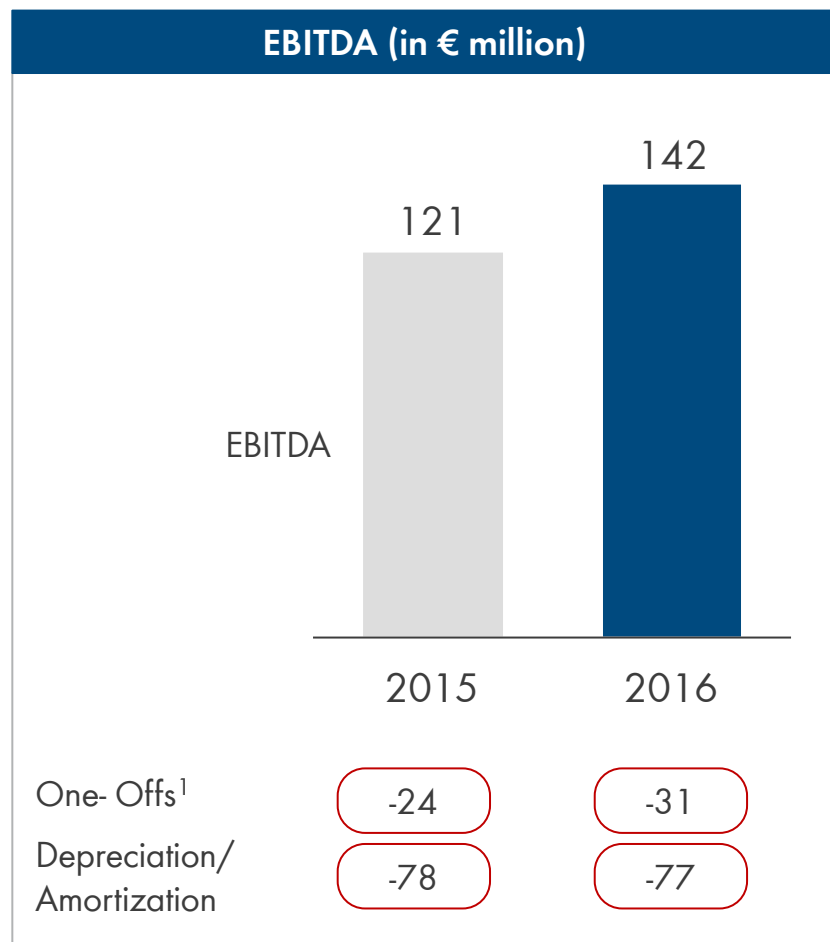
> The most important markets in 2016 were the U.S., followed by Germany, Japan, India and Great Britain

1. Without Railway

2. Internal sales (2016: €68m; 2015: €66m) and external sales (2016: €45m; 2015: €50m)

3. Including Zeversolar; w/o SMA Railway

The Commercial and Utility Segments are Key Drivers of Margin Improvement – Residential Segment is Impacted by One-Offs



