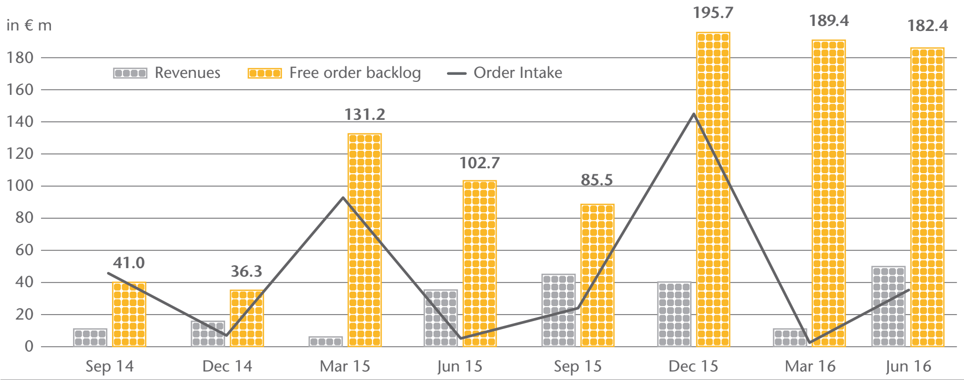
FINANCIAL REPORT AS OF JUNE 30, 2016

Q2 NEW ORDER INTAKE PICKS UP

Order trends between September 2014 and June 2016



The free order book position amounted to EUR 182.4 million as of June 30, 2016, thereby remaining at a high level. In the second quarter, we were again able to acquire a stronger volume of new orders, after new order intake in the first quarter 2016 fell to EUR 2.0 million – partly due to temporarily low demand in the USA. At EUR 38.6 million, the figure lies in the mid-range of the last eight quarters. A further increase in new business is anticipated for the following months. One of our goals remains to gradually moderate the fluctuation range in new order intake as part of our planned corporate growth.

Our free order book position provides a good indicator of future revenue trends. As already announced, the free order book position as of June 30, 2016 includes one order for which the construction permit has long been outstanding, however. The intention exists in the coming financial year to only record in our free order book position those projects for which construction approval also exists.

Notes about the weighted project pipeline are presented on page 14.

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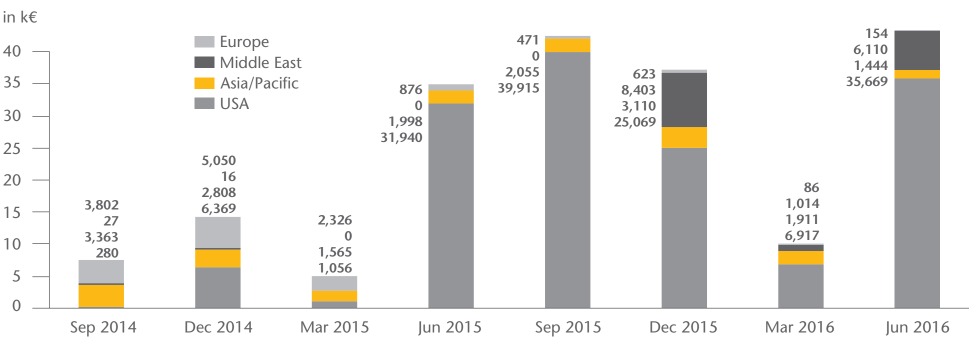
USA REMAINS STRONGEST REGION, MIDDLE EAST DYNAMIC

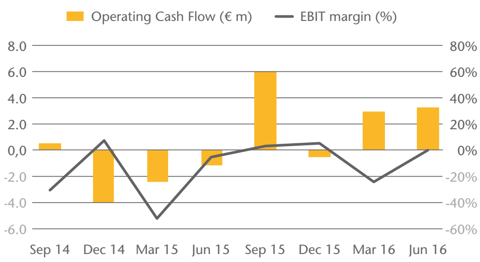
Regional business trends between September 2014 and June 2016



At EUR 35.7 million, the USA remained our strongest region in the second quarter of 2016 (Q2/2015: EUR 31.9 million). As reported, the pleasing extension of tax reliefs for investments in renewable energies (Investment Tax Credit) by a further seven years in the USA has led to a temporary reduction in the high pressure from the "accelerated purchasing effects" among our customers in the previous year. This effect is now beginning to wane, and business activities in our strongest market are picking up again: Our US subsidiary has recorded its second-best quarter, while our Middle East region is reporting pleasing growth. Construction activity and the sales pipeline, especially in Jordan and Turkey, register dynamic trends. In cooperation with our sales partners, we anticipate that this region will continue to report good growth rates. Our Asia-Pacific activities have been dominated traditionally by commercial & industrial (C&I) rooftop systems, which by their nature are smaller than utility-scale, ground-mounted systems. Greater recourse to renewable energies is becoming evident in various countries within the region. We are endeavoring to also exploit these trends to a greater extent over the coming quarters for our business development and growth.

EBIT BREAKEVEN IN Q2, CASH FLOW REMAINS STRONG

EBIT margin and operating cash flow (Sep 2014 – Jun 2016)



Thanks to the operating breakeven in the second quarter of 2016, the operating loss in the first half of the year was halved compared with the first six months of 2015. A further improvement in operating results is planned for the coming quarters. Our business continues to generate cash inflows: Operating cash flow of EUR 3.2 million was generated in the second quarter. A cash outflow of EUR 1.2 million was incurred in Q2/2015.

GUIDANCE MAINTAINED

After the end of the first half of 2016, we maintain our 2016 forecast. We continue to anticipate revenue in a range between EUR 180 million and EUR 210 million for the 2016 financial year, and EBIT between EUR 2 million and around EUR 4 million.

GROUP STRUCTURE

Phoenix Solar AG Sulzemoos, Germany

Group structure as at 06/30/2016

Subsidiaries

Phoenix Solar S.L., Madrid, Spain	100 %
Phoenix Solar M.E.P.E., Athens, Greece	100 %
Phoenix Solar SAS, Lyon, France	100 %
Phoenix Solar America GmbH, Sulzemoos, Germany	100 %
Phoenix Solar Overseas GmbH, Sulzemoos, Germany	100 %
Phoenix Solar Inc., San Ramon, USA	100 %
Phoenix Solar Pte Ltd, Singapore, Singapore	75 %
Phoenix Solar Sdn Bhd, Kuala Lumpur, Malaysia	75 %
Phoenix Solar Philippines Inc., Manila, Philippines	75 %
Phoenix Solar L.L.C., Muscat, Oman	70 %
Phoenix Solar Fonds Verwaltung GmbH, Sulzemoos, Germany	100 %

Other holdings

11 special purpose entities (see Notes A.)	100 %
Phoenix SonnenFonds GmbH & Co. KG B1 Sulzemoos, Germany	31,2 %

