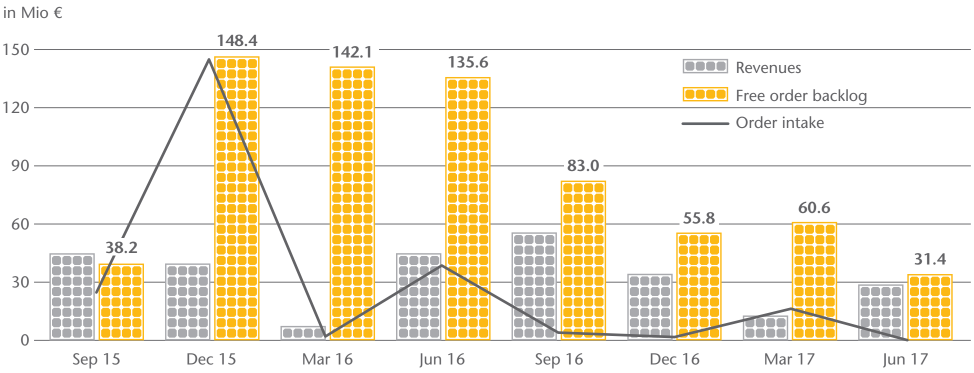
FINANCIAL REPORT AS OF JUNE 30TH, 2017

NEW ORDER INTAKE STARTS TO RISE IN Q3

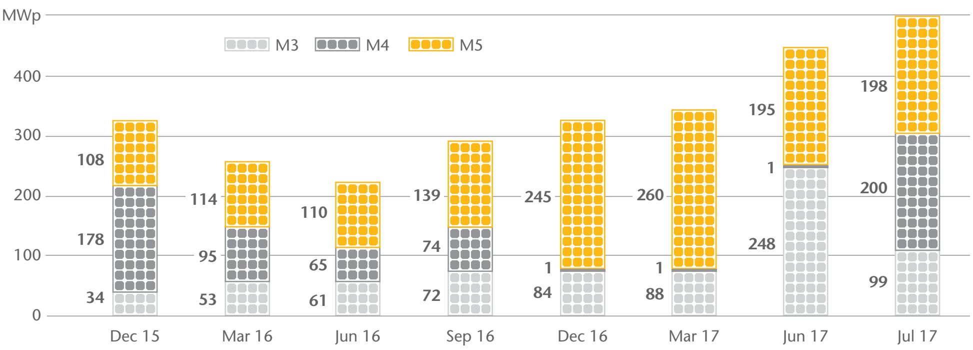
New order intake trends from September 2015 to June 2017



The free order book position amounted to EUR 31.4 million as of June 30, 2017. It stood at EUR 55.8 million as of December 31, 2016 and EUR 135.6 million as of June 30, 2016. While, on the one hand, the free order book position reduced in line with ongoing construction progress, new orders received over the past quarters have not been high enough to offset this business-led decrease. At the Shareholders' General Meeting on June 20, 2017, we communicated that we are in final negotiations for several projects concerning new orders to engineer, procure and turnkey construct (EPC) large-scale photovoltaic power plants. After the end of the second quarter, in July 2017, we in fact announced an order to engineer and procure a 39.5 MWp ground mounted system in Western Australia. We also signed an significant EPC contract for a project in the USA. This agreement is nevertheless still subject to some individual conditions that should be met in the coming weeks, and publication of the deal details is still subject to a consent by the customer.

GLOBAL PIPELINE OF 500 MWP EVIDENCES GROWING FUTURE POTENTIAL

Weighted project and sales pipeline from September 2015 to July 2017



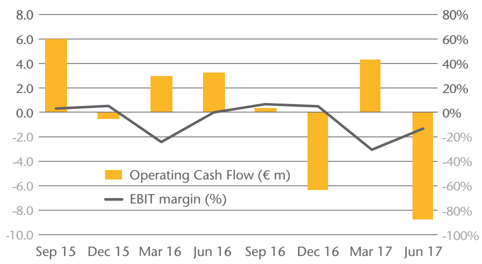
The total volume of the weighted project pipeline (M3 – M5) increased from 350 MWp to 444 MWp in the second quarter – to a level almost twice as high as a year ago.

Thanks to ongoing measures to strengthen sales, further large-scale projects were developed to final negotiations between April and June, and then also signed after the quarter-end. We already announced at the Shareholders' General Meeting that the total scope of the weighted global project pipeline had increased to 444 MWp, especially due to the high weighting of our offerings for major projects in Australia and the USA. For information purposes, we also show here the current level as of the end of July 2017 – a volume of over 500 MWp! Growth in the M4 phase documents 200 MWp of contractually secured projects where construction is yet to start. Although the 2017 financial year fell short of original expectations, the development of the pipeline shows we are increasingly able to also effectively tap our future potentials.

CONTENTS

EBIT MARGIN AND CASH FLOW BELOW EXPECTATIONS

EBIT margin and operating cash flow (Sep 2015 – Jun 2017)



Despite a stable gross profit margin, the unsatisfactory sales revenue trend leads to a further reduction in the EBIT margin with consequential effects on the consolidated net result for the period and for consolidated equity. The loss incurred in the second quarter also burdened cash flow from operating activities, which was significantly negative in this period and also led to negative cash flow for the first half of the year.

FULL YEAR GUIDANCE LOWERED

As new order intake planned for the first half-year has been postponed into the third quarter and correspondingly will not become effective in terms of earnings until later, the Executive Board has lowered the forecast for the full year and now expects revenues in the range of EUR 140 to EUR 170 million and an EBIT in a range between EUR - 2.0 to EUR 1.0 million for the full year 2017.

GROUP STRUCTURE

Phoenix Solar AG Sulzemoos, Germany

Group structure as at 06/30/2017

Subsidiaries

Phoenix Solar S.L., Madrid, Spain	100 %
Phoenix Solar M.E.P.E., Athens, Greece	100 %
Phoenix Solar SAS, Lyon, Frankreich	100 %
Phoenix Solar Overseas GmbH,	
Sulzemoos, Germany	100 %
Phoenix Solar America GmbH,	
Sulzemoos, Germany	100 %
Phoenix Solar Inc., San Ramon, USA	100 %
Phoenix Solar Yenilenebilir Enerji A.¸S.,	
Ankara, Turkey	100 %
Phoenix Solar Pte Ltd, Singapore, Singapore	100 %
→ Phoenix Solar Sdn Bhd, Kuala Lumpur, Malaysia	100 %
→ Phoenix Solar Philippines Inc., Manila, Philippines	100 %
Phoenix Solar L.L.C., Muscat, Oman	70 %
Phoenix Solar Fonds Verwaltung GmbH, Sulzemoos, Germany	100 %

Other holdings

10 special purpose entities (see Notes A.)	100 %
Phoenix SonnenFonds GmbH & Co. KG B1 Sulzemoos, Deutschland	31.2 %

Financial Figures

Revenues and results		01/01/2017 – 06/30/2017	01/01/2016 – 06/30/2016	Change
Shipments	MWp	66.3	63.0	5.3 %
Revenues	k€	42,364	53,304	– 20.5 %
Gross profit in % of revenues (Gross profit margin)	%	10.4	11.3	– 7.9 %
EBIT	k€	– 7,057	– 2,402	– 193.8 %
– In % of revenues (EBIT margin)	%	– 16.5	– 4.5	– 267.3 %
Consolidated net income for the period	k€	– 8,632	– 4,615	– 87.1 %
Balance sheet[1]		**06/30/2017**	**12/31/2016**	
Total assets	k€	40,234	53,444	– 24.7 %
Equity	k€	– 22,313	– 12,112	– 84.2 %
Equity ratio	%	– 55.5	– 22.7	– 32.9 PP
Return on equity	%	– 38.7	– 39.0	+ 0.4 PP
		06/30/2017	**06/30/2016**	
Orders on hand[1]	k€	129,307	246,401	– 47.5 %
Net orders on hand[1]	k€	31,411	135,575	– 76.8 %
Weighted project and sales pipeline	MWp	444.0	235.0	88.9 %
Employees[1]				
Employees[2]	Heads	132	114	15.8 %
Employees[3]	FTE	125.5	96.0	30.7 %
Revenues per capita[3]	k€	338	555	– 39.2 %
Phoenix SonnenAktie®[1]				
No-par bearer shares	Units	7,372,700	7,372,700	
Closing price	€	2.69	3.30	– 18.5 %
Market capitalisation	k€	19,833	24,330	– 18.5 %
Earnings per share	€	– 1.17	– 0.62	37.6 %

