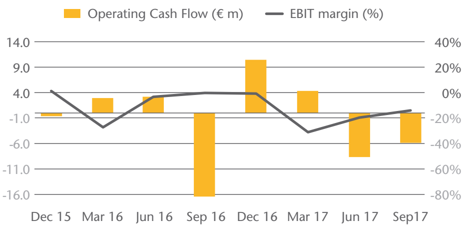
Q3 2017 ANNOUNCEMENT

WEAK TREND IN Q3

EBIT margin and operating cash flow Q4/2015 to Q3/2017



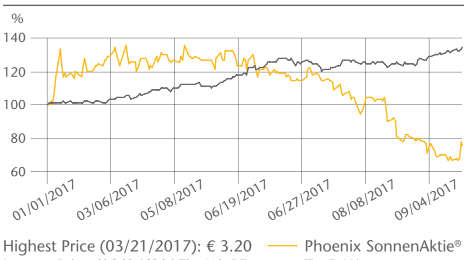
The high level of new order intake has not yet translated into revenue and income. At EUR 21 million, the third quarter was weaker than the second quarter, and EBIT was again negative at EUR -2.3 million. For the first nine months of the year, the EBIT result stood at EUR -9.3 million. A loss per share of EUR 0.51 was incurred in the third quarter. The negative consolidated result also leads to EUR 10.3 million of cash outflow from operating activities.

FORECAST CORRECTED, OUTLOOK BRIGHTENS

On October 24, we applied a further downgrade to our forecast for 2017 due to the weak revenue and earnings trend during the first nine months of the year. Revenues are now anticipated between EUR 90 million and EUR 110 million, with an operating loss between EUR -10 million and EUR -8 million. The high free order book position lead to the expectation of a marked jump in revenues for 2018, however. The forecast for the coming year is always provided during the first quarter.

SHARE PERFORMANCE OF THE PHOENIX SONNENAKTIE®

Phoenix SonnenAktie® vs TecDAX (01/01/ – 09/30/2017)



Highest Price (03/21/2017): € 3.20 — Phoenix SonnenAktie®
Lowest Price (09/26/2017): € 1.57 — TecDAX

KEY SHARE DATA

k€	9M/2017	9M/2016
Number of shares	7,372,700	7,372,700
Free Float (%)	94.6	94.6
EPS (€)	– 1.68	– 0.45
High (€)	3.20	5.00
Low(€)	1.57	3.01
Close (€)	1.80	3.01
Volume/Day	14,319	27,122

DEAR SHAREHOLDERS,

The messages coming from our company have been mixed in recent weeks. Indeed, the current situation necessitated a revision of the 2017 guidance, reflecting the inherent risks of the project business in which we operate. In our case, these include the 201 Trade Case in the US market where the threat of punitive trade tariffs created broad uncertainty among investors and developers, causing many to push projects into 2018 or later. Furthermore, delays on project construction starts for orders already booked have led to risks which cannot be underestimated.

Bearing this in mind, we are taking measures to provide more stability in our forecasts going forward. We have made significant investments in both our global sales teams and the overall sales process to generate a continuous stream of new opportunities and provide more certainty in our project pipeline. It has indeed taken some time to rejuvenate the commercial side of our business but we are confident that we are on track.

At the same time, we are starting to see real results from these investments: The weighted global project pipeline is now over 600 MWp, up significantly from 444 MWp in June of this year. Our free order book now stands at some €225 million, an all-time high for Phoenix Solar. Now the immediate task at hand is to monetize that potential as soon as possible by converting it into profitable sales volumes.

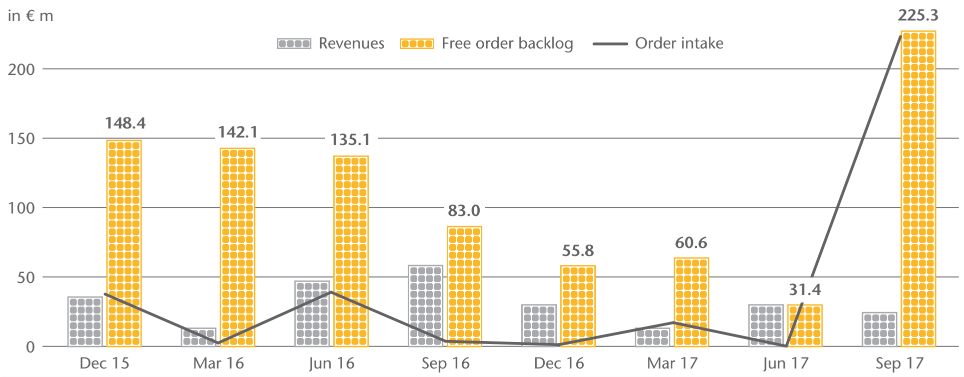
Finally, our Supervisory Board takes confidence in the company's prospects for 2018 and beyond and has extended my tenure as CEO of the Group. I take pride in continuing to lead a company well-positioned for sustainable, profitable growth.

