



INTERIM REPORT
JANUARY TO JUNE 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

		1st Half-year 2011	1st Half-year 2010	Change
Revenues and results				
Revenues	k€	140,772	363,995	- 61.3 %
– Domestic	k€	72,169	319,340	- 77.4 %
– International	k€	68,603	44,655	53.6 %
Overall performance	k€	141,121	364,539	- 61.3 %
EBIT	k€	- 26,273	26,962	- 53.2 k€
– In % of revenues (EBIT margin)	%	- 18.7	7.4	- 26.1 %-points
Consolidated net income for the period	k€	- 21,132	18,742	- 39.9 k€
Orders on hand	k€	311,068	281,727	10.4 %
Balance sheet¹				
Total assets	k€	264,391	256,747	3.0 %
Equity	k€	121,972	115,492	5.6 %
Equity ratio	%	46.1	45.0	1.1 %-points
Return on equity	%	- 14.8	19.3	- 34.1 %-points
Employees¹				
Employees ²	heads	393	289	36.0 %
Revenues per capita ³	k€	363	1,236	- 70.6 %
Phoenix Solar share¹				
No-par bearer shares	units	7,372,700	6,702,500	10.0 %
Closing price	€	17.25	30.74	- 43.9 %
Market capitalisation	k€	127,179	206,035	- 38.3 %
Earnings per share				
– Basic	€	- 2.86	2.80	- 5.66 €
– Diluted	€	- 2.86	2.80	- 5.66 €

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 30/06/2011

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,

After the first quarter, we reported to you on the weakness of almost all European markets which put enormous pressure on the revenues and profit of Phoenix Solar. As expected, the situation in the second quarter 2011 also presented huge challenges for the company and the whole solar industry. Despite the persistently difficult situation, the revenues of Phoenix Solar AG rose sharply as the year progressed. Having achieved revenues of EUR 32.4 million in the first quarter, we almost trebled this figure to EUR 108.4 million in the second quarter. Earnings before interest and taxes (EBIT), however, remained negative in the period under review, posting EUR -9.4 million. If we consider the tumbling prices of solar modules in the first half-year and our primary objective of reducing our high inventory levels in recent months, we should nonetheless be content with the results we have achieved.

Based on data available from the German Federal Network Agency on installed capacity, we assume that the first half of the year has seen a slump in the market of 50 to 60 percent. Italy and Spain have also fallen below expectations so far. In contrast, business in France was very successful. From the start of the year through to mid-July, we generated contracts worth more than EUR 100 million in our Power Plants segment alone. All in all, international business contributed 48.1 percent to profit in the second quarter and 48.7 percent taken over the entire half-year. In the second quarter, the Power Plants segment generated its highest ever share of international business which came to 92.2 percent.

We believe that there are huge future growth opportunities for Phoenix Solar in international markets outside Europe. In the first six months of 2011 for instance, we were awarded the contract for the construction of a solar park in Saudi Arabia and signed agreements on two photovoltaic power plants in Thailand with a peak power totalling 16 megawatts. At the start of the current half-year period, we were able to report the first contracts for the building of power plants in India. We are therefore making swift progress in internationalising our business.

As part of adopting extensive legislative packages regarding changes in energy policy amendments were also made to the German Renewable Energies Act (EEG). As a result, the even more drastic cuts we feared to the government's promotion of solar energy were not made. Barring a few amendments, the already exceptionally ambitious EEG is in any case being enacted in law as it stands. This has given the solar industry greater planning certainty in the next few years.

We anticipate that the market will gain notable momentum in the second half of the year. Following a seasonally weak start to the year in Europe, we expect demand to accelerate after the holiday period in September and a year-end rally in the fourth quarter.

With sunny greetings,



Dr. Andreas Hänel
(Chief Executive Officer)

PHOENIX SOLAR SHARE

STOCK MARKET ENVIRONMENT

The global stock markets came under pressure from the increasing sovereign debt dilemma in a number of eurozone countries and from the economic loss sustained by Japan from the tsunami and the ensuing nuclear debacle. Despite the catastrophe in Fukushima and the Greek crisis, the DAX succeeded in riding the ups and downs, climbing to 7,376 points and leaving other European indices behind. France's CAC 40 gained 5 percent, the EuroStoxx 50 a mere 2 percent and the UK's FTSE stagnated. Only the Dow Jones was able to keep up, posting an increase of more than 6 percent

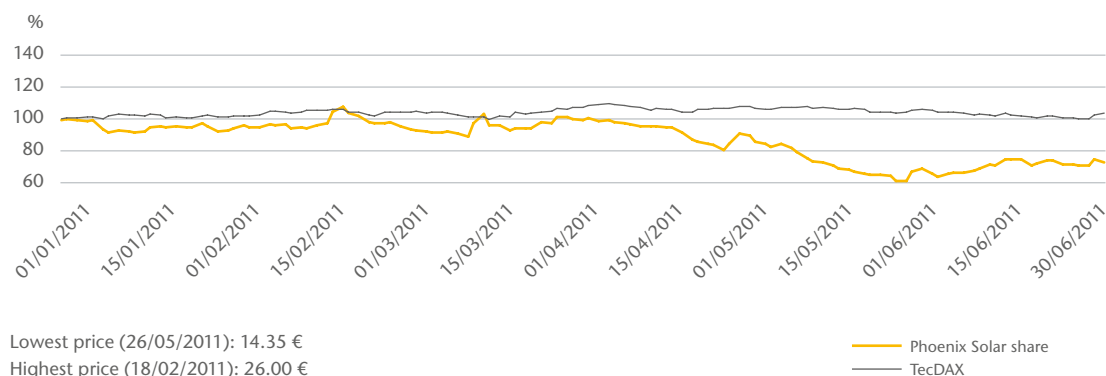
The TecDAX, which comprises the 30 largest technology companies below the DAX, including Phoenix Solar AG, emerged from the close of trading on 30 June at 893 points (31 December 2010: 851 points), which represents a gain of 5.1 percent in the first six months of 2011.

The development of German solar equity share prices varied in the first half-year. Having reached a temporary high in the wake of the Fukushima catastrophe, weak quarterly figures presented by the companies and uncertainty about the future prospects of photovoltaics burdened the securities.

SHARE PRICE PERFORMANCE

Following a stable first quarter, the share of Phoenix Solar AG lost considerable ground in the period under review. On 30 June it closed at EUR 17.25, which is a decline of 28.1 percent as against the previous quarter. The poorer-than-expected figures for the first three months of 2011 and lacklustre demand, combined with the generally negative market sentiment in the solar sector, sent the share price tumbling. It hit its lowest level in the first six months of EUR 14.35 on 26 May, having peaked at EUR 26.00 on 18 February.

Price performance of the Phoenix Solar share versus the TecDAX (01/01/ – 30/06/2011)



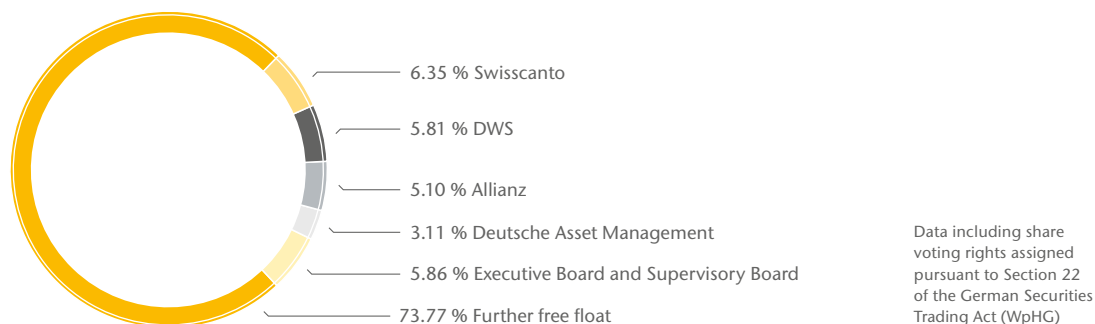
The market capitalisation of Phoenix Solar AG stood at EUR 127.2 million on 30 June 2011 (31 December 2010: EUR 174.7 million). The average daily trading volume of the share came to 62,360 units in the second quarter compared with 56,437 units traded in the first quarter.

Measured by the stock exchange criterion of market capitalisation Phoenix Solar came 37th in the ranking of TecDAX equities, having been in 31st place on 31 December 2010. In terms of trading volume, the company took 24th place, unchanged from the end of the first quarter and down from 19th place at the end of the financial year 2010.

SHAREHOLDER STRUCTURE

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 30 June 2011, as known to Phoenix Solar AG, is shown below:

Shareholder structure as per 30/06/2011



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

INVESTOR RELATIONS

Important topics addressed as part of capital markets communication were the difficult course of business in the first half-year, the status of the government promotion of solar energy and the exit from nuclear power in Germany and other European countries as well as the market forecasts for 2011 and 2012.

In April the company took part in the Global Clean Energy Conference arranged by UBS in London and in May in the Munich Capital Markets Conference of Börse München as well as the Luxemburg Event of HSBC Trinkaus & Burkhardt. Moreover, Phoenix Solar AG visited fund managers and buy-side analysts in London as part of a roadshow organised by Macquarie in the reporting period. The Executive Board explained the results of the first quarter of 2011 in a telephone conference held in May with financial analysts and institutional investors.

