

Phoenix Solar AG: results of the first nine months of 2011

- *Consolidated revenues rise by 18.7 percent to EUR 113.1 million*
- *Share of international business climbs to more than 70 percent in the third quarter*
- *Tumbling prices and substantial inventory impairment burdens the result*
- *Measures initiated to cut costs and optimise the business model*

Sulzemoos 10 November 2011 / Phoenix Solar AG (ISIN DE000A0BVU93), a leading international system integrator listed in Prime Standard of the Frankfurt Stock Exchange, is today presenting its nine-monthly report as per 30 September 2011.

Against the expectations of the photovoltaic sector, the third quarter of 2011 brought a continuation of the weak demand observed since the start of the year and an unabated downtrend in the price of solar modules. Despite these challenging market conditions, Phoenix Solar AG achieved a significant increase in sales volume in the third quarter and revenues which exceeded the year-earlier figures. Progress in successfully expanding international business was also made. In contrast, the acceleration in the decline of prices over the course of the quarter incurred substantial inventory impairment which burdened the result. Owing to the persistently difficult market environment, the company revised its guidance for revenue and profit for the current financial year downwards on 11 October 2011 and initiated measures to cut costs and optimise its business model.

Performance in the third quarter

In the third quarter, the Phoenix Solar Group generated consolidated revenues of EUR 113.1 million (Q3/2010: EUR 95.3 million). The increase

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of 18.7 percent was mainly attributable to strong international business which grew by 53.4 percent to EUR 81.0 million (Q3/2010: EUR 52.8 million) and contributed 71.6 percent (Q3/2010: 55.5 percent) to consolidated revenues. In contrast, sales in Germany as the former lead market fell by 24.4 percent to EUR 32.1 million (Q3/2010: EUR 42.5 million) owing to the decline in the installation of photovoltaic plants.

The Components & Systems Segment lifted revenues by 22.3 percent to EUR 65.8 million in the third quarter (Q3/2010: EUR 53.8 million), thereby contributing 58.2 percent to consolidated revenues (Q3/2010: 56.5 percent). The Power Plants Segment generated revenues of EUR 47.3 million (Q3/2010: EUR 41.5 million) which is an increase of 14.0 percent over the year-earlier figure. This segment contributed 41.8 percent (Q3/2010: 43.5 percent) to total revenues.

Earnings before interest and taxes (EBIT) came to EUR -13.2 million in the third quarter, thus falling considerably short of the previous year's figure (3Q/2010: EUR 4.3 million). The large losses resulted mainly from inventory impairment of EUR 9.6 million necessitated by the downward spiral in prices over the quarter. The EBIT margin (ratio of EBIT to revenues) stood at -11.6 percent (Q3/2010: 4.5 percent). The consolidated result after tax came to EUR -19.0 million (Q3/2010: EUR 2.3 million) which corresponds to earnings per share of EUR -2.66 (Q3/2010: EUR 0.31 EUR).

Results of the first nine months of 2011

In the first nine months, the consolidated revenues of the Phoenix Solar Group declined by 44.7 percent to EUR 253.9 million (Q1-Q3/2010: EUR 459.3 million). In contrast, revenues generated by international business climbed 53.4 percent to EUR 149.6 million (Q1-Q3/2010: EUR 97.5 million) and contributed 58.9 percent (Q1-Q3/2010: 21.2 percent) to total revenues.

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At the end of the nine-month period, the Components & Systems Segment delivered revenues of EUR 155.0 million (Q1-Q3/2010: EUR 268.2 million), which is 42.2 percent below the figure posted a year ago. The segment contributed 61.0 percent (Q1-Q3/2010: 58.4 percent) to consolidated revenues. The share of revenues achieved by international business climbed to 40.8 percent of segment revenues (Q1-Q3/2010: 20.5 percent). Revenues of the Power Plants Segment stood at EUR 98.9 million (Q1-Q3/2010: EUR 191.1 million), which is 48.2 percent below the year-earlier figure. By contrast, international revenues rose to EUR 86.4 million (Q1-Q3/2010: EUR 42.4 million), which is more than double, and contributed 87.4 percent to segment revenues (Q1-Q3/2010: 22.2 percent). The portion contributed by this segment to consolidated revenues came to 39.0 percent (Q1-Q3/2010: 41.6 percent).

Consolidated EBIT stood at EUR -39.5 million at the end of the nine-month period (Q1-Q3/2010: EUR 31.2 million), and the EBIT margin posted -15.6 percent (Q1-Q3/2010: 6.8 percent).

The consolidated result after tax came to EUR -40.1 million at the end of the period under review (Q1-Q3/2010: EUR 21.0 million), which corresponds to earnings per share of EUR -5.52 (Q1-Q3/2010: EUR 3.04).

Order book at the end of the third quarter

Consolidated orders in hand stood at EUR 237 million at the end of the third quarter (Q3/2010: EUR 271 million) which is 12.5 percent lower than a year ago. Adjusted for projects currently under construction, the order book came to EUR 98 million (Q3/2010: EUR 147 million). The international share in the order book increased by 49.1 percent to EUR 173 million (Q3/2010: EUR 116 million), thus contributing 73.0 percent (Q3/2010: 42.8 percent) to total orders in hand. Orders placed from outside Europe stood at EUR 24 million

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(Q3/2010: EUR 1 million), which represents a share of 10.0 percent (Q3/2010: 0.2 percent) in the overall order volume.

"Despite an increase in revenues and sales volumes, the steep decline in solar module prices caused a considerable downturn in the result in the third quarter. To return to profitability in this difficult market environment, we intend to position ourselves in future as a leaner company and to concentrate on the high-margin areas of value added", stated Dr Andreas Hänel, Chief Executive Officer of Phoenix Solar AG.

Outlook

As announced on 11 October 2011, Phoenix Solar AG has revised its guidance for revenues and the results downwards for the financial year 2011 and now anticipates revenues in the range of between EUR 350 and 400 million and an EBIT of EUR -42 to -49 million. Measures to cut costs and optimise the business model have been initiated in order to return to the profit zone in the financial year 2012.

Overview: figures as per 30 September 2011

		Q1-Q3 2011	Q1-Q3 2010	Change
Sales volume	MWp	159	224	-29.0%
Total revenues	€ m	253.9	459.3	-44.7%
Components & Systems Segment	€ m	155.0	268.2	-42.2%
Power Plants Segment	€ m	98.9	191.1	-48.2%
International sales	€ m	149.6	97.5	+53.4%
EBIT	€ m	-39.5	31.2	-70.7 Mio. €
Consolidated result	€ m	-40.1	21.0	-61.1 Mio. €
Earnings per share	€	-5.52	3.04	-8.56 €

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This is an English translation of the German original. Only the German version is binding.

About Phoenix Solar AG

Phoenix Solar AG, which has its headquarters in Sulzemoos near Munich, is a leading international photovoltaic system integrator. The Group achieved total revenues of EUR 636 million and an EBIT of EUR 36.4 million in the financial year 2010. The 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. With a sales network throughout Germany, and subsidiaries in Spain, Italy, Greece, France, Singapore, Malaysia, Oman, Australia and the United States of America, the Group currently has a workforce of more than 400 employees. The shares of Phoenix Solar AG (ISIN DE000A0BVU93) are listed on the official market (Prime Standard) of the Frankfurt Stock Exchange.

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