

ANALYST / INVESTOR PRESENTATION QUARTERLY FINANCIAL RESULTS: JANUARY TO SEPTEMBER 2014



November 6, 2014, Pierre-Pascal Urbon, CEO; Lydia Sommer, CFO

SMA Solar Technology AG

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- > Demand in Q3 2014 was below our expectation due to weak distribution business in Europe and project delays in UK and Japan.
- > Global demand is expected to be flat in 2014. SMA's management estimates higher PV-installations in Q4 2014.
- > Regional shift in demand affects product mix and selling prices.
- > SMA's management expects to reach lower end of guidance, if demand accelerates in Q4 2014.

SMA IMPROVED ITS GROSS MARGIN AND GENERATED A POSITIVE EBITDA IN Q3 2014

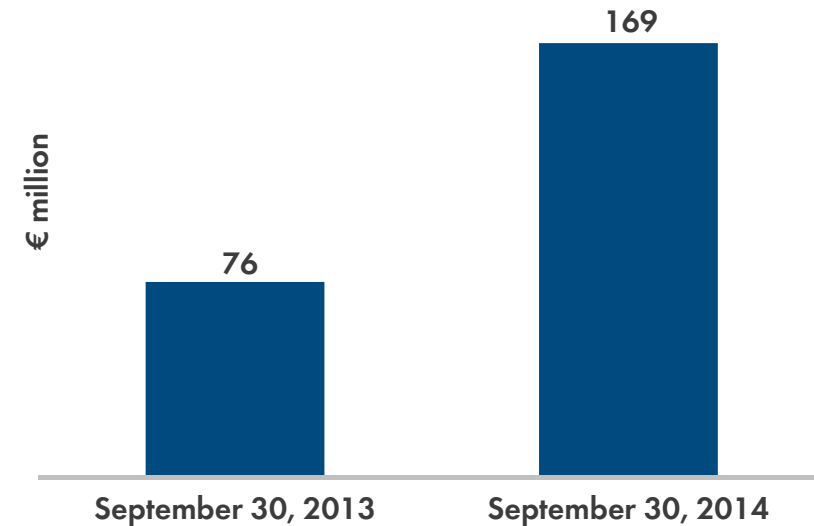


Key Financials

	January to September 2013	January to September 2014
MW sold	3,959	3,311
Sales	709	549
EBITDA ¹	27	-8
Net result	-22	-54
NWC ratio	26.6%	34.6%
Net Capex	44	54
Free Cash Flow (Adj.)	-75	-87

Numbers in € million, unless stated otherwise

Order Backlog²



> Order backlog at the end of Q3 2014 stood well above previous years' level. Order intake improved since the beginning of Q4 2014.

1. Earnings before interests, taxes, depreciation and amortization.

2. To be fulfilled by the end of the year. Only Medium Power Solutions and Power Plant Solutions (without Service, Zevsolar and Railway Technology).

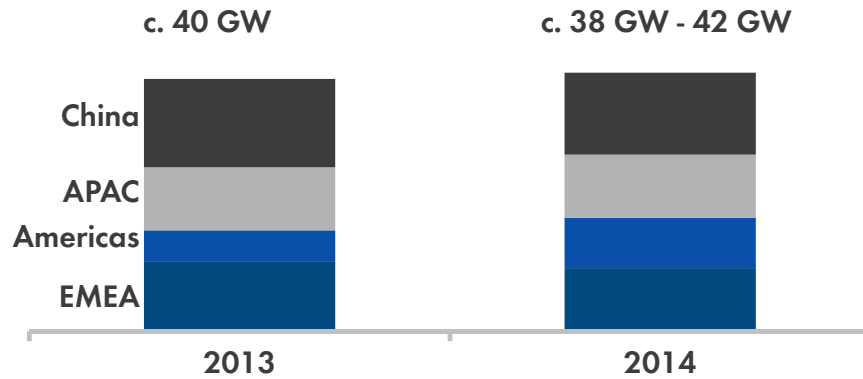


- > **New PV-installations are expected to reach 38 GW to 42 GW in 2014.**
- > **High price pressure in all regions and segments lead to market decline in €-terms in 2014.**
- > **Americas remains growth driver, while European demand is estimated to decline.**
- > **SMA targets a market share of nearly 20% in 2014 (based on revenues)**

