



INTERIM REPORT
JANUARY TO MARCH 2011

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PHOENIX SOLAR AT A GLANCE

Company profile

Phoenix Solar AG, which has its headquarters in Sulzemoos near Munich, is a leading international photovoltaic system integrator. The listed company develops, plans, builds and takes over the operation of large-scale photovoltaic plants and is a specialist wholesaler for complete power plants, solar modules and accessories. The Group is a leader in photovoltaic system technology. It focuses on the consistent lowering of system costs. Phoenix Solar maintains a sales network throughout Germany and subsidiaries in Spain, Italy, Greece, France, Singapore, Malaysia, Oman, Australia and the United States of America.

Financial Figures

		01/01/2011 – 31/03/2011	01/01/2010 – 31/03/2010	Change
Revenues and results				
Revenues	k€	32,360	80,370	- 59.7 %
– Domestic	k€	9,086	73,061	- 87.6 %
– International	k€	23,274	7,309	218.4 %
Overall performance	k€	34,198	81,658	- 58.1 %
EBIT	k€	- 16,939	4,623	- 21,562 k€
– In % of revenues (EBIT margin)	%	- 52.3	5.8	- 58.1 %-points
Consolidated net income for the period	k€	- 12,968	2,795	- 15,763 k€
Orders on hand	k€	178,399	375,278	- 52.5 %
Balance sheet¹				
Total assets	k€	314,965	246,760	27.6 %
Equity	k€	129,811	100,461	29.2 %
Equity ratio	%	41.2	40.7	0.5 %-points
Return on equity	%	- 9.1	2.9	- 12.0 %-points
Employees¹				
Employees ²	heads	380	277	37.2 %
Revenues per capita ³	k€	86	286	- 69.9 %
Phoenix Solar share¹				
No-par bearer shares	units	7,372,700	6,700,700	10.0 %
Closing price	€	23.98	31.49	- 23.8 %
Market capitalisation	k€	176,797	211,005	- 16.2 %
Earnings per share				
– Basic	€	- 1.76	0.42	- 2.18 €
– Diluted	€	- 1.76	0.42	- 2.18 €

¹ At the end of the period

² Average employee number, including part-time and temporary staff

³ Full-time equivalent

GROUP STRUCTURE

Locations and holdings as per 31/03/2011

Phoenix Solar AG Sulzemoos, Germany	100 %	Phoenix Solar Pty Ltd Adelaide, Australia
	100 %	Phoenix Solar SAS Lyon, France
	100 %	Phoenix Solar E.P.E. Athens, Greece
	100 %	Phoenix Solar S.r.l. Rome, Italy
	75 %	Phoenix Solar Sdn Bhd Kuala Lumpur, Malaysia
	70 %	Phoenix Solar L.L.C. Muscat, Oman
	75 %	Phoenix Solar Pte. Ltd. Singapore
	100 %	Phoenix Solar S.L. Madrid, Spain
	100 %	Phoenix Solar Inc. New Castle, DE, USA
	100 %	Phoenix Solar Fonds Verwaltung GmbH Sulzemoos, Germany
	100 %	Phönix SonnenFonds GmbH & Co. KG D4 Sulzemoos, Germany
	100 %	9 special purpose entities (see Notes B.)
	31.2 %	Phönix SonnenFonds GmbH & Co. KG B1 Sulzemoos, Germany

SUBSIDIARIES

OTHER HOLDINGS

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Internationalisation is becoming an increasingly important issue in the photovoltaic sector and for Phoenix Solar. Many new growth markets full of opportunities for the taking are emerging. As a result, we have successfully built up our global presence in recent years and are now more independent from individual markets than ever before. Phoenix Solar is represented in ten countries on four continents through its company locations and, in the financial year 2010, was already generating a share in revenues of 25.9 percent outside Germany.

The current market environment right across Europe is, however, unexpectedly difficult: In Germany, feed-in tariffs fell by another 13 percent on 1 January 2011, which was the fourth reduction since the start of 2010. The next cut will be on 1 July 2011, depending on the volume installed between March and May. In February we could still assume that feed-in tariffs in Italy would remain unchanged. A short time afterwards, however, discussions were initiated on massive reductions in feed-in tariffs and the introduction of a "hard cap". The Italian market has therefore virtually come to a grinding halt. In France, a moratorium on the approval of photovoltaic power plants with more than 3 kilowatts peak (kWp) was established from December 2010 through to the start of March. In Great Britain as well, one of Europe's most promising growth markets, the drastic cuts announced have put a damper on demand.

How will all this affect Phoenix Solar AG? As it was not just one market that was weak but a whole continent, we had a slow start to the financial year 2011. The setbacks in Europe where we currently still generate almost all our revenues was not compensated by business activities in other countries.

Uncertainty about framework conditions in the European markets is clearly reflected in Phoenix Solar's current figures: Revenues of EUR 32.4 million in the first quarter were even slightly lower than the very weak start to 2009. In conjunction with the increase in fixed costs over the last few years and impairment carried out on a high level of inventories as per 31 March 2011, EBIT came to an unsatisfactory EUR -16.9 million.

It has to be said, however, that there have been a number of slumps in the photovoltaic sector which were always followed by a recovery. In 2011, we expect the German market to decline from 7.4 gigawatts (GW) in 2010 to between 5 and 6 GW, along with a downtrend in Europe and stagnation worldwide. The global market will, however, pick up momentum again as early as 2012. The nuclear catastrophe in Japan will also be an influence conducive to an improvement in the photovoltaic sector. The public's growing rejection of nuclear energy will sooner or later lead to changes in the environment for renewable energies. Indeed, there are already signs that this is happening.

With sunny greetings,



Dr. Andreas Hänel
(Chief Executive Officer)

PHOENIX SOLAR SHARE

STOCK MARKET ENVIRONMENT

Buoyed by the pleasing reporting season of companies in the USA, the global stock markets began the year with partly considerable price gains. The DAX as Germany's leading index owes its slight increase in the quarter mainly to the tremendous start to the year when it climbed to its highest level for three years. By mid-quarter, however, events in North Africa and the Gulf Region, coupled with the resulting sharp oil price hikes, caused increasing uncertainty among market participants. The nuclear debacle in Fukushima and fears of a worst-case scenario and the economic consequences triggered a wave of selling, not only in Japan. Japan's leading Nikkei index shed at worst up to 18 percent of its value. Moreover, the indices in the emerging markets of Asia and South America were among the greatest losers, with partly double-digit declines in share prices in the first quarter. By contrast, the Euro Stoxx 50 and the Dow Jones were well able to hold their ground despite the significant share price fluctuations since the start of the year.

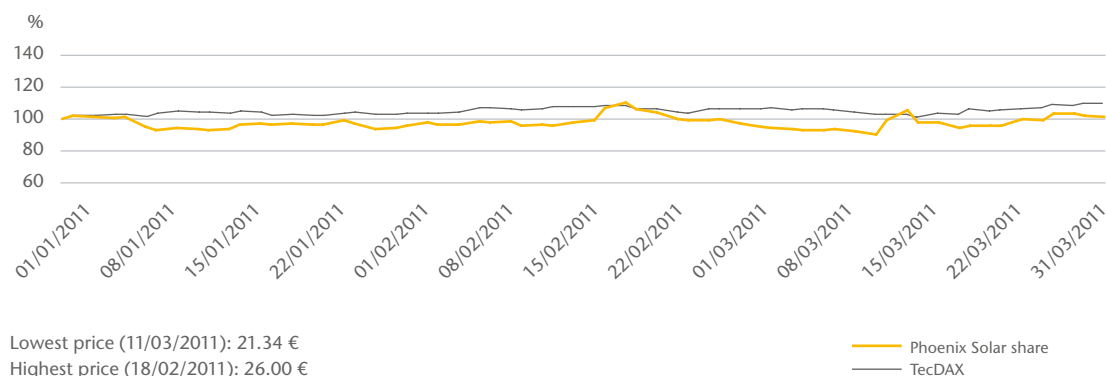
Despite a slew of crises across the globe, the DAX was able to safeguard its uptrend, initiated in 2010, in the first quarter. Germany's leading index advanced by 1.8 percent to 7,041 points in the first three months in comparison with year-end 2010 (6,914 points). The TecDAX, which comprises the 30 largest technology companies below the DAX, including Phoenix Solar AG, closed at 930 points on 31 March (31 December 2010: 851 points), which is an increase of 9.3 percent.

The equities of solar companies posted partly considerable gains in the first three months of 2011, boosted first and foremost by the revival in the discussion about a swift exit from nuclear energy in Germany, and were among the winners in the TecDAX.

SHARE PRICE PERFORMANCE

Despite great volatility, the share of Phoenix Solar AG moved sideways in the first quarter and closed at EUR 23.98 on the last day of trading. This represents a slight increase of 1.2 percent as against the last quarter of 2010. Determining factors included the natural disaster and nuclear catastrophe in Japan, the debate on exit from nuclear energy in Germany and the publication of the preliminary consolidated financial statements for the financial year 2010. Having peaked at EUR 26.00 on 18 February, the share price fell to its lowest level of EUR 21.34 for the first three months of the current financial year on 11 March.

Price performance of the Phoenix Solar share versus the TecDAX (01/01/ – 31/03/2011)



The market capitalisation of Phoenix Solar AG came to EUR 176.8 million on 31 March 2011 (31 December 2010: EUR 174.7 million). The trading volume of the share stood at 3.6 million units and turnover posted EUR 84.4 million in the first three months of 2011.

In terms of the stock exchange criterion of market capitalisation, Phoenix Solar came 32nd in the ranking of all equities belonging to the TecDAX. On 31 December 2010, the company held 31st place. Measured by trading volume, the company took 24th place, down from 19th at the end of the financial year 2010.

