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SMA Expects Sales and Earnings Increase in 2018

Financial Highlights 2017

Top Line

• Record Shipments with more than 8.5 GW
• Sales decline was mainly due to regulatory uncertainties in the U.S.
• Sales decline in the Utility segment in North America could not be fully compensated by the positive development in APAC/EMEA

Profitability, Bankability

• SMA delivered higher earnings than initially guided – all segments were break-even or profitable in 2017
• Cash break-even point < €700m in 2017
• Rock solid balance sheet structure with > 50% equity ratio, €450m net cash and €100m long-term credit facility

Outlook 2018

• Management confirms guidance with sales of €900m to €1,000m and EBITDA of €90m to €110m
• Management and Supervisory Board will recommend a dividend of €0.35 per share (40% payout ratio)
• Q1 sales are expected to reach c. €180m and Q1 EBITDA of c. €18m

▶ 2018 earnings guidance includes investments in new digital solutions of > €10 million.

Strategic Highlights

New subsidiary

New products

Awards

1. Preliminary figures
Gross Margin Increased in the Second Half of 2017 due to Cost-Improved Products and a Positive One-Off Effect

### Key Financials (in € million)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>MW sold</td>
<td>8.2</td>
<td>8.5</td>
<td>4%</td>
</tr>
<tr>
<td>Sales</td>
<td>947</td>
<td>891</td>
<td>-6%</td>
</tr>
<tr>
<td>Residential</td>
<td>191</td>
<td>208</td>
<td>9%</td>
</tr>
<tr>
<td>Commercial</td>
<td>273</td>
<td>268</td>
<td>-2%</td>
</tr>
<tr>
<td>Utility</td>
<td>397</td>
<td>240</td>
<td>-40%</td>
</tr>
<tr>
<td>Service</td>
<td>45</td>
<td>78</td>
<td>73%</td>
</tr>
<tr>
<td>Other Business</td>
<td>41</td>
<td>97</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Gross Margin (in %)</td>
<td>26%</td>
<td>22%</td>
<td>n.m.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>142</td>
<td>97</td>
<td>-31%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>77</td>
<td>53</td>
<td>-31%</td>
</tr>
<tr>
<td>EBIT</td>
<td>65</td>
<td>44</td>
<td>-32%</td>
</tr>
<tr>
<td>Thereof One-Offs¹</td>
<td>-31</td>
<td>13</td>
<td>n.m.</td>
</tr>
<tr>
<td>Net income</td>
<td>30</td>
<td>30</td>
<td>+/-0</td>
</tr>
<tr>
<td>Free Cash Flow (Adj.)</td>
<td>121</td>
<td>85</td>
<td>-30%</td>
</tr>
<tr>
<td>CapEx (incl. R&amp;D)</td>
<td>29</td>
<td>33</td>
<td>15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016/12/31</th>
<th>2017/12/31</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash</td>
<td>362</td>
<td>450</td>
<td>24%</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,211</td>
<td>1,216</td>
<td>1%</td>
</tr>
<tr>
<td>NWC ratio (in %)²</td>
<td>24%</td>
<td>22%</td>
<td>n.m.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
</tr>
<tr>
<td>Utility</td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
</tr>
<tr>
<td>Other Business</td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
</tr>
</tbody>
</table>

1. 2017: Release of deferred sales for long-term service and maintenance contracts, w/o the book gain from the sale of the Railway Technology business division; 2016: Consolidation of production sites, impairment on working capital, R&D impairment, release of employee bonus provision
2. Net Working Capital ratio: inventory + trade receivables-trade payables (no advanced payments included); as of last twelve months sale
MEGATRENDS WILL CHANGE BUSINESS MODELS IN THE ENERGY SECTOR FUNDAMENTALLY

THE RESULTING DECENTRALIZATION REQUIRES INTELLIGENT CONTROL

PHOTOVOLTAICS WILL BECOME THE MOST IMPORTANT ENERGY SOURCE
Megatrends are Transforming the Electricity Ecosystem

1. Decarbonization
   Is leading to an expansion of PV capacity, which in turn fosters decentralization and the demand for storage systems.