[1] At the end of the period (balance sheet data previous year as of 12/31)
[2] Number of employees as of 06/30 excluding Executive Board members and temporary staff
[3] Full-time equivalent, average of the period 01/01-06/30

DEAR SHAREHOLDERS,

we were very pleased to inform you about our recent project wins in the US and Australia. Strong efforts to develop our project pipeline in our core US market are now clearly leading to new volumes. In my remarks to our Annual General Meeting in June, I pointed out that we were shortlisted on a number of larger projects in the US which have the potential to fuel growth and take our business to new levels. In addition, market entry into the promising Australian market with the signing of our first 40 MWp project there represents a significant success for our Asia Pacific team in Singapore and for the entire Phoenix Solar group. This opens up new and exciting possibilities to create further profitable growth in the AP Region in the market segment for large ground-mounted solar PV power plants and will help us to drive revenues and earnings there.

Of course, there is an inherent volatility in the project business. The fact that new orders were signed later than planned did affect our results in the first six months of 2017 and our forecast, and we cannot yet be satisfied by this development showing operating losses rather than a positive EBIT. We did however strengthen our global sales teams, invested in engineering to drive differentiation and in supply chain as well to ensure our continued competitiveness on every bid we make. This is reasonable and essential, but it does entail the addition of cost while the expected revenues are still in the pipeline. We are nonetheless confident that our investments will pay off in due time. It is our clear target to show improved growth in the second half of 2017. We have stated clearly in the past that it will take an even stronger pipeline and higher overall volume of business to achieve better reliability in our forecasts, this remains our target. We have made and will continue to make significant progress here, as our pipeline grew from a weighted 235 MWp in the first half of 2016 to 444 MWp one year later (an increase of almost 90 percent), even achieving 500 MWp by the end of July, a level never seen before at Phoenix Solar. Again, we are confident in our ability to turn these projects into revenue mid- and long-term.

As communicated at the Annual General Meeting, we are also targeting a strengthening of our balance sheet. Due to the current structure of our Group, as well as certain issues from the past, this has not been an easy task. Internally, we are discussing a number of options on key topics, in particular ways to further improve our overall financial health. Concurrently, we are working diligently via our global sales teams towards signing even more new projects over the next few months while in parallel ensuring a timely start to construction – sometimes beyond our control – on projects already signed to realize our targeted revenues and margins. While our global weighted pipeline reached a new record high early in the third quarter, the order book also looks promising. Based on our strong reputation in delivering high quality solar PV systems on-time and on-budget, we continue to work hard and systematically towards further improvement in our results, confident that investments made will pay off with sustainable and profitable growth.

We look forward to the journey with you, our shareholders, and thank you for your continued support.

Tim P. Ryan (Chief Executive Officer)

FROM OUR 2017 CHRONICLE

January: Our subsidiary in the Philippines receives new orders from our customer Robinsons, one of the largest real estate companies in the country: we will design and construct large-scale rooftop systems for two more of its shopping centers.

February: IKEA Southeast Asia is also impressed by the performance of our colleagues in Asia/Pacific. After successfully commissioning a 1 MWp rooftop system on an IKEA branch in Thailand, a master contract was signed to construct further solar rooftop systems. A first order is now being implemented in Tampines, Singapore.

March: Akfen Renewable Energy, the energy division of a major Turkish group, intensifies its partnership with us. After having already constructed the first official government licensed photovoltaic power plant in Turkey for this customer, it now awards us an order to construct an even larger plant of 11.2 MWp. Further joint projects are under discussion.

March: We have reached full control of our Asia/Pacific region by buying in the former managing directors' outstanding minority interests. Asia/Pacific has been an important base for our international business since 2006, and we anticipate further growth there.

June: The 19th Ordinary AGM of Phoenix Solar AG was held on June 20. The Management Board presented a considerably expanded weighted global pipeline. To a significant extent the increase to 444 MWp was attributable to the US market and intensive activities to strengthen sales. Shareholders approved almost all proposed resolutions with large majorities. Only the motion to convert to registered shares failed to achieve its majority. Oliver Gosemann was confirmed as Supervisory Board Chairman after the shareholder meeting re-elected both him and Hans-Gerd Füchtenkort to the Supervisory Board.

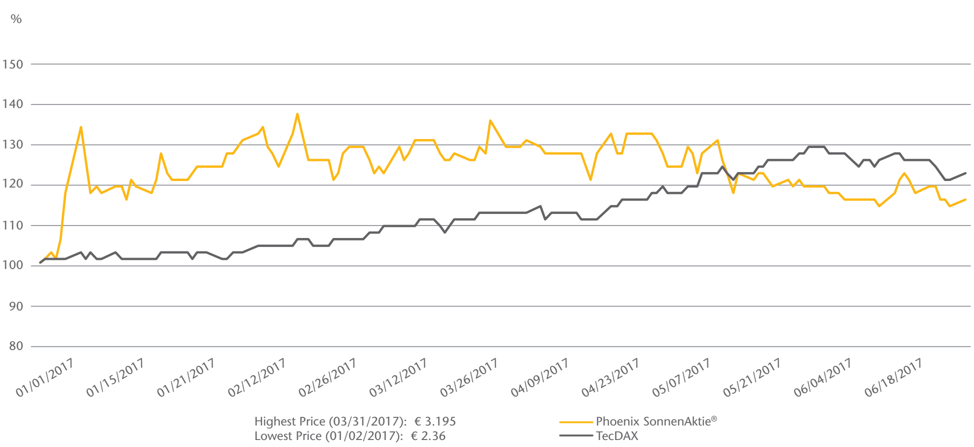
July: The market launch in Australia gets off to a successful start with a large-scale project. In a joint venture with construction company WBHO we received an order to engineer and procure for a photovoltaic power plant near Perth with nominal output of 39.5 MWp. The partner firm is responsible for the construction services.

July: IKEA Southeast Asia continues its partnership with our subsidiary in Singapore and orders two further C&I rooftop systems – on a branch operation in Malaysia as well as on a carport in Bang Yai in Thailand. The nominal output of the two systems amounts together to almost two MWp.

Please note: We can only announce the acquisition of new orders when such announcements have been coordinated with our customers. For this reason, delays frequently occur between the booking of orders in our order book position and the dispatch of related press releases.

SHARE PRICE PERFORMANCE

Price performance of the Phoenix SonnenAktie® vs TecDAX (01/01/ – 06/30/2017)



Key Figures

		Jan-Dec 2016	Jan-Mar 2017	Jan-Jun 2017	Jan-Jun 2016
Number of shares[1]	Units	7,372,700	7,372,700	7,372,700	7,372,700
Free float[1]	%	94.6	94.6	94.6	94.6
Market capitalisation[1]	€	17,325,845	23,555,777	19,832,563	24,329,910
Closing price (XETRA)	€	2.35	3.195	2.69	3.30
Highest price	€	3.06	3.195	3.195	5.00
Lowest price	€	2.28	2.36	2.36	3.28
Trading volume (XETRA)[4]	Units	6,174,821	1,004,669	1,545,074	4,401,303
	€	23,618385	2,975,677	4,559,454	18,442,023
Earnings per share[4]	€	– 0.62[2]	– 0.69[2]	– 1.17[2]	–0.62[2]
	€	– 0.62[3]	– 0.69[3]	– 1.17[3]	– 0.62[3]

[1] At the end of the period [2] Basic earnings per share [3] Diluted earnings per share [4] Accumulated through to the reporting date of the reporting quarter

GLOBAL PROJECT BUSINESS

Phoenix Solar develops, plans, builds and operates large-scale photovoltaic power plants in four sales regions worldwide. The turnkey assembly of such solar systems as our core competency includes the procuring of all necessary components and services. In such service offers, we can advertise our many years of experience, the fact that we deliver on budget and on time virtually without exception, and consequently our very good references. We differentiate ourselves from our competitors through our services' high quality level. Given growing markets, many years of experience, a good reputation and excellently staffed teams, we depend on our sales function and its proximity to customers when it comes to translating our potentials into revenue and income.