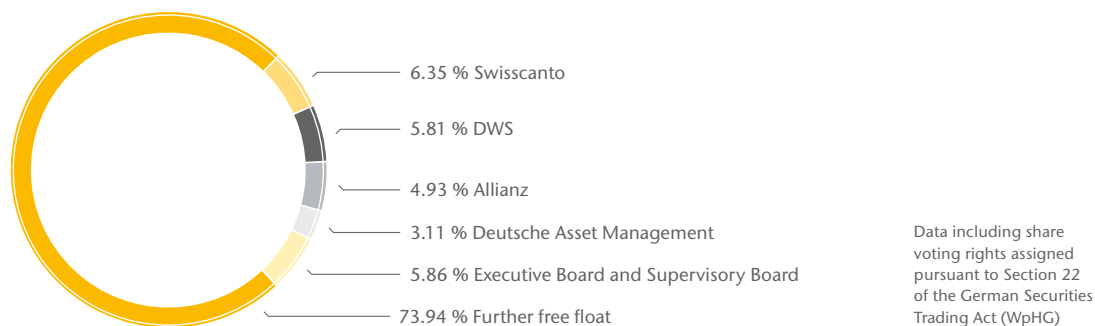
SHAREHOLDER STRUCTURE

According to the definition of Deutsche Börse AG, 100 percent of the shares of Phoenix Solar AG are in free float.

In the reporting period, there were a number of notifications submitted pursuant to Section 21 of the German Securities Trading Act (WpHG) in which shareholders indicated that their holdings had reached, exceeded or fallen below the statutory thresholds requiring reporting.

The shareholder structure as per 31 March 2011, and as known to Phoenix Solar AG, is shown below:

Shareholder structure as per 31/03/2011



INVESTOR RELATIONS

There were a number of one-to-one and group discussions, both face to face and via telephone, with analysts and investors in the first quarter of 2011. Key topics included the current course of business, government subsidy programmes in Germany and in the rest of Europe and market expectations in 2011, also against the backdrop of the nuclear catastrophe in Japan.

At the start of February, Phoenix Solar AG took part in the Small/Mid Cap SRI Conference organised by HSBC Trinkaus & Burkhardt and, in March, in the Growth & Responsibility Conference sponsored by Commerzbank, both in Frankfurt am Main. Moreover, in the period under review, the company visited fund managers and buy-side analysts together with various brokers in the European financial centres of Dublin, London, Geneva and Zurich in the context of roadshows. The Executive Board was available by way of a telephone conference to exchange information with financial analysts and institutional investors when the preliminary figures for 2010 were released on 15 March.

Shareholders have been provided with additional information and services on the Group's newly designed website launched in mid-April in the Investor Relations webpages.

The company's Financial Calendar 2011 is regularly updated on the website of Phoenix Solar AG under the Investor Relations heading.

ANALYST COVERAGE

As per 31 March 2011, 22 banks and investment firms were regularly covering the Phoenix Solar share. Of the banks, 14 are headquartered in Germany and nine in the rest of Europe and in America. An updated list of analysts' reviews is posted on our website under the Investor Relations heading.

Key data

		2010	Q1 2011	Q1 2010
Number of shares ¹	units	7,372,700	7,372,700	6,700,700
Market capitalisation ¹	€	174,732,990	176,797,346	211,005,043
Closing price (Xetra)	€	23.70	23.98	31.49
Highest price	€	45.00	26.00	45.00
Lowest price	€	20.90	21.34	26.65
Trading volume	units	13,357,952	3,611,987	4,301,387
		392,402,712	84,402,577	140,053,107
Dividend	€	0,35 ²	-	-
	€	3.44 ³	- 1.76 ³	0.42 ³
Earnings per share	€	3.44 ⁴	- 1.76 ⁴	0.42 ⁴

¹At the end of the period ² Proposal for dividend distribution to be presented to the Annual General Meeting ³Basic ⁴Diluted

Share fact sheet

International Securities Identification Number (ISIN)	DE000A0BVU93
Securities code number (Sec. code no.)	A0BVU9
Symbol	PS4
Class of shares	No-par value bearer shares
Number of shares as per 31/03/2011	7,372,700 units
Share capital as per 31/03/2011	€ 7,372,700
Transparency level	Prime Standard
Market segment	Regulated Market
Stock exchanges	Xetra, Frankfurt am Main (Prime Standard), Munich (M:access), Stuttgart, Berlin, Düsseldorf, Hamburg, Hannover
Sector/sub-sector	Industrial Goods/Renewable Energies
Indices	TecDAX, ÖkoDAX, Midcap Market, HDAX, Technology All Share, Prime All Share, CDAX, DAX International 100, DAXglobal® Sarasin Sustainability Germany, various sector and sub-sector indices of Deutsche Börse AG; Photovoltaic Global 30 Index, S&P Global Clean Energy
End of the financial year	31/12/
Accounting standards	IFRS
Start of stock market listing	18/11/2004
Designated Sponsor	HSBC Trinkaus & Burkhardt AG

INTERIM MANAGEMENT REPORT

TO THE INTERIM FINANCIAL STATEMENTS ACCORDING TO IFRS
FOR THE REPORTING PERIOD FROM 1 JANUARY TO 31 MARCH 2011
OF PHOENIX SOLAR AKTIENGESELLSCHAFT, SULZEMOOS

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SUMMARY AND OVERVIEW

In contrast to the general economic environment relevant for the Phoenix Solar Group's business operations which developed positively overall in the reporting period, Phoenix Solar AG was marked with a very weak demand meanwhile. This was due largely to discussions about funding cuts in the major photovoltaic markets such as Germany and Italy.

In this environment, due to extraordinary combination of circumstances Phoenix Solar has not reached its revenue and profit figures for the previous quarter. Group revenues decreased from EUR 80.4 million in the first quarter of 2010 to EUR 32.4 million, thus a decrease of 59.7 percent. EBIT dropped from EUR 4.6 million to EUR - 16.9 million, and net earnings declined from EUR 2.8 million to EUR - 12.9 million. Both business segments (Components & Systems and Power Plants) have suffered revenue reductions compared to the previous year. Overall, there was a major shift in sales abroad, where 71.9 percent (previous year: 9.1 percent) of Group revenues was generated.

For the quarter ended as at 31 March 2011 the backlog amounted to EUR 178.4 million, representing an improvement of EUR 20.1 million compared to the fiscal year end of 2010.

After the tremendous growth of 2010, Phoenix Solar believes in a temporary stagnation of the global photovoltaic market at its high level (18–20 GWp) for the year 2011 in total. Because of the remaining market uncertainties, no reliable EBIT forecast can be delivered at this time. The mid- and long-term outlook for the industry remains still positive and for the prediction of the year 2012 we share the general assumption of a renewed growth of the global photovoltaic market. From 2012, we expect significant positive effects of the nuclear disaster in Fukushima, Japan, on the development of the entire photovoltaic industry. This also will benefit the Phoenix Solar Group.

1 BUSINESS AND OPERATING ENVIRONMENT

1.1 GROUP STRUCTURE, CORPORATE MANAGEMENT AND STRATEGY

Phoenix Solar is a Europe-wide leader and increasingly a globally operating supplier of photovoltaic systems. The parent company Phoenix Solar AG is based in Sulzemoos near Munich. The global management of finances, personnel, purchasing and international logistics, technology and innovation, quality assurance, IT and organisational development, marketing and corporate communications is carried out from this location. In addition, strategy and business development, as well as European distribution, are coordinated in Sulzemoos. The parent company controls eleven subsidiaries, as well as eight project companies that are consolidated in the Consolidated Financial Statements of Phoenix Solar AG.

Phoenix Solar develops, plans, constructs and operates large-scale photovoltaic power plants and is also a specialised wholesaler for complete solar plants, solar modules and accessories. With its operating subsidiaries, Phoenix Solar AG is currently active on four continents – Europe, Asia, Australia and North America. The growth regions in Southeast Asia have been coordinated from Singapore for five years now, and the Australian branch office (Adelaide) has been in place since 2008. The Middle East has been served since 2009 from Oman (Muscat) and we entered the market in the USA (San Ramon, California) in the second half of 2010. In the second half of 2010, we also entered the market in Malaysia (Kuala Lumpur), where the introduction of a feed-in rate based on the German model is expected in the current financial year.

With respect to operations, Phoenix Solar Group is active in the two complementary segments, Components & Systems and Power Plants. As a rule, the subsidiaries are also broken down along these lines, adjusted for local conditions which might cause concentrations of segment activities. For example, the US subsidiary has so far only been active in the project company.

The range of products and services of the Components & Systems segment includes supplying individual components for photovoltaic plants and also ranges from the development of tailored system solutions and support for planning to logistics and services (for instance, training and marketing support). This segment's customers include resellers and installation companies such as electronics installation companies, electronics wholesalers, specialist electronics dealers, heating and sanitary installation companies and roofer companies, as well as specialist solar companies.

In the Power Plants segment, Phoenix Solar offers the necessary planning services and turnkey construction of photovoltaic plants up into the multi-mega watt range – including subsequent operation and maintenance. For sales and marketing purposes, the Power Plants segment is broken down into the Solar Field Systems and Rooftop Systems divisions. The Rooftop Systems sales department acquires orders as a general contractor; for instance, through tendering processes. In addition to private individuals, this segment's customers include retail, industrial and commercial businesses. In the Solar Field Systems division, Phoenix Solar serves mainly institutional investors who set up investment fund models or hold large-scale photovoltaic plants in their own portfolio as direct investors.

The Phoenix Solar Group's primary goal is the systematic and sustainable increase in business value. In order to conduct, manage and control business transactions, a management system oriented on key figures is implemented whose important elements include an integrated controlling concept and various key figures. The main key figures for managing the group include the EBIT as well as the ratio of EBIT to sales (EBIT margin). The Return on Capital Employed (ROCE) and Working Capital Ratio are also applied as additional management parameters.

Strategically, the Phoenix Solar Group pursues the goal of securing its position as the leading supplier of photovoltaic system technology in Germany not bound to any particular manufacturer and continuously expanding it internationally. Phoenix Solar is striving to become less dependent on government subsidies for photovoltaics and thus to counter the risks arising from the existing dependency. This is to be achieved in particular through cost savings and innovations with respect to the planning and construction of systems through the use of new technologies and through greater internationalisation. Phoenix Solar strives for growth rates intended to exceed the average growth of the global photovoltaic market in the long term.

1.2 GENERAL ECONOMIC DEVELOPMENT

The general economic environment relevant for the Phoenix Solar Group's business operations developed positively overall in the reporting period. However, compared to the fourth quarter of 2010, the differences between the member states in the euro zone increased with respect to economic data and economic prospects: Driven by backlog effects in the construction industry, the economic recovery accelerated in Germany. Accordingly, initial forecasts for the first quarter of 2011 are based on an assumption of 0.9 percent growth with respect to German gross domestic product. In contrast, economic development in the South European countries lagged considerably behind as a consequence of the persistent debt crisis.