We look forward to sharing more good news with you over the coming months and thank you for your continued loyalty to Phoenix Solar.

TIM P. RYAN
Chief Executive Officer

SURGE IN FREE ORDER BOOK POSITION AND NEW ORDER INTAKE

New order intake trends from December 2015 to September 2017



The pleasingly high level of new order intake in the third quarter is chiefly attributable to two major orders from the Asia/Pacific and USA regions. Following on from the 2017 financial year – a year that proves weak, contrary to expectations – the good sales results reported there represent an important step on the way to the higher level of planning security the company has long aimed for. The Executive Board is working on further stabilizing its sales work and on exploiting existing market potentials even better to thereby create a solid basis for the company's growth. A 200 MWp power plant in the USA, which is to be realized in two stages, represents a central project. At present, the customer does not wish Phoenix Solar to make any further details public. In addition, the construction go-ahead has not yet been issued, as individual regulatory approvals are still outstanding. This is expected at the latest by the first quarter of next year. With the awarding of an order to engineer and procure for a photovoltaic power plant near Perth, our Asia/Pacific organization is successfully entering the Australian market. This also represents our first ground-mounted project in the Region for some years. We are meanwhile in final negotiations concerning an additional large-scale system in Asia/Pacific.

Please see page 4 for more information about the pipeline.

CONDENSED CONSOLIDATED INCOME STATEMENT

in k€	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015
Revenues	21,142	28,515	13,849	30,904	55,030	43,377	9,927	37,205
Cost of materials	19,457	25,546	12,431	25,386	49,023	38,653	8,613	33,725
Gross margin	**1,685**	**2,969**	**1,418**	**5,518**	**6,007**	**4,724**	**1,314**	**3,480**
Other operating income	556	790	421	1,222	1,424	734	1,118	2,405
Personnel expenses	2,550	3,729	3,384	2,831	3,139	2,906	2,473	1,410
Depreciation and amortisation	140	135	140	141	227	311	331	337
Other operating expenses	1,924	2,930	2,294	2,757	2,095	2,183	2,099	2,204
Result from associated companies	42	0	3	0	31	11	0	– 10
EBIT	**– 2,331**	**– 3,034**	**– 3,977**	**1,011**	**2,001**	**69**	**– 2,471**	**1,924**
Financial result	– 1,247	– 618	– 1,053	– 1,309	– 830	– 1,096	– 1,027	– 1,213
Consolidiated net income before income taxes (EBT					**1,171**	**– 1,027**	**– 3,498**	**711**
Income taxes	204	– 78	29	964	15	43	46	– 412
Consolidated net income for the period	**– 3,781**	**– 3,574**	**– 5,058**	– 1,261	**1,156**	**– 1,070**	**– 3,545**	**1,123**
– of which due to majority shareholders	– 3,777	– 3,569	– 5,057	– 1,275	1,254	– 926	– 3,655	1,129
Overall performance			**– 5,178**	**– 452**	**1,112**	**– 1,024**	**– 4,196**	**1,208**
Earnings per share	**– 0.51**	**– 0.48**	**– 0.69**	**– 0.17**	**0.17**	**– 0.13**	**– 0.50**	**0.15**

REVENUE AND RESULTS UNSATISFACTORY – OUTLOOK BRIGHTENS

During the first nine months of 2017, the Group fell short in terms of revenue and earnings than of those of September 2016. This reflects weak new order intake during the first six months as well as delays in obtaining notices to proceed for orders acquired in the third quarter. The shortfall compared with the forecast cannot be absorbed during the fourth quarter. The order book position and the pipeline nevertheless prompt the expectation of a stronger financial year in 2018.

The gross profit margin in the third quarter was weaker than previously due to cost overruns in two projects. We had already announced that we regard a gross profit margin of eight percent as realistic for the medium term.