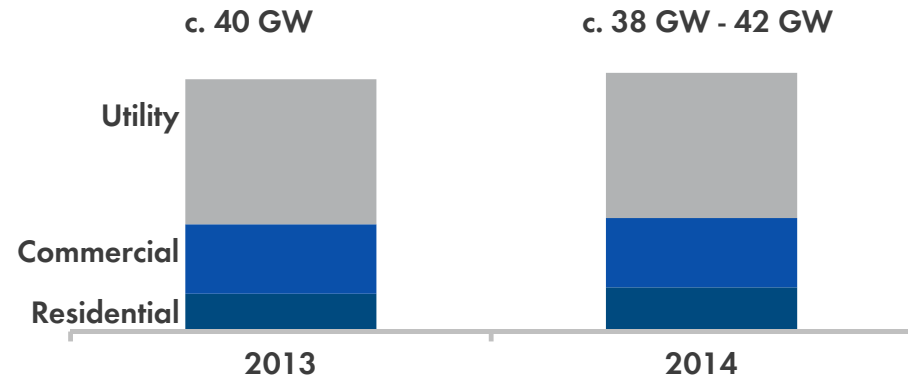
DEMAND IS IMPACTED BY REGULATORY UNCERTAINTY



PV inverter market by region



PV inverter market by segment



> SMA expects a rise in new installations in Q4 2014, mainly from China, North America and UK.

HIGHLIGHTS



- > **SMA launched new Sunny Tripower inverters to serve the commercial market.**
- > **SMA to take quantum leap with new Sunny Boy generation for the residential market.**
- > **SMA supplies system technology for the world's largest PV-Diesel-Hybrid power plant with battery storage system.**
- > **SMA acquired European O&M business (Closing).**

THE **NEW SUNNY BOY GENERATION** HAS BEEN PRESENTED DURING THE SOLAR ENERGY TRADE SHOW



- > Rapid installation and commissioning with light weight inverter and web interface.
- > Easy system design and more yield thanks to a flexible module choice.



- > New Sunny Tripower 25 is the versatile specialist due to multi-string capabilities and wide input voltage range.
- > Grid management functions like plant control and reactive power 24/7 included.



- > New Sunny Tripower 60 is an extreme compact inverter in a 75 kg enclosure.
- > Very attractive system costs and support of multi region grids (IEC & UL).

SMA IMPLEMENTS ITS STRATEGY ACCORDING TO PLAN



PV-Diesel-Hybrid Power Plant with storage system in Bolivia

- > 5 MW PV power plant and 2 MW lithium-ion battery storage connected to a diesel generator (4,000 meters altitude, harsh environment).
- > SMA supplies the photovoltaic inverters as well as the newly developed inverters for large-scale battery storage systems and SMA's Fuel Save Controller.



SMA acquired European O&M business from Phoenix Solar¹

- > This transaction is systematically implementing SMA's growth strategy in the service business and offers sustainable and stable sales.
- > SMA will continue to expand the O&M services in Europe and North America and thus benefit from its outstanding expertise and installed basis.



1. Closing on October 31, 2014



- > Q3-Sales improved by 26% compared to previous quarter. Y-t-D still more than 20% below previous year.
- > Gross margin improved in Q3 to more than 20%. Y-t-D gross profit is 36% below last year's result.
- > Solid balance sheet structure with a net cash position of around €225 million and an equity ratio of nearly 55%.
- > Net Working Capital increased by nearly 8% to €267 million since end of 2013.

