

# SMA Solar Technology AG plans a close strategic cooperation with Danfoss A/S





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## **SMA and Danfoss plan to enter into a close strategic partnership**

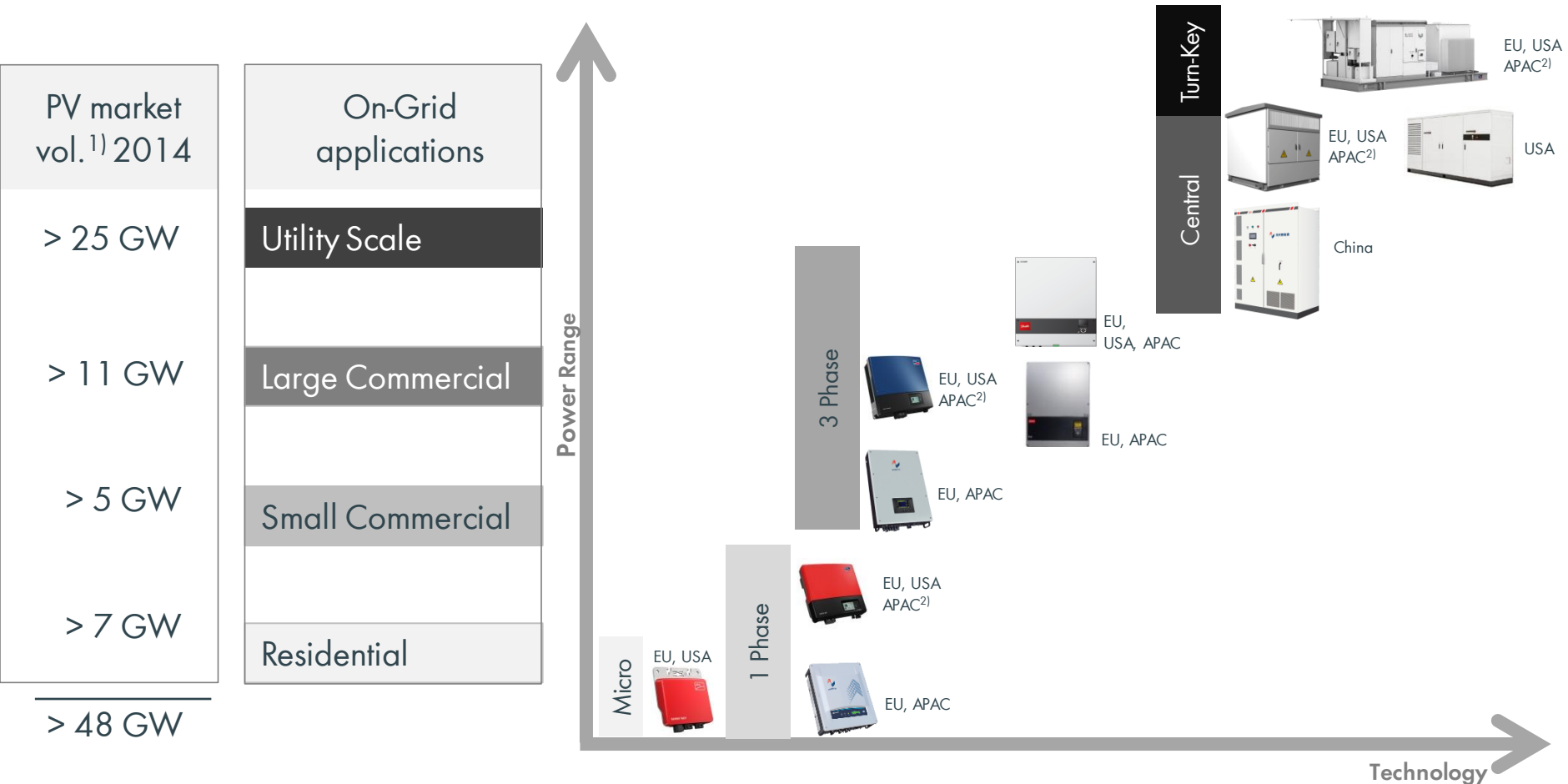
- > Since several years, the market of drives is characterized by a fierce international competition. The inverter industry has only recently experienced similar conditions.
  - > Stronger than before, the sustained success of both industries will depend on the ability of systematic cost reduction and technological leadership.
  - > Both companies will sustainably improve the cost position by leveraging economies of scale and by integrating their know how.
  - > By combining their product and service range, Danfoss and SMA will serve new customer groups and new markets.
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- ▶ **SMA and Danfoss will form one of the world's largest converter alliances and will sustainably strengthen their competitiveness.**

## SMA and Danfoss will cooperate closely in research and development as well as purchasing



- > **Technology:** Both partners use their mutual strengths
  - Accelerate innovation to improve quality and performance
  - Product cost-down and design to-cost-initiatives
  - Best practice product design
  - Use of Danfoss technology in SMA-products and vice versa
  
- > **Scale:** Advantage of procurement synergies which will amount to a sum in the double-digit million EUR range per year from 2015
  - Aggregate volume
  - Harmonize specification to lower costs
  - Best practice global sourcing
  - Significantly higher growth rates in the solar industry
  
- ▶ **The combined business will benefit from economies of scale and the commitment to drive innovation and competitiveness.**

# Danfoss will exit the pv-market and transfer the solar inverter portfolio to SMA; the transaction will increase the attractiveness of SMA's portfolio



► Danfoss transfers the rights for all solar inverter products in form of an exclusive, perpetual license. SMA will assign Danfoss as contract manufacturer and service the installed base<sup>3)</sup>.

