

SMA SOLAR TECHNOLOGY AG

Analyst / Investor Presentation

Half-Yearly Financial Results: January to June 2017



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August 10, 2017



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SMA's Managing Board Raised Guidance for 2017 due to High Order Intake and Improved Market Outlook



Top-Line	<ul style="list-style-type: none"> > In H1/17, SMA generated sales of €381m (H1/16: 482m) with an sales increase of 20% in Q2/17 compared to the previous quarter. > Sales decline in all key segments year-over-year (Residential -12%, Commercial -3%, Utility -47%); Strong Sales in Service and Other Business (+15% and +52% Y/Y). > Strong sales in APAC in all segments (+57% Y/Y); Sales decline in Americas after record year 2016 (-60% Y/Y), EMEA is stable.
Profitability/ Bankability	<ul style="list-style-type: none"> > Slow sales impacted gross margin (H1/2017: 19%; H1/2016: 25%). > Accordingly, EBITDA declined to €29m (H1/2016: €71m). > Depreciation/amortization of €27m in H1/2017 (H1/2016: €33m). > Net income of €9m (H1/2016: €19m). > Free cash flow (adj.) remains high (H1/2017: €26m; H1/2016: €44m). > Rock solid balance sheet structure with 50% equity ratio, > €400m net cash and €100m long-term credit facility.
Outlook	<ul style="list-style-type: none"> > Market Outlook adjusted until 2019¹ mainly due to higher demand in China: In 2017, Global new PV installation expected to reach 84 GW, thereof 36 GW in China (previously: 71 GW and 24GW); Global inverter revenues expected to increase to €5.1bn, thereof €1.1bn in China (previously: €4.9bn and €0.6bn) with strong growth in the storage segment. > Section 201 trade case is already starting to have an impact on U.S. market. > Management raised guidance with sales of €900m to €950m and EBITDA of €85m to €100m.² > Market launch of new products on track; SMA slightly increased selling prices in selected markets.

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

1. 2018: 92 GW and €5.8bn (previously: 65GW and €4.9bn); 2019: 100 GW and €6.2bn (previously 68GW and €4.9bn)

2. Previously: Sales €830m to €900m; EBITDA €70m to €90m

SMA Increased its Order Backlog to €673m, Thereof €280m for Products



Key Financials (in € million)			
	H1/16	H1/17	Δ
MW sold	3,876	3,830	-1%
Sales	482	381	-21%
Residential	107	94	-13%
Commercial	128	123	-3%
Utility	205	108	-47%
Service	25	28	15%
Other Business	18	28	52%
Gross margin	25%	19%	
EBITDA	71	29	-59%
EBIT	39	3	-93%
Thereof One-Offs ¹	-2	-5	
Free cash flow (adj.)	44	26	-41%
Depreciation/Amortization	33	27	-20%
Capex (incl. R&D)	12	15	28%

Key Financials (in € million)					
	2016/12/31		2017/06/30		Δ
Net cash	362		402		11%
Total assets	1,211		1,190		-2%
NWC ratio ²	24%		24%		
	2016		2017		
	Q3	Q4	Q1	Q2	
Sales	227	238	173	208	
Residential	43	33	37	57	
Commercial	71	68	57	66	
Utility	84	108	49	59	
Service	14	6	15	13	
Other Business	15	23	15	13	
Gross margin	27%	27%	19%	20%	
EBITDA	37	34	16 ³	13	
One-Offs ¹	-9	-20	-1	-4	

1. H1/2017 w/o the book gain from the sale of the Railway Technology business division: Impairment on working capital (neg.); thereof in COGS (€-4m)