2. Sector convergence
   Is providing new means of flexibility – Managing the resulting complexity is creating demand for new energy solutions.

3. The structural transformation of the energy system
   Will require solutions to control and manage the increasingly decentralized grid enabled by digitalization.

4. Disruption in the electricity industry
   Creates new roles to be played by traditional OEMs along the entire value chain.

> SMA will leverage its existing experience to expand into digital solutions.

1. OEM: Original Equipment Manufacturer
Decarbonization is Supported by a Broad Community of Nations. ¹

Cost-efficient storage technologies can balance the volatility of renewable energy generation.

1 Paris agreement from 2015 within the United Nations Framework Convention on Climate Change
3 Bloomberg New Energy Outlook, 2017: Ratio of non-grid scale (PV, batteries, demand response) to total installed capacity in moderate PV growth scenario
4 Bloomberg New Energy Outlook, 2017: Capacity of small scale batteries and utility scale batteries
Sector Convergence Provides new Means of Flexibility – Managing the Resulting Complexity Requires Intelligent Control

Variable power prices and new technologies add new options for energy trading.
The Structural Transformation of the Energy System Requires Solutions to Control and Manage the Decentralized Grid

Today

- Centrally controlled grid
- Supply based on demand

Tomorrow

- Decentally controlled grid
- Distribution determined by energy price at given time

Digitalization is the key for decentralized applications and new business models

1 CHP: Combined Heat Power
Disruption in the Energy Industry Creates New Roles to be Played by Traditional OEMs Along the Value Chain

Market Trends

- Energy value chain is expanding to storage & balancing and energy management
- As technological progress accelerates and power prices continue to decline, the integrated utility model becomes less attractive
- Highly competitive and specialized players enter the market to capitalize on their capabilities and resources, leveraging economies of scale
- Additionally peer-to-peer networks emerge

Emerging Player Landscape

Market Trends

- Energy value chain is expanding to storage & balancing and energy management
- As technological progress accelerates and power prices continue to decline, the integrated utility model becomes less attractive
- Highly competitive and specialized players enter the market to capitalize on their capabilities and resources, leveraging economies of scale
- Additionally peer-to-peer networks emerge

The solar inverter is the key sensor to collect energy data. SMA has the data analytics and energy management know-how to create new services.

OEM: Original Equipment Manufacturer  
IPPs: Independent Power Producer  
P2P: Peer-to-Peer

VPPs: Virtual Power Plant  
EV: Electric Vehicle
The Disruption in the Energy Sector will Open up New Value Pools for Technology Driven Companies such as SMA

The megatrends decarbonization, technical cost decrease, sector convergence and digitalization will lead to a higher share of renewable energy and its growth.

The need for digital solutions and battery storage will create new value pools.

PV-inverters will serve as the backbone for smart grids solutions connecting the components and collecting data.

The traditional PV market is expected to grow in volume and value until 2020. EMEA and APAC as well as Utility and Commercial are key growth markets.

O&M services gain importance with continuously declining equipment prices and are key for sustainable PV investments.

SMA has a clear understanding how to approach digital solutions and battery storage and builds strong market position.

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1. Full O&M
2. SMA MI Model; as published in our Capital Markets Day Presentation 01/2018
The Utility Market is Still Driven by Price Pressure – PPA’s are below 20 $/MWh\(^1\)

**SMA’s Solution for Central Power Plant Design**

- SMA Medium Voltage Turnkey Solution, up to 6 MW, 1,500 V (2018)

**SMA’s Solution for Decentral Power Plant Design**

- SMA Solid-Q (2018)
- SUNNY HIGHPOWER PEAK1 (2018)

**SMA Focus**

- Increase power sizes to reduce specific costs
- Additional features that reduce total system costs
- Profit+ is a new business model to reduce life-time-cost
- Grid simulation to accelerate commissioning

▷ SMA’s new products / solutions will come with an improved cost structure.

1. PPA: Power Purchase Agreement
Intelligent Energy Management Reduces Energy Costs of Private Households and Commercial Customers Drastically

SMA forms strategic alliances to approach new customer groups.