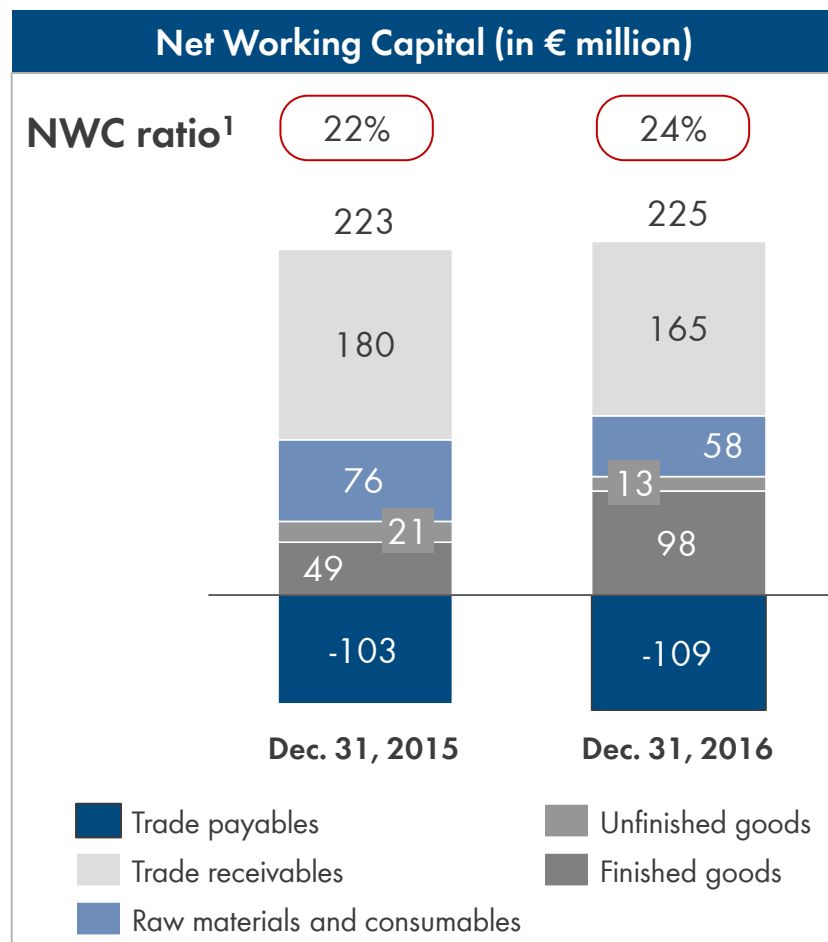
➤ **The Managing Board will recommend a dividend of €0.26 per share. The payout ratio is 31% of the net income of the Group, in line with the announced margin of 20% to 40%.**

1. 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)

2. Internal and external sales

3. Including Zeversolar; w/o SMA Railway

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	Δ
Non-current assets	471	426	-10%
Working capital	326	334	2%
Other assets	38	66	74%
Total cash	325	385	18%
Shareholders' equity	570	585	3%
Provisions ²	170	177	4%
Trade payables	103	109	6%
Financial liabilities ³	39	23	-41%
Other liabilities ²	278	317	14%
Total	1,160	1,211	4%