At the Capital Market Day 2011 of Phoenix Solar AG on 7 June in Munich, the Executive Board and other managers presented the key points of the corporate strategy in the current financial year to around 50 institutional investor participants. This was followed by the Intersolar, the industry's most important trade fair worldwide, which took place from 8 to 10 June. During the trade fair, the company was presented at the Intersolar Investor Conference arranged by MainFirst Bank, and there were many meetings with analysts and investors at the trade fair stand.

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

ANALYST COVERAGE

Reflecting the status at the end of the first quarter of 2011, a total of 23 banks and investment firms were regularly covering the Phoenix Solar share at the end of the reporting period. Of the banks, 14 are headquartered in Germany and nine in the rest of Europe and in the US. An updated list of analysts' reviews is posted on our website under the Investor Relations heading.

Key data

		2010	Q1 2011	Q2 2011	Q2 2010
Number of shares ¹	units	7,372,700	7,372,700	7,372,700	6,702,500
Market capitalisation ¹	€	174,732,990	176,797,346	127,179,075	206,034,850
Closing price (Xetra)	€	23.70	23.98	17.25	30.74
Highest price	€	45.00	26.00	24.28	32.02
Lowest price	€	20.90	21.34	14.35	25.64
Trading volume	units	13,357,952	3,611,987	3,928,676	3,170,972
		392,402,712	84,402,577	72,261,465	91,439,687
Dividend	€	0.35	-	-	-
	€	3.44 ²	- 1.76 ²	- 1.11 ²	2.38 ²
Earnings per share	€	3.44 ³	- 1.76 ³	- 1.11 ³	2.38 ³

¹At the end of the period ²Basic ³Diluted

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 30/06/2011	7,372,700 units
Share capital as per 30/06/2011	€ 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 30 JUNE 2011
OF PHOENIX SOLAR AKTIENGESELLSCHAFT, SULZEMOOS

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SUMMARY AND OVERVIEW

The demand weakness in the photovoltaic industry, the effects of which were already evident in the period from January to March 2011, also affected the Group's business performance for much of the second quarter. The weak demand environment has been caused above all by the lingering uncertainties concerning future subsidy conditions in the core markets of Germany and Italy. As a result of the weak demand, worldwide inventories of photovoltaic inventories and cells increased substantially, triggering a general decline in prices.

Under these difficult market conditions, the Phoenix Solar Group generated revenues of EUR 108.4 million in the second quarter, indicative of a 61.8 percent decrease from the corresponding figure for the second quarter of 2010 (EUR 283.6 million), which had been favored, however, by unusually strong anticipatory effects. Both operating segments generated lower revenues, with the Components & Systems segment contributing 66.6 percent and the Power Plants segment contributing 33.4 percent to the Group's total revenues. As in the first quarter of 2011, international revenues represented a much higher share of total revenues; in the second quarter, they made up 41.8 percent of total revenues, as compared to 13.2 percent in the second quarter of last year.

On the earnings side, the considerably lower revenues and inventory writedowns caused the quarterly EBIT to decline from EUR 22.3 million in the second quarter of last year to EUR -9.4 million in the quarter just ended. Consequently, the consolidated profit also fell from EUR 15.9 million in the year-ago period to EUR -8.2 million in the second quarter.

Phoenix Solar expects the market to improve considerably in the second half of 2011. Especially in Germany, where the market got off to a weak start, we expect that demand will pick up again after the vacation season and end the year with a strong rally in the fourth quarter. For the full year 2011, therefore, Phoenix Solar expects that consolidated revenues will be slightly lower than the prior-year figure. Due to the currently prevailing market uncertainties, we are unable at the present time to provide a reliable EBIT forecast.

1 BUSINESS ACTIVITY AND FRAMEWORK CONDITIONS

1.1 GROUP STRUCTURE, MANAGEMENT AND STRATEGY

Phoenix Solar is a leading European and globally active supplier of photovoltaic systems. The parent company Phoenix Solar AG has its headquarters in Sulzemoos, near Munich. The Group's global activities in the areas of finance, personnel, procurement and international logistics, engineering and innovation, quality assurance, IT and organisational development, marketing and corporate communication are centrally managed from this location. Furthermore, the Group's strategic and business development, as well as European sales, are coordinated by the headquarters in Sulzemoos. Besides the parent company, the Group comprises eleven subsidiaries and eight project companies, all of which are fully consolidated in the consolidated financial statements of Phoenix Solar AG.

The company develops, plans, builds and operates large-scale photovoltaic power plants. It is also a specialised wholesaler of complete solar power systems, solar modules and accessories. Through its subsidiaries, Phoenix Solar AG is currently represented on four continents: Europe, Asia, Australia and North America. The Group's business in the growth regions of Southeast Asia has been coordinated from Singapore for the last five years. The Group has served the markets of the Middle East from Oman (Muscat) since 2009. In the second half of 2010, Phoenix Solar entered the U.S. market (San Ramon, California) and the Malaysian market (Kuala Lumpur).

Phoenix Solar AG operates in the two complementary business segments of Components & Systems and Power Plants. As a general rule, this division is also reflected in the subsidiaries, subject to particular areas of emphasis based on local market conditions. For example, the U.S. subsidiary has only been active in the project business to date.

In addition to supplying individual components for photovoltaic plants, the Components & Systems segment also develops tailored system solutions, provides planning support and offers logistical and other services (such as training and marketing support, for example). The customers of this operating segment include resellers and installation companies such as electrical installation companies, retailers and wholesalers of electrical products, heating and sanitation companies, roofers and solar power specialists.

In its Power Plants segment, Phoenix Solar handles the necessary planning work and the turnkey construction of photovoltaic systems up to the multi-megawatt range, including the subsequent operational management and maintenance. For sales purposes, the Power Plants segment is sub-divided into the divisions of solar field systems and roof-top systems. The roof-top systems sales department acquires orders as a general contractor, through tendering procedures, for example. Customers include private individuals, retail companies, industrial companies and trade companies. In its solar-field sales department, Phoenix Solar mainly serves institutional investors, which are either seeking to set up investment fund models or to hold large-scale photovoltaic plants in their own portfolio as direct investors.

The overriding goal of the Phoenix Solar Group is to increase the company's value on a systematic and sustainable basis. For the purpose of managing, overseeing and monitoring the company's business, the Group employs a management system based on key performance indicators, accompanied by an integrated controlling concept. The key indicators applied for the purpose of managing the business of the Phoenix Solar Group are EBIT and the ratio of EBIT to revenues (EBIT margin). Other managerial indicators applied are Return on Capital Employed (ROCE) and the Working Capital Ratio (ratio of working capital to revenues).

The Phoenix Solar Group pursues the strategic objective of securing its position in Germany as a leading supplier of photovoltaic systems technology, one that is not bound to specific manufacturers, while also continually extending its international position. Phoenix Solar strives to become more independent of state subsidies, so as to counter the risks associated with the existing dependency on such subsidies. The Group intends to achieve that goal primarily by means of cost reductions and innovations in the planning and construction of systems, through the use of new technologies and by way of increased internationalisation. The Group seeks to grow its business at a rate in excess of the long-term average growth of the global photovoltaic market.

1.2 GENERAL ECONOMIC CONDITIONS

The general economic environment in which the Phoenix Solar Group conducts its business exhibited a generally positive development in the reporting period. However, early signs of a slowdown in global economic growth began to emerge. In the euro zone, the trend of divergent economic conditions in the different member states continued. In Greece, Spain and Portugal, economic growth was still negative to below-average, due to the lingering debt problems, while France and Italy exhibited weak growth. By contrast, Germany continued to benefit from the positive state of the global economy, as in the preceding quarter; besides that, the German economy has been increasingly supported by rising domestic demand. According to preliminary estimates, German gross domestic product (GDP) expanded at a rate of 0.6 percent in the second quarter of 2011. However, the lower index of economic expectations in June can be interpreted as a sign of economic cooling. Markets have been unsettled particularly by the escalation of the Greek debt crisis and the possible consequences of a potential debt remission, which are difficult to assess.

In the United States, the economic recovery has been sluggish, as domestic demand has been restrained by sharply higher fuel prices and a weak jobs market. And the question of whether the federal debt limit will be raised was the subject of considerable uncertainty. On the other hand, the latest June data on the U.S. jobs market was rather positive. On balance, therefore, the economic signals coming out of the United States in the second quarter were mixed.

In the emerging markets, the positive economic trend of the preceding quarter continued, although growth momentum appears to be slowing, particularly in the People's Republic of China, where the purchasing managers' index fell to a nine-month low.

1.3 DEVELOPMENTS IN THE PHOTOVOLTAIC SECTOR

In the second quarter of 2011, the photovoltaic sector was characterised by continued weak demand and uncertainty regarding the future level of photovoltaic subsidies in the core markets of Germany and Italy. In Italy, the debate concerning the basic system of feed-in tariffs brought the market to a virtual halt, while in Germany, the possible further reduction in feed-in tariffs, which would have taken effect on 1 July 2011, weighed on the market through June of this year. The reduction of production quantities on the part of module manufacturers was not enough to offset the effect of weak demand. By the end of the second quarter, therefore, global inventories of photovoltaic modules and cells had risen to 8.6 gigawatts (GWp) of peak output, corresponding to a supply surplus of more than 90 percent, according to data collected by the specialised market research and analysis firm Solarbuzz.