We operate our business in the sales regions of the USA, Asia/Pacific, Middle East and Europe, which are also reported as operating segments in terms of the relevant reporting standards.


Commercial rooftop and carport (3MWp) in Singapore

PV REMAINS A FUTURE TECHNOLOGY, ANTI-DUMPING LAWSUIT DRIVES PRICES

Photovoltaic technology as a means of generating energy holds great potential, both today and in the future. In the medium and long term, the goals of climate protection and the transformation of Germany's energy system can be achieved only with a high proportion of solar energy. This conviction still represents the core of our business activities, and it will prove to be an important force driving the development of markets in the future.

Please refer in this context to our detailed discussion of conditions in the annual report on the 2016 financial year.

As acceptance prices for generated electricity remain at a low level worldwide, trends in cost prices exert a particularly strong influence on the profitability of photovoltaic projects. In this connection, a lawsuit brought by the companies Suniva Inc. and Solarworld Americas Inc., both of which are in insolvency, before the United States International Trade Commission is leading to a temporary pickup in demand. The companies are demanding the introduction of minimum import prices of 78 US dollar cents per watt for all solar modules, and 40 US dollar cents for all solar cells imported into the USA. The Commission's decision is to be submitted to the president as a draft resolution. This is expected to occur in the fourth quarter of 2017. Module prices in the USA have already picked up considerably, however, as many investors are endeavoring to buy up inexpensive modules while it remains possible to do so. A successful lawsuit, however, would exert a dampening effect on the solar market in the USA, at least in 2018.

Given this, some analysts have downgraded their growth forecasts and expressed concerns about the further development of the solar sector in the USA. By contrast, other market observers continue to outline positive scenarios assuming further market growth both worldwide and in the USA.

EVENTS AFTER REPORTING DATE

After the end of the reporting period, in July 2017, a significant EPC agreement for a project in the USA was signed. Its implementation is still subject to various conditions. The customer does not wish for the specific key details of the agreement to be published for the time being.

Also, we reported notable new orders in the Asia/Pacific region, including two new C&I rooftop systems for our customer IKEA Southeast Asia as well as our first large-scale ground mounted system in Australia.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period from 01/01 to 06/30/2017 in k€	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015
Revenues	28,515	13,849	30,904	55,030	43,377	9,927	37,205	42,442
Cost of materials	25,546	12,431	25,386	49,023	38,653	8,613	33,725	38,711
Gross profit	**2,969**	**1,418**	**5,518**	**6,007**	**4,724**	**1,314**	**3,480**	**3,731**
Other operating income	790	421	1,222	1,424	734	1,118	2,405	1,281
Personnel expenses	3,729	3,384	2,831	3,139	2,906	2,473	1,410	1,552
Depreciation and amortisation	135	140	141	227	311	331	337	347
Other operating expenses	2,930	2,294	2,757	2,095	2,183	2,099	2,204	2,070
Operating result	0	3	0	31	11	0	– 10	34
EBIT	**– 3,034**	**– 3,977**	**1,011**	**2,001**	**69**	**– 2,471**	**1,924**	**1,077**
Financial income	237	60			14			
Financial costs	– 854	– 1,112			– 1,110			
Financial result	– 618	– 1,053	– 1,309	– 830	– 1,096	– 1,027	– 1,213	– 1,125
Income taxes	– 78	29	964	15	43	46	– 412	99
Consolidiated net income for the period	**– 3,574**	**– 5,058**	**– 1,261**	**1,156**	**– 1,070**	**– 3,545**	**1,123**	**– 147**
– of which due to minority interest	– 5	– 1						
– of which due to majority shareholders	– 3,569	– 5,057	– 1,275	1,254	– 926	– 3,655	1,129	– 68
Overall performance	**– 3,722**	**– 5,178**	**– 452**	**1,112**	**– 1,024**	**– 4,196**	**1,208**	**136**
Earnings per share	**– 0.48**	**– 0.69**	**– 0.17**	**0.17**	**– 0.13**	**– 0.50**	**0.15**	**– 0.01**

FINANCIAL POSITION AND PERFORMANCE

OVERVIEW

During the first half of the 2017 financial year, the consolidated revenues of Phoenix Solar AG grew more slowly than originally expected. It became evident that the restructuring measures in sales in the USA and Asia/Pacific regions would not begin to take effect until after a further delay. Despite a stable gross profit margin, contribution margins were as a consequence insufficient to deliver positive operating results before interest and tax, especially as higher other operating expenses were also reported. The resultant consolidated loss after tax also placed a further burden on consolidated equity and led to a considerable cash outflow from operating activities.

Specifically, we doubled consolidated revenues in the second quarter of 2017 compared with Q1/2017, although it fell short of the previous year's quarter by 34.3 percent. Revenues during the first six months of the year fell by 20.5 percent compared with the first half of the 2016 financial year. EBIT in the second quarter of 2017 improved by around 23.7 percent compared with the first quarter. In terms of the first six months of the year, however, EBIT was considerably weaker than during the first six months of 2016.

New order intake started to pick up significantly in July, and the weighted global pipeline also reached a promising level after the end of the reporting period. Assuming that projects start as scheduled, we anticipate an increase in revenues and a recovery in income for the second half of 2017.

This increase in the second half, however, will not be sufficient to reach the previous revenue and earnings forecasts. On August 9th, 2017, the Executive Board of Phoenix Solar AG lowered its 2017 forecast and now expects revenues in the range of EUR 140 to EUR 170 million (previously: EUR 160 to EUR 190 million, 2016: EUR 139.2 million) and an EBIT in a range between EUR - 2.0 to EUR 1.0 million (previously: EUR 1.0 to EUR 3.0 million, 2016: EUR 0.6 million) for the full year 2017.

REVENUE ANALYSIS

Since publishing our financial statements for the financial year ending December 31, 2016, trends in our sales regions have served the purpose of our segment reporting. This is attributable to the fact that we have focussed our business model on the engineering, procurement and turnkey construction (EPC) of photovoltaic power plants.

The USA continues to be the strongest region in terms of revenue and earnings, followed by the Middle East and Asia/Pacific. As reported, we identify new opportunities in Europe as soon as individual markets start to recover. These have not yet been reflected in significant growth for us, however. Further information can be found on pages 13 and 14 of this half-year financial report.

GROSS PROFIT MARGIN STABLE

We are succeeding at present in achieving a stable gross profit margin of around 10 percent when processing the flow of current projects, despite the recent sharp pickup in price fluctuations in procurement markets. This is due not only to our professional supply chain organization but also to efficient planning and construction processes.

Gross profit margin in %

H1/2017	H1/2016	Q2/2017	Q2/2016
10.4 %	11.3 %	10.4 %	10.9 %

Other operating income: Other operating income includes EUR 0.4 million of income from realized and unrealized currency exchange rate differences, and otherwise mainly income from electricity sales. Such income was down on the previous year's level in both the quarter and the half-year. This is due to the fact that in 2016 we sold a solar power plant we owned as well as a rooftop system in Singapore.

Personnel expenses: We are working on adjusting the workforce level to the current tasks and expected business growth. Here, the principle is applied of limiting the increase in fixed costs, and of continuing to keep structures very flexible. As of June 30, 2017, Phoenix Solar employed a total of 132 staff at Group level (June 30, 2016: 114) (excluding the Executive Board, and temporary help staff). We pay attention to photovoltaic sector experience when selecting our new colleagues, thereby ensuring that when we hire them we immediately generate significant benefits for our customers.

As a consequence, personnel expenses increased by 28.3 percent during the first quarter of 2017 to EUR 3.7 million, compared with EUR 2.9 million in the second quarter of 2016. The personal expense ratio (personnel costs as a percentage of sales revenues) also rose from 6.7 percent in the second quarter of 2016 to 13.1 percent in the quarter under review. Between January and June 2017, the personal expense ratio amounted to 16.8 percent (H1/2016: 10.1 percent). Revenue per employee is almost 40 percent below its level during the first six months of 2016. This unsatisfactory performance will reverse along with further sales successes.

