Press Information

Phoenix Solar Presents Growth and a Return to Operating Profit for the Financial Year 2016

- *Consolidated 2016 revenues increase 17%*
- *Positive EBIT result for the first time in several years*
- *Excellent gross margin driven by supply chain efforts, despite market price declines*
- *Further strong revenue and earnings growth expected for 2017*

Sulzemoos, Germany, March 31st, 2017 / Phoenix Solar AG (ISIN DE000A0BVU93), a leading international photovoltaic system integrator listed on the official market (Prime Standard) of the Frankfurt Stock Exchange, will issue its 2016 Annual Report today, attested by the independent auditor and adopted by the company's Supervisory Board.

Revenues and Shipments

In the financial year 2016, Phoenix Solar AG generated consolidated revenues of €139.2 million (2015: €119.4 million) an increase of 16.6%. Total solar PV systems installations rose to 153.7 MWp (2015: 98.7 MWp)

Global Regions

The **USA** continued to be the Company's strongest sales region in the 2016 financial year. Here we achieved sales revenues of €108.7 million, an increase of €10.7 million, or 11.0% (2015: €98.0 million). Sales growth would have been significantly higher had it not been for an eight month construction delay on one of our large-scale projects. The business in the USA generated a gross profit margin of 12.7% (2015: 7.5%), driven by a concerted effort to upgrade our supply chain team and related activities. The operating EBIT contribution from the US Region (segment result) amounted to €4.6 million (2015: €2.2 million), a major improvement in profitability in the Company's core market. Supply chain, cost controls and pricing discipline all contributed to this result. The consolidated, weighted project sales pipeline for the US as of December 31st, 2016, was at 252 MWp.

Middle East: Our Middle East Region also achieved solid growth. It more than doubled its sales revenues to €20.7 million (2015: €8.4 million), an increase of, €12.3 million or 146.2%. In particular, we secured a significant position in the high-growth market in Turkey. The overall result reflects strong investments in upgrading our team and capabilities in the Region, including the establishment of a wholly-

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owned subsidiary in Ankara, Turkey. The business in the Middle East generated a gross profit margin of 10.0% (2015: 6.7%). The operating EBIT contribution from the Middle East region (Region result) amounted to €0.6 million (2015: €0.0 million). The weighted project sales pipeline for the Region as of December 31, 2016 was at 47 MWp.

Asia/Pacific: We achieved modest sales revenue growth in Asia/Pacific in 2016. This reflects both a change in management (exit of former minority shareholders from the operating business) as well as a reorientation towards larger commercial rooftop and groundmount systems, away from very small residential systems. Compared to Region revenue of €8.6 million in 2015, we grew by 5.0% to reach €9.0 million. A key success factor was our subsidiary in the Philippines, founded in late 2015 and which has already acquired and successfully constructed several new projects in the commercial rooftop segment. The Asia/Pacific business generated a gross profit margin of 22.6% (2015: 23.6%). The operating EBIT contribution from Asia/Pacific (Region result) showed a slight loss at €-0.2 million, a significant improvement over the pre-year (2015: €-1.0 million). The project and sales pipeline for the region as of December 31, 2016 was at 29 MWp.

Europe: In the Europe Region, the overall market trend was weak in the face of uncertainty on government policies regarding renewable energy sources, resulting in a decline in sales revenues to €0.8 million (2015 (including holding): €4.4 million). This decrease is also attributable to the discontinuation of our distribution business in France. We nevertheless will continue to maintain our presence in our European subsidiaries and have made modest investments. We anticipate a slight rise in revenues for 2017. The company in France is repositioning itself as an EPC provider. The team in Greece has become our engineering center for the Middle East Region. New management in both France and Greece, driven by experienced industry experts, is already uncovering new opportunities. The profit contribution from the Europe Region (Region result) amounted to €0.4 million (2015: €0.6 million). The positive profit contribution was driven by the net gain on the sale of an asset, the Bâtisolaire 3 system in France. The project and sales pipeline for the Region as of December 31, 2016 was at 2 MWp.

Excellent Gross Margin Development Drives Earnings Improvement

The outstanding gross profit trend shows that we are systematically improving our core business model of designing, planning and constructing highly efficient solar photovoltaic power plants around the globe. Overall, Phoenix Solar improved gross

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margins (sales revenues less cost of materials) from 8.4% in 2015 to a much stronger level of 12.6% for the full year 2016. This is a direct reflection of systematic improvements and investments made in 2016 in both our global supply chain team and process as well as in the area of estimating and bidding. These efforts combined with iron pricing discipline on all of our projects worldwide resulted in significant earnings improvements. This result was achieved despite massive downward pressure on system prices in all of our markets, with declines on average over 30%.

Furthermore, Phoenix Solar invested heavily in expanding its staff to meet current and future growth challenges, hiring seasoned industry experts in engineering, supply chain, operations and sales. As of December 31st, 2016, the Phoenix Solar Group employed a workforce totaling 121 people (excluding Executive Board members temporary staff); up from the previous year's headcount of 78. Personnel expenses increased to €11.3 million (2015: €7.6 million), representing 8.2% of sales revenues (2015: 6.4%%).