Gross profit		
Q3/2017	Q2/2017	Q3/2016
8.0 %	10.4 %	10.9 %

Other operating income was lower than in the prior-year periods. This is attributable to the disposal of a project company which also resulted in a reduction in depreciation and amortization. The fact that we have been hiring since the 2016 financial year is evident in our higher personnel expenses. We continue to assume that investing in establishing qualified teams was the correct approach, and the latest sales improvements, in particular, are bearing fruit, albeit later than planned.

In the third quarter, the loss before interest and tax (EBIT) was recorded around 23 percent lower than in the second quarter. The EBIT margin was almost unchanged at - 11.0 percent. The company nevertheless fell significantly short of the positive trend it originally expected. Despite more drawings on borrowings in Q3, financial costs were at the level of the first nine months of 2016. The tax expense was also comparatively low. A loss of EUR 12.4 million for the January to September period was attributable to shareholders as a consequence. The result per share stood at EUR - 1.68 (9M/16: - 0.45).

The reduction in total assets reflects a temporarily lower level of operating activities. The liquid assets position also decreased by EUR 7.2 million. The weaker level of revenues as well as the resulting challenges for the liquidity position accompanied by higher costs was financed by a greater extent of borrowings. Net debt (liabilities to banks less liquid assets) reported their first rise for an extended period, and were up by 45.4 percent. Financial liabilities are now reported as current, as the syndicated loan has a term until September 30, 2018.

Also due to the lower level of total assets, the consolidated equity ratio stands at - 73.2 percent (December 31, 2016: - 26.0 percent). The Group is not a legally independent company, however. 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 4.0 million as of September 30, 2017, equivalent to a 7.9 percent equity ratio (December 31, 2016: EUR 5.7 million, equivalent to an 8.6 percent equity ratio).

CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS

k€	09/30/2017	12/31/2016
Non-current assets		
Property, plant and equipment	5,792	6,150
Non-current other financial assets	2,982	3,170
Total non-current assets	**8,774**	**9,320**
Current assets		
Inventories	1,523	1,441
Receivables from long-term construction contracts	10,293	12,403
Trade receivables	6,754	7,343
Current other financial assets	6,203	6,618
Cash and cash equivalents	2,163	9,392
Total current assets	**26,936**	**37,196**
Total assets	**35,710**	**46,516**

LIABILITIES AND SHAREHOLDERS' EQUITY

k€	09/30/2017	12/31/2016
Equity		
Subscribed capital	7,373	7,373
Capital reserve	64,301	64,582
Accumulated other equity	– 97,179	– 84,631
Share of majority shareholders in consolidated equity	– 25,505	– 12,676
Total equity	**– 26,131**	**– 12,112**
Non-current liabilities and provisions		
Non-current financial liabilities	31	35,285
Non-current provisions	886	858
Total non-current liabilities and provisions	**916**	**36,143**
Current liabilities and provisions		
Current financial liabilities	39,804	16
Liabilities from long-term construction contracts	1,337	289
Trade payables	16,251	17,793
Other financial liabilities	3,533	4,389
Total current liabilities and provisions	**60,924**	**22,486**
Total liabilities and shareholders' equity	**35,710**	**46,516**

FROM OUR 2017 CHRONICLE

July: The market entry in Australia is 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.

July: The EPC contract is signed for a 200 MWp project in the USA. The customer does not wish that details are announced.

September: Our team in the Middle East receives a new small-scale order in Turkey. A further order is received from the customer IKEA in Asia/Pacific.

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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