1. Energy Cost Savings

Success Factors

- Reduce number of platforms to improve cost competitiveness
- Improve yield with module optimization
- Storage integration for greater flexibility
- Energy management platform to couple sectors
SMA is the First Mover of its kind in the Digital Energy Solutions Business

1. **Energy services**
   - Provision of energy-related services for private (white-label) and commercial customers
   - Flexibility
   - Marketing
   - Energy Efficiency Improvement
   - Cross-sectoral Energy Mgmt.
   - P2P Trading and Local Load Mgmt.

2. **Energy data**
   - Collection/analysis of energy related data (i.e. from PV installations) to provide data-based services
   - Enrich
   - Provide
   - Portal-as-a-Service
   - Data analysis
   - Energy analysis
   - Energy trading platform

- Available technology platform across sectors
- Access to 300,000 PV systems provides data from >1.5 m devices, allowing to create a worldwide database and data services as well as for integrating energy service solutions

> SMA has in-depth energy economical know-how and unparalleled access to energy data to create new business models.
SMA generated sales of €891M and an EBITDA of €97M

Solid balance sheet structure with an equity ratio of 50% and net cash of €450M

The managing board and supervisory board will recommend a dividend of €0.35 per share

Guidance 2018 confirmed; Q1 figures on track
Sales decline in the Utility segment in North America could not be fully compensated by the positive development in APAC/EMEA.
Earnings Decline Mainly due to the decline of Utility Sales in North America

1. 2017: Release of deferred sales for long-term service and maintenance contracts, w/o the book gain from the sale of the Railway Technology business division; 2016: Consolidation of production sites, impairment on working capital, R&D impairment, release of employee bonus provision
SMA has a Solid Balance Sheet Structure with an Equity Ratio of 50%

Net Working Capital (in € million)

<table>
<thead>
<tr>
<th></th>
<th>2016/12/31</th>
<th>2017/12/31</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and consumables</td>
<td>58</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>Unfinished goods</td>
<td>165</td>
<td>160</td>
<td></td>
</tr>
<tr>
<td>Finished goods</td>
<td>98</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>195</td>
<td>195</td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>225</td>
<td>160</td>
<td>-22%</td>
</tr>
<tr>
<td>Total NWC</td>
<td>334</td>
<td>325</td>
<td>-3%</td>
</tr>
</tbody>
</table>

Preliminary Group Balance Sheet, reclassified (in € million)

<table>
<thead>
<tr>
<th></th>
<th>2016/12/31</th>
<th>2017/12/31</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>426</td>
<td>358</td>
<td>-16%</td>
</tr>
<tr>
<td>Working capital</td>
<td>334</td>
<td>325</td>
<td>-3%</td>
</tr>
<tr>
<td>Other assets</td>
<td>66</td>
<td>63</td>
<td>-4%</td>
</tr>
<tr>
<td>Total cash</td>
<td>385</td>
<td>470</td>
<td>22%</td>
</tr>
<tr>
<td>Shareholder’s equity</td>
<td>585</td>
<td>612</td>
<td>5%</td>
</tr>
<tr>
<td>Provisions</td>
<td>177</td>
<td>156</td>
<td>-12%</td>
</tr>
<tr>
<td>Trade payables</td>
<td>109</td>
<td>130</td>
<td>19%</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>23</td>
<td>20</td>
<td>-13%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>317</td>
<td>298</td>
<td>-6%</td>
</tr>
<tr>
<td>Total</td>
<td>1,211</td>
<td>1,216</td>
<td></td>
</tr>
</tbody>
</table>

SMA improved its NWC structure in 2017

1. Net Working Capital ratio: inventory + trade receivables - trade payables (no advanced payments included); as of last twelve months sale
2. Not interest-bearing
3. w/o not interest bearing derivatives: € 0,4m (2016: € 17,6m)
In 2017, SMA Operated with a Cash Break-even Point of c. €700m

