

Phoenix Solar AG

3rd Quarter Results

- Conference Call -

10 November 2011


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- A small, square icon of a calculator with a blue glow effect, positioned to the left of the first list item.
- 1. Financial Parameters**
 2. Module Sales & Large-Scale Power Plant Business
 3. Outlook 2011 & 2012

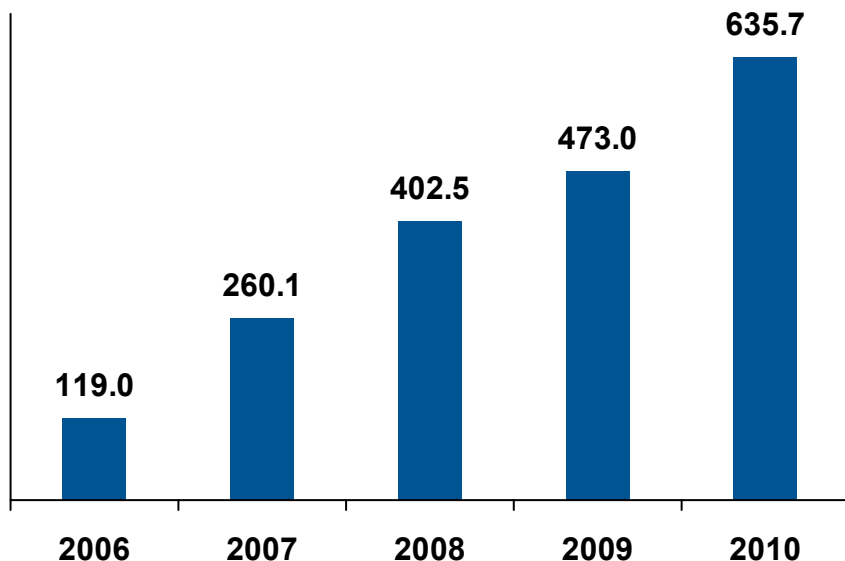


Key Figures Q3 2011: dramatic price erosion leads to net losses

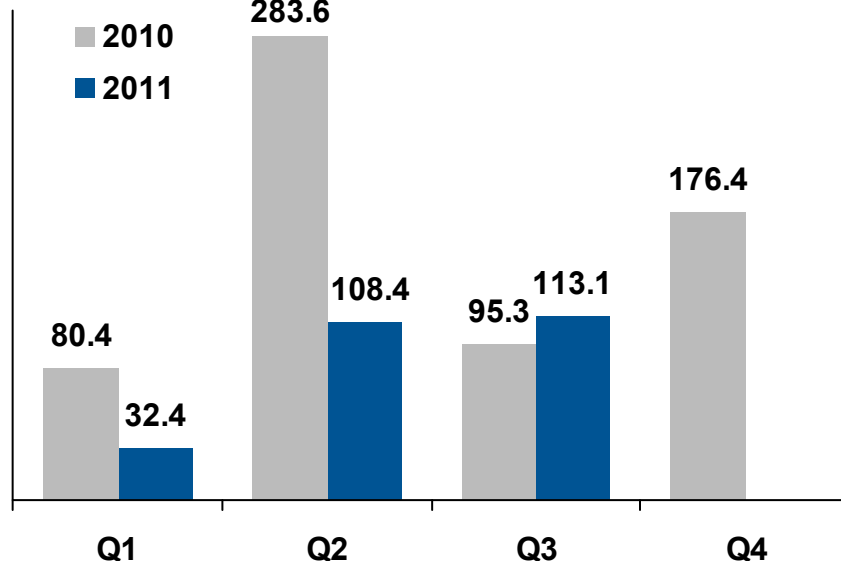
	Q3 2011	Q3 2010	Change
Revenues	113.1 €M	95.3 €M	+18.7%
of which Components & Systems	65.8 €M	53.8 €M	+22.3%
of which Power Plants	47.3 €M	41.5 €M	+14.0%
International Business	81.0 €M	52.8 €M	+53.4%
EBIT	-13.2 €M	4.3 €M	-17.5 €M
EBIT margin	-11.6%	4.5%	
Net Result	-19.0 €M	2.3 €M	-21.3 €M
EPS (end Q3)	-5.52 €	3.04 €	-8.56 €
Equity Ratio (end Q3)	29.4%	48.2%	
Order backlog (end Q2)	237 €M	271 €M	-12.5%