There have been first quarter GDP forecasts for the USA which levels at about 1.8 percent above the prior quarter GDP. However, consumer confidence in the economic development fell there in March 2011 to its lowest level since November 2009. In addition, a sustained decline in prices could be observed on the real estate market.

The catastrophic natural and nuclear reactor events in Japan have so far not had any permanent effects on the global economy. However, the initial consequences can be seen in technology industries such as the semi-conductor and electronics industry, but also the automotive industry, which has experienced the first manufacturing bottlenecks and production interruptions as a result of a lack of electronic parts and components.

1.3 DEVELOPMENT OF THE PHOTOVOLTAICS INDUSTRY

In the photovoltaic industry, the first quarter of 2011 was impacted by weak demand and reductions in subsidies in the core markets. In particular in Germany and Italy – the markets with the strongest demand in 2010 – an average price decrease for modules of 10 percentage points was not enough to compensate for the reductions in photovoltaic subsidies between December 2010 and January 2011. Besides the winter weather, in particular general consumer restraint as a result of the discussion surrounding subsidies also contributed to weak demand. In addition, the future price trend cannot be accurately forecasted at this time due to imponderability in Germany and Italy.

As a result of the catastrophe in Japan, no market recovery has been observed to date in the photovoltaic industry. Overall, however, it generally improved sentiment with respect to photovoltaics as well as other renewable energies.

2 OVERVIEW OF BUSINESS DEVELOPMENT IN THE REPORTING PERIOD

2.1 GENERAL DEVELOPMENT

PROCUREMENT MARKET

The Phoenix Solar Group's procurement strategy is geared towards having an overall balanced product portfolio on hand, in order to be able to cover a selected spectrum of various module technologies. The individual products are intended to be implementable for both the Power Plants and Components & Systems segments, depending on current needs. This way, procurement volume can be optimised and inventory managed as flexibly as possible.

With respect to solar modules, there were no bottlenecks due to high inventory levels and weak demand over the entire first quarter of 2011. The purchase prices of crystalline modules remained largely constant for the first two months. Towards the end of the quarter some supplier began to change their payment terms and prices in order to meet customer reluctance. As a result of the future development of the market, which is fraught with uncertainty, a clear trend for future development of prices cannot yet be recognised. In the area of thin-film modules, there have already been price reductions in some cases since March.

The same applies for BOS (Balance of System) components in which the prices for inverters have already fallen up to 13 percent since the beginning of the year. Due to the current market situation, we expect greater flexibility on the part of manufacturers with respect to prices, amounts and payment terms – both with respect to BOS components as well as to modules.

As a result of the difficult market situation in the first quarter of 2011, we were not yet able to reduce inventory levels (including floating goods), which had reached their highest level in the Company's history at the end of financial year 2010 as a result of the early onset of winter in the core market Germany and project postponements in 2011. However, we expect this to be possible in the second quarter with a rising market trend in Germany.

SALES MARKET GERMANY

In Germany, a scheduled 13 percent reduction in subsidy rates under the German Renewable Energy Act (Erneuerbare-Energien-Gesetz, "EEG") went into effect on 1 January 2011. Accordingly, feed-in rates were between 21.11 and 28.74 euro cents per kilowatt hour (ct/kWh), depending on plant capacity and the target segment. Since module prices did not fall to the same extent in the first quarter, the returns that could be generated with photovoltaic plants decreased noticeably, which slowed the development of the market sharply.

The sustained, controversial discussion in recent months surrounding the future of photovoltaic subsidies in Germany in 2011 was ended until further notice in February and March through EEG resolutions by the Bundestag and Bundesrat. According to these resolutions, photovoltaic subsidies will be reduced over the course of the year as at 1 July 2011 by 0 to 15 percentage points based on increases in photovoltaic capacities in the months from March to May. The additional planned degeneration as at 1 January 2012 will be oriented on the actual capacity added throughout 2011. These flexible reductions in subsidies oriented on actual market growth are intended to help achieve a target corridor of 3.5 gigawatts peak power (GWp) for new photovoltaic capacity.

INTERNATIONAL SALES MARKET

In the European photovoltaic markets, the first quarter of 2011 was also impacted by weak demand as a result of considerably lower subsidies.

In France, a moratorium was imposed at the end of the 2010 until the beginning of March requiring the approval of plants with a peak capacity in excess of 3 kilowatts. On 10 March 2011, new legislation went into effect with the goal of limiting new photovoltaic capacity to 500 megawatts peak (MWp) for the entire 2011 year. However, as a result of the completion of plants already under construction, market volume could amount to 1 to 1.5 GWp for each plant in 2011 and 2012. In addition to further changes, the feed-in rates for photovoltaic plants with less than 100 kWp system capacity were reduced by 20 percentage points. In addition, it was determined that plants in excess of 100 kWp system capacity will have to be publicly tendered in the future. However, details regarding the procedure are not yet clear. The in-house consumption of photovoltaic electricity will remain unsubsidised in France. Nevertheless, we expect the French photovoltaic market to develop stably in the current year.

After the photovoltaic “boom” in 2010, the Italian market was dominated by persistent uncertainties regarding future photovoltaic subsidies. The temporary rate reduction from December 2010 was implemented on short notice and the subsidies only applied until the 5 May 2011 since a final decision to that topic has been made by the Italian government just then. This situation nearly brought the market to a standstill. The Italian market should recover with the announcement expected shortly regarding new operating conditions.

The difficult market conditions in Spain also did not change in the first quarter of 2011. The Spanish market has so far not been able to recover from the loss in confidence and uncertainty brought about by the subsequent change implemented in December 2010 regarding remuneration for power grid fees. The Greek market continues to grow as a result of small and medium-sized projects. As a consequence of the debt crisis, the financing of photovoltaic plants of medium to high system capacity in Greece and Spain continues to be extremely difficult.

From boom to significantly lower subsidies – the political discussion in the United Kingdom also followed this principle – a photovoltaic market which nevertheless showed promising development in the first quarter of 2011. In February 2011, the British Secretary of State for Energy and Climate Change started a legislative initiative targeted at moving the revision of photovoltaic subsidies originally planned for the beginning of 2012 to August 2011. At the same time, subsidy rates for plants with a capacity in excess of 50 kWp are to be drastically reduced. This announcement resulted in considerable insecurity on the part of investors and project developers.

2.2 SIGNIFICANT EVENTS IN THE REPORTING PERIOD

CONSTRUCTION OF A SOLAR POWER PLANT IN SAUDI ARABIA

On 14 February 2011, we were in a position to announce that Phoenix Solar L.L.C., our subsidiary based in Oman, is constructing a solar park with a peak capacity of 3.5 MWp for the Saudi Arabian Oil Company. We were able to win the contract during an international bidding process. The solar power plant that will stand near the Saudi Arabian capitol Riyadh is to be planned and constructed by the end of September 2011.

FIRST PROJECT ORDER FROM LHI LEASING

On 22 March 2011, LHI Leasing GmbH commissioned us to build a turnkey-ready solar park in France. With a peak output of around 1.7 MW, this solar power plant will be the largest in the Département of Haute-Loire. Phoenix Solar will be responsible as the general contractor for planning, delivery and construction of the solar park, which is to be completed in July, after which we will take over maintenance and management of the plant.

3 RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL POSITION

3.1 DEVELOPMENT OF EBIT

As expected, the first three months of the current financial year were characterised by lacklustre business performance. Reductions in subsidy rates in the core markets as well as the persistent influence of winter weather resulted in generally weak demand. Since the additional interim reduction in tariffs in Germany caused a clear boost to the demand in the previous year, this year is lacking such an effect so far.

As a result of this development, revenues in the Phoenix Solar Group decreased from EUR 80.4 million in the first quarter of the previous year to currently EUR 32.4 million – down 59.7 percent. The EBIT fell from EUR 4.6 million to EUR – 16.9 million, while consolidated net income fell from EUR 2.8 million EUR – 12.9 million.

3.2 ANALYSIS OF REVENUES

28.1 percent of total revenues (previous year: 90.9 percent) can be attributed to domestic business and 71.9 percent (previous year: 9.1 percent) to foreign markets. The foreign subsidiaries (excluding foreign activities of the parent company) contributed a share of 46.6 percent (previous year: 5.0 percent) of consolidated revenues in the first quarter of 2011.

The Components & Systems segment generated revenues in the amount of EUR 17.0 million in the reporting period, corresponding to a reduction of 68.3 percent compared to the previous year's amount (EUR 53.7 million). The Power Plants segment was able to realise a revenue volume of EUR 15.4 million – down 42.3 percent year-on-year (EUR 26.7 million). Thus, based on total revenues, a share of 52.5 percent (previous year: 66.9 percent) can be attributed to the Components & Systems segment while a share of 47.5 percent (previous year: 33.1 percent) can be attributed to the Power Plants segment.

3.3 ORDER SITUATION

As at 31 March 2011, the total order book amounted to EUR 178.4 million. In the previous year the order book benefited from a pull-forward effect because of announced reductions of tariffs and stood at EUR 375.3 million. In the Components & Systems segment, orders on hand lessened by EUR 184.9 million to EUR 42.4 million compared to the end of the first quarter of 2010, while they decreased in the Power Plants segment by EUR 12.0 million to EUR 136.0 million.

3.4 DEVELOPMENT OF KEY ITEMS IN THE INCOME STATEMENT

CHANGES IN INVENTORY

This item presents the increase or decrease in inventories related to work in progress, for those projects that are not to be classified as customer-specific contract construction according to IAS 11. The recognition of such projects in the first quarter of financial year 2011 increased work in progress by EUR 1,8 million (previous year: EUR 1.3 million).

OTHER OPERATING INCOME

Other operating income in the amount of EUR 0.5 million, which comprises mainly income from cancellation fees (EUR 0.3 million) and electricity income (EUR 0.1 million) in the reporting period, decreased by EUR 1.4 million compared to the previous year (EUR 1.9 million).

COST OF MATERIALS/GROSS PROFIT

In the period from January to March 2011, the cost of materials amounted to EUR 37.5 million, corresponding to a decrease of 45.7 percent compared to the first quarter of 2010 (EUR 69.1 million). The cost of materials in relation to revenues increased from 85.9 percent in the previous year to currently 115.7 percent. This increase is also due to inventory write-offs of EUR 6.1 million, to achieve market-driven prices for modules. Measured on total operating performance, the cost of materials amounted to 84.6 percent in the first quarter of the previous year and 109.6 percent in the reporting period.