SIGNIFICANT BUSINESS UPTURN IN Q3 2014



MW sold

5,361

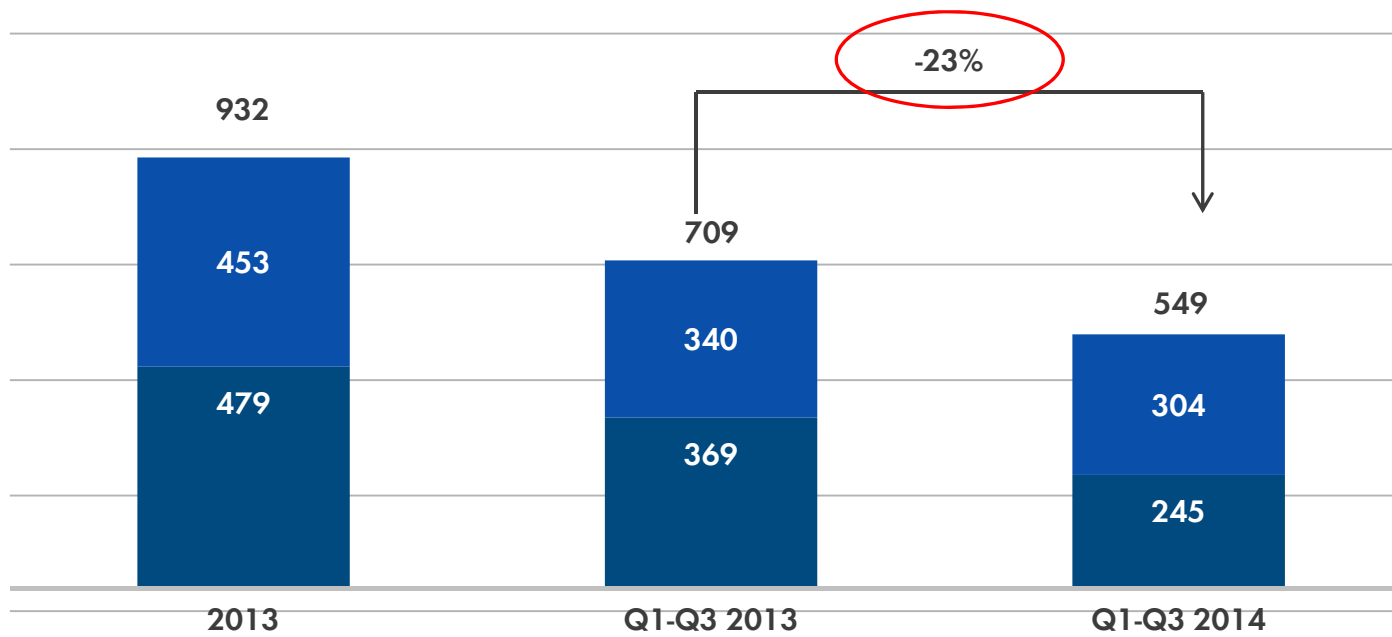
3,959

3,311

Sales in € million

■ ROW

■ Europe



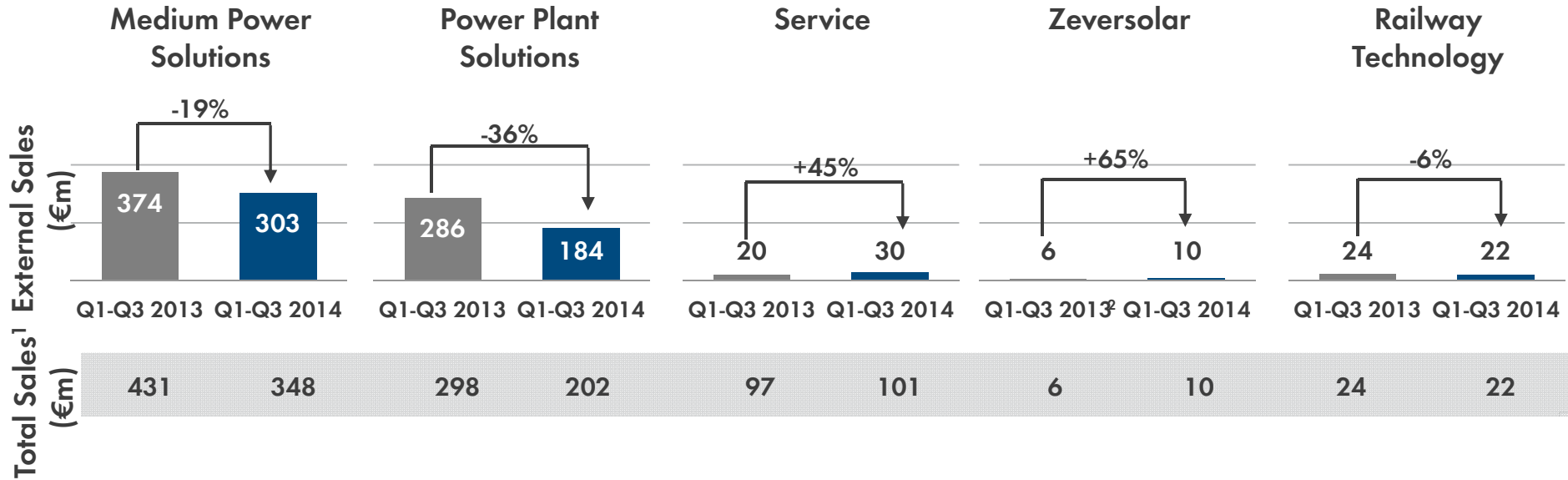
International share

71%

69%

72%

WEAK PROJECT BUSINESS IN NORTH AMERICA IN THE FIRST HALF OF 2014 NEGATIVELY IMPACTS PPS



Highlights

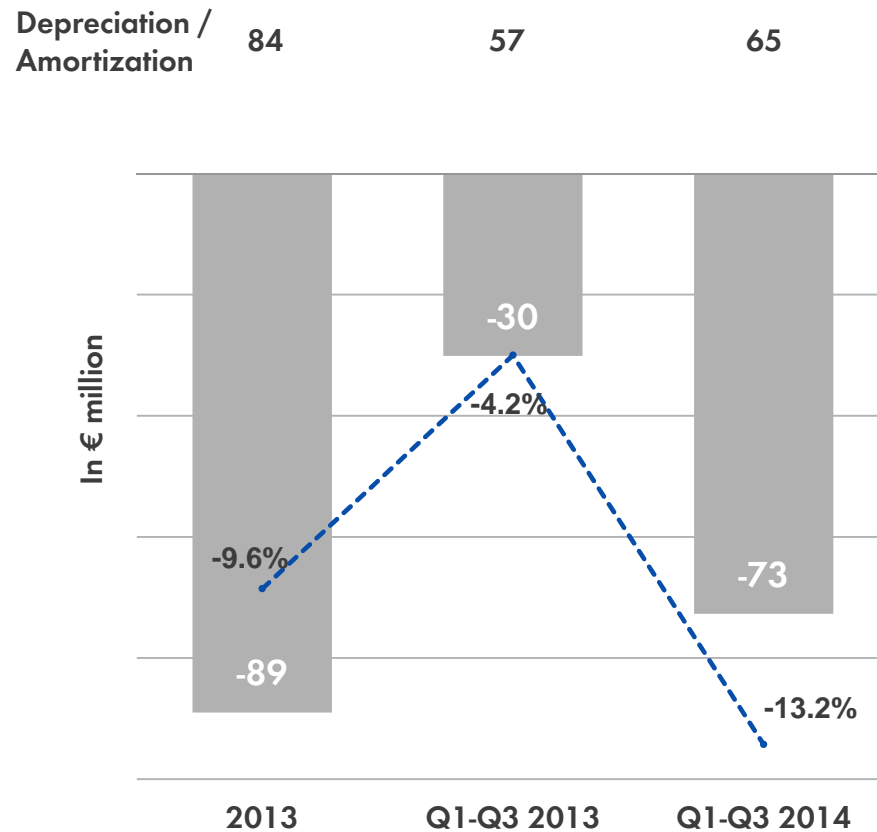
- > Sales decline in many European markets due to reduced subsidies, was partially offset by strong sales in North America, Japan and U.K.
- > Slow project business in North America but considerable upturn in demand could already be seen in Q3 2014.
- > Weaker project business in other countries because of geopolitical crises and cuts in subsidies.
- > Sales drivers were maintenance and service contracts, 50.2 Hz modifications and repairs.
- > SMA was chosen to provide O&M service for 270 MW³ in the last 12 months.
- > Y+D sales are impacted by project delays in China and weak European demand.
- > Stronger demand expected in Q4 2014, especially in China.
- > Sales in the service and spare parts business declined as a result of the mild winter and summer.
- > A more efficient platform to supply energy to local trains was developed.