Group Revenues Q3: increase in revenues despite challenging market environment

€M Revenue



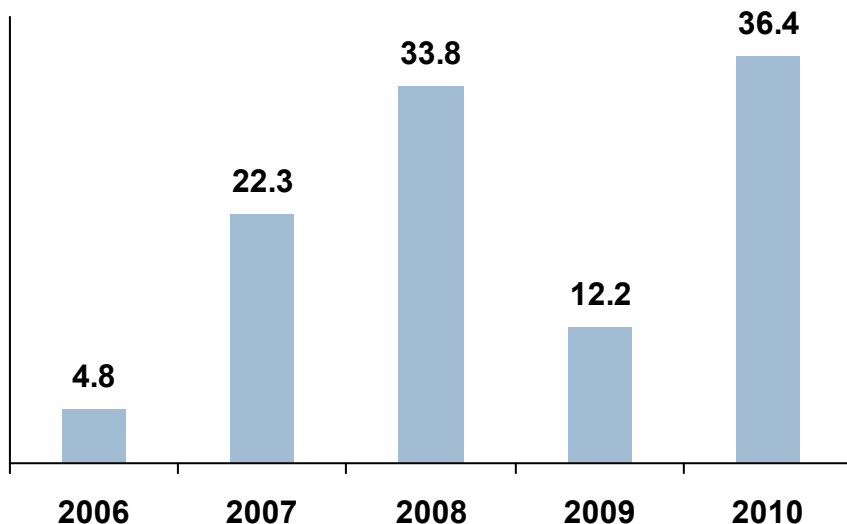
€M Revenue



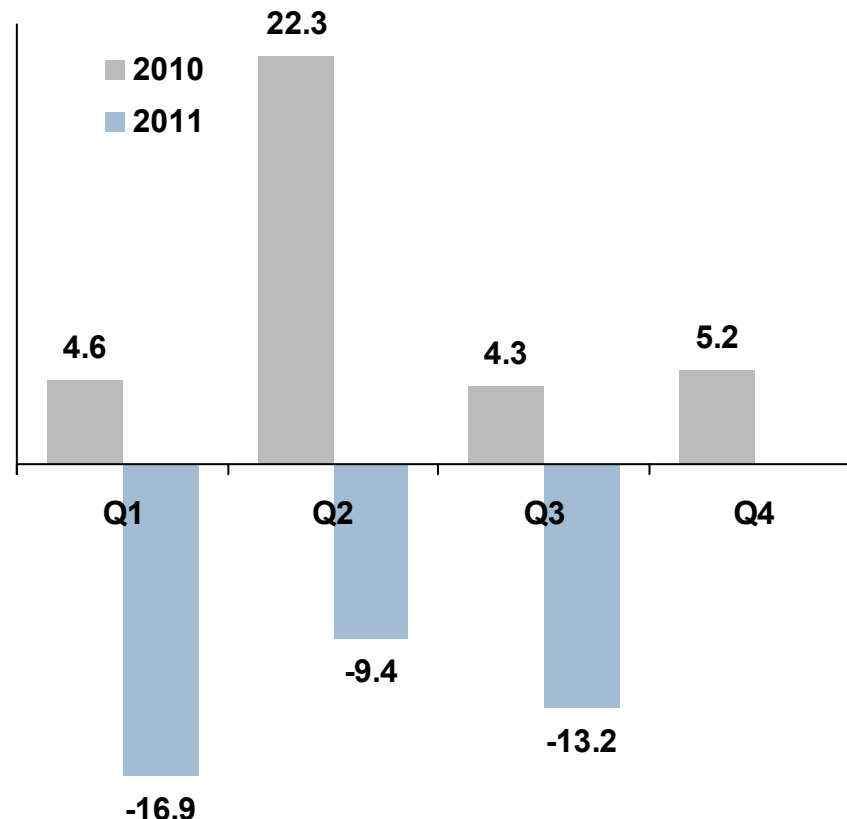
- Revenues up 18.7% to 113.1 €M (Q3 2010: 95.3 €M)
- International sales made a significant contribution to revenues

Q3 2011: depreciation of inventories negatively impacts gross profit and EBIT

€M EBIT



€M EBIT



- Q3 EBIT -13.2 €M (Q3 2010: 4.3 €M)
- EBIT influenced by 29 €M of inventory depreciation during Q1-Q3 (net of 7 €M stock compensation from suppliers)