Financial Figures

Revenues and results		01/01/2016 – 06/30/2016	01/01/2016 – 06/30/2015	Change
Shipments	MWp	63	34	85.3 %
Revenues	k€	53,304	39,761	34.1 %
EBIT	k€	– 2,402	– 4,580	47.6 %
– In % of revenues (EBIT margin)	%	– 4.5	– 11.5	60.9 %
Consolidated net income for the period	k€	– 4,615	– 6,606	30.1 %
Net orders on hand[1]	k€	182,404	102,700	77.6 %
Orders on hand[1]	k€	293,308	142,752	105.5 %
Balance sheet[1]		**06/30/2016**	**12/31/2015**	
Total assets	k€	61,934	53,444	15.9 %
Equity	k€	– 12,366	– 7,553	63.7 %
Equity ratio	%	– 20.0	– 14.1	– 5.9 PP
Return on equity	%	– 37.3	– 74.5	+ 37.2 PP
Employees[1]				
Employees[2]	Heads	114	87	31.0 %
Employees[3]	FTE	96	85	12.9 %
Revenues per capita[3]	k€	555	468	18.7 %
Phoenix SonnenAktie®[1]				
No-par bearer shares	Units	7,372,700	7,372,700	
Closing price	€	3.30	4.30	– 23.2 %
Market capitalisation	k€	24,330	31,695	– 23.2 %
Earnings per share				
– Basic	€	– 0.62	– 0.85	27.4 %
– Diluted	€	– 0.62	– 0.85	27.4 %

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

DEAR SHAREHOLDERS,

In my address to the Annual General Meeting, I pointed out that the year 2016 will be dedicated to strengthening the company's foundation to enable sustainable, profitable growth. Looking at the first six months, we have made solid progress. Sales and operations were on track during the second quarter of our 2016 financial year. In terms of revenues, we recorded the strongest quarter ever in our project business since it became the core of our business model. Regarding earnings, we broke even in Q2 on the EBIT level and compared with H1/2015, cut the operating losses in half for the first six months. Of course, there is always room for further improvement, and that remains the mission of our management team.

"Excellence in Global Solar PV Solutions": With recent project wins like the prestigious one at Fort Hood in Texas, our first in that growing solar state of Texas and the first for the US military, we underscored demand for our services as a leading, quality EPC player, that delivers reliable utility-scale systems on-time and on-budget. The reputation we have been building in our core markets in recent years is a major asset, on which we can capitalize in our continuing effort to grow profitably.

We are making steady progress on several key initiatives, placing strong emphasis on improving our operating (gross) margin on the systems we design and build. We have introduced global standards in our group to ensure efficiency, cost effectiveness and the regular exchange of best practice. One major milestone in the second quarter was our first Global Management Team meeting, which served to bring our key leadership together from around the world to further develop and ensure reliable execution of our core strategy: a strong focus on the acquisition of profitable projects, delivering and building quality systems around the world to drive owner and investor satisfaction.

Among the most important initiatives is the effort on our purchasing strategy: we now have a very experienced Global Supply Chain team in place, both at headquarters and in our three large regions (US, Middle East and Asia Pacific). We are consolidating orders with quality, Tier 1 equipment suppliers to take advantage of volume discounts. In parallel, we are optimizing the overall system price (equipment, materials, labor, etc.) to consistently produce competitive and profitable bids in our operations worldwide. This is the engine that will continue to drive our profitability.

At the end of our restructuring phase in late 2014, we started with a very low personnel base. We now must invest in our people to drive growth long-term. Our global team has grown this year by some 25 per cent - in line with the increase in revenues. We aim to hire only experienced solar industry professionals, who bring a proven track record and network and who can "hit the ground running" for immediate benefit to the company. Nonetheless, to remain lean, we are adding fixed costs only where absolutely necessary and ensure that non-essential functions are on a variable basis only.

Steadily improving margins and sales growth confirm that Phoenix Solar is on track. Our differentiation strategy – quality systems, on-time and on-budget, delivering on our promises to customers – means that our reputation as a reliable EPC partner continues to grow steadily and that we are indeed delivering recognized value to our customers globally. Finally, the solar markets are dynamic, and we are continuously assessing new markets and opportunities in our core markets – the US, Middle East and Asia Pacific – to drive further 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 2016 CHRONICLE

April: Ground-breaking ceremony for Invenergy project in Nevada. The order for this 65 MWp nominal output photovoltaic power plant was signed in December 2015 and announced in February 2016.

April: Our Philippine subsidiary founded in September 2015 starts preliminary work on its second project. The focus is currently on commercial & industrial (C&I) rooftop systems in the lower single-digit MWp range – we regard the Philippines as an interesting growth market, and are evaluating opportunities to also win orders for ground-mounted systems there.

May: We report on a strategically important new project in Turkey. Together with our partner Asunim we receive the order for the first government-licensed photovoltaic power plant in Turkey. The 10.2 MWp nominal output power plant is being constructed in Elaziğ in Eastern Turkey for a major Turkish corporate group and in collaboration with the European Development Bank.

May: Preparations were made at the Phoenix Solar Group's first worldwide management meeting after the restructuring to further advance sustainable and profitable growth. Key topics included establishing standard structures and processes groupwide, especially for purchasing and preparing offers, as well as the launch of new systems.

June: The 18th Ordinary AGM of Phoenix Solar AG was held on June 1 in Fürstenfeldbruck near Munich. The Management Board reported on strong growth in 2015 and further plans. All motions were accepted with large majorities. Extensive documentation can be found on our website.

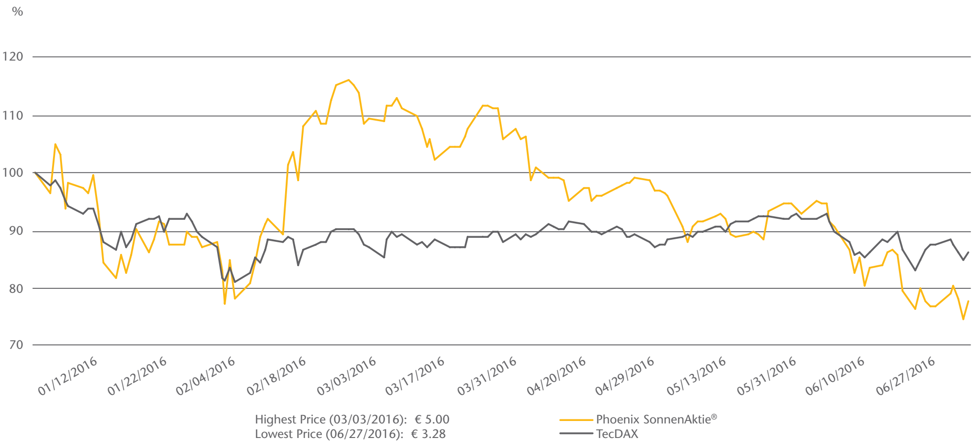
July: Phoenix Solar reports the acquisition of an exciting project in the USA. On behalf of project developer and operator APEX, we are taking responsibility for the turnkey construction of a photovoltaic power plant with 19.2 MWp of nominal output. This forms part of the hybrid project, a combination of wind and solar, where the electricity generated is to be utilized by U.S. Army facilities in Fort Hood, Texas.

