



ANNUAL REPORT 2015

FOCUS ON  
CORE STRENGTHS



# KEY PERFORMANCE INDICATORS (KPIs)

## 3W POWER | AEG POWER SOLUTIONS – GROUP

in millions of euros	Quarter to December			January 1 to December 31		
	Q4 2015	Q4 2014	% change	2015	2014	% change
Backlog	83.3	85.7	-2.8%	83.3	85.7	-2.8%
Orders	41.4	47.6	-13.2%	178.6	210.0	-15.0%
Revenue	51.1	57.5	-11.2%	177.4	203.3	-12.7%
Book to Bill	0.81	0.83	-2.2%	1.01	1.03	-2.5%
EBITDA*	(2.5)	(5.6)	56.5%	(9.8)	(12.2)	19.3%
% of revenue	-4.8%	-9.8%		-5.6%	-6.0%	
Normalized EBITDA	0.5	0.7	-34.8%	(4.1)	(17.7)	77.0%
% of revenue	0.9%	1.2%		-2.3%	-8.7%	
Adjusted EBIT*	(1.2)	(0.9)	-31.0%	(10.3)	(25.3)	59.2%
% of revenue	-2.3%	-1.5%		-5.8%	-12.5%	
Reported EBIT	(20.8)	(17.7)	-17.7%	(37.2)	(34.6)	-7.3%
% of revenue	-40.7%	-30.7%		-20.9%	-17.0%	
Net income	(19.4)	(19.2)	-0.7%	(41.6)	7.5	
Adjusted net income	(1.4)	(6.2)		(17.3)	9.6	
Results from discontinued operations	0.1	(2.5)		(0.5)	(0.9)	45.8%
Earnings per share (in euros)	(0.23)	(0.32)		(0.50)	0.23	
Adjusted earnings per share (in euros)	(0.02)	(0.10)		(0.20)	0.30	
Cash used in operating activities	(4.2)	(5.5)		(9.6)	(26.8)	
Cash (used in)/from investing activities	(0.1)	(1.5)		(0.9)	28.1	
Working capital	23.3	26.5		23.3	26.5	
Cash	30.3	29.9		30.3	29.9	
Net (debt)	(35.7)	(23.3)		(35.7)	(23.3)	

\* Earnings before interest and tax "EBIT "

\* Earnings before interest, tax, depreciation and amortization "EBITDA"

## 3W POWER | AEG POWER SOLUTIONS – INDUSTRIAL PRODUCTS AND SERVICES (IPS)\*

in millions of euros	Quarter to December			January 1 to December 31		
	Q4 2015	Q4 2014	% change	2015	2014	% change
Backlog	83.3	85.7	-2.8%	83.3	85.7	-2.8%
Orders	41.4	47.6	-13.2%	178.6	203.4	-12.2%
Revenue	51.1	57.5	-11.2%	177.4	197.0	-10.0%
Book to bill	0.81	0.83		1.01	1.03	
EBITDA	(2.6)	(4.9)	46.4%	(7.1)	(2.3)	
% of revenue	-5.2%	-8.5%		-4.0%	-1.2%	
Normalized EBITDA	1.0	0.8	37.6%	(0.5)	(13.3)	96.2%
% of revenue	2.0%	1.3%		-0.3%	-6.8%	
Reported EBIT	(20.8)	(16.8)	-23.7%	(33.9)	(30.3)	-11.8%
% of revenue	-40.7%	-29.2%		-19.1%	-15.4%	

\* For the IPS segment, 2015 orders and revenue numbers correspond to those of the Group, historical numbers of 2014 have been adjusted by adding the previous reportable RES and EES segments, adjusted for the operating results of discontinued operations (sale of skytron and India).

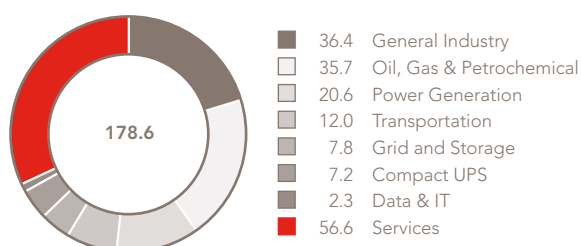
## 3W POWER | AEG POWER SOLUTIONS – ORDERS AND REVENUE BY GEOGRAPHICAL AREA (IPS)\*