Depreciation and amortization: After the aforementioned disposal of a power plant in the previous year, amortization and depreciation reported marked reductions in both the course of the quarter and the half-year.

Other operating expenses: Other operating expenses rose by EUR 1.0 million compared with the first half of 2016 to reach EUR 5.2 million. Of the increase, EUR 0.8 million was attributable to the second quarter. Especially exchange rate changes are responsible in this context. The weaker US dollar leads to a reduced amount recognized in euros of EUR 0.6 million. Travel expenses were up by EUR 0.3 million on a half-year comparison, and value allowances applied to receivables rose by EUR 0.1 million.

FIRST-HALF OPERATING LOSS

As in the first quarter, the result before interest and taxes (EBIT) in the second quarter was significantly negative to the tune of a more than EUR 3 million loss. The weak revenue trend is the main reason for this. Although the EBIT margin improved from - 28.7 percent to -10.6 percent in Q2, it is still unsatisfactory. We can only make a return to the profit zone with the increasingly positive trend in the pipeline since June and to the extent that we succeed in translating new projects into revenue and earnings. The main objective is to operate our business profitably as soon as possible.

Financial result: Borrowing costs fell further, as planned. Along with the reduction in borrowing costs and guarantee commissions, interest income after reaching an agreement in legal proceedings is also responsible for the better financial result.

Tax rate: A low (deferred) level of tax income was generated in the first half of 2017; the tax rate in the first half the year amounted to - 0.6 percent.

Consolidated result: A consolidated net result of EUR - 3.6 million that is attributable to shareholders of the parent company was incurred in the second quarter of 2017 (Q2/2016: EUR - 1.0 million). Calculated on an average number of 7,372,700 shares, earnings per share stood at EUR 0.48 (Q2/2016: EUR - 0.13).

The result attributable to the parent company shareholders in the January to June 2017 period amounted to EUR - 8.6 million, consequently EUR 4.1 million, or 89.1 percent, below the level in the first half of 2016 (H1/2016: EUR - 4.6 million). Consequently, earnings per share of EUR - 1.17 were also lower than in the prior-year period (H1/2016: EUR - 0.85).

CONSOLIDATED EQUITY REMAINS NEGATIVE

As a result of the consolidated loss before non-controlling interests of EUR 8.6 million incurred in the period under review, and due to the past years' loss-making situation, equity declined to EUR - 22.3 million (December 31, 2016: EUR - 12.1 million). The consolidated equity ratio stands at - 55.5 percent as of June 30, 2017 accordingly (December 31, 2016: - 26.0 percent). As the Group does not comprise a legally independent company itself, this negative equity ratio generates no direct going concern risk for the Group.

PARENT COMPANY EQUITY STABLE

Only the equity as presented in the derived German Commercial Code (HGB) financial statements of Phoenix Solar Aktiengesellschaft, as the parent company of the Phoenix Solar Group, is legally relevant. This amounted to EUR 4.6 million as of June 30, 2017, equivalent to a 9.0 percent equity ratio (December 31, 2016: EUR 5.7 million, equivalent to an 8.6 percent equity ratio).

BALANCE SHEET REFLECTS BUSINESS TRENDS

The total assets of the Phoenix Solar Group of EUR 40.2 million as of June 30, 2017 were 13.5 percent lower than as of December 31, 2016. This reduction is mainly attributable to the consolidated loss incurred for the accounting period and the resultant decrease in equity. The main items on the assets side remained stable. The reduction in total assets corresponds to that of financing resources, of EUR 6.2 million. Current operating assets (prepayments rendered plus receivables from long-term construction contracts plus trade receivables) of EUR 21.2 million were 5.9 percent higher than at the end of 2016. Current operating liabilities (liabilities from long-term construction contracts plus trade payables) increased by 16.7 percent to EUR 21.1 million.

Non-current liabilities and provisions (almost exclusively financial debt) reduced by EUR 0.4 million to EUR 35.8 million (December 31, 2016: EUR 36.1 million) – mainly due to further repayments. The high level of cash outflows also further raised net debt to a level of EUR 31.7 million, 22.6 percent higher than as of the end of 2016 (December 31, 2016: EUR 25.9 million).

The Group had at its disposal EUR 3.2 million of cash on June 30, 2017, compared with EUR 9.4 million as of December 31, 2016.

CASH FLOW NEGATIVE

The high level of consolidated loss incurred for the period under review is the main factor that led to a EUR 4.4 million cash outflow from operating activities during the first six months of 2017 (H1/2016: cash inflow of EUR 6.1 million). Borrowings were repaid in an amount of EUR 0.4 million. Our business model does not require extensive investments. Only the acquisition of minority interests in our subsidiary in Singapore contributed significantly to the cash outflow from investing activities in an amount of EUR 1.5 million.

Overall, financing resources decreased by EUR 6.2 million during the course of the first half of 2017.

RISK POSITION

For a description of risk policy and risk systems, and for a presentation of specific risks, please refer to the Group management report for the 2016 financial year. Compared with this, the following change has arisen as of June 30, 2017.

As already communicated at the Shareholders' General Meeting on June 20, 2017, the low order book position as of June 30, 2017 is exerting a negative effect on our liquidity position. Further delays to the concluding of contracts or in the process of pursuing the projects can bring with them new challenges for liquidity management. This development is monitored constantly in daily reports on the liquidity position as well as in weekly liquidity forecasts.

FULL YEAR GUIDANCE LOWERED

On August 9, 2017, the Executive Board lowered its full year revenue and earnings forecast due to the delay in order intake. Phoenix Solar AG now expects Group revenues in the range of EUR 140 to EUR 170 million. In the previously published guidance it had assumed to generate EUR 160 to EUR 190 million (2016: EUR 139.2 million). Consolidated operating earnings (EBIT) are expected in a range between EUR -2.0 to EUR 1.0 million (previously: EUR 1.0 to EUR 3.0 million, 2016: EUR 0.6 million) for the full year 2017.

Sulzemoos, August 10, 2017

Tim P. Ryan
Chief Executive Officer

Manfred Hochleitner
Chief Financial Officer

Photovoltaic power plant (69.5 MWp) in Luning, Nevada

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MARKET NEWS

INVESTMENTS IN RENEWABLES

In an analysis of global investments in renewable energies published July 6, 2017, Bloomberg New Energy Finance (BNEF) attributes their decrease in 2016 to a significant shortfall compared with previous record years in China. BNEF ascribes an at least equivalent influence to further falls in cost prices. The global growth trend conceals major fluctuations within individual markets and between them. Total investments of USD 64.8 billion worldwide in the second quarter of 2017 were up by 21 percent compared with the first quarter of the year. Overall, analysts anticipate no significant changes for 2017 compared with 2016.

US SOLAR MARKET

Despite two companies bringing anti-dumping appeals before the US Trade Commission, Vishal Shah, Deutsche Bank's renewable energies analyst, continues to see significant potential for the solar sector in the USA. On July 14, 2017, he wrote: "Our recent checks suggest strengthening fundamentals in the US market along with stabilizing fundamentals in global markets. While US utility scale projects could be most at risk from continued price increases in this market, development activity has not slowed down. In fact, our checks indicate that a significant number of new entrants have entered the market and are building GW scale pipelines to be constructed in 2019/20 timeframes."