July: On April 26, 2016, Phoenix Solar concluded an agreement with Danish investment firm Obton. Obton is to acquire all shares in our Bâtisolaire 3 power plant accordingly. This agreement was still subject to suspensive conditions that were met at the end of July. The proceeds are to be used mainly to repay debt.

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/ – 06/30/2016)



Key Figures

		Jan-Dec 2015	Jan-Mar 2016	Jan-Jun 2016	Jan-Jun 2015
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	100
Market capitalisation[1]	€	31,695,237	15,762,833	24,329,910	25,362,088
Closing price (XETRA)	€	4.30	4.81	3.30	3.44
Highest price	€	5.84	5.00	5.00	4.17
Loweset price	€	1.63	3.33	3.28	1.63
Trading volume (XETRA)[4]	Units	11,767,966	3,059,891	4,401,303	4,614,673
	€	43,365,218	13,095,224	18,442,023	14,857,383
Earnings per share[4]	€	– 0.71[2]	– 0.46[2]	–0.62[2]	– 0.85[2]
	€	– 0.71[3]	– 0.46[3]	– 0.62[3]	– 0.85[3]
Price target[5]		2.80	2.80	4.50	2.40
Recommendation		neutral	neutral	hold	hold

[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
[5] Oddo Seydler Research as of 05/07/2015, 11/05/2015, 04/11/2016

HIGH-GROWTH PROJECT BUSINESS

As a globally operating photovoltaic system integrator, Phoenix Solar plans, builds and operates large photovoltaic power plants. On a smaller scale, the company used to be a specialized wholesaler of complete solar power systems, solar modules and accessories. The wholesale business that is included within this area is nevertheless in decline on all markets.

This allocation is reported in the two segments of Power Plants and Components & Systems (C&S). Along with the trading business in the narrower sense of the term, the Components & Systems segment also includes projects where accounting standards treat the provision of modules and balance-of-system components as trading transactions due to the early transfer of encumbrances to subcontractors or customers. This is predominantly the case in the Asia/Pacific region.

In the markedly stronger Power Plants segment, we render the requisite planning services and construct turnkey photovoltaic plants (EPC, which stands for Engineering, Procurement and Construction). Our business occurs exclusively in the markets for commercial and industrial rooftop (C&I) and utility-scale ground-mounted systems. We always prioritize detailed execution planning oriented to high plant profitability and the agreement of defined step payments by clients depending on progress of construction. We frequently also assume subsequent responsibility for plant operation and maintenance (O&M).

In such service offers, we can highlight 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 the excellent quality of our services. Along with a high level of technical expertise combined with a precise understanding of value for the customer, from the Group's perspective intensive global sales activity is particularly decisive for its business success and profitability. To further improve efficiency and quality, respective processes – also after their realignment since the management team meeting in May – are constantly reviewed, improved and oriented consistently to implementing our offering pipeline in highly profitable new business.

MARKETS CONTINUE TO GROW, PRICES DECLINE

Photovoltaics is, and remains, a means of generating energy that enjoys great future potential. In the medium and long term, the goals of climate protection and the transformation of the global energy system can be achieved only with a high share 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 2015 financial year.

The positive development trends that we expected at the start of the year and outlined in our annual report remain largely intact. Already when we published our first quarter announcement, we noted, however, that especially the extension of tax reliefs for investments in renewable energies (ITC) in the USA – a very pleasing development for the medium term in our most important sales region – has resulted in a temporary decline in demand and construction activity there. The reason for this is that until this extension, project developers and operators exerted great pressure to start generating as much income as possible during 2015 and 2016. Some of this pressure has waned since the ITC was extended for several years. This also had a tangible impact for us insofar as some projects have been approved and started later than originally planned. Our customers' strategic approach – in other words, to distribute construction projects more evenly over the next years – will nevertheless devolve entirely to our advantage.

This effect has prompted some analysts to downgrade their growth prospects for the USA in 2016. The now imputed growth of almost 40 percent and a target of more than 11 GWp of new photovoltaic capacity is nevertheless also more than sufficient to successfully expand our business in the USA.

The fact that demand is growing fast, but not as fast as expected, is also affecting a large market in which we do not operate: China. The combination of both trends is becoming evident on the other side of the supply chain, however. Prices are falling. This is also the case due to the fact that Chinese producers, in order to circumvent protective tariffs in Europe and the USA, have expanded their capacities in Southeast Asia, resulting in higher supply.

Lower cost prices are improving the profitability of solar power plants for investors. We are prepared for this trend with our plan of reducing operating costs per MWp year by year by six to eight percent, and we are working continuously on improving our competitiveness. We set up a central purchasing function for this purpose in the second quarter of the financial year, as announced, and we are now implementing the new processes required for this function in our purchasing groupwide.

EVENTS AFTER REPORTING DATE

The measures of the Erdoğan government in Turkey following the attempted coup in early July have, for the time being, not had a negative effect on our operating activities there, and on the work of our new regional branch office that we established in January. We are monitoring the situation closely, and currently assume that we can also continue our projects in the country and the region as planned under the current conditions.

The agreement signed in April, 2016, to sell our Bâtisolaire 3 power plant in France to the Danish investment firm Obton became effective at the end of July after the still pending conditions precedent had been met. The proceeds are to be used mainly to repay debt.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period from 01/01 to 06/30/2016

in k€	**Q2/2016**	**Q1/2016**	**Q4/2015**	**Q3/2015**	**Q2/2015**	**Q1/2015**	**Q4/2014**	**Q3/2014**
Revenues	43,377	9,927	37,205	42,442	34,814	4,947	14,244	7,470
Cost of materials	39,618	9,250	33,725	38,711	32,933	4,056	13,611	5,868
Gross profit	**3,759**	**677**	**3,480**	**3,731**	**1,881**	**891**	**633**	**1,602**
Other operating income	734	1,118	2,405	1,281	796	865	5,655	1,944
Personnel expenses	1,941	1,836	1,410	1,552	2,356	2,331	1,869	2,846
Depreciation and amortisation	311	331	337	347	328	354	426	387
Other operating expenses	2,183	2,099	2,204	2,070	1,978	1,666	2,946	2,672
Operating result	11	0	– 10	34	0	0	0	31
EBIT	**69**	**– 2,471**	**1,924**	**1,077**	**– 1,985**	**– 2,595**	**1,047**	**– 2,328**
Financial income	– 1,096	– 1,027	– 1,213	– 1,125	– 1,085	– 945	– 1,228	– 1,333
Income taxes	43	46	– 412	99	11	– 14	– 271	319
Consolidiated net income for the period	**– 1,070**	**– 3,545**	**1,123**	**– 147**	**– 3,081**	**– 3,526**	**90**	**– 3,980**
– of which due to majority shareholders	– 926	– 3,655	1,129	– 68	– 2,862	– 3,423	147	– 3,948
Overall performance	**– 1,024**	**– 4,196**	**1,208**	**136**	**– 4,091**	**– 2,878**	**325**	**– 3,443**
Earnings per share	**– 0.13**	**– 0.50**	**0.15**	**– 0.01**	**– 0.39**	**– 0.46**	**0.02**	**– 0.54**

FINANCIAL POSITION AND PERFORMANCE

OVERVIEW

Phoenix Solar AG continued on its growth path during the first half of the 2016 financial year. Sales revenue was up by 34.1 percent compared with the first six months of the 2015 financial year, while the operating loss (EBIT) was almost halved. At the end of the first quarter, we announced that we anticipate marked growth rates for the subsequent quarters. In fact, growth during the first half derives largely from the second quarter. With EUR 43.4 million of revenue, it was the strongest quarter of our project business to date since concluding the realignment to the current Group strategy with its focus on international growth regions.