in millions of euros	Quarter to December				January 1 to December 31			
	Orders		Revenue		Orders		Revenue	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014	2015	2014	2015	2014
Europe excl. Germany	13.0	16.2	18.0	20.6	69.3	74.2	64.8	79.0
Germany	10.3	15.2	13.0	15.0	41.2	52.3	45.4	49.4
Asia	9.0	5.8	10.2	12.3	37.1	35.9	33.4	40.2
Africa/Middle East	6.8	8.7	8.1	7.7	26.1	33.5	29.0	22.2
Rest of the world	2.3	1.7	1.8	1.9	4.9	7.5	4.8	6.2
<b>Total</b>	<b>41.4</b>	<b>47.6</b>	<b>51.1</b>	<b>57.5</b>	<b>178.6</b>	<b>203.4</b>	<b>177.4</b>	<b>197.0</b>
Of which Products	28.4	34.2	35.6	40.8	122.0	146.8	123.0	142.4
Of which Services	13.0	13.4	15.5	16.7	56.6	56.6	54.4	54.6

\* For the IPS segment, 2015 orders and revenue numbers correspond to those of the Group, historical numbers of 2014 have been adjusted by adding the previous reportable RES and EES segments, adjusted for the operating results of discontinued operations (sale of Skytron and India).

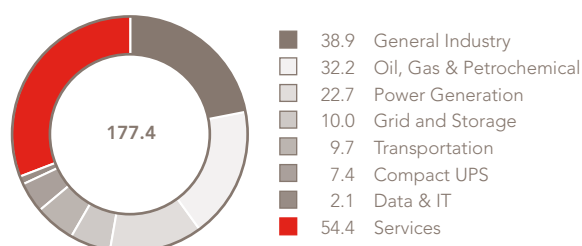
### 2015 ORDERS BY SEGMENT/PRODUCT GROUP

in millions of euros



### 2015 REVENUE BY SEGMENT/PRODUCT GROUP

in millions of euros



%-changes are not shown if considered not to be helpful in the understanding of the KPIs.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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# CHAIRMAN'S REVIEW

FROM DR. DIRK WOLFERTZ, CHAIRMAN OF THE BOARD OF DIRECTORS  
OF 3W POWER | AEG POWER SOLUTIONS.

DEAR STAKEHOLDERS IN  
3W POWER | AEG POWER SOLUTIONS,

As one of the major investors who acquired shares in 3W Power | AEG Power Solutions independently of one another in December 2013 and since then acting as Chairman of the Board of Directors, I look back on two challenging but encouraging years. By appointing all but one new members to the Board of Directors in December 2013 and in 2014, we assembled a team with extensive leadership and restructuring experience in the power electronics industries to carry out the turnaround to reestablish a promising future for the Company.

In 2014, the first full year of being in charge, the new Board of Directors and management launched comprehensive and ambitious restructuring measures. Jeffrey Casper, as Chief Restructuring Officer and later as CEO, was responsible for the operational execution. As a consequence of this restructuring, in 2014 the Company focused on the activities and markets in which it was most competitive and most likely to achieve sustainable profitability. In line with this, management disposed of all assets and closed all subsidiaries that were no longer part of the core business. This generated cash to finance restructuring and ongoing operations. In addition, 3W Power | AEG Power Solutions improved its financial position via a debt-to-equity swap and in parallel implemented a cash capital increase in the summer of 2014 as well as the issuance of a Convertible Bond in 2015 to finance growth initiatives.

All these 2014 measures formed the basis for a prosperous future for the Group during 2015 and beyond. In 2015, we then focused on the design of this future. Jeffrey Casper and his team set up a new high-efficiency structure that strengthened the redefined core vertical businesses. Two non-core subsidiaries were divested in January 2016, AEG Power Solutions announced several additions to its senior leadership team.



Dr. Dirk Wolfertz, Chairman of the Board of Directors of 3W Power | AEG Power Solutions, spearheads the Company with his extensive experience in and understanding of the power electronics industry.

New senior executives for the roles of CFO, COO, VP & General Manager Global Affiliates Sales and Head of Service among others were appointed. All bring with them years of global management experience gained in electrical engineering industries.

We on the Board of Directors actively and constructively oversee and support all strategic and operational directions and measures. We are convinced that, with the support of all our people now on board, 3W Power | AEG Power Solutions will be successful in achieving its goals. I am optimistic about the future of our Company. The entire team, from Management to every employee, is united in our goal of achieving long-lasting, profitable and successful growth in the future.