PERSONNEL EXPENSES

The Phoenix Solar Group also consistently pursued its long-term growth strategy in the first quarter of 2011 and expanded its human resources. In total, 31 new employees were hired during this period, four of which abroad. Thus, the Phoenix Solar Group had 412 employees as at 31 March 2011 (including the Executive Board and temporary workers), 400 of which were salaried employees.

The continuous reduction in personnel resulted in an increase in the ratio of personnel expenses to sales revenues from EUR 5.0 million in the first quarter of the previous year to EUR 7.1 million in the reporting period – up 42 percent. As a result of the lower sales volume compared to the first quarter of 2010, the ratio of personnel expenses to sales revenues (the ratio of personnel costs to sales) increased from 6.2 percent to 21.9 percent.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

Due to the considerably decrease in revenues (-59.7 percent) overall the EBIT fell from EUR 4.6 million in the first quarter of 2010 to EUR -16.9 million in the reporting period. It was also impacted by depreciation of the inventory of EUR 6.1 million which has become necessary to achieve market-driven selling prices and additional start-up costs for market entry to the United States (EUR 1.0 million). The EBIT margin (ratio of EBIT to revenues) was thus at -52.1 percent (previous year: 5.7 percent) in the first three months of the current financial year.

FINANCIAL RESULT

Compared to the previous year (EUR -0.2 million), the financial result in the period from January to March 2011 decreased by EUR 0.5 million to EUR -0.7 million, whereby financial income increased from previous year's EUR 15 thousand to currently EUR 188 thousand mainly due to interest for tax refunds (EUR 116.5 thousand) at a subsidiary. Financial expenses recorded an increase from EUR 226 thousand to EUR 872 thousand, which was mainly the result of interest for credit lines with EUR 532 thousand as well as guarantee commissions with EUR 224 thousand.

TAX RATE

The presented expense for taxes on income for the first quarter of 2011 amounts to EUR -4.7 million (previous year: EUR 1.6 million) and corresponds to a tax rate of 26.4 percent (previous year: 36.7 percent).

CONSOLIDATED PROFIT OR LOSS

As a consequence of the decrease in sales of nearly 60 percent as well as the negative EBIT in the amount of EUR 16.9 million, consolidated net income for the first quarter amounted to EUR -12.9 million compared to EUR 2.8 million in the first quarter of the previous year. Based on an average number of 7.4 million shares, this results in basic earnings per share of EUR -1.76 (previous year: EUR 0.42). Since there were no significant diluting effects as at the 31 March reporting date, the difference between diluted earnings per share and basic earnings per share is insignificant.

3.5 DEVELOPMENT OF THE BUSINESS SEGMENTS

COMPONENTS & SYSTEMS (DOMESTIC AND INTERNATIONAL)

The first quarter of 2011 was characterised by a generally difficult market situation. In Germany and in all other relevant European countries, further reductions in remuneration for power grid fees were once again discussed; such as the discussions and decisions about subsequent reductions in the feed-in tariffs in Spain and the Czech Republic. This made investors in particular highly insecure and caused them to now question whether and how long their investment will remain secure and/or whether it is still worth it to invest at all. Furthermore the long-lasting debate on the future shape of the feed-in tariffs in Italy has led to a temporary market failure and thus the world's second most important market has been deadlocked.

In this challenging market environment, the Components & Systems segment realised revenues totalling EUR 17.0 million in the period from January to March 2011 – a decrease of 68.3 percent compared to the first quarter of 2010 (EUR 53.7 million). At EUR 7.7 million, domestic sales were down – 84.9 percent from the previous year's pull-forward driven amount (EUR 51.1 million). Components & Systems international sales, especially due to activities in the French market, shows a pleasant picture and increased from EUR 5.9 million in the previous year to currently EUR 9.3 million.

As at 31 March 2011, the segment order book totalled EUR 42.4 million – a decline of 82.0 percent compared to the previous year's amount (EUR 227.3 million), EUR 34.0 million (previous year: 210.4 million) can be attributed to domestic orders and EUR 8.4 million (previous year: 16.9 million) .

POWER PLANTS (DOMESTIC AND INTERNATIONAL)

In Germany, development in the Power Plants segment was influenced above all by the reforms for the realisation of large-scale projects in open spaces, in addition to the difficult weather conditions. Since the beginning of 2011, such projects are only possible on conversion sites. In addition, domestic operations were impacted by the sharp reduction in subsidy rates under the EEG. These render an economic implementation of projects possible only on selected sites and in the case of very good existing infrastructure.

The international portion of the segment developed positively through projects in France, Italy and Greece. We were able to significantly expand operations in other parts of Europe outside of Germany. Currently a project with a volume of 12 MWp has been fully developed in France; start of construction works is expected for May 2011. Phoenix Solar also closely observes and analyses the market in the United Kingdom so that it can take advantage of any opportunities.

With revenues of EUR 15.4 million, sales in the Power Plants segment decreased by 42.3 percent year-on-year. Thus, the Power Plants segment contributed 47.5 percent to total revenues. The share of sales generated internationally amounted to EUR 14.0 million or 90.9 percent and recorded a considerable recovery compared to the previous year's amount of EUR 1.4 million. In Germany, sales of EUR 1.4 million or 9.1 percent of segment revenues were generated in the domestic Power Plants segment (previous year: EUR 25.2 million or 94.4 percent).

The order book in the Power Plants segment amounted to EUR 136.0 million (previous year: EUR 148.0 million), including orders which were being completed as at the reporting date. The domestic order book amounted to EUR 49.5 million (previous year: EUR 111.4 million). The order backlog for the international business was EUR 86.5 million (previous year: EUR 36.6 million).

3.6 FINANCIAL POSITION AND CASH FLOWS

ASSET AND CAPITAL STRUCTURE

The Phoenix Solar Group's total assets as at 31 March 2011 amounted to EUR 315.0 million, which almost corresponds to the amount as at 31 December 2010 (EUR 313.3 million).

As a result of the EUR 1.8 million increase in deferred tax assets, non-current assets increased by EUR 10.9 million to EUR 12.7 million. In contrast, total current assets remained nearly unchanged at EUR 302.3 million compared to the last day of 2010 (EUR 302.4 million). On the one hand, this was the result of a EUR 19.1 million increase in inventories to EUR 168.6 million (31 December 2010: EUR 149.5 million). This increase was largely offset by decreases in receivables from customers (receivables from non-current construction contracts and trade receivables) in the amount of EUR 8.8 million, as well as in other assets (financial and non-financial) in the amount of EUR 7.6 million and in cash and cash equivalents (EUR – 2.9 million).

Equity recorded a decrease of EUR 142.4 million to EUR 129.8 million, which can be mainly attributed to the consolidated loss for the period in the amount of EUR 12.9 million. As a consequence, the equity ratio decreased from 45.5 percent as at 31 December 2010 to currently 41.2 percent.

The increase in borrowings from EUR 170.9 million to EUR 185.2 million was primarily the result of an increase in current financial liabilities from EUR 52.6 million to EUR 104.7 million. This increase is directly related to the high level of inventories as well as the decrease in liabilities to suppliers (liabilities from long-term construction contracts as well as trade payables), which were reduced by EUR 27.8 million to EUR 57.0 million. In addition, there were significant decreases in other non-financial liabilities, which fell from EUR 13.0 million to EUR 5.7 million.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities amounted to EUR – 54.5 million in the reporting period. It comprises cash outflows from operating activities in the amount of EUR 53.4 million; at the end of the last financial year, the cash outflow from operating activities amounted to EUR – 84.5 million. In the period Group's cash and cash equivalents reduced substantially from the increase in inventories amounting EUR – 24.8 million and outflows arising from payments of trade payables of EUR – 34.6 million. Cash inflows from operating activities include in particular the change in receivables under long-term construction contracts in the amount of EUR 13.5 million.

CASH FLOW FROM INVESTING ACTIVITIES

EUR 0.6 million was paid out in connection with the Group's investing activities. Capital was committed primarily for property, plant and equipment, such as office and plant equipment, and motor pool or low-value assets as well as intangible assets. The latter includes, for example, the project for implementing a company-specific ERP solution (Enterprise Resource Planning) set up in financial year 2009.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities amounted to EUR 52.2 million in the reporting period. It mainly includes cash inflows from the increase in short-term credit lines in the amount of EUR 52.0 million.

4 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 13 April, Phoenix Solar AG announced the signing of a contract for the turnkey-ready construction of a solar park with a peak capacity of 12 MW in France, the largest photovoltaic plant of the Phoenix Solar Group outside of Germany. We were commissioned with the implementation of this contract by a joint venture from the closed fund InfraClass Energie 5 of KGAL and the French company CRYO SARL. The solar park will stand in Le Castellet département of Var, approximately 40 kilometres south of Marseille. Phoenix Solar AG will be responsible as the general contractor for planning, delivery and construction of the solar power plant. Construction has already begun and is expected to be completed by the end of August 2011.

On 5 May 2011 the Italian government adopted new rules on promoting the domestic photovoltaic market. The new rules will be valid from 1 June 2011. The focus has been on defining new categories of plant size and feed-in tariffs until 2016, extension quantities which are linked to an overall budget and compensation for system components manufactured in Europe. From 1 June 2011 newly installed solar power systems are subject to a monthly decreasing premium producer fee, which will run differently depending on plant size in rooftop photovoltaic system and ground-mounted photovoltaic plants. From 2012, the remuneration of electricity then drops every six months. The power supply with compensation of current or power consumption will be still possible. From 2013, the mechanism offers to feed-in either fully or to consume proportionately itself and to collect the premium producer fee. A new addition to the statutory provision is a limitation of the annex on the basis of declining support for large solar power systems. Already ground-mounted photovoltaic plants with an output capacity of 200 kWp are considered to be large plants, in rooftop photovoltaic system until 1 MWp. As remuneration volume for this type of investment EUR 500 million will be been provided by the end of 2012; for all system sizes there are further EUR 1,331 million vacant for until 2016. The transition period for the connection of large plants under construction under the old terms expire after the new scheme on 31 August 2011.

5 OPPORTUNITIES AND RISK REPORT

As an internationally active company, Phoenix Solar Group is exposed to a number of opportunities and risks. We presented both the opportunities associated with our future development as well as detailed information regarding Phoenix Solar's risk portfolio in the 2010 Annual Report. There are currently no significant changes with regard to opportunities or risk.