As reported, significantly fewer new orders were acquired in the first quarter than expected. This was mainly due to the lower level of pressure to invest in the USA, after the tax relief for photovoltaic power plants (ITC) there was extended at the end of 2015. In the second quarter of 2016, construction activity recovered again groupwide, and our sales function achieved new order intake totaling EUR 38.6 million. The free order book position fell slightly, as expected – more information is presented on page 1.

Depending on customers' construction approvals, we now anticipate further revenue growth for the third and fourth quarters, and improvement in earnings before interest and tax (EBIT).

REVENUE ANALYSIS

The Components & Systems segment contributed just kEUR 1,159 million to consolidated sales revenue in the first half of 2016. The marked decline compared with the first six months of 2015 to less than one half is especially attributable to weaker sales revenues in France and Singapore in this area.

In the first half of the year, this segment's share of consolidated revenue shrank to 2.2 percent. Given this downtrend and also the strategically subordinate role that it plays currently and in the future, at the end of 2016 we will examine whether and to what extent segment reporting will be continued in its current form.

The Power Plants segment, by contrast, comprises our main business area, and achieved kEUR 52,145 of sales revenues during the course of the first half of 2016 (H1/2015: kEUR 36,833). As a consequence, 97.8 percent of consolidated sales revenue is attributable to this segment (H1/2015: 92.6 percent). This positive trend is due particularly to projects that are now underway in almost all regions (USA, Middle East, Southeast Asia).

Please refer to page 1 of this report for information about trends in our four sales regions.

AMENDMENTS TO FINANCIAL ACCOUNTING

We are committed to the most transparent possible reporting. Where suitable, such reporting is based on internal management systems. In the current year, even more efficient structures and processes are being, and have been, launched in this context, which also require modifications to our financial accounting. In particular, we have recently been enabled to precisely allocate all personnel costs that are caused directly by operative processing of construction projects to the respective projects. As a consequence, the operating components of personnel costs now appear in cost of materials.

Internally, this allows the economic efficiency of the operating business to be assessed more precisely, and to be improved. Externally, a more precise presentation arises of the performance of the Phoenix Solar Group across different areas. This will make the gross profit margin (sales revenue less cost of materials, expressed as a percentage of sales revenue) easier to compare in a sector context in the future. Temporarily, however, it makes it somewhat more difficult to make a historical comparison of our quarters.

GROSS PROFIT MARGIN IMPROVES

Although the cost of materials was relatively higher compared with a continuation of the practice to date due to the project-related allocation of personnel costs of around EUR 1.7 million, the gross profit margin improved.

Gross profit margin in %

H1/2016	H1/2015	Q2/2016	Q2/2015
8.3 %	7.0 %	8.7 %	5.4 %

This positive trend is due, firstly, to the fact that a prestige project in the USA was processed in the first half of 2015 for which we accepted lower margins for strategic considerations. Secondly, however, it is also becoming evident that our efficiency-enhancing measures are bearing fruit.

Other operating income: As usual, other operating income includes mainly the income from electricity sales. Both in the quarter and in the half-year, these did not differ significantly from the previous year's income, and was recorded within the range of expectations. Other operating income from electricity sales will be lower in the future following the disposal of the Bâtisolaire photovoltaic power plant.

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, 2016, Phoenix Solar employed a total of 114 members of staff at Group level (June 30, 2015: 87) (excluding the Executive Board, but including temporary help staff). As a consequence, more staff were employed than in the previous quarter for the first time since the restructuring started.

Personnel expenses nevertheless fell 17.6 percent during the first quarter of 2016 to EUR 1.9 million, compared with EUR 2.4 million in the second quarter of 2015. This is mainly due to the allocation of project-related activities to the cost of materials in the amount of EUR 1.1 million.

The personnel expense ratio (personnel costs as a percentage of sales revenues) reduced from 6.8 percent in the second quarter of 2016 to 4.5 percent in the quarter under review. Between January and June 2016, the personnel expense ratio amounted to 7.1 percent (H1/2015: 11.5 percent).

Amortization, depreciation and impairment losses: Amortization and depreciation reported no significant change in the April to June 2016 period. The same applies for the first six months of the year. Depreciation and amortization will also be lower in the future following the disposal of the Bâtisolaire photovoltaic power plant.

Other operating expenses: Other operating expenses were up by EUR 0.6 million to EUR 4.3 million compared with the first half of 2015. Of the increase, EUR 0.2 million was attributable to the second quarter. Overall, this is due mainly to higher legal and consulting costs. These were incurred partly in connection with the extension of Group financing, the company's strategic further development, and due to the fact that external parties implemented some of the projects to boost efficiency and realign our global structures and processes.

OPERATING BREAKEVEN IN Q2

As a consequence, the result before interest and tax (EBIT) improved further. Thanks to the operating breakeven in the second quarter, we halved the operating loss in the first half of the year. The EBIT margin improved to an even greater extent: after -11.5 percent during the first six months of 2015 it now amounts to just -4.5 percent.

Financial result: Borrowing costs decreased further, as planned. The fact that the net financial result was nevertheless slightly weaker is attributable to a positive one-off effect in the second quarter of 2015.

Tax rate: The tax rate amounted to 2.0 percent in the first half of the year. A lower level of (deferred) tax income was generated in the first half of 2015.

Consolidated net result: A consolidated net result of EUR -0.9 million that is attributable to shareholders of the parent company was incurred in the second quarter of 2016 (Q2/2015: EUR -2.9 million). Calculated on an average number of 7,372,700 shares, the basic result per share stood at EUR -0.13 (Q2/2015: EUR -0.39).

The result attributable to parent company shareholders in the January to June 2016 period amounted to EUR -4.6 million, almost EUR 2.0 million, or 30.1 percent, above the level for the first half of 2015 (H1/2015: EUR -6.3 million). Consequently, undiluted earnings per share of EUR -0.62 had also improved over the prior-year period (H1/2015: EUR -0.85). No significant dilutive effects occurred in either of the first two quarters of 2016.