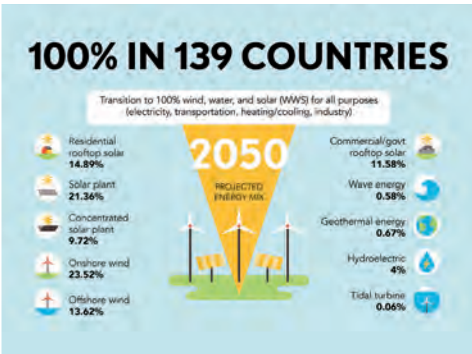
for the period from 01/01/ bis 09/30/2017 in k€	01/01/2017 – 09/30/2017	01/01/2016 – 09/30/2016
Consolidated income before income taxes	– 12,258	– 3,354
Depreciation and amortisation	414	869
Other non-cash income (–) and expenses (+) (including result from associated companies)	– 555	674
Financial income	– 286	– 236
Financial costs	3,203	3,190
Sub-total	**– 9,482**	**1,143**
Increase/decrease in provisions (net of discounting effects and non-cash releases)		– 175
Increase/decrease in inventories	– 82	– 303
Increase/decrease in prepayments	– 992	– 1,270
Increase/decrease in receivables from long-term construction contracts	2,109	– 5,766
Increase/decrease in trade receivables (excluding non-cash transactions)	579	– 2,445
Increase/decrease in assets		– 168
Increase/decrease in liabilities	– 1,098	18,532
Funds generated by operating activities	**– 8,966**	**9,548**
Interest paid	– 1,598	– 3,110
Income taxes paid	247	– 108
Cash flow from operating activities	**– 10,317**	**6,330**
Proceeds from associated companies	45	42
Proceeds from disposal of intangible assets and equipment		6,235
Purchase of intangible assets and equipment	– 193	– 257
Payment to acquire a non-controlling interest	– 1,297	0
Desinvestment – Disposal of a subsidiary	0	899
Cash flow from investing activities	**– 1,445**	**6,919**
Payments in connection with financial liabilities	4,533	– 6,423
Commission for syndicated loan agreement	0	– 75
Cash flow from financing activities	**4,533**	**– 6,498**
Changes in cash and cash equivalents	– 7,229	6,751
Net change in cash and cash equivalents	**– 7,229**	**6,751**
Cash and cash equivalents at the start of the period	9,392	4,875
Cash and cash equivalents at the end of the period	2,163	11,626
Increase/decrease in cash and cash equivalents	**– 7,229**	**6,751**

BIG TURNOUT IN FORT HOOD


Ground-mounted power plant (19,6 MWp), Fort Hood, USA

Phoenix Solar has transferred on a turnkey basis the 19.6 MWp Phantom Solar system, which will generate solar electricity for US Army facilities at Fort Hood in Texas, to customer Apex Clean Energy. John Stone, Apex senior director of project management commented as follows: "Phoenix Solar's team provided us with the professionalism and expertise required to execute a complex project like this on time and on budget, and they were exceptional at managing issues promptly as they arose."

100 % RENEWABLES DOABLE



In a comprehensive and methodologically complex study, a team from Stanford University has now calculated that an increase to 100 percent energy generation from renewable sources is already possible by 2050 in 139 countries, showing how it can be achieved (http://www.cell.com/joule/fulltext/S2542-4351(17)30012-0). According to this scenario, electricity generated from photovoltaic plants will increase to 37.7 TWh. At the same time, the switch to renewables leads to a 42.5 percent reduction in energy demand in these countries compared with a "status quo scenario".

PIPELINE GROWS IN MIDDLE EAST


Ground-mounted power plant (11,2 MWp), Amasya, Turkey

In Adana, on Turkey's west coast, we have started to construct a photovoltaic system with nominal output of 1.1 MWp. This represents the first phase of a larger overall project. The customer is a private company committed to generating electricity from renewable energies. The project developer that is involved has already successfully implemented projects in a volume of 80 MWp over the past four years. The weighted pipeline of our Middle East region has risen to 65.6 MWp as of the end of September.

PV rooftop (1,1 MWp), Neue Messe Munich, Germany

FINANCIAL CALENDAR

November 27, 2017
Equity Capital Forum, Frankfurt/Main

Dezember 12, 2017
Munich Capital Market Conference

March, 29 2018
2017 Annual Report

May, 9 2018
Quarterly announcement as of March 31, 2018

June 5, 2018
Shareholders' General Meeting

August 9, 2018
Half-year financial report as of June 30, 2018

November 8, 2018
Quarterly announcement as of September 30, 2018

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.html

The quarterly announcement is also available in German. Both versions can be downloaded from the Internet.

Rounding differences can occur in the tables for arithmetic reasons.