1. Incl. Internal sales
 2. 2013 sales only from March 12, 2013 to March 31, 2013
 3. Excluding Phoenix Solar

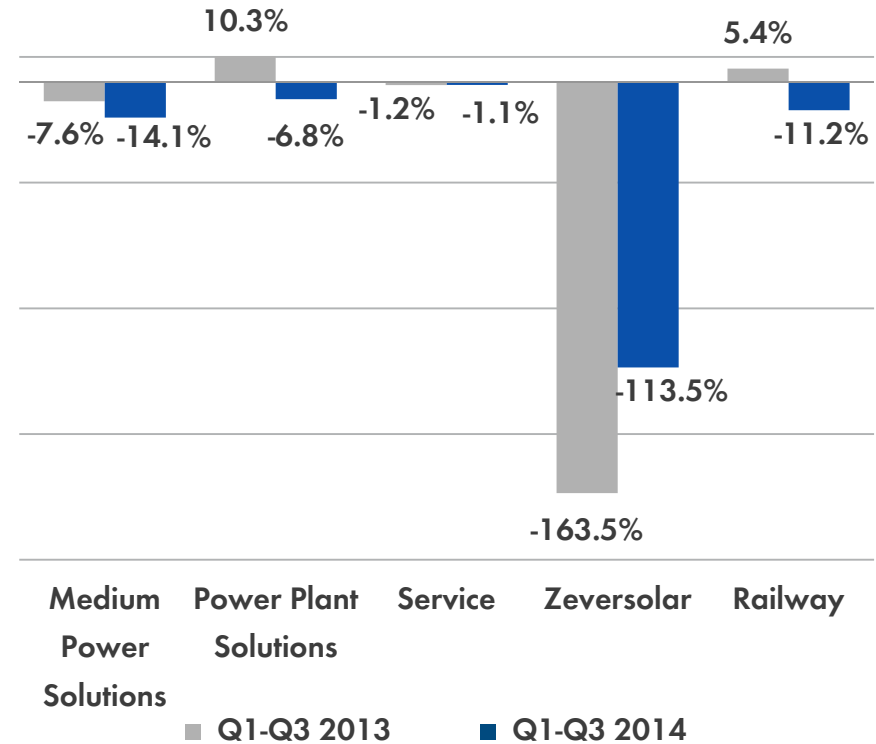
DECLINE IN EBIT MARGIN DUE TO WEAK SALES PERFORMANCE BUT POSITIVE TREND IN Q3 2014