5.1 OPPORTUNITY AND RISK POLICY

The goal of our risk policy is to ensure the continued existence of the Phoenix Solar Group and to increase its business value systematically for the long term. Business decisions are always made based on these principles following an in-depth risk analysis and assessment. Since every business action is necessarily associated with opportunities and risks, the Group's risk strategy reflects both elements. This means that we consciously enter into manageable and reasonable risks in the area of our core competencies if this results in an adequate return. Risks in other areas are to be avoided as a matter of principle.

5.2 OPPORTUNITY AND RISK MANAGEMENT SYSTEM

Our opportunity and risk management system is oriented on identifying individual risks, handling them transparently and pointing out appropriate management opportunities. In addition to risks to the company as a going concern, activities, events and developments that could significantly influence the future success of the business are identified. The goals and processes as well as the allocation of tasks within the framework of the risk management system are documented in Phoenix Solar AG's risk management handbook.

In order to minimise the financial effects of a potential loss, insurance policies have been entered into – if available and economically feasible. The scope and amount of these insurance policies are reviewed on an ongoing basis.

5.3 SIGNIFICANT AREAS OF RISK

Please refer to the 2010 Annual Report, which presents individual risks and opportunities in detail; in addition, we are currently exposed to the following risks and opportunities:

INTERNATIONAL EXPANSION

Phoenix Solar AG takes advantage of opportunities in foreign markets as well as through its worldwide network of subsidiaries to enter new markets in order to promote the targeted growth by increasing its share of international business. The further expansion of the Phoenix Solar Group, in particular the project development and execution of construction work on photovoltaic power plants abroad, is subject to considerably greater risk than in Germany. This relates primarily to development costs and times as well as the completion of the plants. Therefore, delays and cost increases over the original intentionally conservative budgets can not be ruled out, in particular in the case of greater development of new markets.

POLITICAL FACTORS OF INFLUENCE

The condition and development of national photovoltaic markets are promoted or impeded to varying degrees by laws and regulations in force. With respect to long-term statutory degeneration models, as in the case of the German EEG, every reduction in feed-in rates for remuneration for power grid fees that cannot be offset by more favourable procurement prices or lower sales prices leads to lower returns on the part of new photovoltaic plants, which reduces the attractiveness of such plants for potential buyers. Radical changes in the legislative environment can hinder further market growth or even cause markets to shrink and thus put the Company at risk as a going concern. In order to lower the risk of high dependency on the development of individual markets, Phoenix Solar AG consistently pursues a strategy of internationalisation. Thus, the Company also counters the ongoing debate regarding further cut-backs under the German EEG and the associated negative impact to be expected on the development of what is currently the most important market also for Phoenix Solar AG: Germany.

MARKET, COMPETITION AND EXTERNAL FACTORS OF INFLUENCE

Sparked by the catastrophe in Japan, the topic of future energy supply is being discussed once again in many countries. What the ensuing consequences will be for the photovoltaic industry cannot yet be reliably estimated.

The ongoing political discussions in the important European markets Italy, France and Germany are causing uncertainties on the part of consumers and investors. This results in a low propensity to invest in photovoltaic plants in these markets, which has resulted in decreasing sales figures so far this year.

In anticipation of price reductions, especially in modules and inverters, the Group has made write-offs to expected market prices, based on assumptions and estimations available and recognisable due to principles of adjustments after the reporting date. If future market conditions change, which are influenced by other, additional write-offs with consequences for the results of operations might be inevitable in the following quarter.

Long delays while processing the sales of large-scale photovoltaic plants resulting in late payments can create a risk with respect to Phoenix Solar AG's liquidity management. The Group counters such risks by means of active working capital management.

In order to limit the risk of future liquidity shortages arising from fluctuations in cash flows, the Phoenix Solar Group controls liquidity strictly. In addition, in order to secure medium-term financing for the Group, a syndicated loan with a three year term was arranged in financial year 2008. If the covenants associated with this loan are not fulfilled, the consortium could terminate the credit line. The term of the existing agreement ends in November 2011. Negotiations to refinance the syndicated loan began in spring of 2011, whereby in particular the American subsidiary is to be integrated in the financing structure. If, contrary to expectations, we do not succeed in refinancing the loan by the end of November 2011, the Group strategy would have to be adjusted and the need for liquidity would have to be met through alternative financial instruments.

5.4 OVERALL ASSESSMENT OF THE GROUP'S RISK SITUATION

The Phoenix Solar Group's overall risk situation continues to be limited and manageable, although the market price trend with respect to photovoltaic modules and system prices, which cannot be reliably forecast at this time, can significantly elevate the potential for risk. Based on the currently available information, no risks can be identified that individually or collectively could put the Phoenix Group companies at risk as a going concern.

6 FORECAST REPORT

6.1 OPERATING ENVIRONMENT

After the tremendous growth of 2010, Phoenix Solar believes in a temporary stagnation of the global photovoltaic market at its high level (18 - 20 GWp) for the year 2011 in total. The mid- and long-term outlook for the industry remains still positive and for the prediction of the year 2012 we share the general assumption of a renewed growth of the global photovoltaic market. From 2012, we expect significant positive effects of the nuclear disaster in Fukushima, Japan, on the development of the entire photovoltaic industry. The Phoenix Solar Group will benefit from this effect, too.

According to the goals of the European Union, the share of renewable energies is to increase to 20 percent by 2020. The national plans derived there from show the necessity of further expanding of renewable energies. For instance, the German federal government plans to increase the total installed photovoltaic capacity to 51.8 GWp by 2020. Nevertheless, the German market - in our opinion - peaked in 2010 with respect to new installations. Therefore, we expect it to decline in the next few years, since the in Germany set up "flexible cap" with feed-in tariff cuts is aiming on an average installation growth of 3,5 GWp per annum. Accordingly, from our perspective market volume could fall to 5 to 6 GWp in the current year and shrink to 3 to 4 GWp in 2012.

In 2011 negotiations to the revision of the Renewable Energies Act valid from 1 January 2012. In the near future the publication of the EEG report is expected. It is assumed that the expected conditions for photovoltaic from 2012 could be more positive than before the events of Fukushima. In particular, the impending introduction of a maximum annual admission volume ("hard cap") is avoided.

6.2 NEW SALES MARKETS

As a result of the market environment in the key German market, which is expected to become more difficult, we will continue to pursue greater internationalisation.

Phoenix Solar L.L.C., our subsidiary based in Oman, won its first project with the construction of a solar park for the Saudi Arabian Oil Company near the Saudi Arabian capitol Riyadh. Phoenix Solar expects to realise additional projects in the future in this region.

Also in various Asian countries are increasingly interesting markets arise for photovoltaic power plants. Against the backdrop of increasingly challenging power plant business in Europe could thus open up alternative markets that can offset a portion of the expected losses of the European market.

The US-based subsidiary in San Ramon, California, is expecting its first contracts in the next few months and we are expecting the first revenues to be generated in the USA this year.

6.3 EXPECTED SALES SITUATION

The Executive Board expects demand to rise for the second quarter in Europe. For example, there are new contracts for large-scale power plant projects in France.

6.4 EXPECTED DEVELOPMENT OF SALES AND EARNINGS

Phoenix Solar assumes a temporary stagnation of the global photovoltaic market for the full year 2011. The company therefore expects only to remain flat or at best slightly increasing group sales. Because of the remaining market uncertainties, no reliable EBIT forecast can be delivered at this time. From the year 2012, the Phoenix Solar Group will return to growth.

Because of the unexpectedly sharp and habitually changes in the eligibility conditions in its core European markets, particularly in the years 2010 and 2011, the Executive Board withdraws its communicated 5-year outlook until 2013 from the of beginning 2009. Under the conditions of that time the Executive Board considered a turnover of EUR 1.5 billion, EBIT of EUR 100 million and a share of sales outside Germany of 65 percent as a feasible goal.

Given the well-known dynamic of the photovoltaic market, it is possible that future results could deviate from the current expectations of the Executive Board of Phoenix Solar AG.

Sulzemoos, 11 May 2011
Phoenix Solar Aktiengesellschaft
The Executive Board



Dr. Andreas Hänel
(Chief Executive Officer)



Sabine Kauper
(Chief Financial Officer)



Ulrich Reidenbach
(Chief Sales Officer)



Dr. Murray Cameron
(Chief Operating Officer)

CONSOLIDATED FINANCIAL STATEMENTS

ACCORDING TO IFRS FOR THE PERIOD
FROM 1 JANUARY UNTIL 31 MARCH 2011
OF PHOENIX SOLAR AKTIENGESELLSCHAFT, SULZEMOOS

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CONSOLIDATED INCOME STATEMENT

for the period from 1 January 2011 until 31 March 2011 in k€	Notes C.	01/01/2011 – 31/03/2011	01/01/2010 – 31/03/2010
Revenues	(1)	32,360	80,370
Change in inventory of work in process	(2)	1,838	1,288
Overall performance		34,198	81,658
Other operating income	(4)	468	1,887
Cost of materials	(3)	37,529	69,083
Personnel expenses	(5)	7,055	5,043
Depreciation and amortisation		317	209
Other operating expenses	(6)	6,704	4,586
Operating result		- 16,939	4,624
Result from associated companies		0	- 1
EBIT		- 16,939	4,623
Financial income		188	16
Financial costs		872	227
Financial result	(7)	- 684	- 211
Consolidated net income before income taxes (EBT)		- 17,623	4,412
Income taxes	(8)	- 4,655	1,617
Consolidated net income for the period		- 12,968	2,795
– of which due to minority interest		- 25	0
– of which due to majority shareholders		- 12,943	2,795
Earnings per share			
Earnings per share (basic)	(9)	- 1.76	0.42
Earnings per share (diluted)	(9)	- 1.76	0.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January 2011 until 31 March 2011 in k€	Notes D.	01/01/2011 – 31/03/2011	01/01/2010 – 31/03/2010
Consolidated net income for the period		- 12,968	2,795
Transactions associated with minority interests		- 19	0
Differences from currency translation		- 35	- 7
Income taxes recognised directly under equity		0	0
Changes in value recognised directly under equity	(15)	- 54	- 7
Overall performance		- 13,022	2,788
– of which due to minority interest		- 44	0
– of which due to majority shareholders		- 12,978	2,788