Prices continued to fall as a result of excess supply. In April, the average European spot price for photovoltaic modules fell below one euro per watt (EUR/Wp) of peak output for the first time ever. In May, the price of crystalline modules also fell below this level. Above all, second-tier Asian manufacturers that are not deemed to be premium suppliers were the lowest-price competitors. Furthermore, the world market price for polysilicon, the raw material used to produce silicon-based photovoltaic cells and modules, fell to a six-year low.

2 SUMMARY OF BUSINESS DEVELOPMENTS IN THE REPORTING PERIOD

2.1 GENERAL DEVELOPMENTS

PROCUREMENT MARKET

The procurement strategy of the Phoenix Solar Group is geared to keeping a balanced product portfolio in stock, so as to offer a selected range of different module technologies. The individual products are meant to be used for both the Power Plants segment and the Components & Systems segment, as needed. By this means, the company can optimise its procurement volumes and manage its sales opportunities in the most flexible manner possible.

The procurement market for solar modules was characterised by further price reductions in the second quarter, particularly in the segment of crystalline modules, the prices of which declined by up to 20 percent. Also in the segment of BOS (balance-of-system) components, the trend of falling inverter prices continued. By negotiating with its suppliers, Phoenix Solar managed to adjust the procurement quantities and payment terms to reflect this development, for the most part.

Due to the high level of inventories at the end of the first quarter, the availability of solar modules was consistently good in the period from April to June 2011. The measures taken in the first quarter to reduce inventories yielded positive effects, so that the Group was able to reduce those inventories significantly by the end of the quarter. Based on the current assessment of the still uncertain market situation, Phoenix Solar plans to stick with its very conservative procurement strategy.

SALES MARKET GERMANY

In Germany, the demand for photovoltaic systems continued to be weak. According to the German Federal Networks Agency, new installed capacity in the months of March to May amounted to only 712 megawatts (MWp) of peak output. Extrapolated to the full year, that would correspond to new installed photovoltaic capacity of 2.8 GWp, well below the German federal government's target of 3.5 GWp for the full year 2011. Therefore, subsidies were not cut further as of July 1, according to the new version of the Renewable Energies Act (REA) enacted in the spring. That should allow for constant market conditions in the next few months. After further price reductions, demand picked up again in May.

The draft law amending the REA as of January 1, 2012, which had already been debated in the first quarter of 2011, was enacted in June. Aside from keeping in place the mechanism composed of basic degression combined with higher or lower feed-in tariffs, depending on the amount of newly installed capacity, the new law also extended the self-consumption provision through the end of 2013. In addition, the new law prescribed feed-in management systems for photovoltaic plants with peak outputs in excess of 100 kilowatts (kWp), as a legally binding requirement. Such systems must allow for remote control and remote monitoring of the actual grid feed-in quantities of photovoltaic plants, so that they can be integrated more efficiently with the power grid management systems. Simplified feed-in management systems were prescribed for smaller-output photovoltaic plants.

SALES MARKET INTERNATIONAL

The European photovoltaic markets were likewise affected by weak demand in the second quarter of 2011, due to uncertain and increasingly less favourable subsidy conditions.

In Italy, the previously applicable photovoltaic subsidisation law Conto Energia III expired at the end of May. The successor law Conto Energia IV entered into effect at the beginning of June and is expected to remain in effect until the end of 2016. Under the new law, the target for total new photovoltaic capacity is 23 GWp by the year 2016; it also prescribes an annual, indicative budget limit of six to seven billion

euros. All subsidised tariffs (particularly the subsidy for large solar field plants) were reduced appreciably. Thus, photovoltaic plants of this kind will presumably not be economical until module prices decline further. In addition, a monthly degression mechanism will be in effect until the end of December 2011; starting in 2012, it will be converted to semi-annual degression intervals. The level of subsidy adjustment will be determined on the basis of current new capacity additions and maximum subsidy costs. For photovoltaic solar field plants, moreover, the new law prescribes a market limit of 1.2 GWp through the end of 2011 and a registration requirement. In certain cases, additions to the defined feed-in tariffs can be claimed, as when photovoltaic systems are built in connection with structural measures to boost energy efficiency, or when solar field plants are built on conversion space, or when the plant components to be used are produced in Europe.

Effective 1 August, a new photovoltaic tariff system entailing substantial cuts in subsidies, especially for large solar field plants, was adopted in Great Britain. The main goal of the new photovoltaic tariff system is to focus on subsidies for smaller-scale plants. New subsidy terms were enacted in Bulgaria as well; as a result, feed-in tariffs were reduced by up to 30 percent, the subsidisation term was shortened from 25 years to 20 years and the subsidised feed-in tariffs will be re-established every year.

Positive signals came out of the U.S. market. In April, the Governor of California signed a law that raises the so-called renewable portfolio standard target to 33 percent by the year 2020. This law requires power utilities to obtain a given percentage of total output from renewable energy sources. In addition, the U.S. Department of Energy announced that it will guarantee loans totalling USD 4.5 billion, which are meant to finance three large photovoltaic projects.

2.2 IMPORTANT EVENTS IN THE REPORTING PERIOD

CONSTRUCTION OF THE BIGGEST SOLAR POWER PLANT OUTSIDE OF GERMANY

On 13 April 2011, we announced the signing of a contract for the turnkey construction of a solar farm in Le Castellet, France. With a peak output of 12 MWp, it will be the biggest plant built by Phoenix Solar outside of Germany to date. Construction is supposed to be completed by the end of August 2011; after that, Phoenix Solar will handle the maintenance and operational management of the plant.

PHOENIX SOLAR PRESENTS AN INNOVATIVE FLAT ROOF-TOP MOUNTING SYSTEM

We presented our newly developed flat roof-type mounting system, the "Phoenix TectoFlat," to the public for the first time at the world's biggest solar power trade fair ("Intersolar"), which was held in Munich from 8 to 10 June and attracted record numbers of exhibitors and visitors. This innovative new system is especially notable for a high degree of variability, making it possible to use all established framed solar modules, as well as the frameless modules of the manufacturers First Solar and MiaSolé. The Phoenix TectoFlat also features optimised material usage, making it up to 50 percent less expensive than comparable solutions.

FIRST ORDER FROM THAILAND

On 14 June 2011, our subsidiary Phoenix Solar Pte Ltd, Singapore, signed a contract to supply two photovoltaic power plants in Thailand, thereby opening up a new market for the Phoenix Solar Group. Phoenix Solar Singapore will be responsible for planning the two plants, which will have a combined peak output of about 16 MWp, and will also supply the necessary solar modules, inverters and cables. These two solar farms, which will be capable of supplying about 10,000 Thai households with environmentally friendly electricity, are supposed to be connected to the power grid of the local utility company by the end of this year.

3 RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL POSITION

3.1 RESULTS OF OPERATIONS

The operating performance of the Phoenix Solar Group in the second quarter of 2011 was adversely affected by the continued trend of weak demand, particularly as a result of the uncertainty concerning future photovoltaic subsidies, above all in the core markets of Germany and Italy. Towards the end of the second quarter, however, the Group's business picked up considerably, for which reason we anticipate a continued positive development through the end of the current year.

Amid this difficult market environment, the Phoenix Solar Group generated consolidated revenues of EUR 108.4 million in the period from April to June 2011, that being 61.8 percent less than the corresponding figure for the second quarter of last year (PY: EUR 283.6 million). The earnings before interest and taxes (EBIT) declined from EUR 22.3 million in the year-ago period to EUR -9.4 million in the second quarter of 2011. The consolidated net profit fell to EUR -8.2 million from EUR 15.9 million in the year-ago period.

3.2 ANALYSIS OF REVENUES

The Phoenix Solar Group generated consolidated revenues of EUR 108.4 million in the second quarter of 2011, 61.8 percent less than the strong figure of EUR 283.6 million generated in the second quarter of last year, which was influenced by anticipatory effects. The Components & Systems segment generated revenues of EUR 72.2 million, 55.0 percent less than the corresponding year-ago figure (EUR 160.6 million). The Power Plants segment generated revenues of EUR 36.2 million, 70.6 percent less than the corresponding year-ago figure (EUR 123.0 million).

Accordingly, the Components & Systems segment contributed 66.6 percent (PY: 56.6 percent) and the Power Plants segment contributed 33.4 percent (PY: 43.4 percent) of the Group's total revenues.

International revenues accounted for 41.8 percent of total revenues in the second quarter of 2011 (PY: 13.2 percent). The Group's international subsidiaries contributed 11.6 percent (PY: 8.9 percent) of total revenues in the second quarter.