GROUP EQUITY STILL NEGATIVE

Mainly due to the consolidated net loss before non-controlling interests of EUR 4.6 million and due to the past years' loss-making situation, consolidated equity reduced further to EUR -12.4 million (December 31, 2015: EUR -7.6 million). The consolidated equity ratio amounts to -20.0 percent as of June 30, 2016 accordingly (December 31, 2015: -14.1 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 STRENGTHENED

Solely the equity transferred from 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 9.9 million as of June 30, 2016, equivalent to a 17.1 percent equity ratio (December 31, 2015: EUR 6.6 million, equivalent to a 12.3 percent equity ratio). This increase by EUR 3,3 million is mainly attributable to the realization of undisclosed reserves in the course in the course of a corporate law measure within the Group.

BALANCE SHEET REFLECTS BUSINESS GROWTH

The total assets of the Phoenix Solar Group of EUR 61.9 million as of June 30, 2016 were 15.9 percent higher than as of December 31, 2015. This increase is largely due to the further growth in the operating business. Current operating assets (prepayments rendered plus receivables from long-term construction contracts plus trade receivables) were EUR 12.1

million, or 81.2 percent, higher than at the end of 2015. Current operating liabilities (liabilities from long-term construction contracts plus trade payables) were EUR 14.5 million, or 79.9 percent, higher.

Non-current liabilities and provisions (almost exclusively financial debt) reduced by EUR 1.4 million to EUR 38.3 million (December 31, 2015: EUR 39.7 million) – mainly due to repayments and a lower level of credit line utilization.

On June 30, 2016, the Group had EUR 9.4 million of cash at its disposal, almost twice as much as on December 31, 2015.

CASH FLOW REMAINS STRONG

Our operating business continues to generate strong cash flows. The cash inflow from operating activities amounted to EUR 6.1 million during the first six months of 2016 (H1/2015: cash outflow of EUR 3.6 million). Along with the better consolidated result, this reflects the faster increase in operating liabilities, among other factors.

This is offset by EUR 1.5 million of financial debt repayment. Our business model does not require any extensive investments. For this reason, the cash outflow from investing activities remains at a low level.

Overall, cash and cash equivalents increased by EUR 4.5 million during the course of the first half of 2016.

TWO SPECIFIC RISKS ADJUSTED

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 2015 financial year.

As part of our risk management system, three specific risks continue to be categorized as "significant": namely, the risk attached to Group financing, the risk from the sales and from project business abroad, and the risk entailed in the erosion of half of the parent company's equity. The expected risk level for Group financing continues to be gauged as moderate after the extension of the Group financing facility until September 30, 2018.

The assessment of two specific risks has changed since the annual report was prepared.

1 Our business in Turkey has performed very well since the end of 2015. Several projects are under construction and the sales pipeline is very promising. The present political development in the country with the imposition of a state of emergency and an overall situation of ongoing uncertainty might result in delays to our business development and growth there. For this reason, in the case of the risk from "political and regulatory influencing factors", we have raised the effect from "low" to "moderate" and also the event risk from "low" to "moderate".
2 Measures relating to the legal structure of the Group have enabled further hidden reserves to be uncovered at the parent company. This strengthens the equity of Phoenix Solar AG by EUR 7.2 million. Further measures, such as processing some projects of either parent company, will also support the further development and growth of its equity. For this reason, the event probability relating to the risk "erosion of half of the parent company's equity" has been reduced from "moderate" to "low".

In the estimation of the Executive Board and to the best of our current knowledge, the risks to which we are thereby exposed are manageable. The Phoenix Solar Group was not jeopardized by any going concern risk as of the date when this report was prepared.

GUIDANCE CONFIRMED

As already as of March 31, 2016, the free order book position remains at a high level as of June 30, 2016. Demand in our core markets remains high.

Consequently, we continue to assume that we will be able to continue our significant growth in the 2016 financial year. This would correspond to consolidated sales revenue between EUR 180 million and EUR 210 million (2015: EUR 112.4 million). This estimate is based on updated planning from the subsidiaries, which the Executive Board examines at frequent intervals in its management reviews. We continue to assume that we can generate earnings before interest and taxes (EBIT) of between EUR 2 million and around EUR 4 million (2015: EUR -1.6 million).

Sulzemoos, August 4, 2016

Tim P. Ryan
Chief Executive Officer

Manfred Hochleitner
Chief Financial Officer

Dr. Murray Cameron
Executive Board member

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LATEST MARKET NEWS

GLOBAL INVESTMENTS IN RENEWABLES

In their analysis of investment volumes in renewable energies, Bloomberg New Energy Finance (BNEF) disclosed revised market figures for 2015 on July 14, 2016, reporting that new investment in 2015 was $ 348.5 bn, nearly $ 20 bn above the previous estimate of $ 328.9 bn published in January and up 11 percent over 2014 and 30 percent over 2013. 2016, on the other hand, will fall short of these record volumes, mainly due to a rather sluggish development in Japan and China as well as to lower module prices. According to BNEF, global investment in the first half of this year was $ 116.4 bn, some 23 percent lower than in the opening six months of 2015.

US SOLAR MARKET

Deutsche Bank renewables analyst Vishal Shah sees significant growth in the US solar market in spite of a temporary slowdown in 2016.

He issued a note on July 18, 2016, explaining: "Although we expect the US utility-scale solar market to grow significantly over the next 5 years, we believe the industry is in near-term transition driven by uncertainties with the Clean Power Plan, declining solar module prices and lack of urgency due to the 5-year ITC extension. Texas is poised to become one of the largest and fastest growing utility solar markets."

CONSOLIDATED INCOME STATEMENT

for the period from 01/01/ until 01/30/2016

k€	Notes C.	H1/2016	H1/2015	Q2/2016	Q2/2015
Revenues	(1)	53,304	39,761	43,377	34,814
Cost of materials	(2)	48,868	36,989	39,618	32,933
Gross Margin		4,436	2,772	3,759	1,881
Other operating income		1,852	1,661	734	796
Personnel expenses	(3)	3,777	4,687	1,941	2,356
Depreciation and amortisation		643	682	311	328
Other operating expenses		4,281	3,644	2,183	1,978
Operating result		**– 2,413**	**– 4,580**	**58**	**– 1,985**
Result from associated companies		11	0	11	0
EBIT		**– 2,402**	**– 4,580**	**69**	**– 1,985**
Financial income		28	178	14	101
Financial costs		2,152	2,207	1,110	1,186
Financial result	(4)	**– 2,124**	**– 2,029**	**– 1,096**	**– 1,085**
Consolidiated net income before income taxes (EBT)		**– 4,526**	**– 6,609**	**– 1,027**	**– 3,070**
Income taxes	(5)	89	– 3	43	11
Consolidiated net income for the period		**– 4,615**	**– 6,606**	**– 1,070**	**– 3,081**
– of which due to minority interest		– 53	321	– 144	– 218
– of which due to majority shareholders		– 4,561	– 6,285	– 926	– 2,862
Earnings per share					
Earnings per share (basic) (in €)	(6)	– 0.62	– 0.85	– 0.13	– 0.39
Earnings per share (diluted) (in €)	(6)	– 0.62	– 0.85	– 0.13	– 0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 01/01/ until 01/30/2016

k€	Notes D.	H1/2016	H1/2015	Q2/2016	Q2/2015
Consolidiated net income for the period		**– 4,615**	**– 6,606**	**– 1,070**	**– 3,081**
Transactions associated with minority interests		– 406	– 524	0	– 527
Differences from currency translation		– 201	162	46	– 483
Changes in value recognised directly under equity		**– 607**	**– 362**	**46**	**– 1,010**
Overall performance		**– 5,222**	**– 6,968**	**– 1,024**	**– 4,091**
– of which due to minority interest		– 439	– 845	– 144	– 745
– of which due to majority shareholders		– 4,783	– 6,123	– 880	– 3,346