CONSOLIDATED BALANCE SHEET

as per 31 March 2011

ASSETS	Notes C. & D.	31/03/2011 k€	31/12/2010 k€
Noncurrent assets			
Intangible assets	(10)	3,661	3,471
Goodwill		533	533
Property, plant and equipment		3,153	3,110
Investments in associates		418	418
Other participating interests		160	160
Noncurrent receivables		480	688
Deferred tax assets	(8)	3,573	1,799
Noncurrent other financial assets	(13)	724	725
Total noncurrent assets		12,702	10,904
Current assets			
Inventories	(11)	168,644	149,536
Prepayments		3,038	3,346
Receivables from long-term construction contracts	(12)	68,778	82,227
Trade receivables		35,673	31,140
Current other financial assets	(13)	8,088	6,816
Current other non-financial assets	(14)	9,133	18,015
Current income tax assets	(8)	2,221	1,735
Cash and cash equivalents		6,688	9,588
Total current assets		302,263	302,403
Total assets		314,965	313,307

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes C. & D.	31/03/2011 k€	31/12/2010 k€
Equity			
Subscribed capital	(15)	7,373	7,373
Capital reserve	(15), (16)	63,928	63,559
Accumulated other equity	(15)	58,475	71,453
Share of majority shareholders in consolidated equity		129,776	142,385
Share of minority interest in consolidated equity		35	60
Total equity		129,811	142,445
Noncurrent liabilities and provisions			
Noncurrent financial liabilities		23	37
Noncurrent provisions		2,414	2,196
Deferred tax liabilities	(8)	102	3,113
Total noncurrent liabilities and provisions		2,539	5,346
Current liabilities and provisions			
Current financial liabilities	(17)	104,677	52,642
Liabilities from long-term construction contracts	(12)	1,084	267
Trade payables	(18)	55,901	84,538
Other financial liabilities	(19)	7,644	7,044
Other non-financial liabilities	(20)	5,711	13,047
Current provisions		1,375	1,693
Current income tax liabilities	(8)	6,223	6,285
Total current liabilities and provisions		182,615	165,516
Total liabilities and shareholders' equity		314,965	313,307

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2011 until 31 March 2011	Notes D.	Subscribed capital	Capital reserve	Accumu- lated other equity	Share of majority shareholders in consoli- dated equity k€	Share of minority interest in consoli- dated equity k€	Total equity k€
		k€	k€	k€	k€	k€	k€
As per 1 January 2010		6,701	41,805	48,679	97,185	79	97,264
Reserve for share options	(15) (16)		375		375		375
Exercise of share options	(15) (16)		34		34		34
Difference from currency translation	(15)			- 7	- 7		- 7
Consolidated net income in 2010				2,795	2,795		2,795
As per 31 March 2010		6,701	42,214	51,467	100,382	79	100,461
As per 1 January 2011		7,373	63,559	71,453	142,385	60	142,445
Reserve for share options	(15) (16)		369		369		369
Difference from currency translation	(15)			- 35	- 35		- 35
Consolidated net income in 2011				- 12,943	- 12,943	- 25	- 12,968
As per 31 March 2011		7,373	63,928	58,475	129,776	35	129,811

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January 2011 until 31 March 2011	Notes	01/01/2011 – 31/03/2011	01/01/2010 – 31/03/2010
	C. & D.	k€	k€
Consolidated income before income taxes		- 17,623	4,412
Depreciation and amortisation		317	209
Other non-cash income (-) and expenses (+) (including result from associated companies)		5,304	131
Profit/loss from disposal of intangible assets and equipments		5	0
Financial income	(7)	- 188	- 16
Financial costs	(7)	872	227
Sub-total		- 11,313	4,963
Increase/decrease in provisions (net of discounting effects and non-cash releases)		- 117	68
Increase/decrease in inventories	(11)	- 24,714	- 76,037
Increase/decrease in prepayments		307	- 2,973
Increase/decrease in receivables from long-term construction contracts	(12)	13,450	11,037
Increase/decrease in trade receivables (excl. non-cash transactions)		- 4,215	5,994
Increase/decrease in assets	(13), (14)	7,818	- 5,607
Increase/decrease in liabilities	(19), (20)	- 34,592	36,793
Funds generated by operating activities		- 53,376	- 25,762
Interest paid	(7)	- 891	- 260
Income taxes paid	(8)	- 229	- 277
Cash flow from operating activities		- 54,496	- 26,299
Proceeds from disposal of intangible assets and equipment		4	0
Purchase of intangible assets and equipment	(10)	- 598	- 557
Cash flow from investing activities		- 594	- 557
Payments in connection with increases in subscribed capital	(15), (17)	0	34
Payments in connection with financial liabilities	(18)	52,021	23,427
Interest income	(7)	169	16
Cash flow from financing activities		52,190	23,477
Changes in cash and cash equivalents		- 2,900	- 3,379
Net change in cash and cash equivalents		- 2,900	- 3,379
Cash and cash equivalents at the start of the period		9,588	24,461
Cash and cash equivalents at the end of the period		6,688	21,082
Increase/decrease in cash and cash equivalents		- 2,900	- 3,379

SELECTED EXPLANATORY NOTES

TO THE INTERIM FINANCIAL STATEMENTS ACCORDING TO IFRS
FOR THE REPORTING PERIOD FROM 1 JANUARY TO 31 MARCH 2011
OF PHOENIX SOLAR AKTIENGESELLSCHAFT, SULZEMOOS

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A. GENERAL INFORMATION

As of 31 March 2011, the Phoenix Solar Aktiengesellschaft Group (referred to hereinafter also as the Phoenix Group) consisted of 21 companies with a total of 400 (previous year: 285) employees.

The parent company, which is also the ultimate parent company of the Group, is Phoenix Solar Aktiengesellschaft (referred to hereinafter as Phoenix Solar AG), with its head office at Hirschbergstraße 8 in 85254 Sulzemoos, Germany; it is registered in the Commercial Register of the Munich Local Court under the register number HRB 129117.

The business object of the parent company comprises the development, production, sales, operation and administration of components and systems for generating energy from renewable energy sources, and the assembly and maintenance of such components and systems.

The parent company has been included in the German stock index TecDAX since 25 March 2008. TecDAX is assigned to the Prime Standard segment of the German Stock Exchange run by Deutsche Börse AG, where it represents 30 of the 35 biggest technology stocks below the level of the DAX, in terms of market capitalisation and order book revenues.

The International Accounting Standards Board did not publish any amendments to the International Financial Reporting Standards or the Interpretations of the International Financial Reporting Interpretations Committee in the reporting period; the European Union adopted the improvements to the International Financial Reporting Standards (Annual Improvements to IFRS) from the 2008–2010 cycle as EU law in the Official Gazette of 19 February 2011.

The financial statements are to be released for publication on 11 May 2011. The Executive Board will approve the release.

B. RECOGNITION, MEASUREMENT AND CONSOLIDION METHODS

In accordance with the provisions of Section 37x (3) of the German Securities Trading Act (WpHG), the quarterly financial report of the Phoenix Group comprises a set of condensed interim consolidated financial statements and an interim management report for the Group. The condensed interim consolidated financial statements were prepared in accordance with the IFRS rules for interim reporting as they are to be applied in the European Union. The interim management report for the Group was prepared in accordance with the applicable regulations of the WpHG.

The consolidated interim report as of 31 March 2011 was prepared in accordance with IAS 34. The Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) to be applied in 2011 and the earlier Interpretations of the Standing Interpretations Committee (SIC) were observed. All comparison figures from the corresponding prior periods were calculated on the basis of the same principles.

With the exception of the methods described below, the main recognition, measurement and consolidation methods are the same as those applied for the consolidated financial statements as of 31 December 2010. Thus, the interim financial statements should be read in conjunction with the published consolidated financial statements as of 31 December 2010.

In accordance with the principles of IAS 34 Interim Financial Reporting, tax expenses have been calculated on the basis of the effective tax rate expected for the full year. Tax effects arising in connection with extraordinary items are recognised in the quarter in which the underlying transaction occurred.

Compared to 31 December 2010, one new project company has been added to the consolidation group of the Phoenix Solar Group. In addition to Phoenix Solar AG as the parent company, the following companies were included in the consolidation group as of 31 March 2011:

Subsidiaries	Type of consolidation	Equity/voting rights share
Phoenix Solar S.L., Madrid, Spain	Full consolidation	100 %
Phoenix Solar S.r.l., Rome, Italy	Full consolidation	100 %
Phoenix Solar E.P.E., Athens, Greece	Full consolidation	100 %
Phoenix Solar SAS, Lyon, France	Full consolidation	100 %
Phoenix Solar Pty Ltd, Adelaide, Australia	Full consolidation	100 %
Phoenix Solar Incorporated, New Castle/Delaware, USA	Full consolidation	100 %
Phoenix Solar Pte. Ltd., Singapore, Singapore	Full consolidation	75 %
Phoenix Solar Sdn Bhd, Kuala Lumpur, Malaysia	Full consolidation	75 %
Phoenix Solar L.L.C., Muscat, Oman	Full consolidation	70 %
Phoenix Solar Fonds Verwaltung GmbH, Sulzemoos, Germany	Full consolidation	100 %
Phönix SonnenFonds GmbH & Co. KG D4, Sulzemoos, Germany	Full consolidation	100 %

Project companies	Type of consolidation	Equity/voting rights share
SOMI GmbH, Geroldshausen, Germany	Full consolidation	100 %
Scarlatti Srl., Eppan an der Weinstraße, Italy	Full consolidation	100 %
Horus S.r.l., Ragusa, Italy	Full consolidation	100 %
TPC Photoenergy srl, Eppan an der Weinstraße, Italy	Full consolidation	100 %
Plaxo Solar S.L., Madrid, Spain	Full consolidation	100 %
Abalia Solar S.L., Madrid, Spain	Full consolidation	100 %
Hexasolar S.L., Madrid, Spain	Full consolidation	100 %
PSFR001 SARL, Strasbourg, France	Full consolidation	100 %
CE Solaire SAS, Le Castellet, France	Full consolidation	100 %

A French project company, CE Solaire SAS, has been acquired on 22 March 2011 for the purpose of executing a larger photovoltaic project in the Le Castellet region of France. The purchase price is deemed to be the assumed formation capital of EUR 50 thousand, less the losses incurred up to the acquisition date, in the amount of EUR –11 thousand, and the net liabilities assumed in connection with the acquisition of project rights, in the amount of EUR 29 thousand.