CONSOLIDATED INCOME STATEMENT

for the period from 01/01/ until 01/30/2017

k€	Notes C.	H1/2017	H1/2016	Q2/2017	Q2/2016
Revenues	(1)	42,364	53,304	28,515	43,377
Cost of materials	(2)	37,977	47,266	25,546	38,653
Gross Margin		4,387	6,038	2,969	4,724
Other operating income		1,211	1,852	790	734
Personnel expenses	(3)	7,113	5,379	3,729	2,906
Depreciation and amortisation		274	643	135	311
Other operating expenses		5,224	4,281	2,930	2,183
Operating result		**– 7,014**	**– 2,413**	**– 3,034**	**58**
Result from associated companies		3	11	0	11
EBIT		**– 7,011**	**– 2,402**	**– 3,034**	**69**
Financial income		296	28	237	14
Financial costs		1,967	2,152	854	1,110
Financial result	(4)	**– 1,670**	**– 2,124**	**– 618**	**– 1,096**
Consolidiated net income before income taxes (EBT)		**– 8,682**	**– 4,526**	**– 3,652**	**– 1,027**
Income taxes	(5)	– 50	89	– 78	43
Consolidiated net income for the period		**– 8,632**	**– 4,615**	**– 3,574**	**– 1,070**
– of which due to minority interest		– 6	– 53	– 5	– 144
– of which due to majority shareholders		– 8,626	– 4,561	– 3,569	– 926
Earnings per share					
Earnings per share (basic) (in €)	(6)	– 1.17	– 0.62	– 0.48	– 0.13
Earnings per share (diluted) (in €)	(6)	– 1.17	– 0.62	– 0.48	– 0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 01/01/ until 01/30/2017

k€	Notes D.	H1/2017	H1/2016	Q2/2017	Q2/2016
Consolidiated net income for the period		**– 8,632**	**– 4,615**	**– 3,574**	**– 1,070**
Transactions associated with minority interests		0	– 406	0	0
Differences from currency translation		– 271	– 201	– 148	46
Changes in value recognised directly under equity		**– 271**	**– 607**	**– 148**	**46**
Overall performance		**– 8,903**	**– 5,222**	**– 3,722**	**– 1,024**
– of which due to minority interest		– 6	– 439	– 5	– 144
– of which due to majority shareholders		– 8,897	– 4,783	– 3,717	– 880

CONSOLIDATED BALANCE SHEET

ASSETS

k€	Notes C.& D.	06/30/2017	12/31/2016
Noncurrent assets			
Intangible assets		97	92
Goodwill		298	298
Property, plant and equipment		5,918	6,150
Investments in associates		387	387
Other participating interests		282	293
Noncurrent receivables		247	476
Deferred tax assets		1,566	1,480
Noncurrent other financial assets		147	144
Total noncurrent assets		**8,942**	**9,320**
Current assets			
Inventories	(7)	1,523	1,441
Prepayments		1,690	301
Receivables from long-term constr. contracts	(8)	12,475	12,403
Trade receivables		7,072	7,343
Current other financial assets	(9)	2,461	1,193
Current other non-financial assets	(10)	2,566	4,125
Current income tax assets		330	1,000
Cash and cash equivalents		3,173	9,392
Total current assets		**31,292**	**37,196**
Total assets		**40,234**	**46,516**

LIABILITIES AND SHAREHOLDERS' EQUITY

k€	Notes D.	06/30/2017	12/31/2016
Equity	(11)		
Subscribed capital		7,373	7,373
Capital reserve		64,301	64,582
Accumulated other equity		– 93,364	– 84,631
Share of majority shareholders in		– 21,691	– 12,676
consolidated equity		– 622	564
Share of minority interest in consolidated equity		– 22,313	**– 12,112**
Total equity			
Noncurrent liabilities and provisions		34,921	35,285
Noncurrent financial liabilities	(13)	784	767
Noncurrent provisions		82	91
Deferred tax liabilities			
Total noncurrent liabilities and provisions		**35,788**	**36,143**
Current liabilities and provisions			
Current financial liabilities	(13)	20	16
Liabilities from long-term construction contracts	(8)	1,682	289
Trade payables	(14)	19,416	17,793
Other financial liabilities	(15)	1,810	1,935
Other non-financial liabilities	(16)	3,095	1,308
Current provisions		607	562
Current income tax liabilities		129	584
Total current liabilities and provisions		**26,759**	**22,486**
Total liabilities and sharholders' equity		**40,234**	**46,516**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 01/01/2016 bis zum 06/30/2017 k€	Notes C. & D.	Sub-scribed capital	Capital reserve	Accumulated other equity	Share of majority shareholders in consolidated equity	Share of minority shareholders in consolidated equity	Total equity
As per January 1, 2016	(11)	**7,373**	**64,582**	**– 80,189**	**– 8,234**	**681**	**– 7,553**
Difference from currency translation				– 200	– 200		– 200
Consolidated net income for the period 2016				– 4,561	– 4,561	– 53	– 4,614
As per June 30, 2016	**(11)**	**7,373**	**64,582**	**– 84,950**	**– 12,995**	**628**	**– 12,366**
As per January 1, 2017	(11)	**7,373**	**64,582**	**– 84,631**	**– 12,676**	**564**	**– 12,112**
Difference from currency translation				– 101	– 101		– 101
Consolidated net income for the period 2017				– 8,632	– 8,914	– 1,186	– 10,100
As per June 30, 2017	**(11)**	**7,373**	**64,582**	**– 93,364**	**– 21,691**	**– 622**	**– 22,313**

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 until June 30, 2017 k€	H1/2017	H1/2016
Consolidated income before income taxes	– 8,682	– 4,525
Depreciation and amortisation	274	643
Other non-cash income (–) and expenses (+) (including result from associated companies)	58	573
Profit/loss from disposal of intangible assets and equipments	0	
Financial income	– 296	– 28
Financial costs	1,966	2,152
Sub-total	**– 6,680**	**– 1,185**
Increase/decrease in provisions (net of discounting effects and non-cash releases)	1	– 66
Increase/decrease in inventories	– 35	1,081
Increase/decrease in prepayments	– 1,390	970
Increase/decrease in receivable from long-term construction contracts	– 72	– 10,840
Increase/decrease in trade receivables (excl. non-cash transactions)	346	4,175
Increase/decrease in assets	497	– 421
Increase/decrease in liabilities	4,447	14,700
Funds generated by operating activities	**– 2,886**	**8,414**
Interest paid	– 1,670	– 2,182
Income taxes paid	169	– 87
Cash flow from operating activities	**– 4,387**	**6,145**
Proceeds from associated companies		11
Auszahlungen aus dem Erwerb von Anteilen ohne beherrschenden Einfluss	– 1,297	0
Purchase of intangible assets and equipment	– 175	– 172
Cashflow from investing activities	**– 1,472**	**– 161**
Payments in connection with financial liabilities	– 360	– 1,523
Commission for syndicated loan agreement		30
Interest income		0
Cash flow from financing activities	**– 360**	**– 1,493**
Changes in cash and cash equivalents	– 6,219	4,491
Net change in cash and cash equivalents	**– 6,219**	**4,491**
Cash and cash equivalents at the start of the period	9,392	4,875
Cash and cash equivalents at the end of the period	3,173	9,366
Increase/decrease in cash and cash equivalents	**– 6,219**	**4,491**

SELECTED EXPLANATORY NOTES

A GENERAL INFORMATION

As of June 30, 2017, the Phoenix Solar Aktiengesellschaft Group (hereinafter referred to as the "Phoenix Solar Group" or the "Solar Group") consisted of 23 companies (June 30, 2016: 23) with an average of 125.5 (H1/2016: 114) employees (expressed as full-time jobs, excluding temporary staff and Executive Board members).

The parent company, which is also the Group's ultimate parent company, is Phoenix Solar Aktiengesellschaft, and in accordance with the resolution adopted by the Annual General Meeting of the former Phoenix SonnenStrom Aktiengesellschaft of 25 May 2007, the company is named Phoenix Solar Aktiengesellschaft (referred to hereinafter as: Phoenix Solar AG), with its head office at Hirschbergstrasse 4, in 85254 Sulzemoos, Germany; it is registered in the commercial register of the Munich District Court under company register sheet number 129117.

The parent company has been listed in the Prime Standard segment of Deutsche Börse AG, Frankfurt am Main, Germany, since June 27, 2006. The Prime Standard is one of European Union's regulated segments, and is the segment of admission for companies that wish to also address international investors. One of the conditions for listing in the Prime Standard is that the company must prepare its financial statements according to the standards and interpretations issued by the International Accounting Standards Board (IASB), in other words, International Financial Reporting Standards (IFRS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), insofar as they have been endorsed by the European Union.

The parent company's business purpose comprises the development, production, sale, operation and administration of components and systems for generating energy from renewable energy sources, and the assembly and maintenance of such equipment. The Phoenix Solar Group also distributes components and systems for generating energy from renewable energy sources. The company is entitled to engage in any business which directly or indirectly serves its business purpose. It can establish branch operations or branch offices both in Germany and abroad, and acquire interests in identical or similar operations. The parent company can pursue its business purpose as a holding company, whether wholly or in part. During the first half of 2017, the by far predominant portion of the Group's operating activities occurred in the USA and in the Middle East and Asia/Pacific regions.