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

3. Including the book gain from the sale of the Railway Technology business division

MARKET OUTLOOK ADJUSTED UNTIL 2019:
MAINLY DUE TO HIGHER DEMAND IN CHINA

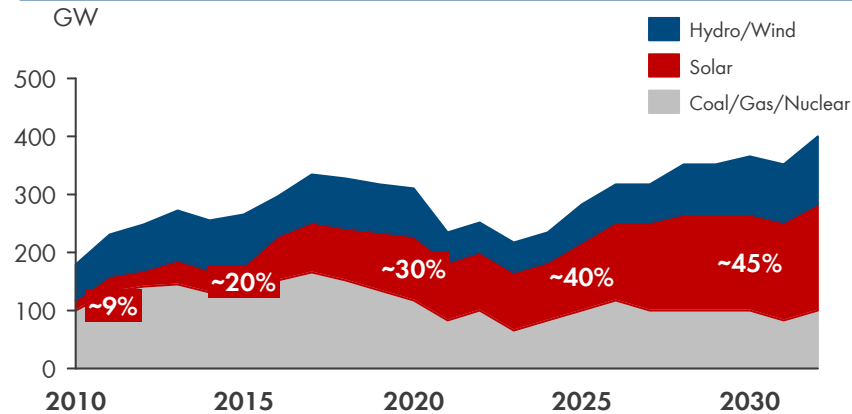
GLOBAL PV INVERTER REVENUE GROWTH
EXPECTED UNTIL 2019

SYSTEM TECHNOLOGY FOR STORAGE WILL BE THE
MAIN GROWTH DRIVER IN THE FUTURE

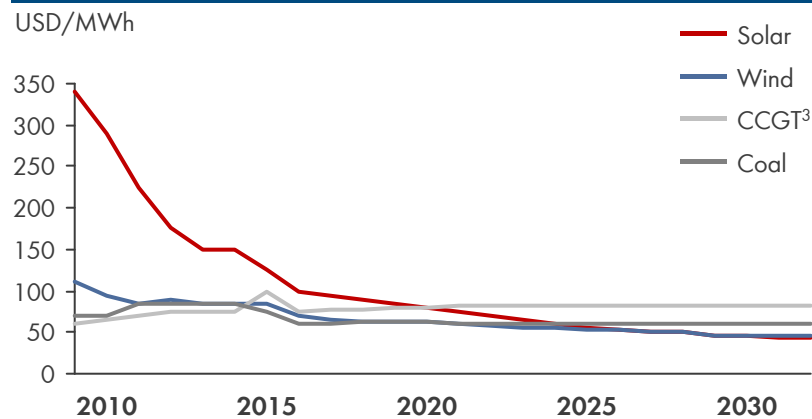
Solar is About to Gain Momentum Again: Low Cost Points, Storage and Climate Targets are Catalysts of Demand Increase



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.
- > The replacement of fossil energy sources by renewables (solar and wind) will accelerate due to fast reduction of consumer cost of electricity.
- > Energy storage will ensure security of energy supply³ and enable higher growth rates.
- > The energy internet will allow peer-to-peer communication and cost-effective distribution of energy.
- > Climate targets⁴ will lead to new regulations. As a consequence, oil and gas fired boilers will be replaced by ecofriendly solutions.

> **PV will become the most important energy source, because power is produced at the point of consumption.**

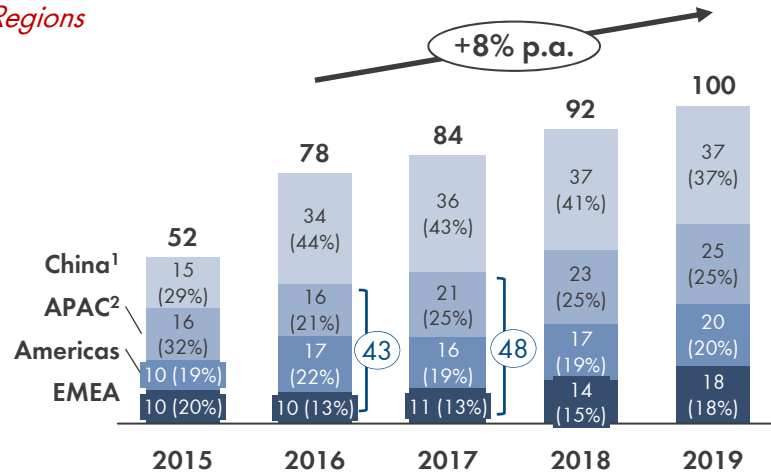
1. SMA (Solar data 2010-2020); Bloomberg New Energy Finance 2014 (data until 2015, except Solar) and BNEF NEO 2016 (2016-2030)
 2. Bloomberg article on Energy Costs from January 3, 2017
 3. Enhance frequency response; capacity
 4. 195 states signed Paris climate agreement (2016)

SMA Increased its Global Market Outlook for the Coming Years – a 100-GW-Market is Already in Sight

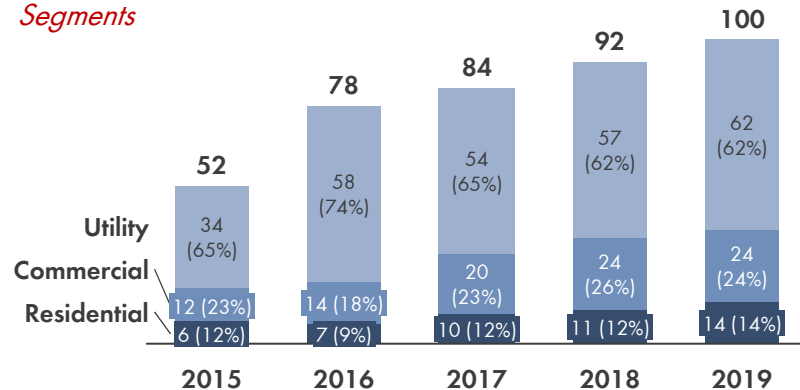


Global New PV Installation(GWdc)^{3,4}

Regions



Segments



Comments

- > Demand in China much stronger than initially expected (+63 GW until 2019) due to the change of 5-year-plan.¹
- > Strong volume growth (+13% p.a.) in international markets (excl. CN) expected until 2019.
- > Section 201 trade case in front of U.S. International Trade Commission is already starting to have an impact on U.S market.⁵
- > Retrofit market is about to gain momentum in coming years.