> **Finished goods increased due to closure of the production site in Denver.**

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

2. Not interest-bearing

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

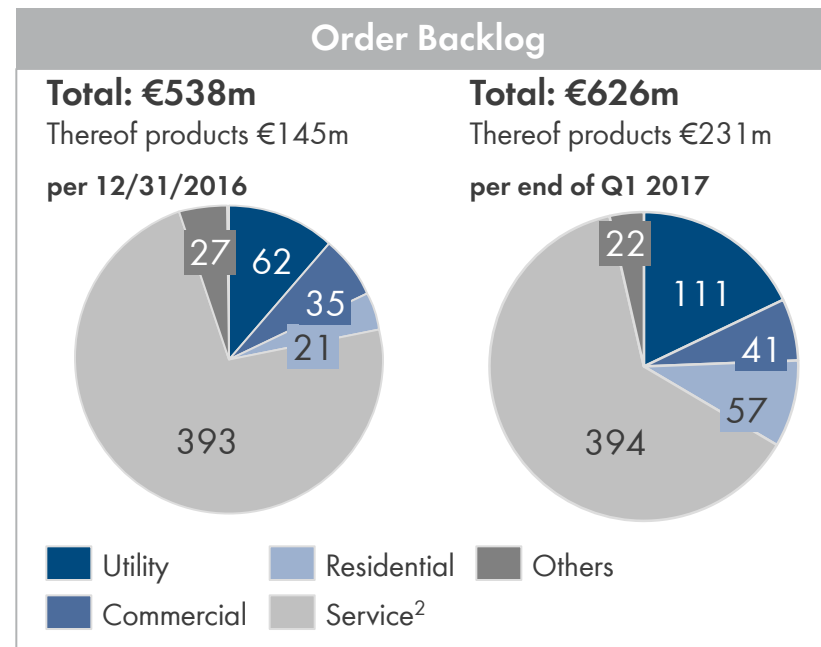
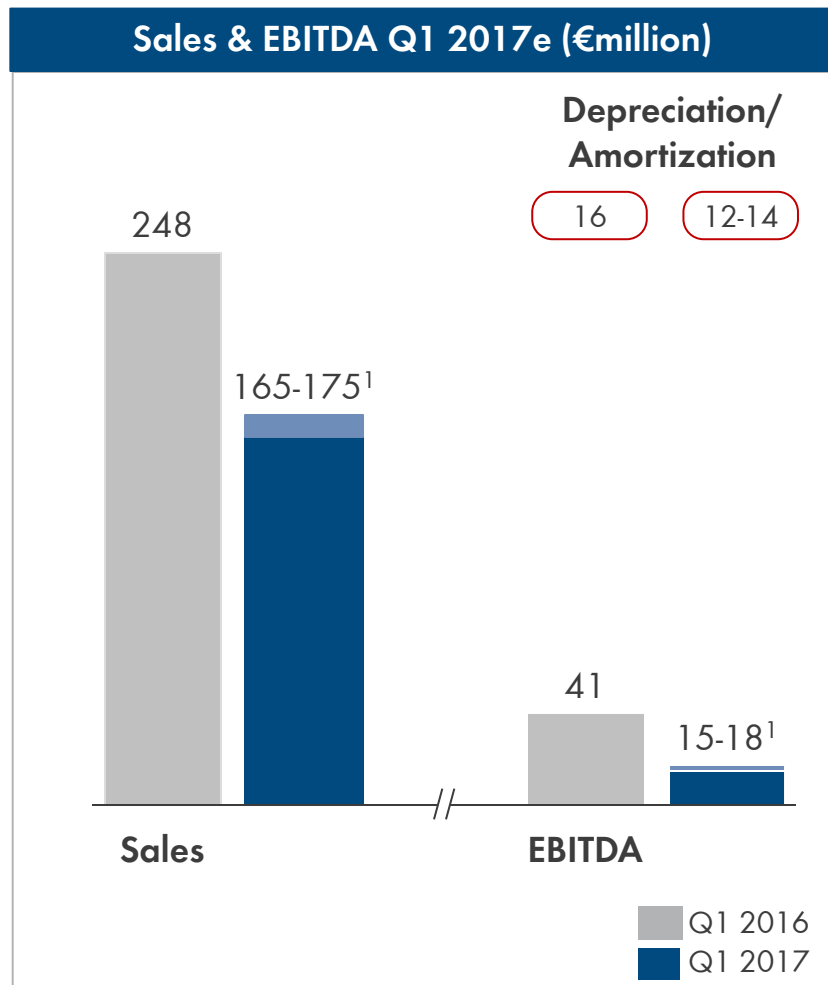
In 2016, SMA Operated With a Cash Break Even of Less Than €600m



Cash Flow (in € million)		
	2015	2016
Net Income	23	29
Gross Cash Flow	68	132
Cash Flow from Operating Activities	103	148
Net Capex ¹	-48	-27
Free Cash Flow (Adj.)	55	121
Net Investments from Securities and Other Financial Assets	-15	-62
Acquisitions	-1	-19
Free Cash Flow (IFRS)	39	40

➤ **SMA's business is not capital intense; therefore, SMA offers an attractive cash flow profile.**

Sales and Earnings in Q1 are Impacted by High Price Pressure and Unfavorable Weather Conditions in Key Markets