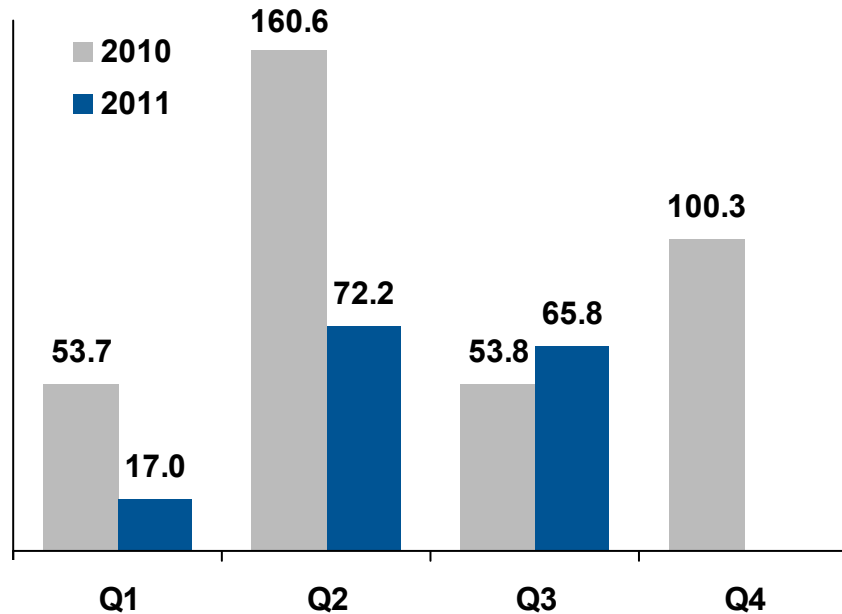
EBIT-Margin

	Total	Q1	Q2	Q3	Q4
2010	5.7%	5.8%	7.9%	4.5%	2.9%
2011	-18.7%	-52.2%	-8.7%	-11.6%	

Components & Systems Segment

C&S revenues up y-o-y, EBIT hurt by price erosion

€M Revenue



€M EBIT



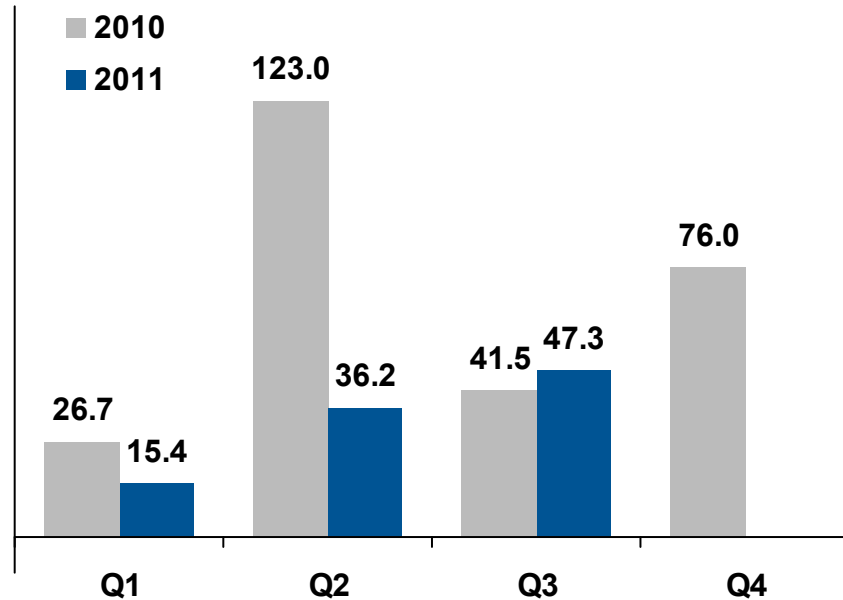
- Q3 International Sales of C&S increased to 42.2 €M compared to Q2 2011 (11.7 €M)
- High depreciation of inventories influences gross margin and leads to negative EBIT

EBIT-Margin C&S					
	Total	Q1	Q2	Q3	Q4
2010	7.6%	14.8%	9.8%	0.0%	4.4%
2011	-22.4%	-45.3%	-17.0%	-23.4%	-

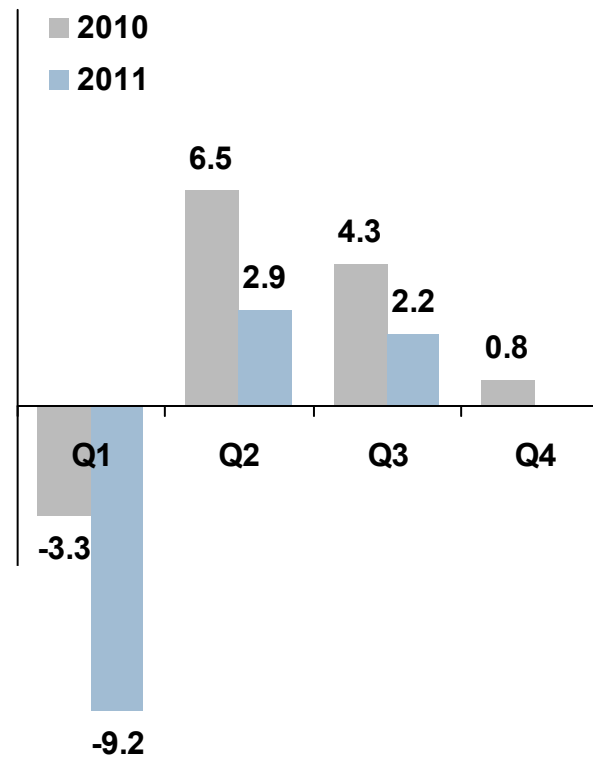
Power Plants Segment

International projects remained profitable in Q3

€M Revenue



€M EBIT



- Revenues up 14.0% to 47.3 €M (Q3 2010: 41.5 €M)
- Power Plants segment profitable since Q2 2011

EBIT-Margin Power Plants

	Total	Q1	Q2	Q3	Q4
2010	3.1%	-12.5%	5.3%	10.3%	1.1%
2011	-12.2%	-59.7%	8.0%	4.7%	-

Reported inventories includes project rights and completed projects

Total Assets & Liabilities (€M)	30/09/2011	31/12/2010	Δ Analysis
Δ Assets	341.9	313.3	
- Current assets	329.5	302.4	
of which: Inventory	155.3	149.5	→ Including 84.5 €M Goods in stock (for detailed information please see slide 11)
of which: receivables from long-term construction contracts	83.4	82.2	
of which: other non-financial assets	6.5	18.0	
of which: cash and cash equivalents	16.7	9.6	
Δ Liabilities and Shareholders' Equity	341.9	313.3	
- Shareholders' Equity	100.6	142.4	→ Equity ratio Q3 2011: 29.4% Equity ratio Q4 2010: 45.5% Decrease in Shareholders' Equity due to loss in 2011
- Current Liabilities	237.5	165.5	
of which: current financial liabilities	90.2	52.6	→ Availment of credit lines due to pre-financing projects in Q3 and Q4
of which: trade payables	94.0	84.5	

Effect of inventory write-downs as of 30/09/2011

Inventory and write-downs (€M)	30/09/2011	30/06/2011	31/03/2011
Inventory at quarter-end	155.3	95.2	168.6
Write-downs during the quarter	9.6	12.0	7.4