> **SMA supports free trade. Import tariffs will limit the growth of PV and thus local employment.**

1. China (NEA) revised guidance for solar installations in 13th Five-Year-Plan on July 19th 2017

2. w/o China

3. SMA MI Market Model Q3 2017; Res ≤10kW plants, Com >10kW to 1MW plants, Uti >1MW plants

4. Incl. ~1 GW Off-Grid installations p.a.: residential, remote and micro-grid applications

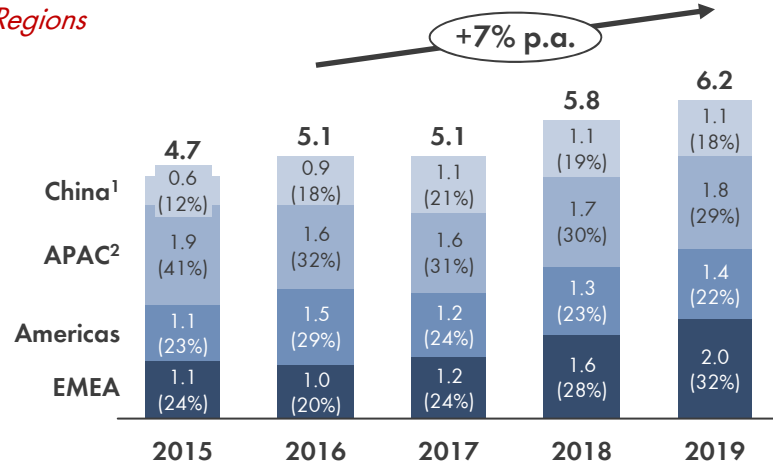
5. ITC report to President (November 13, 2017); Presidential action latest on January 12, 2018

The Strong Growth of Energy Storage Applications will Lead to Global Revenue Growth

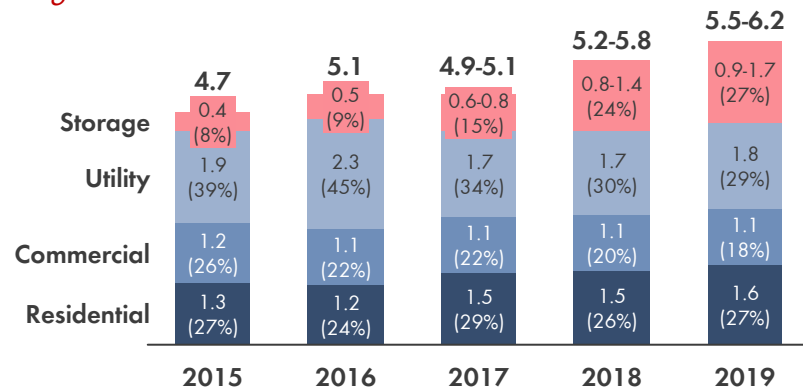


Additional Global Inverter Revenues (€bn)^{3,4,5}

Regions



Segments



Comments

- > So far, demand for storage applications is impacted by limited battery production capacity.
- > Price pressure in utility remains high in all regions due to low PPA prices and tender processes.
- > Price decline for commercial applications is driven by new technologies. Automated load management will become value driver.
- > Prices for residential application depend on functionality of the inverter. MLPE becomes value driver.

> **It's not only about energy production anymore. Customers ask for compliant technology that allows energy cost savings.**

1. China (NEA) revised guidance for solar installations in 13th Five-Year-Plan on July 19th 2017

2. w/o China

3. SMA MI Market Model Q3 2017; Res ≤10kW plants, Com >10kW to 1MW plants, Uti >1MW plants

4. Incl. ~1 GW Off-Grid installations p.a.: residential, remote and micro-grid applications

5. Incl. inverter potential for retrofit

SMA OFFERS A COMPLETE PORTFOLIO FOR ALL
TRADITIONAL PV-APPLICATIONS AND ALL
REGIONS

SMA IS BEST POSITIONED TO BENEFIT FROM
GROWTH IN THE STORAGE MARKET

SMA HAS THE SERVICE INFRASTRUCTURE TO
SECURE GRID STABILITY AND SAFETY

Complete Portfolio and Global Presence are the Backbone of SMA's Global Leadership Position



Sales by Segments (in € million)

- > SMA accounted for > 20% of global PV inverter sales and was the best-known inverter brand in 2016.
- > SMA invested c. €500m in R&D during the last 5 years to develop international compliant and complete portfolio.
- > SMA invested in its global reach to balance the revenue distribution across the regions
- > Many competitors can only offer a limited portfolio¹ and / or focus only on selected markets.²
- > Top Chinese brands shipped only \$122m into international markets in H1/2017 (FY 2016: \$135m).

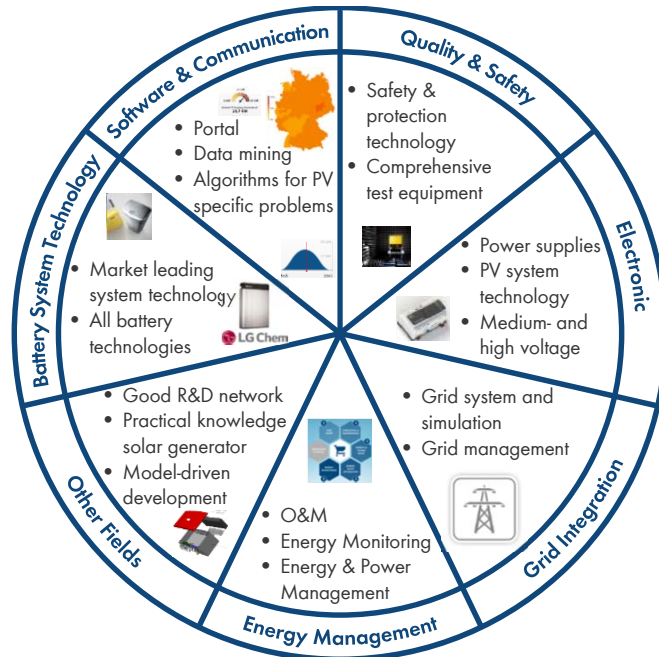
> **PV inverters are high-tech products with distinct sales and service requirements.**

1. E.g. String inverter
2. E.g. USA, Japan, China

PV Know-how: SMA is an Engine of Innovation with Unmatched Competencies in the PV Industry



490 Employees in R&D Develop Tomorrow's Products



SMA's Test Center is a Competitive Advantage

- > Computer-based simulations for various PV generators and country-specific grid conditions.
- > Electromagnetic measurements and optimization certified by UL.
- > Lifecycle test; all ambient conditions worldwide can be replicated.