CONSOLIDATED BALANCE SHEET

ASSETS

k€	Notes C.& D.	06/30/2016	12/31/2015
Non-current assets			
Intangible assets		164	247
Goodwill		298	298
Property, plant and equipment		12,658	13,702
Investments in associates		387	387
Other participating interests		150	150
Non-current receivables		471	467
Deferred tax assets		1,857	1,862
Non-current other financial assets		143	144
Total non-current assets		**16,128**	**17,257**
Current assets			
Inventories	(7)	871	1,952
Prepayments		3,908	4,878
Receivables from long-term constr. contracts	(8)	17,312	6,471
Trade receivables		5,796	9,917
Current other financial assets	(9)	3,010	3,004
Current other non-financial assets	(10)	4,675	4,233
Current income tax assets		868	857
Cash and cash equivalents		9,366	4,875
Total current assets		**45,806**	**36,187**
Total assets		**61,934**	**53,444**

LIABILITIES AND SHAREHOLDERS' EQUITY

k€	Notes D.	06/30/2016	12/31/2015
Equity	(11)		
Subscribed capital		7,373	7,373
Capital reserve		64,582	64,582
Accumulated other equity		– 84,950	– 80,189
Share of majority shareholders in consolidated equity		**– 12,995**	**– 8,234**
Share of minority interest in consolidated equity		628	681
Total equity		**– 12,366**	**– 7,553**
Non-current liabilities and provisions			
Non-current financial liabilities	(13)	37,528	39,059
Non-current provisions		756	660
Deferred tax liabilities		20	4
Total non-current liabilities and provisions		**38,304**	**39,723**
Current liabilities and provisions			
Current financial liabilities	(13)	25	0
Liabilities from long-term construction contracts	(8)	12,062	8,631
Trade payables	(14)	20,556	9,496
Other financial liabilities	(15)	999	1,062
Other non-financial liabilities	(16)	1,740	1,487
Current provisions		556	532
Current income tax liabilities		58	67
Total current liabilities and provisions		**35,996**	**21,274**
Total liabilities and sharholders' equity		**61,934**	**53,444**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 01/01/2015 bis zum 06/30/2016 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, 2015		**7,373**	**64,582**	**– 75,153**	**– 3,199**	**1,615**	**– 1,583**
Payment of Dividends (Minorities)						– 528	– 528
Difference from currency translation				161	161	0	161
Adjustment on Retain earnings				– 3	– 3		– 3
Consolidated net income for the period 2015				– 6,285	– 6,285	– 321	– 6,606
As per June 30, 2015		**7,373**	**64,582**	**– 81,280**	**– 9,326**	**766**	**– 8,559**
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**

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 until June 30, 2016 k€	H1/2016	H1/2015
Consolidated income before income taxes	– 4,525	– 6,609
Depreciation and amortisation	643	682
Other non-cash income (–) and expenses (+) (including result from associated companies)	573	– 194
Profit/loss from disposal of intangible assets and equipments		0
Financial income	– 28	– 178
Financial costs	2,152	2,207
Sub-total	**– 1,185**	**– 4,092**
Increase/decrease in provisions (net of discounting effects and non-cash releases)	– 66	– 335
Increase/decrease in inventories	1,081	33
Increase/decrease in prepayments	970	– 59
Increase/decrease in receivable from long-term construction contracts	– 10,840	– 25,715
Increase/decrease in trade receivables (excl. non-cash transactions)	4,175	1,855
Increase/decrease in assets	– 421	– 2,301
Increase/decrease in liabilities	14,700	29,022
Funds generated by operating activities	**8,414**	**1,592**
Interest paid	– 2,182	– 1,843
Income taxes paid	– 87	– 204
Cash flow from operating activities	**6,145**	**– 3,639**
Proceeds from associated companies	11	0
Purchase of intangible assets and equipment	– 172	– 68
Cashflow from investing activities	**– 161**	**– 68**
Payments in connection with financial liabilities	– 1,523	3,763
Commission for syndicated loan agreement	30	– 228
Interest income	0	178
Cash flow from financing activities	**– 1,493**	**3,713**
Changes in cash and cash equivalents	4,491	6
Net change in cash and cash equivalents	**4,491**	**6**
Cash and cash equivalents at the start of the period	4,875	3,114
Cash and cash equivalents at the end of the period	9,366	3,120
Increase/decrease in cash and cash equivalents	**4,491**	**6**

SELECTED EXPLANATORY NOTES

A GENERAL INFORMATION

As of June 30, 2016, the Phoenix Solar Aktiengesellschaft Group (hereinafter referred to as the "Phoenix Solar Group" or the " Group") consisted of 23 companies (June 30, 2015: 22) with an average of 96 (H1/2015: 85) employees (expressed as full-time jobs, excluding temporary staff and excluding 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. It can pursue its business purpose as a holding company, whether wholly or in part. During the first half of 2016, the by far predominant portion of the Group's operating activities occurred in the North America, Middle East and Asia Pacific regions.

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 2016 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-year report as of June 30, 2016 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, 2015. For this reason, the interim financial statements should be read in conjunction with the published consolidated financial statements as of December 31, 2015.

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, 2016:

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 America GmbH, Sulzemoos, Germany	Full consolidation	100 %
Phoenix Solar Overseas GmbH, Sulzemoos, Germany	Full consolidation	100 %
Phoenix Solar Inc., San Ramon, USA	Full consolidation	100 %
Phoenix Solar Pte Ltd., Singapore, Singapore	Full consolidation	75 %
Phoenix Solar Sdn Bhd, Kuala Lumpur, Malaysia	Full consolidation	75 %
Phoenix Solar Philippines Inc., Manila, Philippines	Full consolidation	75 %
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 %
Bâtisolaire 3 SAS, Carpiquet, France	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 %

No changes have occurred to the scope of consolidation of Phoenix Solar AG since the start of 2016.

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, Group revenues came in kEUR 13,543 higher. This significantly positive trend mainly reflects sales revenues generated from ongoing projects abroad, especially in the USA and the Middle East. The individual segments report the following developments:

- The Components & Systems segment realized revenues of kEUR 1,159 in the first half of 2016, significantly lower than the previous year's first half (H1/2015: kEUR 2,928). This marked fall of more than 100 percent is particularly attributable to weak revenues in France and Singapore in this area.
- As of the end of the first half of 2016, the Power Plants segment exceeded the revenues of the prior-year period by 41.6 percent, thereby making a significant contribution of kEUR 52,145 (H1/2015 36,833 kEUR) to Group revenues (97.8 percent of total revenue) compared with the previous year's level (92.6 percent of total revenue). The positive trend in this segment is especially due to projects that are now running in almost all regions (USA, Middle East, Asia/Pacific).