In the first six months of 2011, Phoenix Solar generated total revenues of EUR 140.8 million, indicative of a 61.3 percent decrease from the first half of 2010 (EUR 364.0 million). At EUR 89.2 million, the revenues generated by the Components & Systems segment were 58.4 percent less than the corresponding year-ago figure (PY: EUR 214.3 million) and the revenues generated by the Power Plants segment, at EUR 51.5 million, were 65.5 percent less than the year-ago figure (PY: EUR 149.7 million). International revenues accounted for 48.7 percent (PY: 12.3 percent) and the combined revenues of the international subsidiaries accounted for 19.7 percent (PY: 8.1 percent) of total revenues in the first six months of 2011.

3.3 SITUATION OF ORDERS

As of 30 June 2011, orders on hand amounted to EUR 311.1 million, including work in progress in the amount of EUR 143.9 million. That translates to an increase of EUR 29.4 million or 10.4 percent over the corresponding figure at the end of the first half of 2010 (EUR 281.7 million). The Components & Systems segment had EUR 68.3 million (30 June 2010: EUR 97.6 million) and the Power Plants segment had EUR 242.8 million (30 June 2010: EUR 184.1 million) worth of orders on hand.

3.4 DEVELOPMENT OF KEY ITEMS IN THE INCOME STATEMENT

CHANGES IN INVENTORY

Orders in progress amounted to EUR 0.3 million in the first half of 2011, as compared to EUR 0.5 million in the corresponding period of 2010. This item also contained one internal production project.

OTHER OPERATING INCOME

The other operating income amounted to EUR 5.8 million in the first half of 2011 (PY: EUR 1.9 million); that total included electricity income in the amount of EUR 2.0 million, income from the changes in accounting estimates in the amount of EUR 2.2 million and income from the reduction of general value adjustments in the amount of EUR 0.6 million.

PURCHASED GOODS AND SERVICES/GROSS PROFIT

At EUR 105.9 million, purchased goods and services in the second quarter of 2011 were 56.92 percent less than the corresponding year-ago figure (PY: EUR 245.7 million). Purchased goods and services represented 97.7 percent of revenues (PY: 86.6 percent).

At EUR 143.4 million, the purchased goods and services were 54.4 percent less than the corresponding figure in the first half of 2010 (PY: EUR 314.8 million). Accordingly, the gross profit came to -1.8 percent, as compared to 13.5 percent in the first half of 2010.

PERSONNEL EXPENSES

As of the reporting date of 30 June 2011, the Phoenix Solar Group had a total of 427 employees (including members of the Executive Board and temporary workers); of that number, 415 were permanent employees.

At EUR 7.2 million, the personnel expenses in the second quarter of 2011 were 16.3 percent less than the corresponding figure in the second quarter of 2010 (EUR 8.6 million). For the first six months of 2011, the personnel expenses amounted to EUR 14.3 million, as compared to EUR 13.6 million in the first half of 2010. The ratio of personnel expenses to revenues came to 10.2 percent in the first half of 2011, as compared to 3.7 percent in the year-ago period, due to the lower amount of consolidated revenues.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

As a result of the significant decline in revenues, the Group's EBIT fell to EUR -9.4 million in the second quarter of 2011, as compared to EUR 26.3 million in the second quarter of 2010. In the first six months of 2011, the Phoenix Solar Group generated an EBIT of EUR -25.5 million (PY: EUR 27.0 million). Accordingly, the EBIT margin, which is defined as the ratio of EBIT to revenues, came to -18.7 percent in the first half of 2011, as compared to 7.4 percent in the year-ago period.

FINANCIAL RESULT

The negative financial result doubled from EUR -0.8 million in the first six months of 2010 to EUR -1.5 million in the first half of 2011. The financial income of EUR 0.3 million was EUR 0.2 million higher than the corresponding year-ago figure (PY: EUR 0.1 million). The financial expenses in the first half of 2011 amounted to EUR 1.8 million (PY: EUR 0.9 million); they were mainly composed of interest on the short-term credit facility A.

TAX RATE

Income tax expenses amounted to EUR -6.7 million in the first half of 2011 (PY: EUR 7.4 million), indicative of a tax rate of 24.0 percent.

CONSOLIDATED PROFIT OR LOSS

The substantial decline in revenues resulted in a consolidated loss of EUR -8.2 million in the second

quarter of 2011 (PY: EUR 15.9 million). The consolidated loss incurred in the first six months amounted to EUR –21.1 million, as compared to a consolidated profit of EUR 18.7 million in the year-ago period. Based on an average of 7.4 million shares outstanding, the basic earnings per share for the current financial year is EUR –2.86 (PY: EUR 2.80).

3.5 DEVELOPMENT OF THE BUSINESS SEGMENTS

COMPONENTS & SYSTEMS (DOMESTIC AND INTERNATIONAL)

The market situation was generally difficult in the first quarter of 2011. In Germany and in all other key photovoltaic markets of Europe, further reductions in feed-in tariffs were discussed, while officials in Spain and the Czech Republic discussed and also implemented subsequent reductions in feed-in tariffs. Such discussions and decisions unsettled investors, in particular, who are now asking themselves whether their investments are still secure, how long they will remain so and whether such investments are still worthwhile.

The debate concerning the future system of feed-in tariffs in Italy, which lasted through May, temporarily brought the market to a standstill in that country, effectively freezing the world's second most important sales market into the second quarter. Starting 1 June 2011, newly installed solar power systems in Italy will be subject to a monthly degression of the generator's bonus, which varies according to the plant size and whether it is a roof-top system or a solar field system. Under the new law, the transitional period during which large-scale plants under construction can still be connected to the grid under the old terms will expire on 31 August 2011. After the new law was enacted, the Italian market was restrained at first, but is now beginning to exhibit a slightly positive trend.

In general, the market has improved considerably, particularly towards the end of the second quarter. The markets in France, Germany and Greece are exhibiting a clear upward trend, for which reason these markets are expected to grow further through the end of this year.

Amid this still challenging market environment, the Components & Systems segment generated total revenues of EUR 89.2 million in the first half of 2011. The domestic revenues of EUR 68.2 million (representing 76.5 percent of segment revenues) were less than the corresponding year-ago figure (PY: EUR 185.9 million), mainly as a result of the anticipatory effects that favoured the year-ago comparison figure. The international revenues of the Components & Systems segment, on the other hand, declined from EUR 28.4 million to EUR 21.0 million and represented 23.5 percent of segment revenues in the reporting period.

Orders on hand have been influenced by the price situation, which continues to be unstable. Buyers cannot be expected to place orders to fill their inventories as long as they expect prices to continue falling. Instead, they are placing orders on short notice, to avoid the risk of value losses. As soon as prices stabilise, orders on hand will be easier to plan and the corresponding figure will also be more conclusive again.

As of 30 June 2011, the orders on hand of the Components & Systems segment amounted to EUR 68.3 million. The 42.9 percent decrease from the corresponding year-ago figure (PY: EUR 97.6 million) can be ascribed mainly to the still unstable price situation. Domestic orders accounted for EUR 13.2 million (PY: EUR 68.6 million) and international orders accounted for EUR 55.1 million (PY: EUR 29.0 million) of total orders on hand.

POWER PLANTS (DOMESTIC AND INTERNATIONAL)

After the difficult market conditions that prevailed in the first quarter, the domestic business of the Power

Plants segment improved markedly in the second quarter. The first orders were received for the Ronneburg and Bodman projects. Furthermore, the company is intensively studying various potential projects on so-called conversion spaces. Due to the fact that the reduction of the subsidised feed-in tariff under the German Renewable Energies Act will not take effect at the beginning of September, as previously expected, the project business in Germany is expected to improve further in the second half of 2011.

Thanks to the projects being implemented in France and Italy, the international revenues of the Power Plants segment continued to perform well. The business in Greece is fraught with uncertainty, especially as a result of that country's government financial crisis. The Power Plants segment increased its activities in the other countries of Europe considerably. For example, two projects entailing a combined output of 13.6 MW were being built in France in the second quarter and orders for two additional projects with a total output of 24 MW were secured in July 2011. The company's activities in Great Britain have been halted, due to the uncertainty regarding the future feed-in tariffs for large-scale projects. In Bulgaria, the authorities issued a construction permit for a new power plant project in June, concurrently with the enactment of the new tariff model for photovoltaic plants. Furthermore, the company is currently examining opportunities in Portugal.

The Power Plants segment generated revenues of EUR 51.5 million in the first half of 2011, indicative of a 65.5 percent decrease from the corresponding year-ago figure. Accordingly, the Power Plants segment contributed 36.6 percent to the Group's total revenues in the first half of 2011. The international revenues of the Power Plants segment amounted to EUR 47.6 million, representing 92.2 percent of the segment's total revenues; the latest figure was considerably higher than the corresponding year-ago figure of EUR 16.3 million. In Germany, the Power Plants segment generated revenues of EUR 4.0 million, representing 7.8 percent of the segment's total revenues (PY: EUR 133.4 million, or 89.1 percent of the revenues of the Power Plants segment).

Including orders in progress, the orders on hand of the Power Plants segment amounted to EUR 242.8 million as of the reporting date (PY: EUR 184.1 million). Domestic orders on hand amounted to EUR 59.7 million (PY: EUR 132.0 million) and international orders on hand amounted to EUR 183.1 million (PY: EUR 52.1 million).

3.6 FINANCIAL POSITION AND CASH FLOWS

STRUCTURE OF ASSETS AND CAPITAL

At EUR 264.4 million, the total assets of the Phoenix Solar Group were 15.6 percent less than the corresponding figure at 31 December 2010 (EUR 313.3 million).