> Technology is protected by >960 patents and utility models, c. 600 ongoing application procedures and >850 trademarks.

Portfolio and Global Reach: SMA is the Trendsetter Serving all Segments and all Key Solar Markets



From Watt to Megawatt (Σ c. 100 products)

Sunny Boy

Residential

25% of total sales¹

Sunny Tripower

Commercial

c. 30% of total sales¹

Sunny Island

Storage / Off-Grid

<10% of total sales¹

**SMA's
Product
Families**

Service/O&M

<10% of total sales¹

Sunny Central

Utility

c. 30% of total sales¹

>640 Sales and Service Professionals

As of 06/30/2017	AMERICAS	EMEA	APAC
Sales/ Service Experts	160+	350+	130+
Share of total Sales	25%	40%	35%

> **New products in all segments will help SMA to improve the gross margin in 2018 and beyond.**

1. H1/2016: 22 % Residential, 27 % Commercial, 42 % Utility, 5 % Service, 4 % Other Business

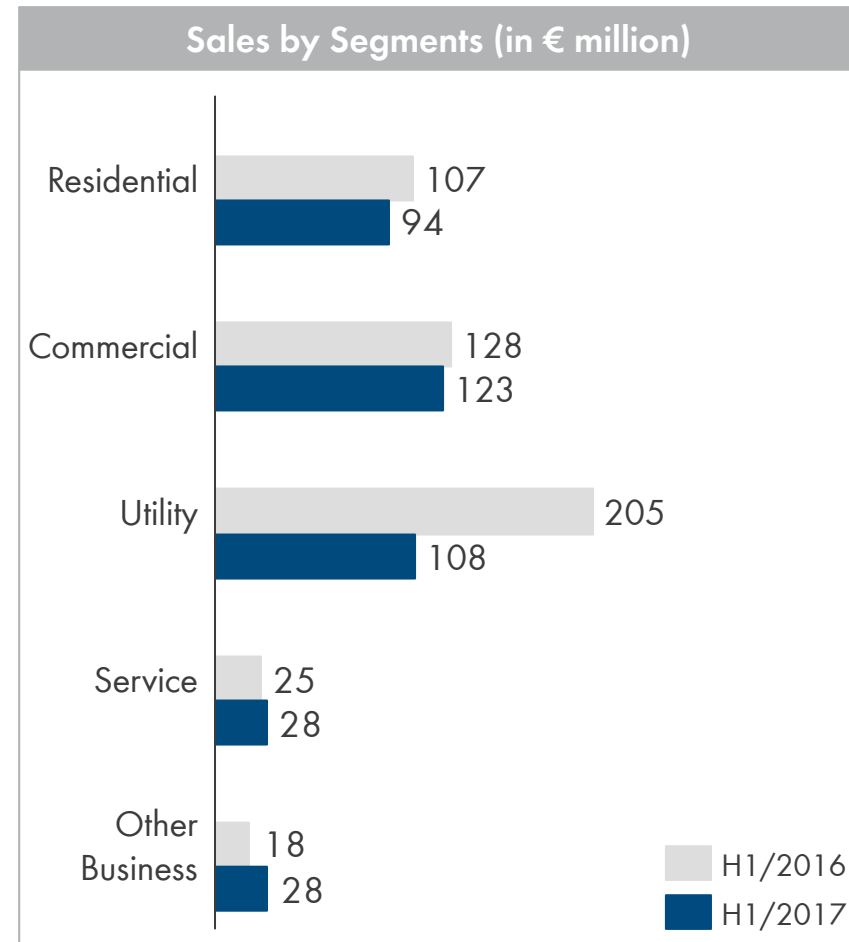
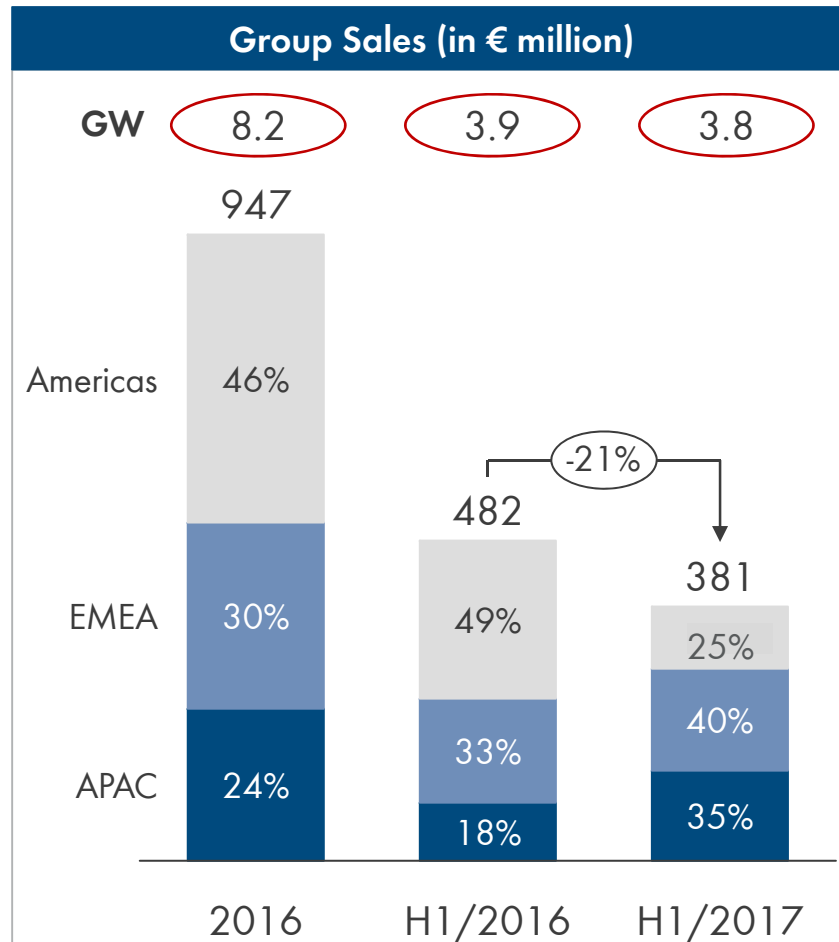
SMA GENERATED SALES OF €381M