I would be very pleased if you, our dear stakeholders, will continue to put your faith into us. So I cordially invite you to stay with the Company and to join us on our future path.

Thank you for your support and commitment.

Yours sincerely,

Dr. Dirk Wolfertz  
Chairman of the Board of Directors

# CHIEF EXECUTIVE OFFICER'S LETTER

FROM JEFFREY CASPER, CHIEF EXECUTIVE OFFICER OF  
3W POWER | AEG POWER SOLUTIONS.

DEAR SHAREHOLDERS, BONDHOLDERS, CUSTOMERS  
AND BUSINESS PARTNERS/SUPPLIERS; DEAR AEG POWER  
SOLUTIONS EMPLOYEES,

Over the past two years AEG PS has come a long way toward creating a sustainably profitable, growing enterprise. Despite many difficulties, the Company continues to reduce fixed costs, improve and upgrade talent, filling out many positions within the top management team and build its order book. On a like-for-like basis (excluding sold assets/discontinued operations), the Group's total costs fell by €6.6 million compared to FY 2014. Together, with further initiatives we aim to reduce fixed costs by another €10 million in the coming year. We further rationalized our underperforming activities and successfully exited two non-core assets (Fluxpower GmbH and Primetech s.r.l. in February 2016), and we obtained additional financial liquidity by issuing a €14.0 million Convertible Bond in November 2015.

The deep-seated cultural and performance challenges require persistent effort and will continue to take time. But 2015 marked a fundamental break with the past. Progress is never fast enough, we can do better and can achieve more.

Despite volatility and disruption in the marketplace we must play the long game. Infrastructure demand is impacted in the short term and can last a couple of years but in the medium term, investment in growth and development throughout the world is a necessity. Our core business of Uninterruptable Power Supply is a necessary application for critical infrastructure: it protects lives, data and the environment. Not many companies in the world provide UPS in such critical environments. And very few have the legacy, reputation and track record of AEG PS.



Jeffrey Casper, Chief Financial Officer of 3W Power and AEG Power Solutions since June 2012, Chief Executive Officer since November 2014 and Board Member since January 2014. In his function as CEO, Jeffrey Casper is the chief operating decision maker and heads the Company's overall development.

Our installed customer base spans every continent over a period of five decades. We will continue to develop our service activities to both support existing customers and to acquire new business in geographies we have neglected in the recent past. Service has been and will continue to be a major part of what we do.

We will continue to selectively consider innovative areas for development in a controlled way. Energy storage continues to be interesting, the data center and IT applications are seeking more robust solutions that fit to our DNA, and continued advancements with monitoring and control provides access to a greater span of customers.

Finally, we aim to be best in class in our execution where we have much room for improvement.

**Group financial results 2015**

By rationalizing our business focus, the Group reduced both orders and revenue, but increased EBITDA in 2015. Orders decreased 15.0% to €178.6 million (2014: €210.0 million), revenue was down 12.7% to €177.4 million (2014: €203.3 million). On a normalized basis, EBITDA improved from -€3.7 million in Q1 2015 to -€0.9 million Q2, €0.1 million in Q3, and €0.5 million in the last quarter of 2015. Although the Normalized EBITDA was still negative (-€4.1 million), the end result improved by 77.0% (2014: -€17.7 million). Although partly cyclical, we are progressing in the right direction.

**Outlook**

We are far from satisfied with our results for the year and we have ways yet to go to achieve our stated goals. We expect further improvement in 2016, with both like-for-like growth in 2016 and an improvement in profitability. Our medium-term goal continues to be double-digit top-line growth and increasing profit margins toward an EBITDA margin of 10%.

I would like to thank all stakeholders for sharing my sustained confidence in 3W Power | AEG Power Solutions. In a nutshell, we have substantially reduced risk, and we have simplified and improved our core operations. This is all beginning to be reflected in improved business performance and a far brighter outlook.

Yours sincerely,

Jeffrey Casper  
CEO

# OUR SHARES



## SHARE PRICE DEVELOPMENT

Stock markets were volatile in 2015, but in retrospect performed pretty well. On the one hand, this outcome was built on a mix of loose monetary policies by central banks, a lack of alternative investment types and a stable economic situation. The ongoing quantitative easing being pursued by central banks provided the markets with further liquidity. Due to low interest rates, which made fixed income investments such as government bonds or fixed deposits unattractive, institutional and private investors largely placed their investments in shares and real estates. On the other hand, tension among capital market participants resulted in high volatility as a consequence of external shocks.