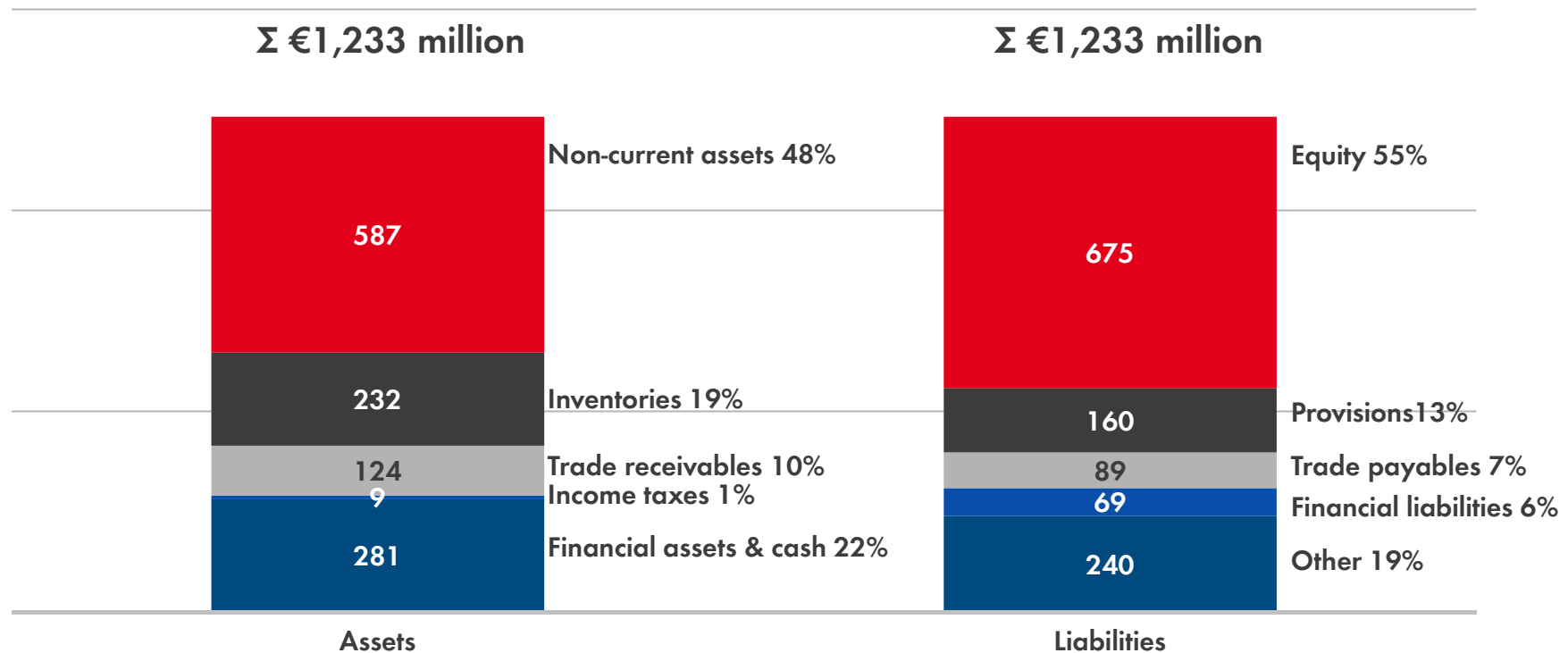
EBIT and EBIT Margin SMA Group



EBIT Margin by Segment



SMA HAS A **SOLID BALANCE SHEET STRUCTURE** WITH AN EQUITY RATIO OF NEARLY 55%

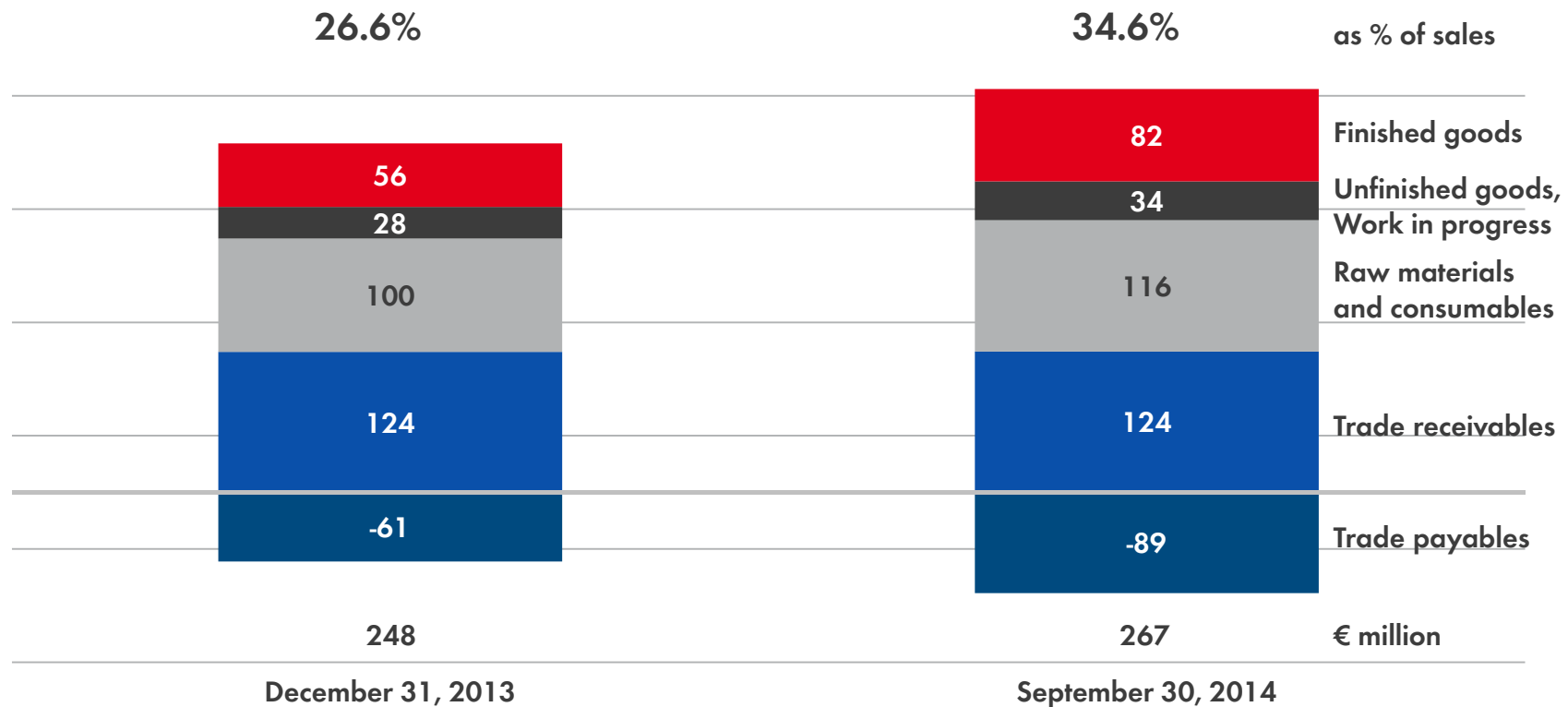


> Net cash amounted to €225 million at the end of Q3 2014 (total liquidity > €280 million).

FINISHED GOODS AND OTHER INVENTORY INCREASED BECAUSE OF EXPECTED YEAR-END RALLYE



Net Working Capital^{1,2}



> The Net Working Capital Ratio amounts to 34.6%².

1. Net Working Capital = Inventory + trade receivables - trade payables
(No advanced payments included)
2. Relation to the last twelve months (LTM)

OPERATING CASH FLOW ON PREVIOUS YEAR'S LEVEL DESPITE NEGATIVE GROSS CASH FLOW



	Q1-Q3 2013 ¹	Q1-Q3 2014 ¹
Gross Cash Flow	24	-46
Cash Flow from Operating Activities	-32	-33
Net Capex ²	-44	-54
Free Cash Flow (Adj.)	-75	-87
Acquisitions ²	-22	2
Net investments from securities and other financial assets	110	60
Free Cash Flow (IFRS)	13	-25

1. In € million, with rounding difference.

2. Acquisition of Zerversolar / Cash inflow from Danfoss asset deal.



- > **SMA management confirms sales and earnings guidance 2014.**
- > **Countermeasures defined to increase gross margin and lower break-even point.**
- > **High equity ratio of 55% and net cash position of €220 million.**
- > **Strategy and cost reduction program will be presented during the Capital Markets Day on January 30, 2015.**

GUIDANCE: SMA STRIVES TO INCREASE MARKET SHARE