EQUITY RATIO OF 50% AND NET CASH
INCREASED TO MORE THAN €400M

BACKLOG OF €673M; POSITIVE BOOK-TO-BILL
RATIO SINCE JANUARY 2017

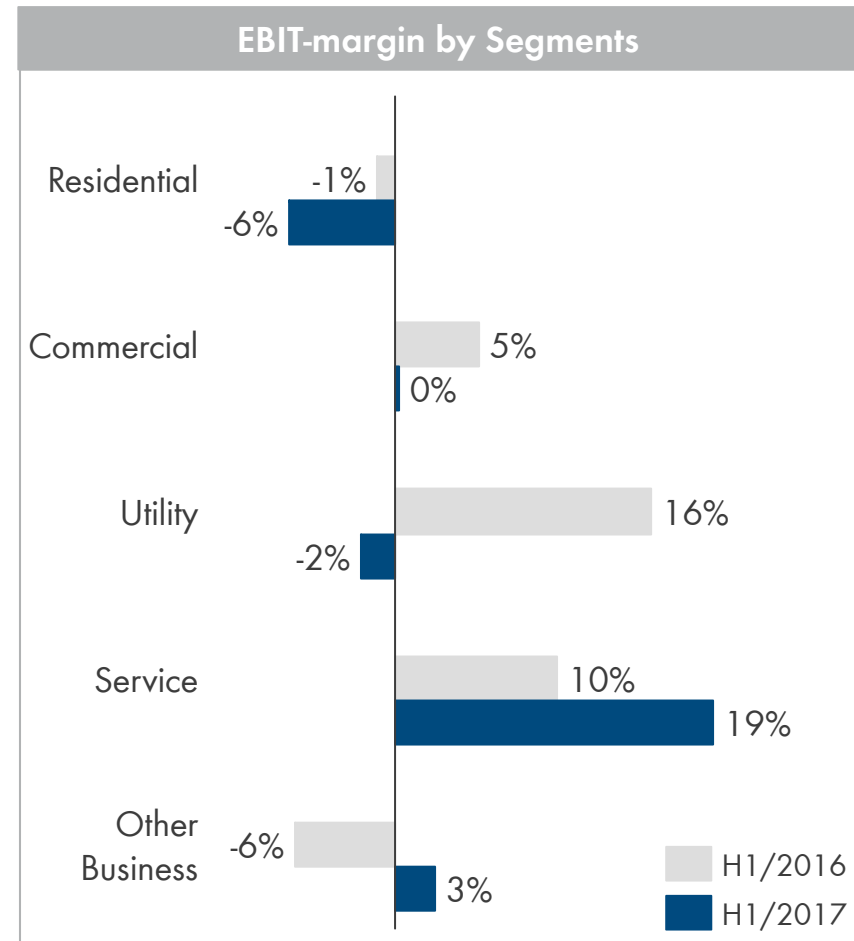
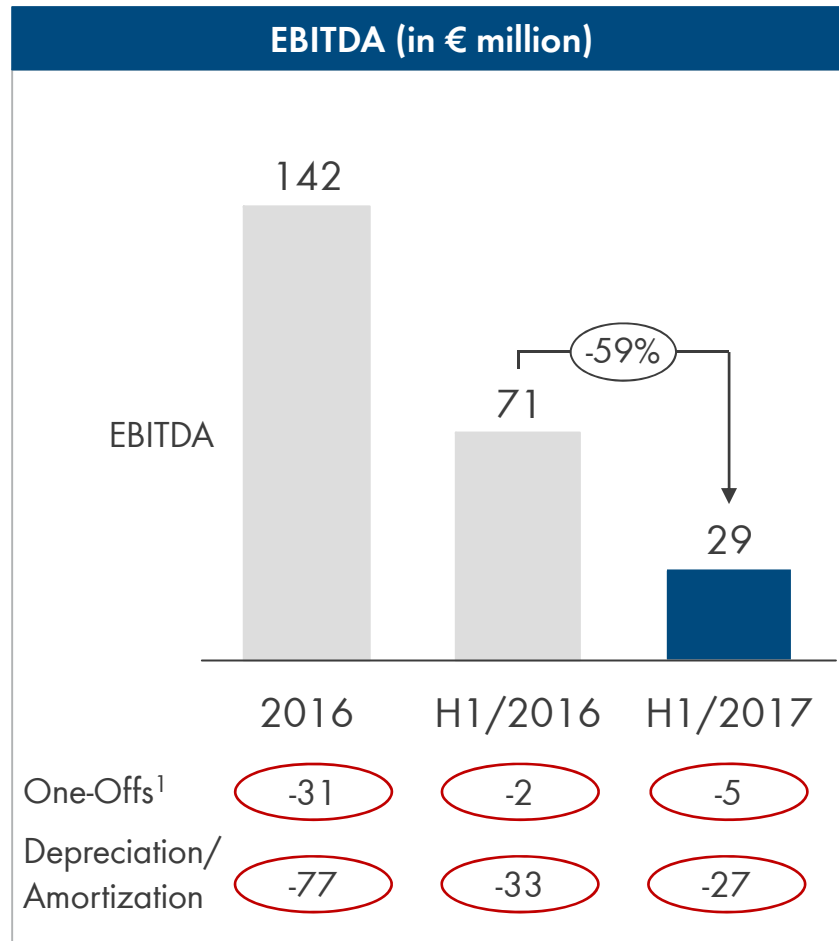
SMA'S MANAGING BOARD RAISED
GUIDANCE FOR 2017