As in the prior period, the following company was included in the consolidated financial statements by application of the equity method:

Company name	Type of consolidation	Equity/voting rights share
Phönix SonnenFonds GmbH & Co. KG B1, Sulzemoos, Germany	At-Equity	31.2 %

The condensed consolidated financial statements consist of a consolidated income statement plus a consolidated statement of other comprehensive income, as well as the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and condensed notes to the consolidated financial statements.

C. SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) REVENUES

The revenues generated in the first quarter of 2011 were substantially lower, by EUR 48,010 thousand, than the corresponding figure for the first quarter of last year. By reason of the fact that the environment was extremely subdued, the Components & Systems segment generated revenues of only EUR 17,015 thousand in the first quarter.

The Power Plants segment also did not start the year as successfully as it did in the year-ago period and thus it contributed a smaller share of total revenues, in the amount of EUR 15,345 thousand.

The revenues and their breakdown by operating segments and regions are presented in the Segment Report of the present explanatory notes to the consolidated financial statements (see Section F.)

(2) INCREASE OR DECREASE IN WORK IN PROGRESS

This item presents the increase or decrease in inventories related to work in progress, for those projects that are not to be classified as customer-specific contract construction according to IAS 11. The recognition of such projects in the first quarter of financial year 2011 increased work in progress by EUR 1,838 thousand (previous year: EUR 1,288 thousand).

(3) PURCHASED GOODS AND SERVICES

The purchased goods and services were EUR 31,554 thousand less than the corresponding year-ago figure. Their distribution was in proportion to the development of revenues during the first quarter. This item also contained necessary value adjustments to the carrying amount of inventories, in the amount of EUR 6,086 thousand, which were recognised in income (previous year: EUR 0 thousand). The value adjustments were necessitated by developments in the sales market.

(4) OTHER OPERATING INCOME

The other operating income consisted of unrealised gains on currency hedges for deliveries of materials that are contractually invoiced in foreign currencies, for which no hedging relationship was established according to the definition of IAS 39 (EUR 0 thousand; previous year: EUR 1,022 thousand), as well as realised gains on currency hedges (EUR 0 thousand; previous year: EUR 14 thousand) and power grid feed-in remuneration attributable to the Phoenix Group in connection with project-related pilot operations or receivable in connection with the company's own operations, in the amount of EUR 75 thousand (previous year: EUR 94 thousand).

(5) PERSONNEL EXPENSES

The higher personnel expenses resulted primarily from the increase in the company's workforce, which was necessitated by the continued pursuit of the company's growth strategy, both in sales and project engineering and in administration.

Since 1 July 2008, the company has offered all its employees a defined contribution pension plan based on salary deferral. The company makes matching payments on the contributions of the participating employees in accordance with the regulations of tax law and social security law. In this connection, expenses of EUR 13 thousand (previous year: EUR 16 thousand) were recognised in the reporting period.

(6) OTHER OPERATING EXPENSES

The other operating expenses consisted mainly of company-specific expenses such as outbound freight, storage costs, selling expenses, legal expenses and consulting expenses.

(7) FINANCIAL RESULT

The financial result of EUR – 120 thousand resulted mainly from new drawdowns under credit facilities and from the market measurement of ineffective interest rate hedging transactions (previous year: EUR – 537 thousand).

(8) INCOME TAXES

Deferred tax assets and liabilities in the amount of EUR 85 thousand and EUR 2,914 thousand, respectively (previous year: EUR 359 thousand and EUR 2,322 thousand, respectively) were recognised in respect of the differences between the carrying amounts of assets and liabilities according to IFRS and their tax bases. In addition, deferred tax assets of EUR 4,898 thousand (previous year: EUR 1,064 thousand) were recognised in respect of the expected taxable profits in financial year 2011 and 2012. As of the reporting date, deferred taxes of EUR 2,911 thousand (previous year: EUR 285 thousand) were presented on a net basis. After consolidation measures, deferred tax assets of EUR 3,573 thousand (previous year: EUR 1,138 thousand) and deferred tax liabilities of EUR 102 thousand (previous year: EUR 2,180 thousand) were recognised as of the reporting date.

As in the prior year, no deferred taxes were recognised in respect of outside basis differences in the financial year to date because most of the subsidiaries did not possess distributable net assets as of the reporting date or the funds were meant to serve as internal financing of the respective subsidiaries; outside basis differences in the amount of EUR 1,718 thousand (previous year: EUR 1,815 thousand) were calculated as of 31 March 2011.

(9) EARNINGS PER SHARE

Because stock options have been issued, the diluted number of shares must also be determined. The calculation as of the reporting date is presented in the table below:

	31/03/2011	31/03/2010
Diluted number of shares		
Undiluted number of shares	7,372,700	6,700,700
Number of diluting options	0	4,273
Diluted number of shares	7,372,700	6,704,973

In accordance with IAS 33.66, the diluted and basic earnings per share have been presented below the line item of consolidated profit or loss for the period.

D. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) INTANGIBLE ASSETS

The total intangible assets were EUR 190 thousand higher than the corresponding year-ago figure. This increase resulted mainly from the expenses incurred in connection with the purchase and internal development of computer software for the company's own use, including the expenses incurred to prepare the software for use.

(11) INVENTORIES

The inventories consisted mainly of trading stock (especially solar modules and inverters). Such items are recognised as assets within inventories only after the goods have been shipped by the supplier and the risk of ownership has passed to Phoenix Solar AG. As of 31 March 2011, goods in transit were capitalised as trading stock in the amount of EUR 19,996 thousand (previous year: EUR 51,956 thousand).

The total amount presented as trading stock included value adjustments of EUR 10,013 thousand, of which amount EUR 3,229 thousand was recognised as expenses in the preceding reporting period. The original acquisition cost of the inventories against which value adjustments were charged was EUR 100,565 thousand.

(12) RECEIVABLES AND PAYABLES UNDER CONSTRUCTION CONTRACTS

Receivables under long-term construction contracts are generally defined as customer orders that have not been completely filled. In accordance with IAS 11, the percentage-of-completion method is used to account for construction contracts, provided that certain conditions are met. Under this method, contract revenues and profits are recognised in the income statement in proportion to the stage of completion in the periods in which the work is performed. Thus, revenues under long-term construction contracts are recognised in proportion to the profits realised on the basis of the stage of completion. They are recognised in proportion to the ratio of the internal and external costs incurred at the reporting date to the total estimated costs of each contract (cost-to-cost method).

In cases in which contract revenue cannot be estimated reliably (as in the case of advance expenditures in respect of anticipated contracts that have not yet been finalised, for example), revenues are recognised in the amount of costs incurred to the extent it can be expected that they will be covered by contract revenues (zero-profit method). They are presented as receivables or payables under long-term construction contracts. In cases when the accumulated work performed (contract costs incurred and profits recognised) exceeds the amount of down payments received, the corresponding amount is recognised as an asset. Anticipated contract losses are recognised in full; in determining such losses, due consideration is given to discernible risks.

As of the reporting date, gross receivables under long-term construction contracts were recognised in the amount of EUR 128,085 thousand (previous year: EUR 120,790 thousand). These receivables related predominantly to projects in Germany. For the period from 1 January to 31 March 2011, contract revenues were recognised in the amount of EUR 15,364 thousand (previous year: EUR 26,344 thousand), contract costs in the amount of EUR 15,197 thousand (previous year: EUR 24,352 thousand) and profits in the amount of EUR 167 thousand (previous year: EUR 1,992 thousand). The profits included foreign currency effects in the amount of EUR 6 thousand. Losses in the amount of EUR 79 thousand (previous year: EUR 1,135 thousand) were recognised as expenses for contracts that are expected to be completed with a negative margin.

Down payments of EUR 60,148 thousand (previous year: EUR 38,563 thousand) were collected on account of contracts and other down payments of EUR 26,764 thousand (previous year: EUR 24,302 thousand) were requested. Commitments under long-term construction contracts were recognised in the amount of EUR 1,084 thousand (previous year: EUR 267 thousand) to account for down payments collected that exceeded the corresponding project stage of completion.

Including requested and recognisable down-payments and partial invoices, the total presented amount of EUR 68,778 thousand (previous year: EUR 82,227 thousand) breaks down as follows:

Carrying amounts	31/03/2011 k€	31/12/2010 k€
Receivables under long-term construction contracts after deduction of partial invoices based on stage of completion	42,308	57,925
plus progress billings	26,470	24,302
Amount presented in the statement of financial position	68,778	82,227

Borrowing costs of EUR 568 thousand (previous year: EUR 238 thousand) were recognised as project costs in connection with long-term construction contracts; an interest rate of 3.4 to 3.5 percent was applied as the borrowing cost rate, unchanged from the prior period.

As of 31 March 2011, the total order book for the Group amounted to EUR 178.4 million (previous year: EUR 375.3 million).

(13) OTHER FINANCIAL ASSETS

The Group usually employs interest rate caps and swaps to hedge against operational interest rate risks. As of 31 March 2011, an interest rate cap with a notional volume of EUR 10,000 thousand (previous year: EUR 10,000 thousand) was in effect. The difference between the acquisition cost and the fair value, in the amount of EUR 49 thousand (previous year: EUR 50 thousand), was recognised in the income statement.

(14) OTHER NON-FINANCIAL ASSETS

In connection with the increased inventories, the Group has accumulated larger amounts of sale tax refund claims totalling EUR 8,143 thousand (previous year: EUR 14,780 thousand). In the periodic tax return filings, these refund claims are set off against the sales tax liabilities incurred in the ordinary course of business.

(15) EQUITY

For information on changes in equity, please refer to the Statement of Changes in Equity.

As of 31 March 2011, the company's share capital was unchanged at EUR 7,372.7 thousand. It is divided into 7,372,700 (previous year: 7,372,700) no-par bearer shares (common shares), and was fully paid in as of the reporting date for the consolidated financial statements.

The currency translation reserve is the only component of equity resulting from transactions and changes in measured value that is to be recognised directly in equity.