Earnings before interest and taxes (EBIT) improved to €0.6 million (2015: €-1.6 million), the first positive operating result since 2010. The EBIT margin as a percentage of sales amounted to 0.4% in 2016 (2015: -1.3%). The net financial result of €-4.3 million in 2016 was slightly better than in the previous year (2015: €-4.4 million). Financial income of €293k (2015: €98k) was offset by financing expenses of €4.6 million (2015: €4.5 million).

The consolidated net result for the period attributable to shareholders stood at €-4.6 million (2015: €-5.2 million). A consolidated net loss of €0.1 million was attributable to minority interests (2015: €-0, 4 million). Calculated on an average number of 7,372,700 shares, the basic earnings per share stood at €-0.62 (2015: €-0.71).

Order Book Position

The free order backlog as of December 31st, 2016 was at €55.8 million (December 31st, 2015: €148.5 million). The Group's total order book position (including sales revenues already invoiced) amounted to €186.4 million as of December 31st, 2016, a reduction of €65.5 million, or 26% (December 31, 2015: €251.9 million).

The consolidated, weighted project and sales pipeline (M3 – M5) reached a total of 330 MWp as of December 31st, 2016. Of these, a total of 245 MWp were under construction (M5; December 31st, 2015: 108 MWP); this represents the highest

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number of revenue generating projects that the company has ever had under construction, another unprecedented number.

Financial Situation

The Phoenix Solar Group achieved a net cash inflow from operating activities of €0.1 million in 2016 (2015 €1.8 million). The Group's cash and cash equivalents improved to €9.4 million in the 2016 financial year (December 31st , 2015: €4.9 million). The net debt position (non-current financial liabilities less cash and cash equivalents) was reduced significantly and amounted to €25.9 million as of December 31st, 2016 (December 31st, 2015: €34.2 million), further strengthening the Company's financial position.

Shareholders' Equity

As a result of the consolidated net loss, the Group's equity position decreased by €4.5 million to €-12.1 million (December 31st, 2015: €-7.6 million). Accordingly – including the effect of the lower level of total assets – the equity ratio stood at -26.0% as of December 31st, 2016 (December 31st, 2015: -14.1%).

As the Group does not constitute a legally independent company, no direct going concern risks arise for the company as a result of the negative equity. Only the equity of Phoenix Solar Aktiengesellschaft as the parent company of the Phoenix Solar Group, is of legal relevance. This equity position amounted to €5.7 million as of December 31st, 2016, equivalent to an 8.6% equity ratio (December 31st, 2015: €6.6 million, or a 12.3% equity ratio).

Outlook

Phoenix Solar anticipates solid growth in consolidated revenues and earnings going forward. 2017 foresees a revenue projection in the range of €160 to €190 million (2016: €139.2 million). To achieve this, the company is planning projects with a total volume of between 180 MWp and 220 MWp (2016: 153, 7 MWp). The company is thus projecting a positive operating result (EBIT) in the range of €1.0 to €3.0 million. Given stable financing from our banking consortium through late 2018, as well as planned free credit lines for 2017 averaging around 75% of total debt financing, along with ongoing financing expenditures on bank debt as well as tax implications from our increasingly profitable operating companies lead to conservative estimates of 2017 Group profitability.

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Tim P. Ryan, Group CEO at Phoenix Solar AG, stated: "Our revenues grew at a reasonable rate in 2016 and for the first time in several years we are able to report a positive EBIT result, with cost controls, supply chain efforts and absolute discipline on project margins being the main contributors. As an international provider of turnkey services for the design, procurement and construction of commercial solar photovoltaic power plants, we were again able to demonstrate to our customers and the market our ability to deliver high-quality utility-scale and commercial rooftop solar generators on-time and on-budget around the world. Moreover, we have laid the foundation for continued strong growth and profitability going forward with significant investments in our team, processes and various operating companies. With a competitive technology, strong track record in the global markets, an experienced team and growing markets, I remain very confident that 2017 will become an even more successful year for our company and that we will fulfill the expectations of the markets, our customers and our shareholders."

Annual Report

The Phoenix Solar AG Annual Report 2016 will be published today, March 31st, 2016, in electronic form and can be downloaded from our website at www.phoenixsolar-group.com/en.html under the Investor Relations, Financial Reports section.

About Phoenix Solar AG

Phoenix Solar AG, with headquarters in Sulzemoos / Munich, Germany, is an international photovoltaic systems integrator. The Group develops, plans, builds and operates large-scale photovoltaic plants. As an EPC contractor specializing in the design and execution of solar power plants, Phoenix Solar places special emphasis on the “on-time and on-budget” construction and delivery of solar power plants, optimized to deliver superior output. With subsidiaries on three continents, the company has designed and built some 800 MWp of turnkey systems since its founding. The shares of Phoenix Solar AG (ISIN DE000A0BVU93) are listed on the official market (Prime Standard) of the Frankfurt Stock Exchange. www.phoenixsolar-group.com.

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