Sales Growth of >50% in APAC could not fully Compensate Weaker Demand in North America after a Record Year 2016



> The most important markets in H1/2017 were the U.S., followed by Germany, India, Australia and Japan.

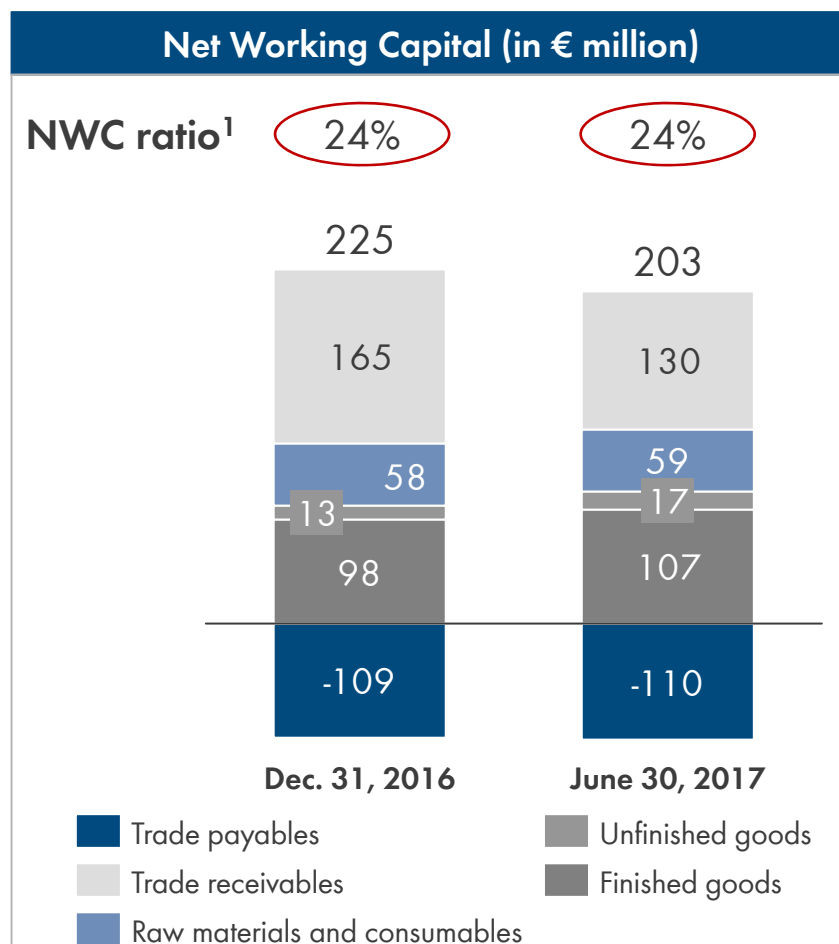
Reduced Sales Volume Impacted Gross Margin, EBITDA also Affected by One-Offs



> **Utility not profitable due to heavy decline of the U.S. market; will regain momentum in H2 and especially 2018.**

1. H1/2017 (w/o the book gain from the sale of the Railway Technology business division): Impairment on working capital (neg.); thereof in COGS (€-4m)

With an Equity Ratio of 50% and Net Cash of More Than €400m SMA is Well Prepared for the Future



Group Balance Sheet, reclassified (in € million)

	2016/12/31	2017/06/30	Δ
Non-current assets	426	391	-8%
Working capital	334	313	-6%
Other assets	66	63	-5%
Total cash	385	423	10%
Shareholders' equity	585	592	1%
Provisions ²	177	160	-10%
Trade payables	109	110	1%
Financial liabilities ³	23	22	-4%
Other liabilities ²	317	306	-3%
Total	1,211	1,190	-2%

> The net working capital ratio was in the guidance range of 22% to 25% of sales.