The interim financial statements and the interim management report have not been audited or reviewed by an auditor.

B ACCOUNTING POLICIES AND CONSOLIDATION METHODS

In accordance with the provisions of Section 37w of the German Securities Trading Act (WpHG), the half-yearly financial report of the Phoenix Solar Group for the first half of 2017 comprises a set of condensed interim consolidated financial statements and an interim management report on the Group. The condensed interim consolidated financial statements were prepared in accordance with the IFRS rules on interim reporting as applicable in the European Union. The interim management report for the Group was drawn up in accordance with the applicable provisions of the German Securities Trading Act.

The Group half-yearly report as of June 30, 2017 was prepared in accordance with IAS 34. The currently applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and earlier interpretations of the Standing Interpretations Committee (SIC) have been complied with. All comparative figures from the corresponding prior-year period were calculated in accordance with the same principles.

With the exception of the methods described below, the main accounting policies and consolidation methods are the same as those applied to the consolidated financial statements as of December 31, 2016. For this reason, the interim financial statements should be read in conjunction with the published consolidated financial statements as of December 31, 2016.

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 recognized in the quarter in which the underlying transaction occurred.

All subsidiaries in accordance with the principles of IAS 10 were included in the quarterly financial statements of Phoenix Solar AG. In addition to Phoenix Solar AG as the parent company, the following companies were included in the consolidated group as of June 30, 2017:

Subsidiaries	Type of consolidation	Equity/voting rights interest
Phoenix Solar S.L., Madrid, Spain	Full consolidation	100 %
Phoenix Solar M.E.P.E., Athens, Greece	Full consolidation	100 %
Phoenix Solar SAS, Lyon, France	Full consolidation	100 %
Phoenix Solar Overseas GmbH, Sulzemoos, Germany	Full consolidation	100 %
Phoenix Solar America GmbH, Sulzemoos, Germany	Full consolidation	100 %
Phoenix Solar Inc., San Ramon, USA	Full consolidation	100 %
Phoenix Solar Yenilenebilir Enerji A.¸S., Ankara, Türkei	Full consolidation	100 %
Phoenix Solar Pte Ltd., Singapur, Singapur	Full consolidation	100 %
└ Phoenix Solar Sdn Bhd, Kuala Lumpur, Malaysia	Full consolidation	100 %
└ Phoenix Solar Philippines Inc., Manila, Philippinen	Full consolidation	100 %
Phoenix Solar L.L.C., Muscat, Oman	Full consolidation	70 %
Phoenix Solar Fonds Verwaltung GmbH, Sulzemoos, Germany	Full consolidation	100 %

Project subsidiaries	Type of consolidation	Equity/voting rights interest
SOMI GmbH, Sulzemoos, Germany	Full consolidation	100 %
Exploris GmbH, Sulzemoos, Germany	Full consolidation	100 %
Grundstücksgesellschaft Jocksdorf II GmbH, Sulzemoos, Germany	Full consolidation	100 %
Scarlatti S.r.l., Eppan an der Weinstraße, Italy	Full consolidation	100 %
Horus S.r.l., Ragusa, Italy	Full consolidation	100 %
Sunpremier 2030 S.L., Madrid, Spain	Full consolidation	100 %
Isla Solar S.r.l., Ragusa, Italy	Full consolidation	51 %
Energia ed Ambiente S.r.l., Ragusa, Italy	Full consolidation	51 %
Energia zero Emissione S.r.l., Ragusa, Italy	Full consolidation	51 %
MAS Solar S.r.l., Ragusa, Italy	Full consolidation	51 %

In March 2017, Phoenix Solar AG acquired the outstanding non-controlling interests in the subsidiaries in Singapore, and consequently also their participating interests in Malaysia and in the Philippines. Phoenix Solar AG has since then held 100 percent interests in these three companies.

The following company is included in the consolidated financial statements in an unchanged manner applying the equity method:

Company	Type of consolidation	Equity interest
Phönix SonnenFonds GmbH & Co. KG B1, Sulzemoos, Germany	At equity	31.2 %

The condensed consolidated interim financial statements consist of the consolidated income statement supplemented by the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, and the condensed notes to the consolidated financial statements.

C SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

1 Revenues

Compared with the first half of the previous year, the Group generated lower revenues of kEUR 10,940. This weaker trend mainly reflects sales revenues generated from ongoing projects abroad, especially in the USA and the Middle East region. The individual segments report the following developments:

- The USA segment realized revenues of kEUR 32,761 in the first half of 2017, significantly lower than the previous year's first half (H1/2016: kEUR 42,586). This reduction of more than 23 percent is particularly attributable to the further delay from restructuring measures in the sales function in the USA region.
- With revenue of kEUR 3,916 as of the end of the first half of 2017, the Asia/Pacific segment exceeded the previous year's revenue by 17 percent (H1/2016: kEUR 3,355). The positive trend in this segment is due especially to projects at our subsidiary in the Philippines.
- The Middle East segment reports kEUR 5,314 of revenue in the first half of 2017, down 25 percent year-on-year (H1/2016: kEUR 7,123).
- The Europe segment realized kEUR 365 of revenue in the first half of 2017, up 24.6 percent year-on-year (H1/2016: kEUR 293), but nevertheless remained the weakest revenue segment overall.

The revenues and their breakdown by operating segment and region are presented in the segment report that forms part of these notes to the consolidated financial statements (section F).

2 Purchased goods and services

The cost of purchased goods and services decreased year-on-year at a slightly slower rate than the rate of sales revenue growth, decreasing by kEUR 9,289 to kEUR 37,977 (H1/2016: kEUR 47,266).

3 Personnel expenses

Personnel expenses amounted to kEUR 7,113 as at the reporting date (H1/2016: kEUR 5,379).

Since July 1, 2008, the company has offered all its employees a defined contribution pension plan based on deferred compensation. The company makes matching payments on the contributions of the participating employees in accordance with the regulations of tax law and social security law. By the end of the first second of 2017, an amount of around kEUR 2.5 was expensed (H1/2016: kEUR 1).

4 Financial result

The financial result is essentially the outcome of intermittent utilization of external funds and of syndicated financing.

5 Income taxes

Deferred tax assets and liabilities in the amount of kEUR 144 and kEUR 9 respectively were recognized in respect of the differences between the carrying amounts of assets and liabilities according to IFRS and their tax bases (December 31, 2016: kEUR 382 and kEUR 87 respectively). In addition, deferred tax assets amounting to kEUR 1,420 (December 31, 2016: kEUR 1,375) were formed for value-retaining foreign tax loss carry forward; deferred tax assets in relation to tax losses amounting to kEUR 158,051 (December 31, 2016: kEUR 149,196) were not recognized for the time being. As of the reporting date, no deferred taxes were presented on a net basis (December 31, 2016: kEUR 0). Following consolidation measures, deferred tax assets totaling kEUR 1,566 (December 31, 2016: kEUR 1,480) and deferred tax liabilities totaling kEUR 82 (December 31, 2016: kEUR 91) were recognized as of the reporting date.

No deferred taxes were recognized for outside basis differences in the financial year as most of the subsidiaries as of the reporting date had neither net assets that would allow for dividend distributions, nor any funds intended for the purpose of internally funding the respective subsidiaries.

6 Earnings per share

As 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	06/30/2017	06/30/2016
Basic number of shares	7,372,700	7,372,700
Dilutive number of options	0	0
Diluted number of shares	7,372,700	7,372,700

In accordance with IAS 33.66, the diluted and basic earnings per share are presented below the consolidated profit or loss for the period.

D SELECTED NOTES TO THE CONSOLIDATED BALANCE SHEET

7 Inventories

Inventories essentially comprise merchandise (photovoltaic modules and inverters in particular as well as other components for building photovoltaic power plants). Reflecting the estimation of the Executive Board in respect of expected selling proceeds lying below purchase cost, impairment losses were applied in the past on the basis of the lower of cost and net realizable value less costs of disposal. Inventories as of the end of the first half of 2017 report a slight increase compared with December 31, 2016.