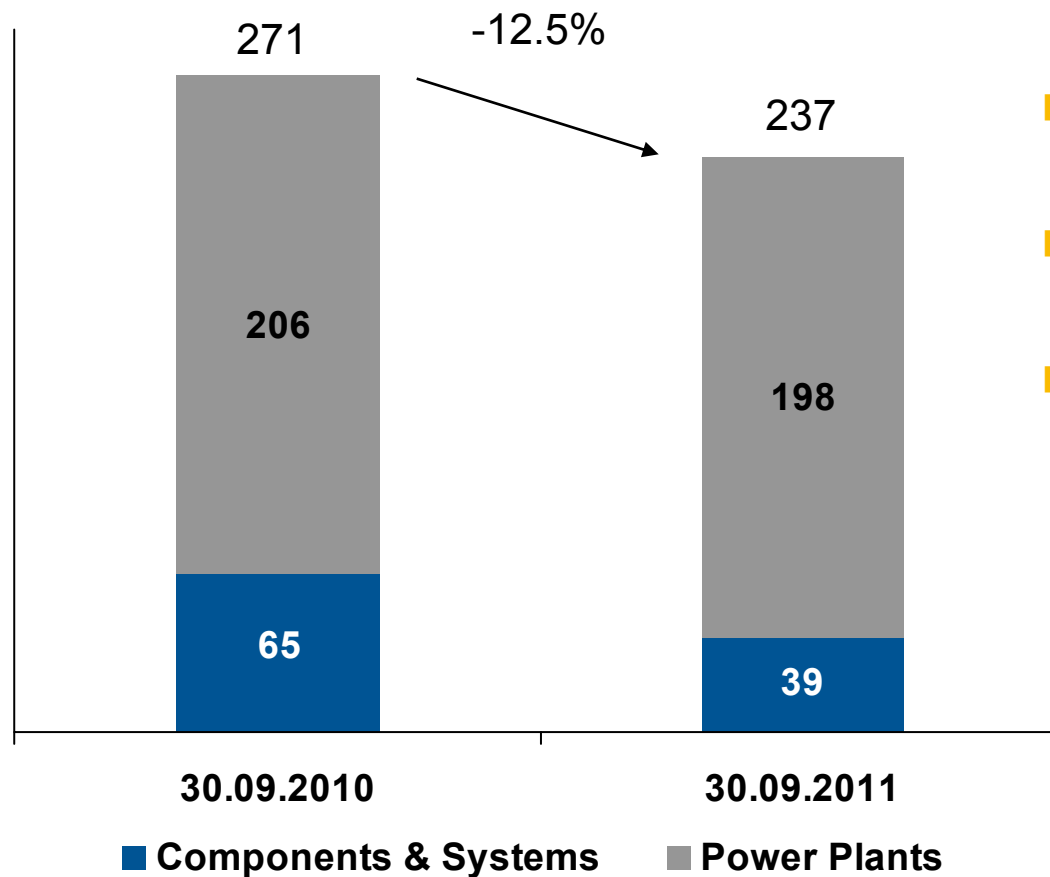
Write-downs	Q1-Q3 2011
Cumulative write-downs	29.0
of which: modules	20.5
of which: inverters	6.9
of which: balance of system (BOS)	1.6

Only half of reported inventory is stored in Phoenix Group warehouses

Inventory (€M)	30/09/2011
Inventory	155.3
of which: goods in stock	84.5
of which: goods in transit	46.0
of which: goods at project site	8.3
of which: project rights	9.4
of which: completed projects	7.1

Order backlog dominated by international power plant projects

€M Order Backlog



- Free order backlog 98 €M (after adjusting for POC)
- End Q3 order backlog below Q3 2010 (-34 €M)
- Order backlog for Power Plants Segment 48 €M in Germany + 150 €M International

Working Capital (€M)	30/09/2011	31/12/2010
Δ current assets	329.5	302.4
Δ current liabilities (adjusted)	236.0	163.8
Working Capital	93.5	138.6
Revenue (rolling last four quarters)	430.3	635.7
Working Capital Ratio (Working Capital / Revenue)	21.7%	21.8%

➔ **Actions were taken to reduce inventories and capital commitments in projects but at the current low revenue levels, these measures are not yet sufficient to improve the working capital ratio**

Operating Cash Flow (€M)	30/09/2011	31/12/2010
Operating Cash Flow	-26.0	-84.5

- ➔ **Significant improvement of the operating cash flow situation due to liquidity release by reduction of inventories and capital commitments in the Power Plants segment**

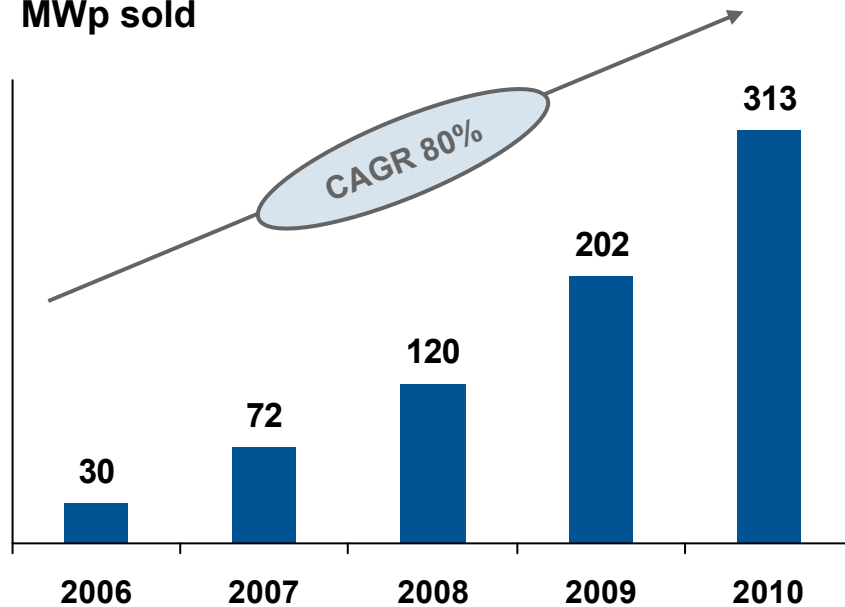
1. Financial Parameters
2. **Module Sales & Internationalisation**
3. Outlook 2011 & 2012