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

2. Not interest-bearing

3. w/o not-interest-bearing derivatives: €1m (H1/2016: €18m)

SMA's Business is not Capital Intense; Therefore, SMA Offers an Attractive Cash Flow Profile

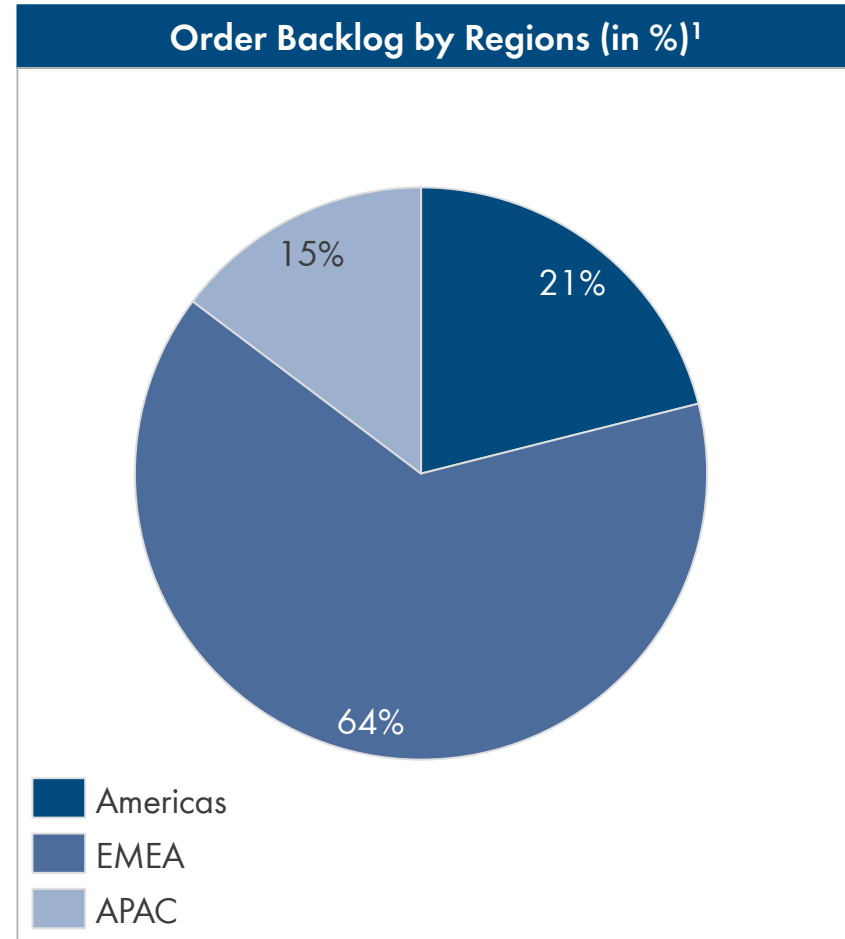
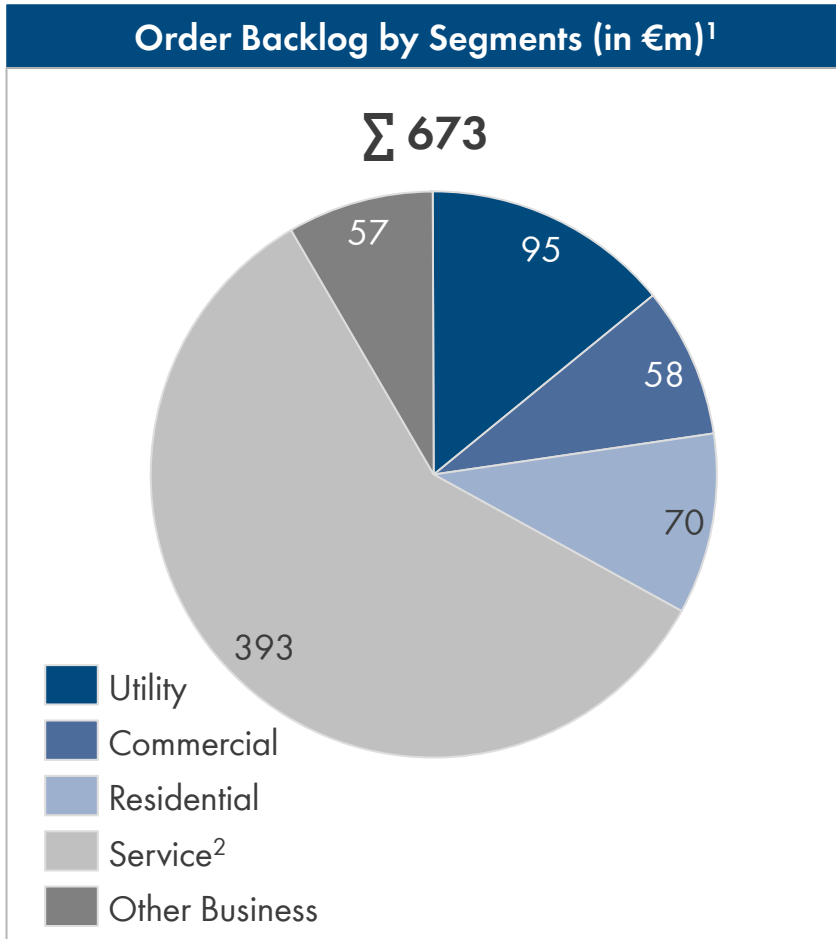