8 Receivables and payables from construction contracts

Receivables from long-term construction contracts are generally defined as customer orders that have not yet been fully completed. In accordance with IAS 11, the percentage-of-completion (PoC) method is used to account for construction contracts, provided that certain conditions are met. In accordance with this method, contract revenues and profit are recognized in the income statement in proportion to the stage of completion in the periods in which the work is performed. In this way, revenues and profits under fixed-price contracts are recognized on the basis of their stage of completion. They are recognized in proportion to the ratio of the internal and external costs incurred as of the reporting date to the total estimated costs of each contract (cost-to-cost method).

In cases where contract revenue cannot be reliably estimated (for example, advance expenditures for anticipated contracts that have not yet been finalized), revenues are capitalized in the amount of costs incurred insofar as it can be expected that they will be covered by contract revenues (zero profit method). They are shown under receivables or payables from long-term construction contracts. In cases where the accumulated work performed (contract costs incurred and profits reported) exceeds the advance payments, the construction contracts are shown as assets. Expected contract losses are recognized in full; identifiable risks are taken into account in determining such losses.

As of June 30, 2017, gross receivables for long-term construction contracts amounted to kEUR 12,475 (December 31, 2016: kEUR 12,403). The receivables relate mainly to projects from the USA, and from the Middle East and Asia-Pacific regions. In the period from January 1 to June 30, 2017, contract revenues totaling kEUR 40,648 (H1/2016: kEUR 51,891), cumulative contract costs for the construction contracts that are still running as of the reporting date of kEUR 121,057 (H1/2016: kEUR 48,154) and accumulated reported gains of kEUR 11,989 (H1/2016: kEUR 4,476) were recognized. No income from foreign currency effects was included in the result in the period under review (H1/2016: kEUR 0). In addition, payables from long-term construction contracts were reported in an amount of kEUR 1,682 (December 31, 2016: kEUR 289).

Advance payments on contracts of kEUR 127,404 (December 31, 2016: kEUR 126,158) were received and a further kEUR 2,231 (December 31, 2016: kEUR 2,118) were requested.

The Group order backlog reduced to reflect realized revenue as of June 30, 2017 amounted to EUR 129.3 million (H1/2016: EUR 135.6 million).

9 Other financial assets

The other current financial assets are distributed mainly among prepayments and accrued income.

10 Other non-financial assets

Other non-financial assets of kEUR 2,566 (December 31, 2016: kEUR 4,125) comprise chiefly sales tax receivables totaling kEUR 2,328 (December 31, 2016: kEUR 3,038) in relation to the international project business in past periods.

11 Equity

The consolidated statement of changes in equity shows the changes in equity items.

As of June 30, 2017, the share capital was unchanged at kEUR 7,372.7, divided into 7,372,700 (December 31, 2016: 7,372,700) no par bearer shares (ordinary shares), and was fully paid in as at the reporting date for the consolidated financial statements.

The change in cumulative other comprehensive income is chiefly attributable to the consolidated net result for the first half of 2017, and is as follows:

k€	
Balance at 01/01/2017	– 84,631
Currency difference	– 101
Consolidated net loss for H1 2017	– 8,632
Balance at 30/06/2017	– 93,364

INFORMATION ABOUT CAPITAL MANAGEMENT

Phoenix Solar AG undertakes capital management on a centralized basis for both the Phoenix Solar Group and its subsidiaries from Group headquarters in Sulzemoos.

The principal objectives of centralized capital management at Phoenix Solar AG comprise:

- securing the capital base required to finance the company's growth
- the most exact working capital management possible
- monitoring the equity base, and
- securing the Group as a going concern.

The Group equity ratio stood at -55.5 percent as of June 30, 2017 as a result of the loss-making situation over the past years (December 31, 2015: -26 percent). As the Group does not comprise a legally independent company itself, this negative equity ratio generates no direct going concern risk for the Group.

Solely the equity of Phoenix Solar Aktiengesellschaft (which prepares its accounts according to the German Commercial Code (HGB)), as the parent company of the Phoenix Solar Group, is of legal relevance. This amounted to EUR 4,547 million as of June 30, 2017, equivalent to a 9.1 percent equity ratio (December 31, 2016: EUR 5,654 million, equivalent to an 11.2 percent equity ratio).

In mid-March 2016, Phoenix Solar AG concluded an agreement with its syndicate of financing banks, extending the existing financing facility until September 30, 2018. The new financing facility has a reduced volume totaling around EUR 101 million and consists of a syndicated loan of almost EUR 85.4 million, as well as other bilateral cash and guarantee credit lines. The scope of financing amounted to EUR 88.7 million as of the end of the first half of 2017 (December 31, 2016: EUR 90.0 million). The EUR 11.6 million change compared with the financing agreed in March 2016 corresponds predominantly to the scheduled partial repayment of the loan as part of the syndicated lending agreement.

12 Stock option plan

The Annual General Meeting of July 7, 2006 passed a resolution to introduce a stock option plan for members of the Executive Board, members of the senior management of Group companies, and other selected senior managers and key employees of the company. Conditional capital of kEUR 553 was created for this purpose. As part of this authorization, the Executive Board of Phoenix Solar AG set up a Stock Option Plan on September 10, 2007 ("Stock Option Plan 2006"; "SOP 2006" as an abbreviation for "Stock Option Plan 2006"), under which 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. The stock option plan program was discontinued by way of resolution by the Annual General Meeting of Shareholders in the 2011 financial year. Of the stock options issued, a total of 18,000 had been exercised by June 30, 2017 while 322,450 had expired due to the beneficiaries leaving the company.

Other transactions with the Group's related parties correspond to those described in the 2016 annual report.

13 Financial liabilities

Financial liabilities by maturity are as follows:

k€	Carrying amount fair value*	Residual term up to 1 year	Residual term 1 to 5 years
Per 06/302017			
Financial liabilities	34,921	22,985	11,936
Per 12/31/2016			
Financial liabilities	35,285	21,332	13,953

Owing to the contractual amendment signed in March 2016 concerning an extension of the existing loan agreement, and the final due date of September 30, 2018, the bank borrowings are also reported as non-current as of June 30, 2017 and December 31, 2016.

The non-current financial liabilities continue to be secured as part of a global assignment of receivables of Phoenix Solar Aktiengesellschaft, as well as the pledging of shares of important subsidiaries of Phoenix Solar Aktiengesellschaft.

All financial liabilities carry variable interest. The 3-month EURIBOR and EONIA average monthly rates serve as reference rates.

14 Trade payables

Trade payables are measured at their settlement amount. Due to the short-term payment deadlines of these liabilities, this amount is equivalent to their fair value.

All trade payables are due in one year or less.

15 Other financial liabilities

The Phoenix Solar Group is exposed to interest rate risks in connection with the financing of working capital. The company operated an interest rate management program until September 30, 2016, which had already become more important during the past financial year as a result of the variable syndicated loan financing facility. After this date, a liability discharge occurred on the part of the syndicated loan. Phoenix Solar AG is exposed to interest rate risk due to the variable interest syndicated loan. The company no longer held any interest rate derivatives as of June 30, 2017. In order to reduce the resulting cash flow risk, the company concluded interest rate hedges as of the reporting date. As of the reporting date, the company had an interest rate cap in a nominal amount of kEUR 12,257 (December 31, 2016: interest-rate cap of kEUR 0) with a negative fair values of kEUR 18 (December 31, 2016: kEUR 0).

In addition, forward exchange contracts existed as of the reporting date in the form of currency swaps in a nominal amount of kEUR 4,886 (December 31, 2016: kEUR 4,281) with a fair value of kEUR 4,684 as of the reporting date (December 31, 2016: fair value of kEUR 4,303).

16 Other non-financial liabilities

Due to the internationalization of the company's business, sales tax liabilities have been incurred in European countries to a greater extent than previously. 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.

17 Contingencies, contingent liabilities and other financial commitments

Warranty and other commitments result from standard contractual warranty obligations that can arise in connection with contracts in the Power Plants segment, and from orders in the Components & Systems segment.