PV-market Dynamics / SMA's global market share

- > SMA's financial performance is directly linked to the overall development of the PV-market.
- > SMA expects a newly installed PV-capacity of between 38 GW and 42 GW in 2014. Market measured in Euros is expected to decline in all market segments due to a high price pressure worldwide.
- > SMA strives to increase global market share GW in 2014 to approximately 13% - 15% (up to 20% in revenue terms).
- > International sales will account for approximately 80% in 2014.

SMA's Balance Sheet Guidance

- > Net cash will amount to more than €220 million at the end of 2014. The net cash position and high equity ration of nearly 55% underlines SMA's bankability.
- > Fixed assets amount to approximately more than €330 million at the end of 2014. Capital expenditure will amount to €70 million - €90 million (including €35 million - €45 million for capitalized R&D).
- > By end of 2014 Net Working Capital will be 30% - 35% of total sales (previously 23% - 26%).

SMA's Sales and Earnings Guidance

- > MPS sales of up to €450 million (previously €450 million - €490 million)
- > PPS sales of up to €290 million (previously €300 million - €340 million)
- > Service, Zegersolar and Railway Technology have sales of between €88 million and €100 million (previously €105 million - €140 million).
- > SMA expects a loss of up to €45 million in 2014. This loss does not take into account any non-recurring expenses from the staff reduction announce on July 30, 2014.