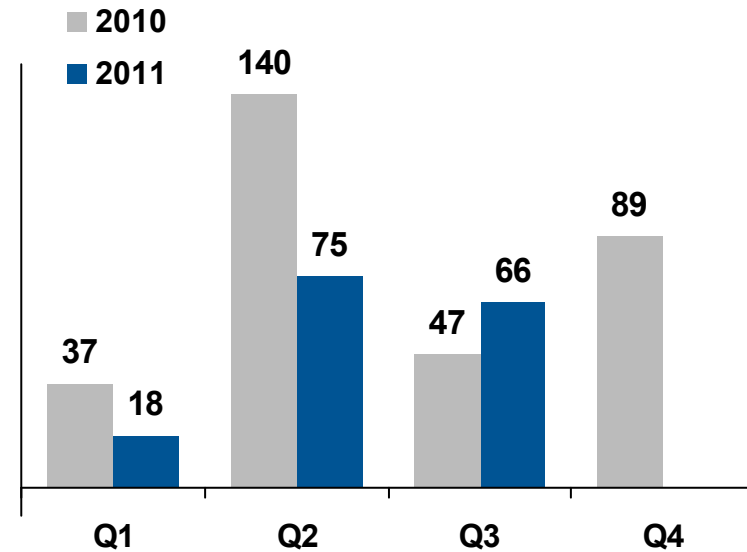
Phoenix Solar's cumulated module sales exceed 900 MWp



MWp sold



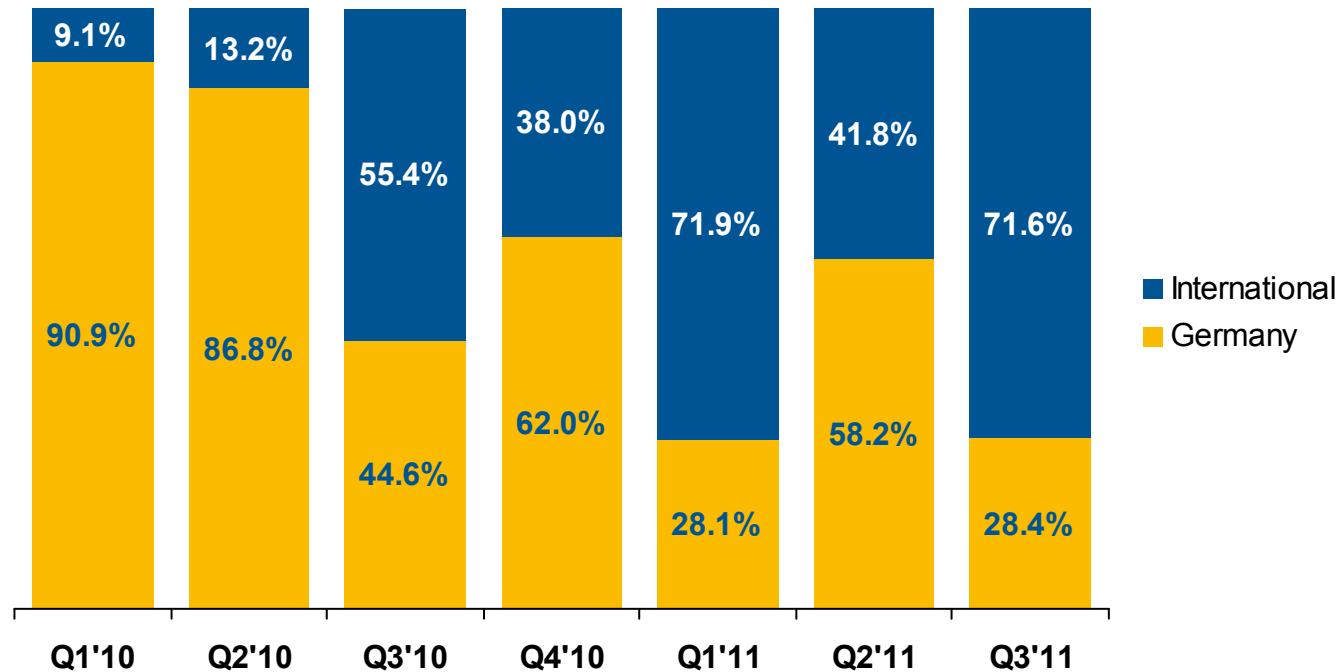
MWp sold



- Q3 volume up 40% to 66 MWp (Q3 2011: 47 MWp) while revenue is up 18.7%
- Q1-Q3 volumes down 29% to 159 MWp (Q1-Q3 2010: 224 MWp) while revenue is down 44.7%. H1 2010 sales driven by FIT reductions on 1 July 2010 in Germany
- Additional module purchases are unlikely before year-end: the main target in Q4 is inventory clearing in order to avoid further write-downs. This approach restricts MW sales in Q4