Due to a substantial increase in deferred tax assets, non-current assets rose by EUR 4.3 million to EUR 15.2 million (31 December 2010: EUR 10.9 million). Current assets, on the other hand, fell by EUR 53.2 million to reach EUR 249.2 million (31 December 2010: EUR 302.4 million). This decrease was mainly caused by the fact that inventories fell by EUR 55.0 million to reach EUR 94.5 million (31 December 2010: EUR 149.5 million). The cash and cash equivalents of EUR 25.5 million were EUR 15.9 million higher than the comparison figure (31 December 2010: EUR 9.6 million).

Mainly as a result of the consolidated net loss for the period, the Group's equity declined to EUR 122.0 million (31 December 2010: EUR 142.4 million). Due to the lower amount of total assets, the equity ratio of 46.1 percent was nearly unchanged from the equity ratio as of year-end 2010 (45.5 percent).

At EUR 142.4 million, the Group's debt capital was EUR 28.5 million less than the corresponding figure as of 31 December 2010 (EUR 170.9 million), which resulted in part from the EUR 50.3 million decrease

in payables due to suppliers. At EUR 75.0 million, current financial liabilities were EUR 22.4 million higher than the comparison figure (31 December 2010: EUR 52.6 million). As of 30 June 2011, liabilities under long-term construction contracts amounted to EUR 5.6 million (31 December 2010: EUR 0.3 million); that figure included EUR 5.6 million in liabilities of Phoenix Solar Pte Ltd, Singapore, for module deliveries to the two Thailand projects.

CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities in the reporting period was negative, at EUR – 5.3 million (PY: EUR – 28.2 million). That figure included interest paid and income taxes paid in the amount of EUR 3.3 million (PY: EUR 11.5 million). The decrease from the comparison figure resulted mainly from changes in working capital, as the reduction of inventories freed up funds of EUR 44.2 million, after application of value adjustments in the amount of EUR 11.5 million. The reduction of liabilities entailed a cash outflow of EUR 47.7 million.

CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities, at EUR – 1.4 million, was roughly on the level of the corresponding year-ago figure (PY: EUR – 0.9 million). That figure included the customary purchases of property, plant and equipment. In addition, the Group continued to invest in intangible assets, including (for example) additional licenses for a project involving the introduction of a new company-specific Enterprise Resource Planning (ERP) solution, which was initiated in financial year 2009.

CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from the financing activities of the Phoenix Solar Group amounted to EUR 22.6 million in the reporting period, as compared to the cash outflow of EUR 29.4 million in the year-ago period. The main reason for this development was the EUR 22.3 million increase in current financial liabilities.

4 EVENTS AFTER THE REPORTING DATE

On 1 July 2011, Phoenix Solar announced that the EUR 150 million syndicated loan agreement concluded in November 2008 has been extended to November 2012 ahead of time. The syndicated loan facility serves to finance the working capital of Phoenix Solar Group, as well as the necessary guarantees and letters of credit.

In July 2011, Phoenix Solar announced the biggest international order in the company's history. Phoenix Solar will build two solar power plants with a combined peak output 24 MWp for the Paris-based utility Akuo Energy, as a general contractor. These two plants are supposed to be completed by the end of 2011, with the grid connection to follow in 2012.

5 REPORT ON OPPORTUNITIES AND RISKS

As an internationally active company, the Phoenix Solar Group is exposed to a considerable number of opportunities and risks. The opportunities associated with the Group's future development are presented in the Annual Report 2010, along with detailed information on the risk portfolio of Phoenix Solar. Based on the current status of information, no significant changes have occurred in that respect since the Annual Report 2010.

5.1 POLICY ON OPPORTUNITIES AND RISKS

The goal of our policy on opportunities and risks is to assure the continued operation of the Phoenix Solar Group as a going concern and to systematically and sustainably increase the company's value. In accordance with these basic principles, business decisions are always made only on the basis of a detailed analysis and assessment of the associated risks. Because all business activity necessarily entails opportunities and risks, the Group's risk strategy covers both elements. In the areas of our core competence, therefore, we consciously take on manageable, assessable risks when the income to be generated by assuming such risks is appropriate. The Group avoids risks in all other areas, as a basic principle.

5.2 RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The Group's risk and opportunity management system is designed to identify individual risks, present them in a transparent manner and determine ways of managing them appropriately. Aside from risks that would endanger the company's continued operation as a going concern, we also monitor those activities, events and developments that could have a significant influence on the Group's future business success. The corresponding goals and procedures and the division of responsibilities within the risk management system are documented in the Risk Management Handbook of Phoenix Solar AG.

Insurance policies are maintained, to the extent they are available and economically tenable, to minimise the financial repercussions of a potential loss. The extent and amount of such insurance policies are reviewed on a regular basis.

5.3 SIGNIFICANT RISK AREAS

Aside from the specific risks and opportunities described in detail in the Annual Report 2010, to which express reference is made at this point, the Group is exposed to the risks and opportunities described below, based on the current status of information.

POLITICAL FACTORS

Also in the current year 2010, the condition and development of national photovoltaic markets are promoted or impeded to varying degrees by the laws and regulations in force. In the case of laws designed to create long-term economies of scale, such as the German Renewable Energies Act, every reduction in feed-in remuneration rates that cannot be offset by lower-cost procurement prices or lower sales prices lowers the achievable return of new photovoltaic plants, which reduces the attractiveness of such plants for potential buyers. Unannounced, radical changes in the legislative framework, which are becoming increasingly frequent, undermine the stability of promised feed-in remuneration and could inhibit further market growth or even cause markets to contract, which would endanger the continued operation of the company as a going concern. In order to mitigate the risks associated with dependencies on individual markets, Phoenix Solar AG systematically pursues a strategy of internationalisation. By that means, the company also counters the risks associated with the debate concerning the future regime of the German Renewable Energies Act and the feed-in remuneration regulations in Italy, which can be expected to have adverse effects on the development of the two most important markets today, also for Phoenix Solar AG: Germany and Italy.

MARKET, COMPETITION AND EXTERNAL FACTORS

The ongoing debates concerning energy policy in a few key European markets such as Italy and Germany are provoking uncertainty among potential customers and investors. In these markets, recent policies have reduced the incentives to invest in photovoltaic plants, leading to lower revenues in the year to date.

The appreciable restraint on the part of banks, especially in Italy, to extend project finance loans to potential investors is also inhibiting the expansion of business activities. The resulting delays in project

implementation or the absence of new project deals could therefore endanger the achievement of growth targets in that market.

In anticipation of lower prices, especially for modules and inverters, Phoenix Solar AG has estimated the development of sales prices in connection with new deals, based on the available knowledge at the time of entering into new contracts, and adjusted the value of its existing inventories downward, in connection with the preparation of the quarterly financial statements. If the future development of market conditions would be influenced by factors that were not yet known at the time of charging such inventory value adjustments, it may be necessary to charge additional value adjustments in the future, which would have an effect on the operating results of the Group.

If lengthier delays would occur in the process of selling large photovoltaic plants, leading to delayed cash flows, that could pose a risk to the liquidity management efforts of Phoenix Solar AG. The Group counters such risks by means of active working capital management.

FINANCING

To secure the Group's medium-term financing needs, moreover, Phoenix Solar took out a syndicated credit facility with a term of three years in financial year 2008, which serves to finance the working capital of Phoenix Solar Group, as well as necessary guarantees and letters of credit. At the end of the second quarter of 2011, the term of the existing agreement was extended to November 2012. The maximum financing amount is EUR 150 million. The covenant targets stipulated in the syndicated loan agreement (particularly EBIT) were established on the basis of the budget presented by Phoenix Solar. If the budget would not be met by reason of a further delay in the improvement of market and business conditions (particularly in Germany) and for this instance a breach of covenant will be inevitable, Phoenix Solar still believes based on talks with the financing banks that the lending agreement will be maintained because the company will be capable of meeting all its interest and principal obligations under the lending agreement when they are due over the entire term of the credit facility, as evidenced by the company's 46.1 percent equity ratio as of 30 June 2011 and by reason of the significant increase in business that is expected to occur in the second half of 2011. In the unexpected event that the banks would cancel the lending agreement due to the breaching of covenants, we believe the company would be able to obtain alternative financing.

INTERNATIONAL EXPANSION

Through its worldwide network of subsidiaries, Phoenix Solar AG takes advantage of opportunities to establish a foothold in international markets, also in order to achieve its growth goals by generating a higher proportion of its business in international markets. The further expansion of the Phoenix Solar Group, including project development and the construction of photovoltaic power plants in foreign countries in particular, entails considerably higher risks than those associated with the Group's business in Germany. Such risks relate primarily to development expenses and times and to the completion of photovoltaic power plants. Especially in the case of increased activities in new markets, therefore, project delays and cost overruns compared to the original, deliberately conservative plans cannot be ruled out.