**With a 20%-stake Danfoss will become one of SMA's anchor investors;  
SMA founders will control the majority also after the transaction**



## Share Price Development SMA



## Transaction Details

- > SMA founders, their trusts and families will sell 6.94 million SMA shares at €43.57 to Danfoss
- > The majority of the shares will be sold by the SMA founders' trusts.
- > With the shareholding, Danfoss will benefit from the future development of the solar industry.
- > The cash consideration represents a premium<sup>1)</sup> of 50% of the 60 day-volume-weighted average and an equity value of €1.5 bn.
- > Danfoss will not buy or sell SMA shares for a period of at least 2 years (lock-up)

**▶▶ The freely tradable free float of the SMA share (excluding SMA founders, their trusts and families) will be at 25.05%.**

## The envisioned cooperation will strengthen the competitiveness of Danfoss and SMA.



- > Step change in competitiveness by integrating Danfoss know how from the drive technology to the solar inverter business.
- > Significant potential to improve the cost position of both companies due to economies of scale.
- > SMA will increase the attractiveness of its product portfolio in particular for the fast growing commercial market segment in China, USA and Europe.
- > SMA is rock solid with the new anchor investor. The shareholding in SMA proves Danfoss' continued dedication and confidence in the solar business.
- > The entire transaction is subject to regulatory approval. Closing is expected in Q3 2014.
- > As specialists Danfoss and SMA will continue to focus on their main business fields.

▶▶ **The cooperation brings two specialists together to create one of the world's largest inverter alliances.**



## Appendix:

### Short Profile Danfoss

Danfoss is a global leader focused on energy-efficient solutions that save energy and costs, and reduce carbon emissions. The company's wide range of products and services are used in areas such as cooling food, air conditioning, heating buildings, controlling electric motors and powering mobile machinery. Danfoss Solar Inverters develops and manufactures a comprehensive range of grid-connected photovoltaic inverters for all PV applications, backed by some of the most extensive inverter testing facilities in the industry. Danfoss is also active in the field of wind power as well as district heating and cooling infrastructure for cities and urban communities. The Group employs around 22,500 employees and sells its products in more than 100 countries around the world. In 2012, Danfoss generated net sales of €4.56 billion (DKK34.0 billion).

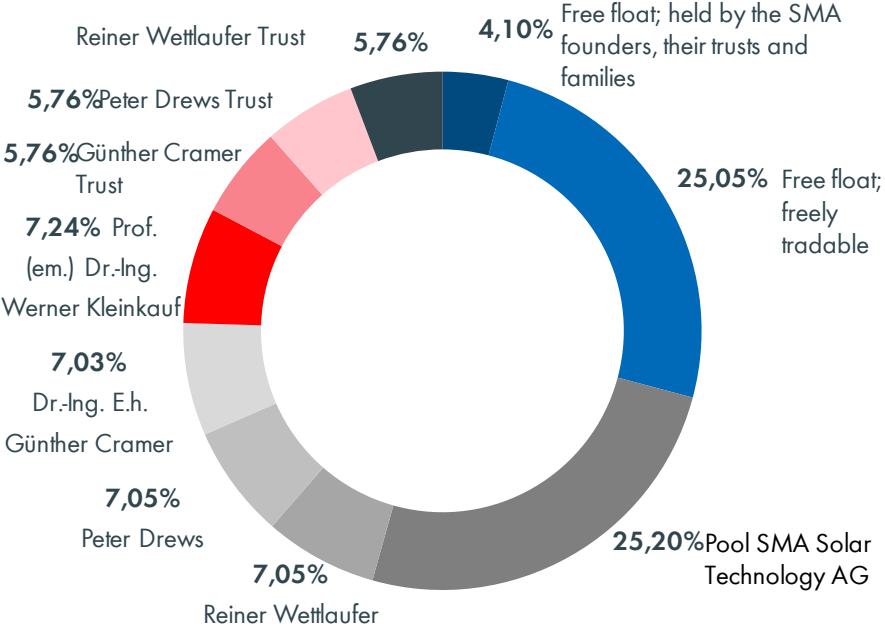
### Short Profile SMA

The SMA Group generated sales of more than €0.9 billion in 2013 and is the global market leader for solar inverters. As an energy management group, SMA offers innovative key technologies for future power supply structures. It is headquartered in Niestetal, near Kassel, Germany, and is represented in 21 countries. The Group employs more than 5,000 people worldwide. SMA's broad product portfolio includes devices for every type of module and for all plant sizes. The product range includes both inverters for grid-connected photovoltaic plants as well as off-grid and hybrid system technology. The product portfolio is supplemented by comprehensive services and operational management of utility-scale PV plants. Since 2008, the Group's parent company, SMA Solar Technology AG, has been listed on the Prime Standard of the Frankfurt Stock Exchange (S92) and also in the TecDAX index.



# Appendix:

## Shareholder structure before the transaction



## Shareholder structure after the transaction