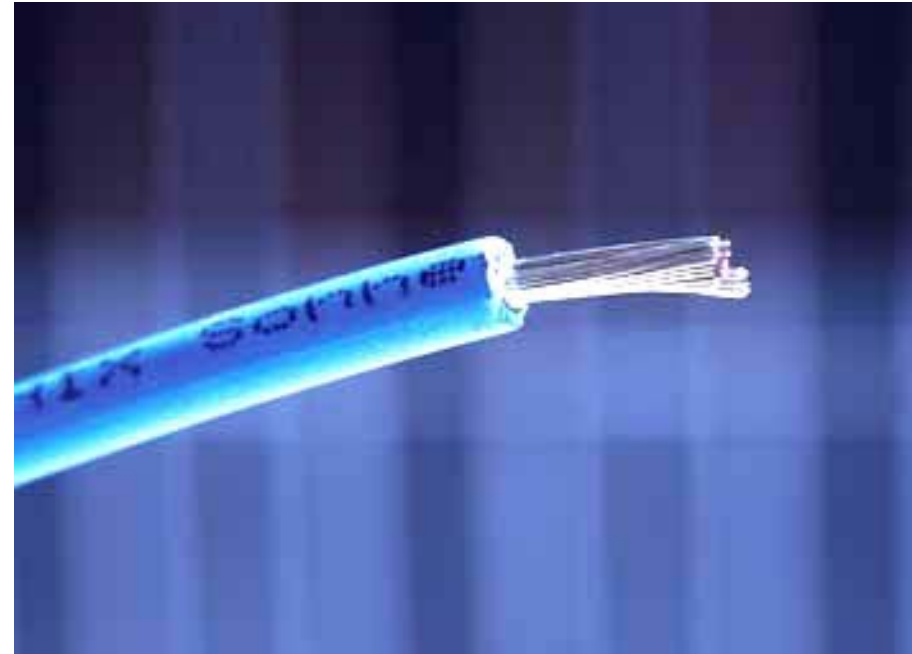
Phoenix Solar proves its ability to rapidly increase international sales

2010 & 2011 Quarterly National & International Sales Development of Phoenix Solar



- Q3 international sales increase to 81.0 €M, up 53.4% vs. Q3 2010 (52.8 €M) and reach 71.6% of total sales
- Q1-Q3 international sales increase to 149.6 €M (up 53.4% vs. Q1-Q3 2010) and reach 58.9% of total sales

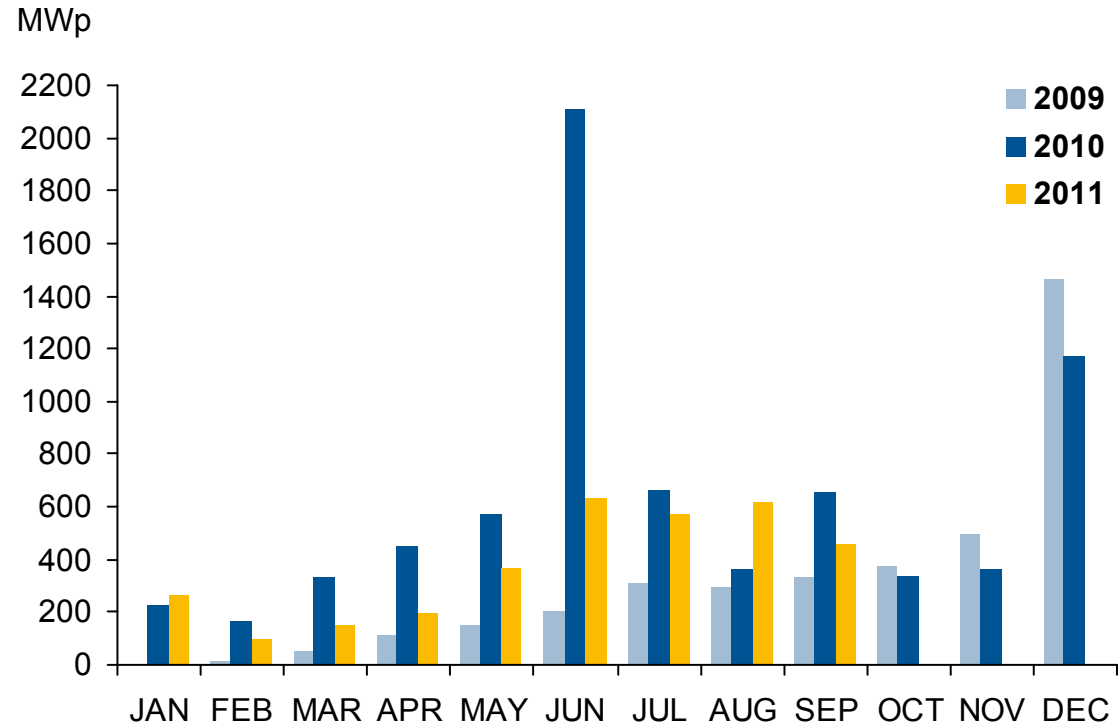
1. Financial Parameters
2. Module Sales & Internationalisation
3. **Outlook 2011 & 2012**



Market Development in Germany According to the German Federal Network Agency (BNetzA)

in MWp	2009	2010	2011
JAN	2.80	222.25	266.03
FEB	16.21	163.28	99.68
MAR	55.25	331.38	147.33
APR	115.13	454.05	198.95
MAY	150.10	573.18	370.74
JUN	205.83	2108.91	630.30
JUL	307.42	663.06	571.79
AUG	291.17	363.39	612.56
SEP	326.91	654.37	459.67
OCT	377.77	340.54	
NOV	496.80	359.94	- 20 %
DEC	1,460.93	1173.94	
Total	3,806.32	7,408.28	3,357.05