(16) STOCK OPTION PLAN

The Annual General Meeting of 7 July 2006 adopted a Stock Option Plan for members of the Executive Board, members of the management of the Group companies and selected executives and other key personnel of the company. To that end, a Conditional Capital of EUR 552 thousand was created. By virtue of this authorisation, the Executive Board of Phoenix Solar AG established a Stock Option Plan on 10 September 2007 ("Stock Option Plan 2006"; SOP 2006 as an abbreviation for Stock Option Plan 2006), under which, as of the reporting date, a total of 330,850 stock options of Phoenix Solar AG were granted in four tranches to members of the Executive Board, members of the management of the Group companies and other key personnel. As of the reporting date, 47,350 stock options had expired due to resignations and 18,000 had been exercised. As of the reporting date, therefore, there remained 265,500 stock options, which can be exercised only if the beneficiary is employed by the company or a Group company and the employment relationship has not been terminated by either party with valid effect at the time of exercising the stock options.

For Tranche I, the average weighted share price upon the exercise of the stock options was EUR 38.61 (previous year: EUR 39.45).

Because the expenses are distributed over the period from the grant date to the expiration of the vesting period, expenses of EUR 369 thousand (previous year: EUR 375 thousand) were recognised for share-based compensation in the first quarter of financial year 2011.

(17) CURRENT FINANCIAL LIABILITIES

In consideration of the non-project-related supply agreements for solar modules, inventories are financed partially by means of drawdowns from the available credit facilities extended by the bank syndicate. As a general rule, these credit facilities are to be drawn down only on a short-term basis. The interest rates range from 2.6 to 3.5 percent per annum (previous year: from 2.5 to 3.3 percent per annum).

(18) TRADE PAYABLES

As of the reporting date, a large proportion of the inventories had been purchased on credit in the form of goods in transit. As a rule, payment is effected within the allowed discount periods.

(19) OTHER FINANCIAL LIABILITIES

The Phoenix Solar Group is exposed to interest rate risks in connection with the financing of working capital. The company has entered into interest rate hedging transactions to hedge the resulting cash flow risk. As of the reporting date, the company held interest rate swaps in the total notional amount of EUR 33,377 thousand (previous year: EUR 54,826 thousand), the total negative fair value of which was EUR - 120 thousand (previous year: EUR 537 thousand).

(20) OTHER NON-FINANCIAL LIABILITIES

Due to the growing internationalisation of the company's business, sales tax liabilities have been incurred in European countries to a greater extent than before. The sales tax liabilities of the preceding financial year were settled. Otherwise, this item comprises social security withholding amounts to be transferred, as well as mostly short-term other liabilities due to employees.

(21) CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

There were no contingent assets or contingent liabilities as of 31 March 2011 (and also none as of the year-ago reporting date).

As of 31 March 2011, firm orders for purchased materials amounted to EUR 76,791 thousand (previous year: EUR 48,404 thousand).

The company is subject to purchasing commitments for materials under master agreements (mainly for solar modules) in the amount of EUR 249,423 thousand (previous year: EUR 281,607 thousand).

The Group is subject to financial commitments in the total amount of EUR 6,699 thousand (previous year: EUR 7,122 thousand) under various rental and leasing agreements. Of that total, an amount of EUR 1,532 thousand (previous year: EUR 1,592 thousand) is due in less than one year, EUR 2,589 thousand (previous year: EUR 2,872 thousand) is due in one to five years and EUR 2,578 thousand (previous year: EUR 2,658 thousand) is due in more than five years.

In May 2010, Scarlatti Srl., Eppan an der Weinstraße, Italy, purchased shares in three Italian project companies. Two instalment payments were agreed as consideration for the purchase of shares. The first part of the purchase price obligation, in the total amount of EUR 550 thousand, was due upon the signing of the contract and was paid; the second part of the purchase price obligation, in the amount of EUR 10,426 thousand, is contingent upon the fulfilment of certain project-related conditions, which were not yet fulfilled as of the reporting date and can only be completely fulfilled by the sellers of the shares. The purchase of a 51 percent stake of non-voting shares in each one of the project companies does not constitute a business combination according to the definition of IFRS 3 because the acquired company does not meet the economic definition of a "business" set out in IFRS 3; instead, the transaction is a structured acquisition of a single asset, the "project right," secured by shareholder's lien. The Phoenix Group expects that the second instalment will be due and payable presumably in the next twelve months.

E. SEASONAL FACTORS

The business of companies operating in the photovoltaic sector is subject to strong seasonal fluctuations. As a general tendency, the results of the last two quarters are higher than those of the first two quarters of a given financial year. As a result of the growing internationalisation of the company's business, which allows for a global scope of action, seasonal restrictions are becoming less relevant to the company's business, depending on the distribution of profits earned.

Regional weather conditions and national legislative initiatives related to renewable energies, along with the specific implementation of those initiatives in the form of remuneration rates for power grid feeds and graduated rate decreases or production limits, for example, exerted a greater influence on the ordinary business operations of the company.

F. SEGMENT REPORT

The Group Executive Board is the responsible governing body that makes decisions about the allocation of resources to the operating segments of the Phoenix Group and assesses their performance. In accordance with the principles of the management approach, the Management Information System (MIS) of the Group Executive Board forms the basis for identifying the relevant operating segments. The MIS is based on the recognition and measurement regulations of the IASB, both originally and with respect to the data of the operating performance parameters of each operating segment. The relevant managerial indicators for each operating segment include revenues, earnings before interest, income or expenses from associated companies and income taxes (segment profit or loss).

The Group is managed via the two operating segments Power Plants and Components & Systems. The principal activities are sub-divided as follows:

- Power Plants: Planning, distribution, construction and maintenance of photovoltaic plants
- Components & Systems: Distribution of trading stock

The operating profit or loss is segmented on the basis of cost accounting reports. The revenues of the Power Plants segment are based exclusively on project-related work, so that they also include the corresponding pro-rated profits recognised as of the reporting date.

The breakdown of the other indicators to be segmented by principal activities is conducted with regard to the Power Plants and Components & Systems segments through the application of an allocation key that is generally derived on a uniform basis from revenues or total operating performance. For that purpose, the Group applies distribution keys that are derived in particular from revenues or total operating performance. Whenever a cost allocation based on the specific cost of goods sold is required, a key is applied on the basis of the materials and work used in the cost of goods sold.

The segment information for these operating segments is presented below:

For the period from 1 January 2010 to 31 March 2010, according to IFRS	Power Plants k€	Components & Systems k€	Other k€	Consoli- dation k€	Group k€
Segment profit or loss statement					
External revenues	26,635	53,735	0	0	80,370
Inter-segment revenues	0	0	0	0	0
Segment revenues	26,635	53,735	0	0	80,370
Segment profit or loss	- 3,322	8,006	- 15	- 45	4,624
Income from associated companies	- 1	0	0	0	- 1
EBIT					4,623
Financial result					- 211
Consolidated profit or loss before tax					4,412
Income tax expenses					1,617
Profit or loss before non-controlling interests					2,795
Share of non-controlling interests in profit or loss					0
Consolidated profit or loss for the period					2,795
Other information					
Capital expenditures	190	367	0	0	557
Depreciation and amortisation	72	137	0	0	209
Non-cash expenses	327	933	0	0	1,260
Non-cash income	190	940	0	0	1,130
Assets					
Segment assets	80,553	155,017	0	0	235,570
Shares in associated companies	404	0	0	0	404
Non-assigned assets					10,786
Consolidated assets					246,760

The revenues of the Group were divided among the following regions:

Revenues by region	31/03/2011 k€	31/03/2010 k€
Germany	9,086	73,061
EU excluding Germany	22,488	6,664
Other	826	645
Total	32,360	80,370

The non-current assets were divided among the regions as follows:

Non-current assets by region	31/03/2011 k€	31/03/2010 k€
Germany	8,073	6,708
EU excluding Germany	523	490
Other	119	69
Total	8,715	7,267

G. SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING DATE

No significant events occurred after the reporting date.

Sulzemoos, 11 May 2011
Phoenix Solar Aktiengesellschaft
The Executive Board



Dr. Andreas Hänel
(Chief Executive Officer)



Sabine Kauper
(Chief Financial Officer)



Ulrich Reidenbach
(Chief Sales Officer)



Dr. Murray Cameron
(Chief Operating Officer)

AFFIRMATION BY THE LEGALLY AUTHORISED REPRESENTATIVES

To the best of our knowledge, we hereby affirm that, pursuant to the generally accepted accounting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, financial position and the results of operations of the Phoenix Group, and that the interim management report gives a true and fair reflection of the development of the Phoenix Group's business, including its performance and situation, as well as describing the material opportunities and risks inherent in the prospective development of the Group during the remainder of the fiscal year.

Sulzemoos, 11 May 2011
Phoenix Solar Aktiengesellschaft
The Executive Board



Dr. Andreas Hänel
(Chief Executive Officer)



Sabine Kauper
(Chief Financial Officer)



Ulrich Reidenbach
(Chief Sales Officer)



Dr. Murray Cameron
(Chief Operating Officer)

FINANCIAL CALENDAR

11/05/2011 Q1 Report/Interim Figures as per 31/03/2011

14/07/2011 Ordinary Annual General Meeting of Shareholders 2011

11/08/2011 Q2 Report/Interim Figures as per 30/06/2011

10/11/2011 Q3 Report/Interim Figures as per 30/09/2011

The updated financial calendar can be viewed on the Phoenix Solar AG website under www.phoenixsolar-group.com/en/investor-relations/financial-calendar

This report is also available in German. Both versions are available for download on the Internet. This is an English translation of the German original. Only the German version is binding.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements on future developments which are based on management's current assessments. Words such as "anticipate", "assume", "believe", "estimate", "expect", "intend", "can/could", "plan", "project", "forecast", "should", and similar terms are indicative of such forward-looking statements. Such statements are subject to certain risks and uncertainties which are mainly outside the sphere of influence of Phoenix Solar AG, but which have an impact on the business activities, the success, the business strategy and the results. These risks and factors of uncertainty include, for instance, climatic change, changes in the state subsidisation of photovoltaics, the introduction of competitor products or technologies of other companies, the dependency on suppliers and the price development of solar modules, the development of the planned internationalisation of business activities, fierce competition as well as rapid technological change in the photovoltaic market. If one of these or other factors of uncertainty or risks should occur, or if the assumptions underlying the statements should prove incorrect, the actual results may diverge substantially from the results in these statements or implicit indications. Phoenix Solar AG does not have the intention nor will it undertake any obligation to realise forward-looking statements on an ongoing basis or at a later point in time as this is entirely dependent on circumstances prevailing on the day of their release.

Making energy together

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