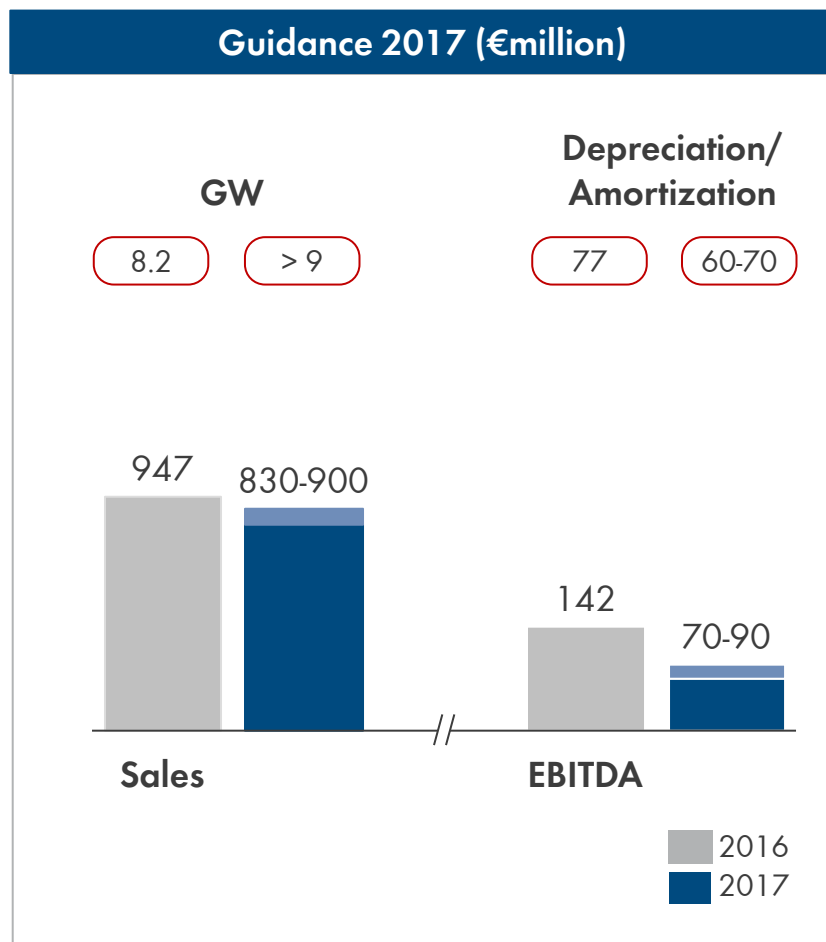
- ### Highlights Q1 2017
- > Launch of new products and services:
 - > Smart Connected Service in EMEA region
 - > Power+ Solution in the US
 - > Sunny Central 2750 in the US
 - > First MW order for new Sunny Tripower CORE1
 - > SMA America will expand its sales team

> Accelerated order intake in Q1 supports strong second half of 2017.

1. Preliminary figures

2. Order backlog in service will be recognized over a period of 5 to 10 years

Managing Board Confirms Guidance for 2017



- Comments on Guidance 2017**
- > SMA expects sales of €830m to €900m in fiscal year 2017.
 - > EBITDA is expected to reach €70m to €90m.
 - > Price pressure will remain high in all segments and regions.
 - > Net working capital ratio will be between 22% and 25% of sales.
 - > SMA plans to invest about € 50m.
 - > Divestment of SMA Railway Technology GmbH was completed in Q1.

> With cost-optimized products and the development of its solution business, SMA expects to increase profitability from 2018 onwards.

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



Investor Relations Contact:

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

Financial Calendar:

May 11, 2017	Publication of the Quarterly Statement: January to March 2017 Analyst Conference Call: 09:00am (CET)
May 23, 2017	Annual General Meeting
June 21, 2017	dbAccess Berlin Conference
August 10, 2017	Publication of the Half-Yearly Financial Report: January to June 2017 Analyst Conference Call: 09:00am (CET)
September 22, 2017	Macquarie 10th Alternative Energy Conference, London

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