Cash Flow (in € million)			
	H1/2016	H1/2017	Δ
Net Income	19	9	-53%
Gross Cash Flow	60	22	-63%
Cash Flow from Operating Activities	55	39	-29%
Net Capex ¹	-11	-13	18%
Free Cash Flow (Adj.)	44	26	-41%
Net Investments from Securities and Other Financial Assets	1	-50	n.m.
Cash inflow from divestments	0	17	n.m.
Acquisition	-19	0	n.m.
Free Cash Flow (IFRS)	26	-7	n.m.

> Our non-capital intense business model allows us to generate positive Free Cash Flows even in months with low sales volumes.

1. Thereof R&D capitalization H1/2017: €8m (H1/2016: €7m)

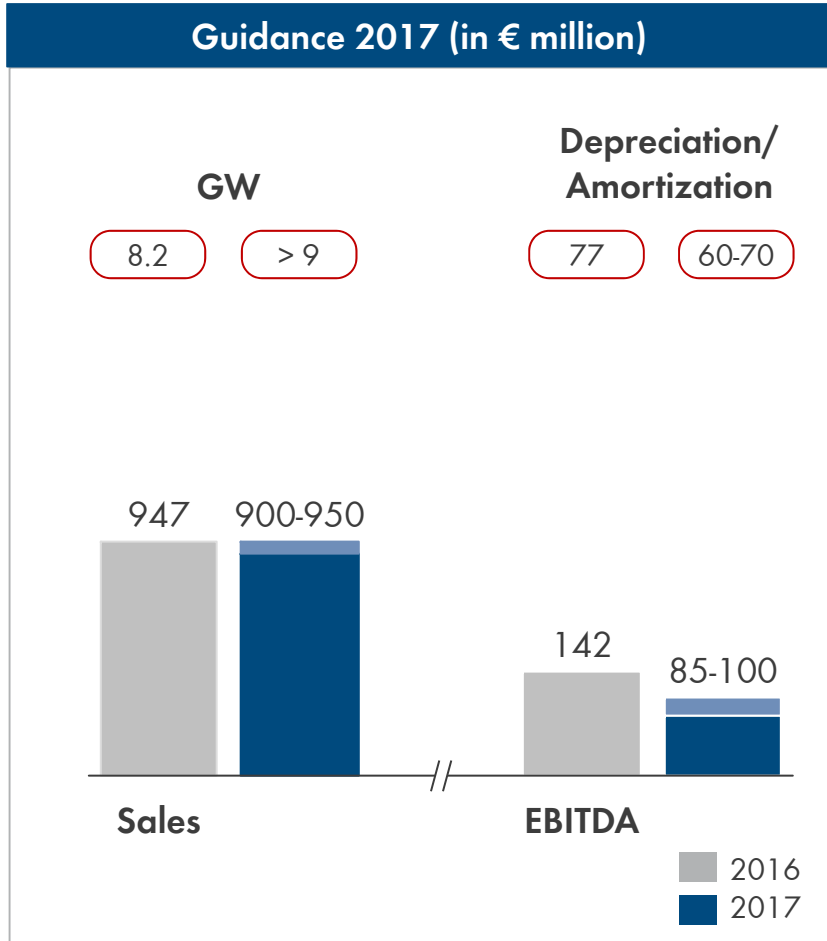
SMA's Order Backlog Remains Strong; Order Backlog for Products Increased by >90% since Beginning of the Year



> **Strong book-to-bill ratio of 1.4 in H1/2017 and high incoming orders in July 2017 back up Management's expectation that H2/2017 will see higher sales volumes.**

1. As of June 30, 2017
 2. Order backlog in Service will be recognized over a period of 5 to 10 years

Managing Board Raised Guidance for 2017



- Comments on Guidance 2017**
- > SMA expects sales of €900m to €950m in fiscal year 2017 (previously: €830m to €900m).
 - > EBITDA is expected to reach €85m to €100m (previously: €70m to €90m).
 - > Net working capital ratio will be between 22% and 25% of sales.
 - > SMA plans to invest about €50m (incl. capitalized R&D).
 - > Net Cash will rise to more than €450m (previously: €400m).
 - > It is SMA's policy to distribute 20% to 40% of the group net income to shareholders.

> 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

Investor Relations Contacts and Financial Calendar



Investor Relations Contact:

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Financial Calendar:

August 10, 2017	Publication of the Half-Yearly Financial Report: January to June 2017 Analyst Conference Call: 09:00 a.m. (CET)
September 22, 2017	Macquarie 10th Alternative Energy Conference, London
November 9, 2017	Publication of the Quarterly Financial Results: January to September 2017 Analyst Conference Call: 09:00 a.m. (CET)
January 26, 2018	Capital Markets Day, Kassel
March 29, 2018	Publication of the SMA Group 2017 Annual Report Analyst Conference Call: 09:00 a.m. (CET)
May 24, 2018	Annual General Meeting 2018

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