5.4 GENERAL ASSESSMENT OF THE GROUP'S RISK SITUATION

The general risk situation of the Phoenix Solar Group continues to be limited and manageable, although the fact that the future development of market prices for photovoltaic modules and systems cannot be reliably estimated at the present time could increase the risk potential considerably. Based on the information currently available to the company, no risks that could endanger the continued operation of the Phoenix Group as a going concern, either individually or in combination with each other, can be identified at the present time.

6 FORECAST REPORT

6.1 FRAMEWORK CONDITIONS

After the tremendous growth experienced in 2010, Phoenix Solar anticipates that the global photovoltaic market will stagnate temporarily on a high level (18–20 GWp) in the full year 2011. In Europe, we anticipate a market volume of 10 GWp in 2011, as compared to approximately 13 GWp in 2010. Over the medium-term and long-term future, however, the industry outlook remains positive. We expect that the global market will resume growth already in 2012, driven by viable future markets in the United States, Asia and the Middle East.

Starting in 2012, we expect that the nuclear disaster at the Japanese Fukushima plant will lead to substantially positive effects on the entire photovoltaic industry. The decisions taken in Germany and Switzerland to withdraw from nuclear power and the increasingly more critical attitude to this form of energy in France and Japan are clear signs that nuclear energy is being reconsidered, which will have an impact on the use of renewable energies. The Phoenix Solar Group will be one of the beneficiaries of this trend.

Based on the targets set by the European Union, the percentage of renewable energies is supposed to rise to 20 percent by the year 2020. The national action plans devised on that basis evince the necessity of expanding renewable energy sources further. For example, the German federal government is planning to increase the total installed photovoltaic capacity to 51.8 GWp by the year 2020. Based on our estimates, however, the German market reached the peak level of new installations (7.4 GWp) in 2010. In the coming years, therefore, it can be expected to contract and the “breathing lid” mechanism in effect in Germany will aim to bring about an annual volume of newly installed capacity of about 3.5 GWp through subsidy reductions, depending on the volume of newly installed capacity. Based on our estimates, therefore, the market volume could fall to a range of 5 to 6 GWp in the current year and then contract further to a range of 3 to 4 GWp in 2012.

The new version of the German Renewable Energies Act to take effect on 1 January 2012, which is described in Section 2.1 German Sales Market, means that the framework conditions for the photovoltaic industry will be more positive, starting in 2012, than had been expected prior to the events at Fukushima. In particular, the previously expected introduction of a limit on annual permits for new installed capacity (“hard lid”) and even sharper reductions in feed-in tariffs were not resolved.

6.2 NEW SALES MARKETS

Because we expect the market environment in Germany to become more difficult in the future, we will continue to pursue the internationalisation of the Phoenix Solar Group intensively.

Our subsidiary Phoenix Solar Pte Ltd, Singapore, tapped another new market for the Phoenix Solar Group by signing a contract to build two photovoltaic power plants in Thailand. Generally speaking, we believe that the development of the Asian market will be very positive for Phoenix Solar. Also in the Middle East, we are conducting fruitful negotiations and expect to execute additional projects in this region.

In view of the increasingly difficult market environment for power plants in Europe, the opening of alternative markets could offset some of the anticipated reductions in the European market.

Our U.S. subsidiary in San Ramon, California, expects to generate its first revenues in the current year.

6.3 ANTICIPATED DEVELOPMENT OF UNIT SALES

We anticipate a substantial market recovery in the second half of the current year. After a seasonally weak start to the year in Germany, we expect demand to pick up again after the vacation season in September, followed by an end-of-year rally in the fourth quarter. Aside from the trading business, we expect the power plants business to play a more important role again.

6.4 ANTICIPATED DEVELOPMENT OF REVENUES AND EARNINGS

For the second half of year 2011 Phoenix Solar AG expects a significant raise in market activity beginning in September and merging into a year-end rally in fourth quarter. For the full year 2011, Phoenix Solar anticipates that the global photovoltaic market will experience a temporary stagnation. Therefore, we expect that the consolidated revenues of the Phoenix Solar Group will be slightly less than the prior-year figure. Due to the currently prevailing market uncertainties, we are unable at the present time to provide a reliable EBIT forecast. In consideration of the losses that have accumulated so far this year, however, we will be challenged to achieve a significantly positive result for the full year.

Given the known volatility of the photovoltaic market, it is possible that future developments will differ from the current expectations of the Executive Board of Phoenix Solar AG.

Sulzemoos, 11 August 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 30 JUNE 2011
OF PHOENIX SOLAR AKTIENGESELLSCHAFT, SULZEMOOS

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CONSOLIDATED INCOME STATEMENT

for the period from 01/01/ until 30/06/2011 in k€	Notes C.	01/01/2011 – 30/06/2011	01/01/2010 – 30/06/2010	01/04/2011 – 30/06/2011	01/04/2010 – 30/06/2010
Revenues	(1)	140,772	363,995	108,412	283,625
Change in inventory of work in process	(2)	349	544	- 1,490	- 744
Overall performance		141,121	364,539	106,922	282,881
Other operating income	(4)	5,762	1,875	5,294	- 12
Cost of materials	(3)	143,401	314,789	105,872	245,705
Personnel expenses	(5)	14,332	13,603	7,276	8,560
Depreciation and amortisation		631	445	314	236
Other operating expenses	(6)	14,829	10,664	8,125	6,078
Operating result		- 26,310	26,913	- 9,371	22,290
Result from associated companies		37	49	37	49
EBIT		- 26,273	26,962	- 9,334	22,339
Financial income		296	125	108	109
Financial costs		1,845	911	973	685
Financial result	(7)	- 1,549	- 786	- 865	- 576
Consolidated net income before income taxes (EBT)		- 27,822	26,176	- 10,199	21,763
Income taxes	(8)	- 6,690	7,434	- 2,034	5,816
Consolidated net income for the period		- 21,132	18,742	- 8,165	15,947
– of which due to minority interest		- 39	0	- 14	0
– of which due to majority shareholders		- 21,093	18,742	- 8,151	15,947
Earnings per share					
Earnings per share (basic)	(9)	- 2.86	2.80	- 1.11	2.38
Earnings per share (diluted)	(9)	- 2.86	2.80	- 1.11	2.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 01/01/ until 30/06/2011 in k€	Notes D.	01/01/2011 – 30/06/2011	01/01/2010 – 30/06/2010	01/04/2011 – 30/06/2011	01/04/2010 – 30/06/2010
Consolidated net income for the period		- 21,132	18,742	- 8,165	15,947
Transactions associated with minority interests		- 19	0	0	0
Differences from currency translation		- 80	43	- 45	50
Income taxes recognised directly under equity		0	0	0	0
Changes in value recognised directly under equity	(15)	- 99	43	- 45	50
Overall performance		- 21,231	18,785	- 8,209	15,997
– of which due to minority interest		- 58	0	- 14	0
– of which due to majority shareholders		- 21,173	18,785	- 8,195	15,997

CONSOLIDATED BALANCE SHEET

as per 30 June 2011

ASSETS	Notes C. & D.	30/06/2011 k€	31/12/2010 k€
Noncurrent assets			
Intangible assets	(10)	4,212	3,471
Goodwill		533	533
Property, plant and equipment		3,119	3,110
Investments in associates		418	418
Other participating interests		160	160
Noncurrent receivables		481	688
Deferred tax assets	(8)	5,565	1,799
Noncurrent other financial assets	(13)	739	725
Total noncurrent assets		15,227	10,904
Current assets			
Inventories	(11)	94,520	149,536
Prepayments		2,994	3,346
Receivables from long-term construction contracts	(12)	77,612	82,227
Trade receivables		27,326	31,140
Current other financial assets	(13)	13,690	6,816
Current other non-financial assets	(14)	4,607	18,015
Current income tax assets	(8)	2,912	1,735
Cash and cash equivalents		25,503	9,588
Total current assets		249,164	302,403
Total assets		264,391	313,307

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes C. & D.	30/06/2011 k€	31/12/2010 k€
Equity			
Subscribed capital	(15)	7,373	7,373
Capital reserve	(15), (16)	64,298	63,559
Accumulated other equity	(15)	50,280	71,453
Share of majority shareholders in consolidated equity		121,951	142,385
Share of minority interest in consolidated equity		21	60
Total equity		121,972	142,445
Noncurrent liabilities and provisions			
Noncurrent financial liabilities		21	37
Noncurrent provisions		2,673	2,196
Deferred tax liabilities	(8)	101	3,113
Total noncurrent liabilities and provisions		2,795	5,346
Current liabilities and provisions			
Current financial liabilities	(18)	75,000	52,642
Liabilities from long-term construction contracts	(12)	5,615	267
Trade payables	(19)	34,202	84,538
Other financial liabilities	(20)	7,340	7,044
Other non-financial liabilities	(21)	10,023	13,047
Current provisions		1,247	1,693
Current income tax liabilities	(8)	6,197	6,285
Total current liabilities and provisions		139,624	165,516
Total liabilities and shareholders' equity		264,391	313,307