- 39 %



- January – September 2011 down 39% in y-o-y comparison
- German market decline decelerating in Q3 (Q3 2011 only down 2% vs. Q3 2010)

Source: German Federal Network Agency (Bundesnetzagentur), November 2011

Guidance 2011 **(issued on 11 Oct. 2011)**

- Sales: 350-400 €M
- EBIT: -42 to -49 €M

- Rapid module and system price declines (in some cases >40%) in 2011 negatively impact sales and gross margins
- Expected losses 2011 dominated by write-down of inventory (29 €M at the end of Q3)
- Further write-down in Q4 cannot be ruled out due to expected further price declines in Q1 2012

General

- Business model needs to be optimised with strong focus on margin-protected segments
- Ongoing evaluation of business segments and business units to analyse future growth and profit potential. Analysis will be completed in December 2011
- Phoenix Solar had top sales performance in the past (2 €/FTE) but needs to further “streamline” its organisation (sales price declines call for further process improvements to allow for higher throughput with the same staffing levels)

Sales

- Project pipeline build-up with strong focus on Germany (price declines open potential for higher margins in project business and execution of projects that were previously unprofitable)
- Project ownership is key to a protected margin environment
- The strongest pressure for change applies to the C&S business as margin erosion was driven by products idling in the warehouse, a weak market environment and price wars due to inventory clearing. A redesigned market approach will be necessary.

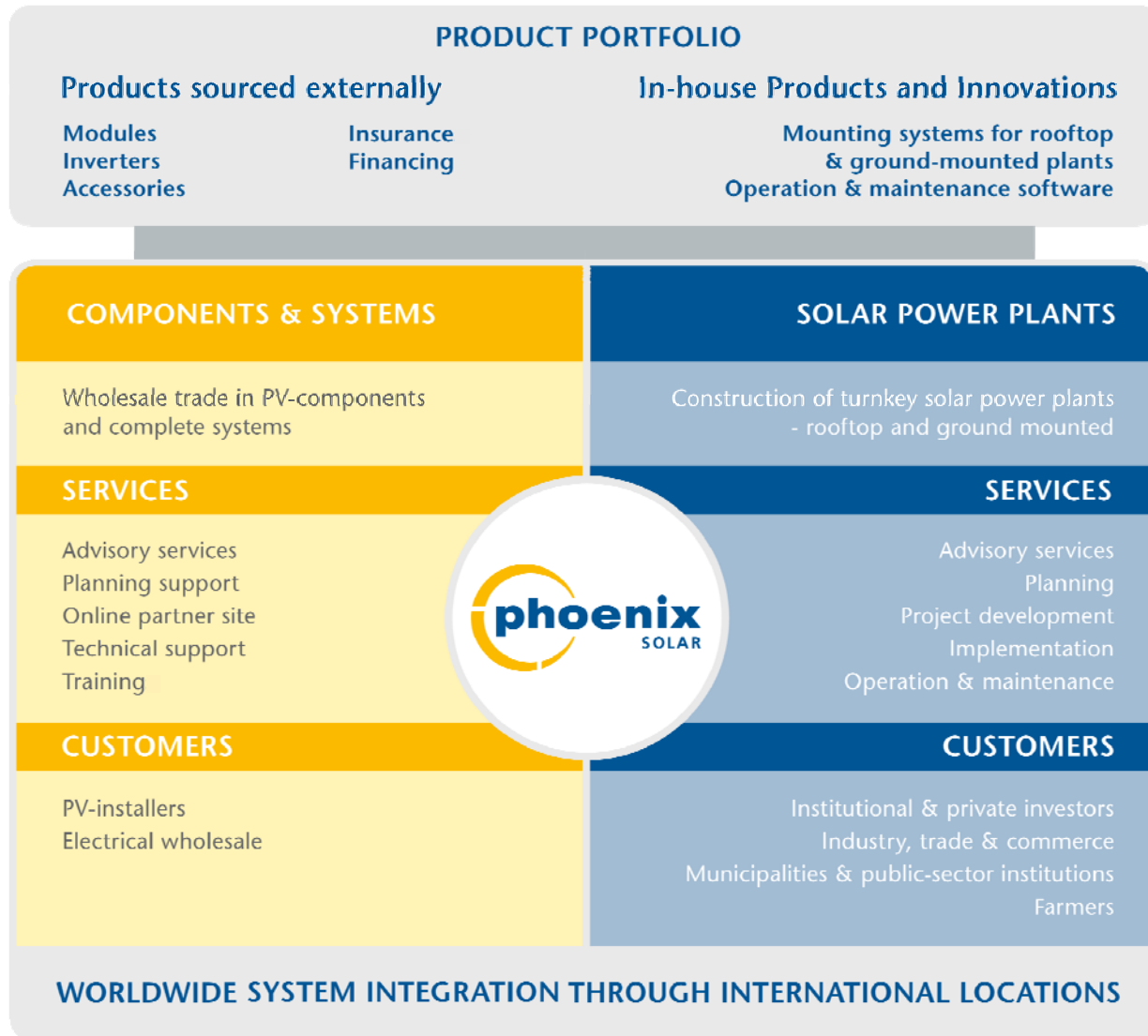
Procurement

- Just-in-time delivery for project business (and ideally also Components & Systems) now possible due to oversupply of modules and inverters
- Minimisation of lead times between purchase and delivery to customers reduces risk of product write-down in 2012
- Consignment stock under negotiation with module vendors
- Portfolio strategy: reduction of the number of suppliers to minimise inventory risks and “streamlining” of sales and logistics processes
- Renegotiation of long-term contracts to adapt volumes and prices to 2012 market conditions