Stock prices posted impressive gains, especially in the first month of 2015. Good figures for fiscal year 2014 and fewer geopolitical conflicts in this period supported this development. The Dow Jones hit a new all-time high of 18,351 points in May, and the DAX rose to a new all-time high of almost 12,400 points in April 2015. In summer, this positive background changed due to negative external factors, such as the worsening economic and political crisis in Greece and the decline in oil prices. Share prices lost much of the value they had gained in the first months of the year. In August 2015, market participants got nervous on the back of a weakening

economic outlook in China. Until the end of September, the Dow Jones and the DAX posted losses compared to early 2015, followed by a recovery that lasted until the end of the year. The TecDAX, which includes the 30 largest listed German high-tech companies, showed comparable performance until summer, but did not experience such a long period of declining in summer. As a result, the TecDAX outperformed the Dow Jones and the DAX.

The 3W Power share posted comparable movement. It nearly doubled its value from January to March 2015 by reaching its highest quotation at approximately €0.80 on March 2. Between March and June, lower order volume for the share and realized profits by the disposal of holdings lead to a reduction in the Company's share price. The above-mentioned deterioration of the market environment also intensified this trend, so that the lowest quotation was recognized on July 1 at €0.336. In July, however, the share price showed strong momentum and, from August until the end of the year, moved sideways in a range of €0.45 to €0.55. Xetra trading volumes in 3W Power's stock amounted to approximately 12.7 million in 2015, which equates to an average daily turnover of more than 50,000 shares. This liquidity in the Company's securities is important, especially for institutional investors, who require a high turnover, since it makes the placement of larger orders more feasible.

## SHARE INFORMATION

ISIN	LU1072910919
Stock exchange	Frankfurt Stock Exchange, Xetra (Deutsche Börse AG), Frankfurt/Main, Germany
Symbol	3W9K
Reuters symbol	3W9K.F
Designated sponsor	ODDO SEYDLER BANK AG
High in 2015	€ 0.797 (March 2, 2015)
Low in 2015	€ 0.336 (July 1, 2015)
Closing price on December 30, 2015	€ 0.449
Market capitalization on December 30, 2015	€ 37.58 million
Number of shares outstanding	83,703,703

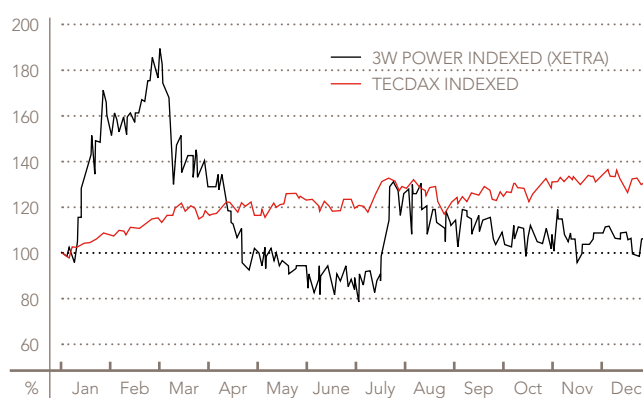
Source: Deutsche Börse

## ORDER VOLUMES ('000) AND SHARE PRICE (EUR) DEVELOPMENT XETRA



From January 1 to December 31, 2015

## INDEXED SHARE PRICE DEVELOPMENT (%) 3W POWER AGAINST TECDAX



## ISSUE OF CONVERTIBLE BOND

On November 9, 2015, the Company issued a €14.0 million Convertible Bond (ISIN DE000A1Z9U50) to support the growth and development of new opportunities, including investments focused on customer-facing activities in sales and services and areas of growth in Africa, Asia and North America. It is a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJB9).

The issue of this Convertible Bond means an additional step to accompany our ongoing process of reducing fixed costs and improving business processes in our traditional markets.

## INVESTOR RELATIONS

3W Power nurtures a continuous dialogue with its shareholders and the capital markets. The main focus in 2015 was the issue of a Convertible Bond as well as the implementation of a new

reporting approach (change from two reporting segments – “RES” and “EES” – to just one segment). Investor relations kept the public well informed about the relevant measures at all times, providing all required information for both institutional and private investors alike. Because 3W Power is committed to keeping its stakeholders informed of all key business and strategic developments, investor relations representatives are always available for interested parties and provide an essential link between the Company’s management and capital market representatives.