### Cash Flow (in € million)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>30</td>
<td>30</td>
<td>+/-0%</td>
</tr>
<tr>
<td>Gross Cash Flow</td>
<td>132</td>
<td>84</td>
<td>-36%</td>
</tr>
<tr>
<td>Cash Flow from Operating Activities</td>
<td>148</td>
<td>117</td>
<td>-21%</td>
</tr>
<tr>
<td>Net Capex¹</td>
<td>-27</td>
<td>-32</td>
<td>18%</td>
</tr>
<tr>
<td>Free Cash Flow (Adj.)</td>
<td>121</td>
<td>85</td>
<td>-30%</td>
</tr>
<tr>
<td>Net Investments from Securities and Other Financial Assets</td>
<td>-62</td>
<td>-66</td>
<td>7%</td>
</tr>
<tr>
<td>Acquisitions/ Devestiture</td>
<td>-19</td>
<td>17</td>
<td>n.m.</td>
</tr>
<tr>
<td>Free Cash Flow (IFRS)</td>
<td>40</td>
<td>36</td>
<td>-10%</td>
</tr>
</tbody>
</table>

▶ SMA’s business is not capital intense; therefore, SMA offers an attractive cash flow profile.

1. Thereof R&D capitalization: 2017: €18m; 2016: €13m
In Q1/18, SMA’s Management Estimates Sales of c. €180m and EBITDA of c. €18m

Sales & EBITDA Q1/2018e (in € million)¹

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>EBITDA²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>173</td>
<td>16</td>
</tr>
<tr>
<td>Q1 2018e</td>
<td>c. 180</td>
<td>c. 18</td>
</tr>
</tbody>
</table>

Depreciation/Amortization

+13%

Order Backlog (in € million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td>537</td>
<td>626</td>
<td>651</td>
<td>654</td>
</tr>
<tr>
<td>Service³</td>
<td>144</td>
<td>232</td>
<td>246</td>
<td>263</td>
</tr>
</tbody>
</table>

C. 50 % of guided sales figure 2018 is covered with Q1 sales and order backlog for products.

1. Preliminary figures
2. Q1/2017 EBITDA includes a positive one-off from the divestment of SMA Railway
3. Order backlog in service will be recognized over a period of 5 to 10 years
SMA’s Management Estimates with a Moderate Sales and Earnings Increase

**Guidance 2018 (in € million)**

<table>
<thead>
<tr>
<th>Sales</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>891</td>
<td>900-1,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>97</td>
</tr>
</tbody>
</table>

**Management Comment**

- SMA plans to increase market share, mainly in APAC (China, Japan, Australia).
- Strong growth in commercial and residential (incl. Optimizer) due to new products. Storage will be strong due to market development.
- Energy Management and digital solution business will only have limited sales contribution.
- Price pressure in utility remains high. Moderate development in all other segments.
- Supply constraints will impact SMA’s business at least until the end of Q2/2018, but ease starting Q2/2018.
- Acquisitions in the fields of energy management technology and O&M portfolios and additional optimizer technology are likely (total volume €50-100 m).

> **The Managing Board and Supervisory Board will recommend a dividend of €0.35 per share to the General Meeting (payout ratio: 40%).**

1. As of 2018, the net working capital ratio includes advanced payments: inventory + trade receivables-trade payables (incl. advanced payments); as of last twelve months sale
2. Incl. c. €20m for R&D
3. Our earnings-based dividend policy is basically reflected in a payout ratio of 20 to 40% of Group net income.
SMA is a Leading player for PV Inverters, Storage and O&M

Investment Highlights

Uniquely positioned in the solar market / best brand

- A leading global specialist for photovoltaics system technology with 65 GW installed base
- Complete portfolio to serve all PV segments
- 20 subsidiaries with strong service capabilities and access to all channels
- Award-winning 20 GW production to achieve scale

Leverage PV expertise to enter into high margin business

- Strong partnerships to create a new ecosystem
- Know-how & products to benefit from strong growth in the field of battery storage
- With ennexOS\textsuperscript{1}, SMA has set the basis to manage the complexity of integrated solutions
- Infrastructure to expand into data-driven business models and services

Key Financials 2018

Sales
€ 900 m - € 1,000 m

EBITDA
€ 90 m - € 110 m

Key Product Innovation 2018

SMA has an experienced management team with a proven track record.

1. SMA’s Energy Management Platform