A contingent liability of around EUR 1.0 million exists in connection with a tax risk relating to the VAT audit in Bulgaria (Kazanlak project). The outcome of the pending case is currently uncertain.

The Group had total financial commitments under various rental and lease agreements amounting to kEUR 2,005 (December 31, 2016: kEUR 2,506). Of this aggregate amount, the sum of kEUR 540 (December 31, 2016: kEUR 687) is due within one year, kEUR 997 (December 31, 2016: kEUR 1,273) has a remaining term of between one and five years, and kEUR 468 (December 31, 2016: kEUR 546) has a remaining term of more than five years.

E SEGMENT REPORT

The Phoenix Solar Group operates a unified business model worldwide: the engineering, procurement and construction of photovoltaic power plants (EPC). For this reason, the business has been segmented according to its four sales regions since the report on the 2016 financial year. Applying relevant IAS/IFRS regulations, we describe here the business development and trends in the sales regions of the USA, Asia Pacific, the Middle East and Europe.

The segment information for these operating segments is presented on the following pages.

SEGMENTERGEBNISRECHNUNG

for the period from January 1 to June 30, 2017

in k€	**USA**	**Middle East**	**Asia/ Pacific**	**Europa**	**Holding**	**Gesamt**
External revenues	32,761	5,314	3,916	365	8	42,364
Segment profit or loss	– 2,469	– 537	– 1,066	– 633	– 2,309	– 7,014
Income from associated companies					3	3
EBIT	– 2,469	– 537	– 1,066	– 633	– 2,307	– 7,011
Financial result					– 1,670	– 1,670
Consolidated earnings (loss) before tax						– 8,682
Income taxes					50	50
Consolidated net profit/loss						– 8,632
– of which attributable to non-controlling interests						– 6
– of which attributable to the majority shareholders						– 8,626
Other information						
Capital expenditures	51	0	95	24	4	175
Depreciation, amortization and impairment losses	47	0	18	158	50	274
Non-cash expenses	157	16	12	3	121	309
Non-cash income	1	0	58	52	141	251
Assets						
Segment assets	13,281	5,681	5,288	9,456	6,141	39,847
Investments in associates					387	387
Consolidated assets	13,281	5,681	5,288	9,456	6,141	40,234

for the period from January 1 to June 30, 2016

in k€	**USA**	**Middle East**	**Asia/ Pacific**	**Europa**	**Holding**	**Gesamt**
External revenues	42,585	7,121	3,355	293	– 50	53,304
Segment profit or loss	– 639	857	– 85	– 131	– 2,416	– 2,413
Income from associated companies					11	11
EBIT	– 639	857	– 85	– 131	– 2,404	– 2,402
Financial result					– 2,124	– 2,124
Consolidated earnings (loss) before tax						– 4,526
Income taxes					– 89	– 89
Consolidated net profit/loss						– 4,615
– of which attributable to non-controlling interests						– 53
– of which attributable to the majority shareholders						– 4,561
Other information						
Capital expenditures	151	0	9	1	11	172
Depreciation, amortization and impairment losses	35	0	26	441	140	643
Non-cash expenses	479	61	29	30	79	677
Non-cash income	11	2	77	3	11	104
Assets						
Segment assets	19,727	8,161	6,070	21,385	6,204	61,547
Investments in associates					387	387
Consolidated assets	19,727	8,161	6,070	21,385	6,591	61,934

Commercial rooftop (1.2 MWp), Philippines

FINANCIAL CALENDAR

November 10, 2017
Quarterly announcement as of September 30th, 2017

November 27 and 28, 2017
Deutsche Börse Equity Forum

December 12 and 13, 2017
Capital Markets Conference, Munich

The respective latest version of the financial calendar is published on the website of Phoenix Solar AG at: www.phoenixsolar-group.com/en/investor-relations/financial-calendar

This financial report is also available in German. Both versions can be downloaded from the Internet. This is an english translation of the german original. Only the german version is binding. Eventual rounding differences in the tables are due to arithmetic reasons.

International Securities Identification Number (ISIN)	DE000A0BVU93
Securities ID No. (WKN)	A0BVU9
Symbol	PS4
Designated Sponsor	Oddo Seydler AG

The photos show recently delivered projects.

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RESPONSIBILITY STATEMENT

We assure that, to the best of our knowledge, and pursuant to the applicable accounting regulations for interim reporting, the consolidated financial statements convey a true and fair view of the Phoenix Solar Group's financial position and performance, the interim Group management report presents the progression of business, including the business results and the Phoenix Solar Group's position, so as to give a true and fair view of actual circumstances, as well as of significant opportunities and risks pertaining to the Group's prospective development.

Sulzemoos, August 10, 2017

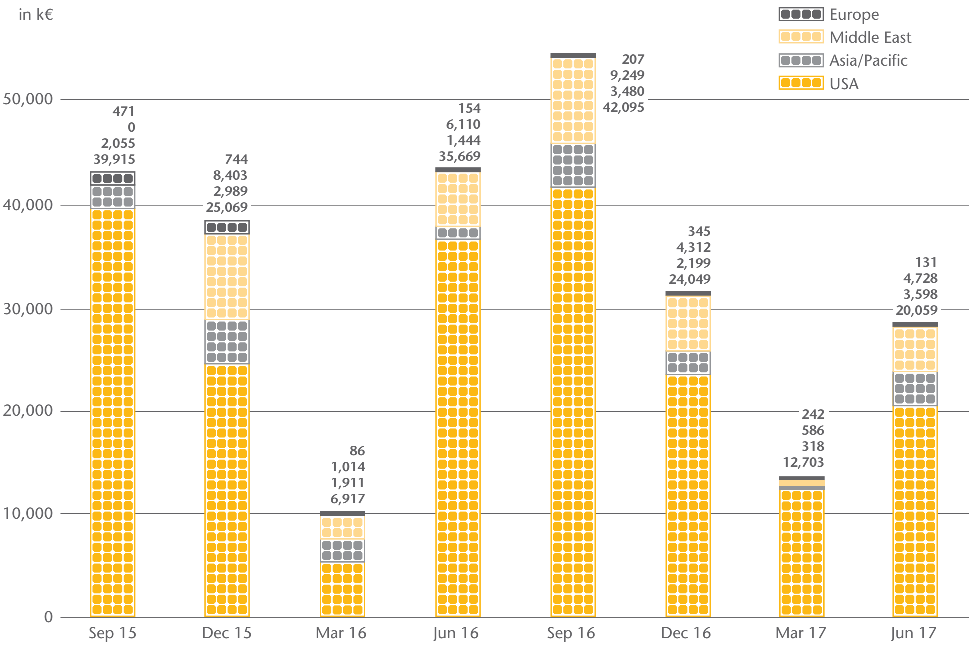
Phoenix Solar Aktiengesellschaft
The Executive Board

Tim P. Ryan
Master of International Business (MIB)
Lucerne / Switzerland
(Chief Executive Officer)

Manfred Hochleitner
Dipl.-Mathematiker
Munich
(Chief Financial Officer)

USA REMAIN STRONGEST REGION, GOOD POTENTIAL IN ASIA/PACIFIC

Business trends by region from September 2015 until June 2017



The USA remained our strongest region with EUR 20.1 million in the second quarter of 2017 (Q2/2016: EUR 35.7 million). During the course the first half of the year, we generated EUR 32.8 million revenues there, representing a reduction of 23.1 percent (H1/2016: EUR 42.6 million). After completing major projects in the second quarter, we anticipate several new EPC contracts to be signed in the second half of the year. As soon as construction approvals are issued for these new projects, it is also expected that sales revenue growth in our main market will be secured again. With EUR 3.9 million, the Asia/Pacific region achieved 16.7 percent growth, albeit from a low level reflecting restructuring measures (H1/2017: EUR 3.4 million): The processing of the order for a C&I rooftop system in Australia that we announced in July will establish new growth for our region. The partnership with our customer IKEA Southeast Asia is continuing to perform well. At EUR 4.7 million, our Middle East region contributed 16.6 percent to consolidated revenues (Q2/2016: EUR 6.1 million). We are monitoring the continued critical political development in Turkey and the entire region very closely, although we continue to identify relatively good opportunities for further business development there.