GUIDANCE: SMA WILL IMPLEMENT FURTHER COST-OUT MEASURES TO LOWER BREAK-EVEN POINT



Technology Leadership

- > SMA's market leadership position is based on its technology leadership; SMA will invest approximately €120 million in R&D in 2014; > 1,000 engineers.
- > Reduction in R&D budget from €120 million to max. €90 million at the end of 2015 (<10% of sales) through use of natural employee turnover and reduction in the use of external service providers and consultants.
- > Optimization of the product portfolio using the Zeversolar and Danfoss synergies started.

Cost-out program / Operational excellence

- > Cost-out program and operational excellence initiative will lead to cost savings of approximately €50 million - €60 million in 2014. Reduced from €80 million - €100 million due to lower sales.
- > Target of Cost-out program and productivity measures of €50 million - €70 million in 2015. (including Danfoss synergies). Further measures under review.

Headcount reduction

- > More than 500 FTE participated in the job reduction program in Germany. At the end of 2014 SMA targets around 3,000 FTE in Germany.
- > Savings from headcount reduction amount to approximately €40 million p.a. starting 2014. However savings are mainly off-set by collectively agreed salary increase, Christmas payments (both not paid in 2013) and headcount increase abroad.
- > SMA plans to reduce further 600 FTE until end of 2015. The fixed-term contracts that expire and the natural employee turnover are part of the downsizing plan. Additionally, measures will be defined for downsizing 400 employees (approx. 25% abroad) from Sales, Service, Operations and Administration. Will lead to further €40 million savings p.a. from 2016 onwards. Effect in 2015 around €10 million - €20 million.

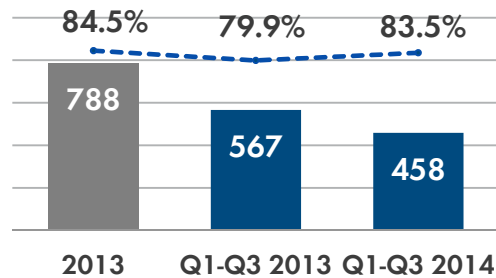
APPENDIX



DESPITE POSITIVE DEVELOPMENT IN Q3 2014 - GROSS MARGIN DECLINED YEAR OVER YEAR

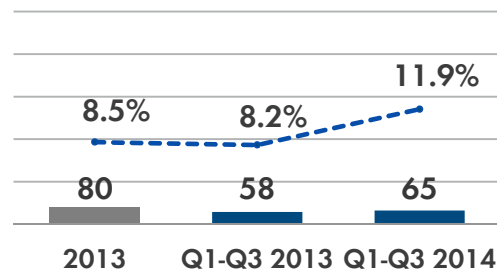


COGS



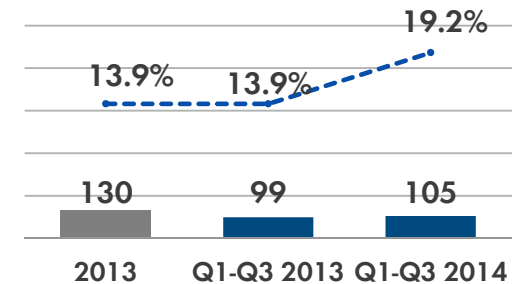
- > Reduction in material costs is due to the success of the cost-out measures and new product launches, which will increasingly show results next quarters.
- > Personnel cost savings were partially offset by collectively agreed salary increases and the recognition of provisions for Christmas and vacation pay. The expansion of foreign locations increased cost base as well.

R&D Expenses



- > Investments of €93 million in R&D within the first nine months 2014 (incl. cap. R&D projects) are according to plan.
- > High number of capitalized projects (€28 million) reflects activity in the development of new products and solutions.
- > Higher personnel expenses in R&D included expansion of research competencies outside Germany (e.g. Zeversolar).

SGA Expenses



- > Selling expenses increased due to the international expansion of the sales organization.
- > Personnel expenses also included the collectively agreed salary increases, the build up of salary provisions and the first-time full consolidation of Zeversolar.