EDITORIALS

PUBLISHER
Phoenix Solar AG
Hirschbergstraße 4
85254 Sulzemoos
Germany

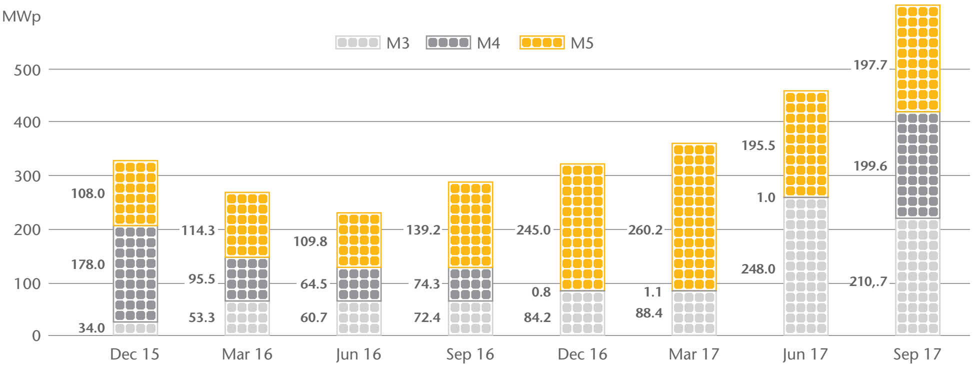
www.phoenixsolar-group.com

INVESTOR RELATIONS
Dr. Joachim Fleïng
Phone +49 (0)8135 938-315
Fax +49 (0)8135 938-429
Email j.fleing@phoenixsolar.de

DESIGN
„feel free!" Weber & Kudla GbR
– Friedberg/Hessen

PROJECT PIPELINE REACHES NEW RECORD LEVEL

Period-end weighted project and sales pipeline from December 2015 to September 2017



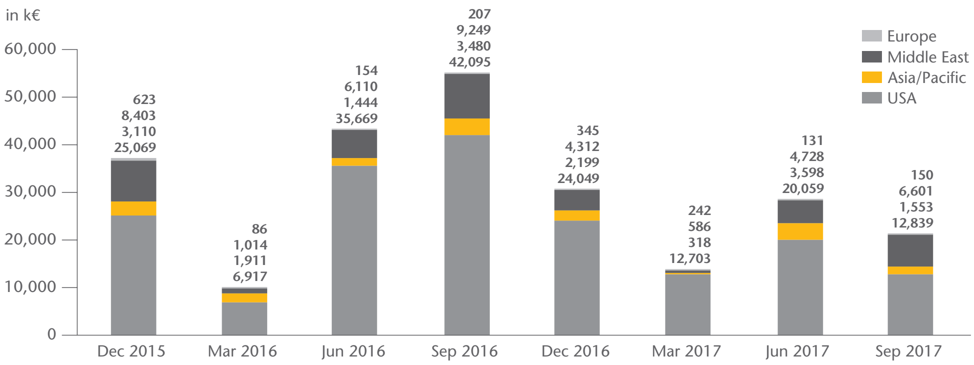
The total volume of the weighted project pipeline (M3 – M5) rose from 444 MWp to 608 MWp in the third quarter – thereby more than twice as high than a year ago.

While an almost unchanged level of almost 200 MWp was under construction, the high level of new order intake in the third quarter is reflected in the increase in contractually secured projects to a level of currently almost 200 MWp, too. For these projects, we anticipate notices to proceed at the latest during the next quarter. The status of projects in the advanced offer phase (M3) is also very pleasing. Although the substantial new orders have left this phase, the weighted volume in M3 as of September 30, 2017 already amounts to 210.7 MWp again, and is thereby at threefold its level as of the end of Q3/2016. The strengthening of the sales team and intensive marketing are already exerting a positive impact in this context, creating a solid foundation for business growth next year.

In our weighted project pipeline, we report all projects that are relevant to our sales and operations at the value of the MWp we are to construct. Probabilities are ascribed to the respective statuses. Such probabilities only reach 100 percent in the M5 phase (project under construction). Even in M4 (signed contract), projects can still be delayed or even not be realized at all. The aim is to regularly transfer projects as quickly as possible and with a high success rate from preliminary business arrangements (M3) to contractual arrangements (M4), and then to quickly also enter the construction phase (M5).

MIDDLE EAST REPORTS STRONG QUARTER

Regional business trends between Q4/2015 and Q3/2017



The USA remains our strongest region although – after completing two projects in Nevada and Texas – revenue there has returned to its level of the first quarter and is failing to revert to the previous year's level. This trend will reverse, however, with the issuing, at last, of the expected notices to proceed. Our team in the USA has reported the best prospects for 2018 with a very large project already contractually booked, along with promising offers for other projects.

The Middle East region has developed positively, processing projects in the second and third quarters, especially in Turkey. Here we expect a reduction for the fourth quarter, a shortfall our colleagues there will absorb next year given various preparations for new business.

Our team in Asia/Pacific also enjoys the best prospects – thanks to several new project orders, including a large-scale ground-mounted system in Australia – to return to better exploitation of existing potential at the latest by the year-end.

Business in Europe remains weak. Our European subsidiaries nevertheless continue to work further towards new orders, including larger-scale orders.