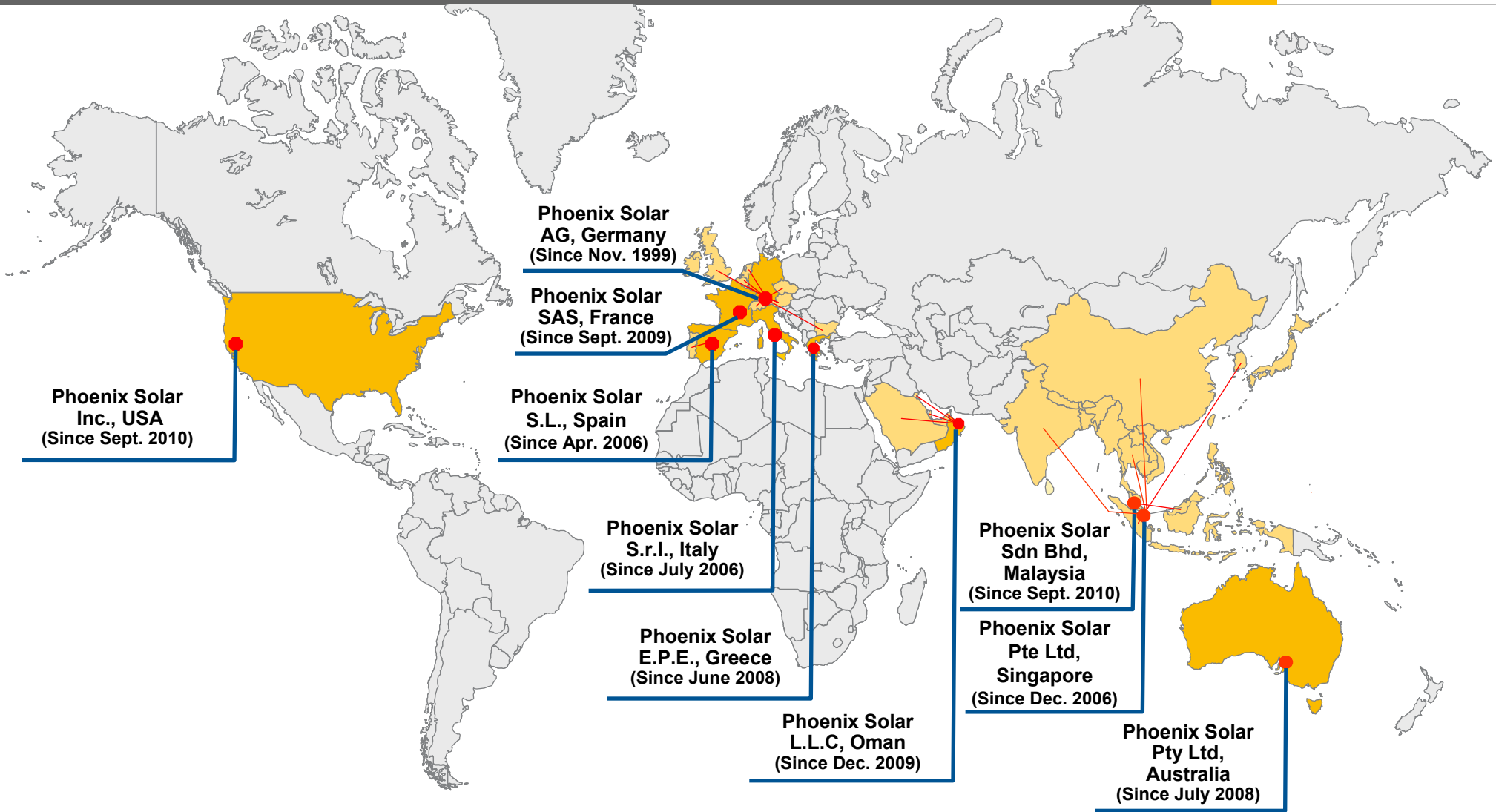
A close-up photograph of a bright yellow, oval-shaped button. The button is slightly tilted and has the text "Making energy together" printed on it in a blue, sans-serif font. Below the main text, there is a white curved line, and underneath that, the words "Phoenix Solar" are printed in a smaller blue font. The button is resting on a reflective surface, and its reflection is visible below it. The background is blurred, showing other similar buttons in various colors (blue, white, yellow).

Making
energy
together

Thank you for your attention!



Worldwide Company Locations in 10 Countries and 4 Continents



All 100% owned subsidiaries, except Phoenix Solar Singapore (75%), Phoenix Solar Malaysia (75%), and Phoenix Solar Oman (70%)

Focus on Photovoltaics

- **Exclusively** active in the field of **photovoltaics**, the market segment of renewable energies with the highest growth rate

Focus on PV System Technology

- Focus on core competence of high-yield, long-lasting and profitable **PV systems**
- System integrators are the **gateway to the end customer**

Advantages of Focused Business Model

- Purchase of PV modules and components with the best price-to-performance ratio **independent** of the manufacturer
- **High flexibility**, rapid response to market trends
- **Low financial risk** as limited investment is required

11 May 2011	Results 1st Quarter (conference call)
14 July 2011	Annual General Meeting
11 August 2011	Results 1st Half (conference call)
10 November 2011	Nine-Month Results (conference call)

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