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 increased year-on-year at a slightly slower rate than the rate of sales revenue growth, rising by kEUR 11,879 to kEUR 48,868 (H1/2015: kEUR 36,989), despite the allocation of project-related personnel expenses to the cost of materials, which has now been implemented for the first time in the year under review.

3 Personnel expenses

Personnel expenses amounted to kEUR 3,777 as at the reporting date (H1/2015: kEUR 4,687). This reduction largely reflects the allocation of project-related personnel expenses at the operating subsidiaries to cost of materials, due to the aforementioned accounting policy change.

Since 1 July 2008, the company has offered all its employees a defined contribution company 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 second quarter of 2016, an amount of around kEUR 1 was expensed (H1/2015: 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 249 and kEUR 20 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, 2015: kEUR

429 and kEUR 4 respectively). In addition, deferred tax assets amounting to kEUR 1,573 (December 31, 2015: kEUR 1,397) were formed for value-retaining foreign tax loss carry forward; deferred tax assets in relation to tax losses amounting to kEUR 148,281 (December 31, 2015: kEUR 147,771) were not recognized for the time being. As of the reporting date, no deferred taxes were presented on a net basis (December 31, 2015: kEUR 0). Following consolidation measures, deferred tax assets totaling kEUR 1,857 (December 31, 2015: kEUR 1,862) and deferred tax liabilities totaling kEUR 20 (December 31, 2015: kEUR 4) 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	06/30/2016	06/30/2015
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 2016 report a marked decline compared with December 31, 2015.

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 the reporting date, gross receivables for long-term construction contracts amounted to kEUR 17,312 (December 31, 2015: kEUR 6,471). The receivables relate mainly to projects from the USA, and from the Middle East and Asia-Pacific regions. In the period from 1 January to June 30, 2016, contract revenues totaling kEUR 51,891 (H1/2015: kEUR 35,901), cumulative contract costs for the construction contracts that are still running as of the reporting date of kEUR 48,154 (H1/2015: kEUR 36,367) and accumulated reported gains of kEUR 4,476 (H1/2015: kEUR 2,275) were recognized. No income from foreign currency effects was included in the result in the period under review (H1/2015: kEUR 0). In addition, payables from long-term construction contracts were reported in an amount of kEUR 12,062 (December 31, 2015: kEUR 8,631).

Advance payments on the contracts of kEUR 69,338 (December 31, 2015: kEUR 106,786) were received and a further kEUR 12,812 (December 31, 2015: kEUR 2,552) were requested.

The Group order book position reduced to reflect realized revenue as of June 30, 2016 amounted to EUR 182.4 million (H1/2015: EUR 102.7 million).

9 Other financial assets

The other current financial assets are distributed mainly among the following items: prepayments and accrued income.

10 Other non-financial assets

Other non-financial assets of kEUR 4,674 (December 31, 2015: kEUR 4,233) comprise chiefly sales tax receivables totaling kEUR 2,360 (December 31, 2015: kEUR 2,442) 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, 2016, the share capital was unchanged at kEUR 7,372.7, divided into 7,372,700 (December 31, 2015: 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 2016, and is as follows:

k€	
Balance at 01/01/2016	– 80,189
Currency difference	– 200
Consolidated net loss for H1 2016	– 4,561
Balance at 06/30/2016	– 84,950

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:

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

The Group equity ratio stood at -20.0 percent as of June 30, 2016 as a result of the loss-incurring situation over the past years December 31, 2015: -14.1 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 transferred from 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 9.9 million as of June 30, 2016, equivalent to a 17.1 percent equity ratio (December 31, 2015: EUR 6.6 million, equivalent to a 12.3 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 101.0 million (December 31, 2015: EUR 116 million), and consists of a syndicated loan of almost EUR 85.4 million (December 31, 2015: almost EUR 93 million), as well as other bilateral cash and guarantee credit lines. The scope of financing amounted to EUR 99.8 million as of the end of the first half of 2016 (December 31, 2015: EUR 106,7 million). The EUR 1.2 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 established a Stock Option Plan on 10 September 2007 ("Stock Option Plan 2006"; "SOP 2006" as an abbreviation for "Stock Option Plan 2006"), under which a total of 340,350 stock options of Phoenix Solar AG were granted in five tranches to members of the Executive Board, members of the management of the Group companies and other key personnel. As of the reporting date, 286,850 (of which 2016:0), and in previous years 25,000, had expired due to the individuals concerned having left the company or had been exercised. As a consequence, an unchanged number compared with December 31, 2015, of 35,500 options continue to exist, where the beneficiaries will be entitled to exercise these stock options only if their employment relationship with the parent company or another Group company has not been terminated by either party as of the intended time when the stock options are exercised. The stock option plan program was discontinued by way of resolution by the Annual General Meeting of Shareholders in the 2011 financial year.

Other transactions with the Group's related parties correspond to those described in the 2015 annual report.

13 Financial liabilities

Financial liabilities by maturity are as follows:

k€ Per 06/302016	Carrying amount fair value*	Residual term up to 1 year	Residual term 1 to 5 years
Financial liabilities	37,553	25	37,528
Per 12/31/2015			
Financial liabilities	39,059	0	39,059

Owing to the contractual amendment signed in March 2016 concerning an extension of the existing loan agreement, and the now amended final due date of September 30, 2018, the bank borrowings are also reported as non-current as of June 30, 2016 and December 31, 2015.

The non-current financial liabilities continue to be secured as part of a global assignment of receivables and inventories 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. 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 two interest rate caps in a nominal amount of kEUR 16,250 and kEUR 2,500 respectively (December 31, 2015: interest-rate caps of kEUR 18,750) with negative fair values of kEUR 59 and kEUR 3 respectively (December 31, 2015: negative fair value of kEUR 56 for interest-rate caps). In addition, forward exchange contracts existed as of the reporting date in the form of currency swaps in a nominal amount of kEUR 7,270 (December 31, 2015: kEUR 4,397) with a positive fair value of kEUR 60 as of the reporting date (December 31, 2015: negative fair value of kEUR 5)

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 2,000 (December 31, 2015: kEUR 3,313). Of this aggregate amount, the sum of kEUR 687 (December 31, 2015: kEUR 741) is due within one year, kEUR 1,056 (December 31, 2015: kEUR 1,870) has a remaining term of between one and five years, and kEUR 256 (December 31, 2015: kEUR 702) has a remaining term of more than five years.

E SEGMENT REPORT

The Group Executive Board is the governing body responsible for making decisions about the allocation of resources to the Phoenix Solar Group operating segments, and for assessing their performance. In accordance with the principles of the management approach, the Group Executive Board's Management Information System (MIS) forms the basis for identifying the relevant operating segments. The MIS is based on the recognition and measurement regulations of the IASB, both originally and with regard to the data of the operating performance parameters in each operating segment. The relevant managerial indicators for each operating segment include revenues, as well as earnings before interest, profit or loss from associated companies, and income taxes (segment profit or loss).