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2011 until 30 June 2011	Notes C. & 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)		748		748		748
Exercise of share options	(15) (16)	1	33		34		34
Dividend payment				- 1,341	- 1,341		- 1,341
Difference from currency translation	(15)			45	45		45
Consolidated net income in 2010				18,742	18,742		18,742
As per 30 June 2010		6,702	42,586	66,125	115,413	79	115,492
As per 1 January 2011		7,373	63,559	71,453	142,385	60	142,445
Reserve for share options	(15) (16)		739		739		739
Difference from currency translation	(15)			- 80	- 80		- 80
Consolidated net income in 2011				- 21,093	- 21,093	- 39	- 21,132
As per 30 June 2011		7,373	64,298	50,280	121,951	21	121,972

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January 2011 until 30 June 2011	Notes	01/01/2011 – 30/06/2011	01/01/2010 – 30/06/2010
	C. & D.	k€	k€
Consolidated income before income taxes		- 27,822	26,176
Depreciation and amortisation		631	445
Other non-cash income (-) and expenses (+) (including result from associated companies)		11,189	- 2,209
Profit/loss from disposal of intangible assets and equipments		4	0
Financial income	(7)	- 296	- 125
Financial costs	(7)	1,845	911
Sub-total		- 14,449	25,198
Increase/decrease in provisions (net of discounting effects and non-cash releases)		- 13	645
Increase/decrease in inventories	(11)	44,189	- 14,155
Increase/decrease in prepayments		351	- 1,036
Increase/decrease in receivables from long-term construction contracts	(12)	4,615	- 35,916
Increase/decrease in trade receivables (excl. non-cash transactions)		4,239	- 14,048
Increase/decrease in assets	(13), (14)	6,777	- 6,372
Increase/decrease in liabilities	(19), (20)	- 47,718	29,000
Funds generated by operating activities		- 2,009	- 16,684
Interest paid	(7)	- 1,922	- 932
Income taxes paid	(8)	- 1,334	- 10,548
Cash flow from operating activities		- 5,265	- 28,164
Proceeds from associated companies		0	45
Proceeds from disposal of intangible assets and equipment		5	0
Purchase of intangible assets and equipment	(10)	- 1,417	- 974
Cash flow from investing activities		- 1,412	- 929
Payments in connection with increases in subscribed capital	(15), (17)	0	34
Dividends paid	(16)	0	- 1,341
Payments in connection with financial liabilities	(18)	22,343	30,586
Interest income	(7)	249	84
Cash flow from financing activities		22,592	29,363
Changes in cash and cash equivalents		15,915	270
Currency-induced changes in cash and cash equivalents		0	0
Consolidation-related changes in cash and cash equivalents		0	0
Net change in cash and cash equivalents		15,915	270
Cash and cash equivalents at the start of the period		9,588	24,461
Cash and cash equivalents at the end of the period		25,503	24,731
Increase/decrease in cash and cash equivalents		15,915	270

SELECTED EXPLANATORY NOTES

TO THE INTERIM FINANCIAL STATEMENTS ACCORDING TO IFRS
FOR THE REPORTING PERIOD FROM 1 JANUARY TO 30 JUNE 2011
OF PHOENIX SOLAR AKTIENGESELLSCHAFT, SULZEMOOS

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A. GENERAL INFORMATION

As of 30 June 2011, the Phoenix Solar Aktiengesellschaft Group (referred to hereinafter as the Phoenix Group) consisted of 21 companies with a total of 415 (previous year: 309) employees.

The parent company, which is also the highest-level 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 construction 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.

On 16 June 2011, the IASB published amendments to IAS 19 Employee Benefits and corresponding amendments to IAS 1 Presentation of Financial Statements. The most important change to IAS 19 states that unexpected changes in pension obligations and any plan assets, known as actuarial gains and losses, must now be recognised directly in other comprehensive income (OCI). The amendments must be applied as of 1 January 2013; the European Union has not yet incorporated the amendments into EU law. Because the Phoenix Group does not have any such pension plans, the amendments will have no effect on its accounting and disclosure methods.

On 12 May 2011, the IASB and the Financial Accounting Standards Board (FASB) published the joint standard IFRS 13 Fair Value Measurement. The Standard deals with fair value measurement and with the related disclosures in the notes to the financial statements. Its purpose is to bring about the further convergence of IFRS and U.S. Generally Accepted Accounting Standards (US GAAP). IFRS 13 offers guidance for measuring fair value, to the extent that fair value is prescribed by other IFRSs; thus, IFRS 13 does not extend the concept of fair value measurement. The purpose is to harmonise the definition of fair value across all standards and to present the methods to be applied in measuring fair value and particularly also the disclosures to be made in the notes on the subject of fair value measurement.

The new Standard must be applied in financial years that begin on or after 1 January 2013. Earlier application is permitted. The EU endorsement has not yet been issued. The Phoenix Group is currently reviewing the new Standard to assess the possible effects on the Group's financial position, cash flows and financial performance.

On the same date, the IASB published IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, as part of a comprehensive reform project. In this connection, IAS 27 (2011) Separate Financial Statements was adjusted to only contain the

unchanged provisions applicable to separate financial statements under IFRS. Finally, IAS 28 (2011) Investments in Associates and Joint Ventures was amended and thereby adapted to reflect the new Standards IFRS 10, 11 and 12.

- IFRS 10 establishes a uniform definition for the concept of control, and therefore a uniform basis for ascertaining the existence of a relationship between the parent company and the dependent company, which is relevant to determining the scope of the consolidation group. The new Standard supersedes the formerly applicable IAS 27 (2008) Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities.
- IFRS 11 governs the accounting treatment of situations in which a company exercises joint control over a joint venture or engages in joint operations. The new Standard supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, which had formerly been applicable to the accounting treatment of joint ventures.
- The disclosures to be made in the notes to the consolidated financial statements on the subject of business combinations and joint arrangements are specified in IFRS 12.

The new Standards must be applied in financial years that begin on or after 1 January 2013. Earlier application is permitted. The EU endorsement has not yet been issued. At the present time, the Phoenix Group anticipates that these publications will have no effect on its consolidation group.

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

B. RECOGNITION, MEASUREMENT AND CONSOLIDATION METHODS

In accordance with the provisions of Section 37y of the German Securities Trading Act (WpHG) in conjunction with Section 37w (2) WpHG, the semi-annual financial report of the Phoenix Group comprises a set of condensed interim consolidated financial statements and an interim management report for the Group, as well as the affirmation of the legal representatives pursuant to Section 297 (2) (4), Section 315 (1) (6) of the German Commercial Code (HGB).

The consolidated interim report as of 30 June 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 year-ago period 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 30 June 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, was formed 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 half of 2011 were substantially lower, by EUR 223,223 thousand, than the corresponding figure for the first half of last year.

By reason of the fact that the demand environment was extremely subdued, the Components & Systems segment generated revenues of only EUR 89,241 thousand in the first half of 2011. The Power Plants segment also did not start the first half as successfully as it did in the year-ago period and thus it contributed a smaller share of total revenues, in the amount of only EUR 51,531 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 half of financial year 2011 increased work in progress by EUR 367 thousand (PY: EUR 2,668 thousand).

(3) PURCHASED GOODS AND SERVICES

The purchased goods and services were EUR 171,388 thousand less than the corresponding year-ago figure. Their distribution was in proportion to the development of revenues during the first half. This item also contained necessary value adjustments to the carrying amount of inventories, in the amount of EUR 19,449 thousand, which were recognised in income (PY: EUR 6,452 thousand).

(4) OTHER OPERATING INCOME

The other operating income consisted mainly 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 97 thousand; PY: EUR 14 thousand), as well as realised gains on currency hedges (EUR 37 thousand; PY: EUR 241 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 2,013 thousand (PY: EUR 550 thousand).

(5) PERSONNEL EXPENSES

The higher personnel expenses resulted primarily from the continued increase in the company's workforce.

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 27 thousand (PY: EUR 29 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 -12 thousand (PY: EUR -336 thousand) resulted mainly from new draw-downs under credit facilities and from the market measurement of interest rate hedging transactions.

(8) INCOME TAXES

Deferred tax assets and liabilities in the amount of EUR 2,919 thousand and EUR 5,073 thousand, respectively (PY: EUR 326 thousand and EUR 3,621 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 6,672 thousand (PY: EUR 952 thousand) were recognised for losses, based on the expected taxable profits and losses in financial years 2011 and 2012. As of the reporting date, deferred taxes of EUR 4,948 thousand (PY: EUR 241 thousand) and current income taxes of EUR 0 thousand (PY: EUR 996 thousand) were presented on a net basis. After consolidation measures, deferred tax assets of EUR 5,565 thousand (PY: EUR 1,128 thousand) and deferred tax liabilities of EUR 101 thousand (PY: EUR 3,435 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 1,512 thousand (PY: EUR 1,815 thousand) were calculated as of 30 June 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:

Diluted number of shares	30/06/2011	30/06/2010
Undiluted number of shares	7,372,700	6,701,535
Number of diluting options	0	3,375
Diluted number of shares	7,372,700	6,704,910

In accordance with IAS 33.66, the diluted and basic earnings per share are 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 741 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 30 June 2011, goods in transit were capitalised as trading stock in the amount of EUR 14,427 thousand (PY: EUR 22,006 thousand).