The Group is managed through the two operating segments of Power Plants and Components & Systems. The principal activities are sub-divided as follows:

- Power Plants: planning, distribution, construction, and until October 31, 2014 also operation and maintenance of photovoltaic plants (operation and maintenance/O&M)
- Components & Systems: distribution of merchandise

Operating profit or loss is segmented on the basis of cost accounting reports. The revenues of the Power Plants segment are generated for the larger part with project-related work, with the result that they also include corresponding profits recognized pro rata as of the reporting date.

The split of the other metrics to be segmented by principal activities is conducted in relation to the Power Plants and Components & Systems segments by applying an allocation key that is generally derived on a uniform basis from revenues or total operating revenue. Whenever a cost allocation based on the specific cost of goods sold is required, a key is applied on the basis of the materials used and the work performed.

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

for the period from January 1 to June 30, 2016 in accordance with IFRS k€	Power Plants	Components & Systems	Group
Segment income statement			
External revenues	52,145	1,159	53,304
Revenues between the segments			
Segment revenues	**52,145**	**1,159**	**53,304**
Segment profit or loss			
Income from associated companies	11		11
EBIT	– 1,857	– 545	– 2,402
Financial result			– 2,124
Consolidated profit/loss before taxes			– 4,526
Income from taxes on income			89
Consolidated net profit/loss			**– 4,615**
– of which attributable to non-controlling interests			– 53
– of which attributable to majority shareholders			– 4,561
Other Information			
Capital expenditures	168	4	172
Depreciation and amortisation	617	26	643
Non-cash expenses	661	16	677
Non-cash income	103	1	104
Assets			
Segment assets	54,475	1,211	55,686
Investments in associates	387	0	387
Unallocated assets			5,861
Consolidated assets	**54,862**	**1,211**	**61,934**

for the period from January 1 to June 30, 2015 in accordance with IFRS k€	Power Plants	Components & Systems	Group
Segment income statement			
External revenues	36,833	2,928	39,761
Revenues between the segments			
Segment revenues	**36,833**	**2,928**	**39,761**
Segment profit or loss			
Income from associated companies			
EBIT	– 3,236	– 1,343	– 4,580
Financial result			– 2,029
Consolidated profit/loss before taxes			– 6,609
Income tax expense			– 3
Consolidated net profit/loss			**– 6,606**
– of which attributable to non-controlling interests			321
– of which attributable to majority shareholders			– 6,285
Other Information			
Capital expenditures	63	5	68
Depreciation and amortisation	538	144	682
Non-cash expenses	866	54	920
Non-cash income	1,041	73	1,114
Assets (12/31/2015)			
Segment assets	44,572	2,339	46,911
Investments in associates	387	0	387
Unallocated assets			6,146
Consolidated assets	**44,959**	**2,339**	**53,444**

FINANCIAL CALENDAR

November 10, 2016
Quarterly announcement as of September 30, 2016

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

This financial report is also available in German. Both versions can be downloaded from the Internet.

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

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The Group's revenues were divided among the following regions:

	01/01/2016 – 06/30/2016	01/01/2015 – 06/30/2015
USA	42,586	32,996
Asia/Pacific	3,355	3,563
Middle East	7,123	0
Europe	240	3,202
Total	**53,304**	**39,761**

Non-current assets were divided among the regions as follows:

	06/30/2016	12/31/2015
Germany	1,074	1,195
EU excluding Germany	11,806	12,238
USA	1,035	932
Asia/Pacific	42	714
Unallocated	2,171	2,176
Total	**16,128**	**17,255**

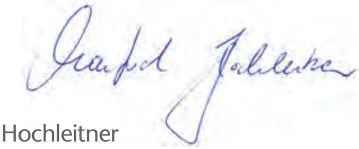
RESPONSIBILITY STATEMENT

To the best of our knowledge, we hereby affirm that, pursuant to the generally accepted accounting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, financial position and results of operations of the Phoenix Group, and that the interim management report gives a true and fair reflection of the development of the Phoenix Group's business, including its performance and situation, as well as describing the material opportunities and risks inherent in the prospective development of the Group during the remainder of the fiscal year.

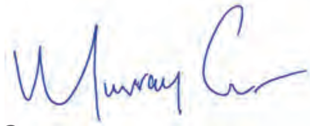
Sulzemoos, August 4, 2016

Phoenix Solar Aktiengesellschaft
The Executive Board

Tim P. Ryan
Lucerne / Switzerland
(Chief Executive Officer)



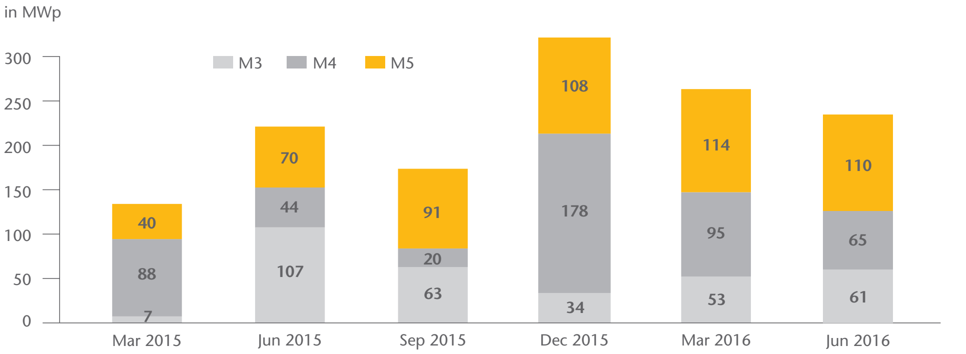
Manfred Hochleitner
Munich (Chief Financial Officer)



Dr. Murray Cameron
Garching (Executive Board member)

COMPLETION OF SEVERAL PROJECTS REDUCES PIPELINE – GROWTH IN THE OFFER PHASE

Weighted project and sales pipeline from March 2015 to June 2016



In our weighted project pipeline, we report all projects that are relevant to our sales and operations at the value of the MWp that we are to construct. Between initial contact and our customers' commissioning of their completed plants, this method registers our activities' lifecycles and assigns success probabilities to them. Such probabilities only reach 100 percent in the M5 phase (project under construction). Obstacles can still occur at the M4 phase (contract signed). For this reason, the management also reappraises existing contracts where required, such as when no construction permit has been issued. M3 includes cases where we have been shortlisted for business. The total volume of the weighted project pipeline (M3 – M5) was down from 262 MWp to 235 MWp in the second quarter. After concluding further projects and subsequently commencing construction of additional plants, primarily the scope of contractually secured projects that are still awaiting go-ahead dropped from 95 MWp to 65 MWp. Business transactions that have been initiated and that promise success probabilities of between 30 and 70 percent are in the advanced offer phase (M3) as of June 30, 2016. The growth to 61 MWp derives largely from our USA and Middle East regions.