The total amount presented as trading stock included value adjustments of EUR 15,385 thousand, including value adjustments of EUR 2,160 thousand which had already been recognised as expenses in the annual financial statements as of 31 December 2010. The original acquisition cost of the inventories against which value adjustments were charged was EUR 76,497 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 150,673 thousand (PY: EUR 120,790 thousand). These receivables related predominantly to projects in Germany. For the period from 1 January to 30 June 2011, contract revenues were recognised in the amount of EUR 51,351 thousand (PY: EUR 130,173 thousand), contract costs in the amount of EUR 41,208 thousand (PY: EUR 117,946 thousand) and profits in the amount of EUR 10,143 thousand (PY: EUR 12,227 thousand). The profits included foreign currency effects in the amount of EUR 148 thousand. Losses in the amount of EUR 448 thousand (PY: EUR 47 thousand) were recognised as expenses for contracts that are expected to be completed with a negative margin.

Down payments of EUR 78,528 thousand (PY: EUR 38,563 thousand) were collected on account of contracts and other down payments of EUR 2,815 thousand (PY: EUR 24,302 thousand) were requested. Commitments under long-term construction contracts were recognised in the amount of EUR 5,615 thousand (PY: 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 77,612 thousand (PY: EUR 82,227 thousand) breaks down as follows:

Carrying amounts	30/06/2011 k€	31/12/2010 k€
Receivables under long-term construction contracts after deduction of partial invoices based on stage of completion	74,797	57,925
plus progress billings	2,815	24,302
Amount presented in the statement of financial position	77,612	82,227

Borrowing costs of EUR 1,313 thousand (PY: 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 30 June 2011, the total order book for the Group amounted to EUR 311 million (PY: EUR 282 million).

(13) OTHER FINANCIAL ASSETS

The Group usually employs interest rate caps and swaps to hedge against operational interest rate risks. As of 30 June 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 50 thousand (PY: 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 sales tax refund claims totalling EUR 3,490 thousand (PY: 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 30 June 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 340,350 stock options of Phoenix Solar AG were granted in five tranches to members of the Executive Board, members of the management of the Group companies and other key personnel. As of the reporting date, 47,950 stock options had expired due to resignations and 18,000 had been exercised. As of the reporting date, therefore, there remained 274,400 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.

The fifth tranche was established in May under the following terms and conditions:

	SOP 2006 (2011)
Issue date	06/05/2011
Valuation date	06/05/2011
Stock exchange price of the company's share on the valuation date	20.24 €
Vesting period	2 years
Term (including the vesting period)	7 years
Exercise price	20.44 €
Risk-free interest rate	2.11 %
Volatility	57.75 %
Annual dividend per share	0.30 €
Dividend due date (assumption)	approx. 15 June of each year
Number of simulations performed	10,000,000 in every case

The volatility was calculated as the historical volatility based on the share price history in the period from 6 May 2008 to 6 May 2011 (Tranche V). The expected volatility is based on the average of historical volatilities. The risk-free interest rate was calculated with the aid of the Svensson method. Based on this calculation method, the value of each option was found to be EUR 8.761 (Tranche V) on the issue date.

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

Because the expenses are distributed over the period from the grant date to the expiration of the vesting period, expenses of EUR 739 thousand (PY: EUR 375 thousand) were recognised as share-based compensation in the first half of financial year 2011.

Other transactions with related parties of the group correspond to those reported in the annual report 2010.

(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 2.75 to 3.75 percent p.a. (PY: 2.5 to 3.3 percent p.a.).

In this regard, Phoenix Solar AG reached an agreement with its syndicate banks to extend ahead of time the EUR 150 million syndicated loan agreement concluded in November 2008 to November 2012. This facility serves to finance the working capital of the Phoenix Solar Group and to finance necessary guarantees and letters of credit.

(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 25,840 thousand (PY: EUR 0 thousand) the total negative fair value of which was EUR 12 thousand (PY: EUR 185 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 30 June 2011 (and also none as of the year-ago reporting date).

As of 30 June 2011, firm orders for purchased materials amounted to EUR 71,378 thousand (PY: 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 243,345 thousand (PY: EUR 281,607 thousand).

The Group is subject to financial commitments in the total amount of EUR 7,255 thousand (PY: EUR 7,122 thousand) under various rental and leasing agreements. Of that total, an amount of EUR 1,718 thousand (PY: EUR 1,592 thousand) is due in less than one year, EUR 2,948 thousand (PY: EUR 2,872 thousand) is due in one to five years and EUR 2,589 thousand (PY: 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 intends to complete the projects in the next ten months, thereby rendering the second instalment due and payable.

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 2011 to 30 June 2011, according to IFRS	Power Plants k€	Components & Systems k€	Other k€	Consoli- dation k€	Group k€
Segment profit or loss statement					
External revenues	51,531	89,241	0	0	140,772
Inter-segment revenues	0	0	0	0	0
Segment revenues	51,531	89,241	0	0	140,772
Segment profit or loss	- 6,277	- 20,033	0	0	- 26,310
Income from associated companies	37	0	0	0	37
EBIT					- 26,273
Financial result					- 1,549
Consolidated profit or loss before tax					- 27,822
Income tax expenses					6,690
Profit or loss before non-controlling interests					- 21,132
Share of non-controlling interests in profit or loss					- 39
Consolidated profit or loss for the period					- 21,093
Other information					
Capital expenditures	521	896	0	0	1,417
Depreciation and amortisation	232	399	0	0	631
Non-cash expenses	4,302	7,589	0	0	11,891
Non-cash income	118	547	0	0	665
Assets					
Segment assets	86,616	148,994	0	0	235,610
Shares in associated companies	418	0	0	0	418
Non-assigned assets					28,363
Consolidated assets					264,391

For the period from 1 January 2010 to 30 June 2010, according to IFRS	Power Plants k€	Components & Systems k€	Other k€	Consoli- dation k€	Group k€
Segment profit or loss statement					
External revenues	149,643	214,352	0	0	363,995
Inter-segment revenues					0
Segment revenues	149,643	214,352	0	0	363,995
Segment profit or loss	3,214	23,563	- 27	163	26,913
Income from associated companies	49	0	0	0	49
EBIT					26,962
Financial result					- 786
Consolidated profit or loss before tax					26,176
Income tax expenses					7,434
Profit or loss before non-controlling interests					18,742
Share of non-controlling interests in profit or loss					0
Consolidated profit or loss for the period					18,742
Other information					
Capital expenditures	362	612	0	0	974
Depreciation and amortisation	169	276	0	0	445
Non-cash expenses	456	749	0	0	1,205
Non-cash income	1,508	1,857	0	0	3,365
Assets					
Segment assets	84,517	161,229	0	0	245,746
Shares in associated companies	408	0	0	0	408
Non-assigned assets					10,593
Consolidated assets					256,747

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

Revenues by region	30/06/2011 k€	30/06/2010 k€
Germany	72,169	319,340
EU excluding Germany	66,732	43,645
Other	1,871	1,010
Total	140,772	363,995

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

Non-current assets by region	30/06/2011 k€	30/06/2010 k€
Germany	8,626	7,335
EU excluding Germany	501	449
Other	111	72
Total	9,238	7,856

G. SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING DATE

RESOLUTIONS OF THE ANNUAL GENERAL MEETING RELATIVE TO THE EQUITY OF THE GROUP

In order to ensure that the company still has adequate leeway for action, the Annual General Meeting of 14 July 2011 annulled the existing remainder of the Authorised Capital 2010 and established a new Authorised Capital (Authorised Capital 2011), equal to half the share capital (EUR 3,351,250.00). The precise terms and conditions for utilising the new Authorised Capital are set out in Agenda Item VII of the invitation to the Annual General Meeting, which can be viewed on the website of the Group's parent company (<http://www.phoenixsolar-group.com/de/investor-relations/hv2011/einladung-tagesordnung.html>).

DIVIDENDS PAID

The annual general meeting resolved on 14 July 2011 to pay a dividend of EUR 0.35 (PY: EUR 0.20) on every qualifying share. The total dividend pay-out is EUR 2,580 thousand (PY: EUR 1,341 thousand).

Sulzemoos, 11 August 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 August 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)

REVIEW REPORT

To Phoenix Solar AG, Sulzemoos:

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and notes to the interim consolidated financial statements – and the interim group management report of Phoenix Solar AG, Sulzemoos, for the period from January 1 to June 30, 2011 which are part of the half-year financial report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, August 10, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Henning Hönsch
Wirtschaftsprüfer
(German Public Auditor)

Dietmar Eglauer
Wirtschaftsprüfer
(German Public Auditor)

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.

EDITORIALS AND CONTACT

PUBLISHER

Phoenix Solar AG
Hirschbergstraße 8
D-85254 Sulzemoos

www.phoenixsolar-group.com

INVESTOR RELATIONS

Jutta Stolp
Tel. +49 (0)8135 938-322
Fax +49 (0)8135 938-399
Email j.stolp@phoenixsolar.de

Simon Barber
Tel. +49 (0)8135 938-322
Fax +49 (0)8135 938-399
Email s.barber@phoenixsolar.de

CONCEPT AND DESIGN

RED, Munich/Krailling, Germany

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

Phoenix Solar AG
Hirschbergstraße 8
85254 Sulzemoos, Germany
Phone +49(0)8135 938-000
Fax +49(0)8135 938-099
Email contact@phoenixsolar.de

www.phoenixsolar-group.com