This annual report, as well as previously published financial reports, contains information beyond statutory disclosure requirements to provide the public with greater insight into the Company. On its website, 3W Power provides detailed, up-to-date information, including investor news, current and historic financial reports, stock and bond market data, presentations and analyst information. The investor relations section is available online at <http://www.aegps.com/en/investor-relations/>.



# DIRECTORS' REPORT



THE DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS OF 3W POWER S.A. ("THE COMPANY") FOR THE YEAR ENDED DECEMBER 31, 2015. THE COMPANY AND ITS CONSOLIDATED SUBSIDIARIES ARE COLLECTIVELY REFERRED TO AS THE "GROUP".

## CORPORATE EVENTS

3W Power S.A. was incorporated on May 21, 2008, in Guernsey as Germany1 Acquisition Ltd. The Company raised €250.0 million through its initial public offering ("IPO") on NYSE Euronext, Amsterdam on July 21, 2008. During the period from May 21, 2008 to September 10, 2009 the principal activity of the Company was that of a special acquisition vehicle with the purpose of acquiring one or more operating businesses through a merger, share purchase, asset acquisition, reorganization, capital stock exchange or similar transaction (a "Business Combination").

On September 10, 2009, the Company acquired AEG Power Solutions B.V. ("AEG PS") and all its subsidiaries. This marked the transition of 3W Power from an acquisition vehicle to the holding Company of a leading power electronics group.

AEG PS is a world provider of power electronics. It offers product and service portfolios in uninterruptable power supply (UPS), power conversion and control, for customers spanning the infrastructure markets of oil and gas, transportation, power generation, data and IT, grid and storage solutions and general industrial sectors.

On December 1, 2010, the Company successfully placed €100.0 million of unsubordinated loan notes (the "Notes") at a coupon of 9.25% and due in December 2015. The Notes were traded on the Bondm segment of the Stuttgart stock exchange as well as on the Open Market of the Frankfurt stock exchange (FWB).

On December 17, 2010, the Company's shares were admitted to trading on the Regulated Market of the Frankfurt stock exchange under the ticker symbol 3W9. This was in addition to the Company's listing on the Euronext market, Amsterdam (ticker 3WP). However, as share trading volumes gradually concentrated on the Frankfurt stock exchange, the Company delisted its shares from NYSE Euronext on December 19, 2011. Warrants in the Company remained listed on NYSE Euronext (ticker 3WPW).

On July 24, 2012, the warrants of the Company expired and were delisted from NYSE Euronext, Amsterdam on the same date.

December 13, 2013: Ripplewood with 30.2% of the total shares outstanding acting as the major shareholder of the Company sold its shares to several individual investors. Upon this change in the shareholding, four members were replaced on the Board of Directors (see Corporate Governance, section Board of Directors) and Mr. J. Casper was appointed Chief Restructuring Officer (CRO).

On June 25, 2014, at the Annual General Meeting of the shareholders of 3W Power S.A., the shareholders approved to create a special reserve account and to reorganize and reduce the share capital from €12,520,006 to €50,236.02. The shareholders approved for this reduction a cancellation of four shares held by the Company, a reverse stock split (without capital reduction) of the issued shares by the Company by exchanging ten existing shares against one new share and consequently to exchange all of the 50,125,020 existing shares issued in the Company against 5,023,602 shares, and an allocation of €12,469,768.98 from the issued share capital account to the special reserve account.

On August 26, 2014, the Company:

- increased its share capital with 25,109,731 new registered shares against €4.0 million contribution in cash from the existing shareholders and the implementation of a Management Incentive Program ("MIP"). Nominal value of the share is €0.01.
- increased its share capital with 53,570,370 new registered shares against €19.3 million contribution in kind of a portion of the claims under the €100.0 million of unsubordinated loan notes ("the Notes"). Nominal value of the share is €0.01.

On August 29, 2014, the Company:

- completed an exchange offer program. Approximately 82.0% of the creditors of the Notes exercised their rights to new shares and approximately 84.0% exercised their rights to new Notes. The acquisition period went from July 31, 2014 to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book building. The shares were sold for €0.26 per share and the Notes were sold for 70.0% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bond holders who elected not to subscribe to the new debt and equity increase.
- issued a new bond 2014/2019 (ISIN DE000A1ZJZB9/WKN A1ZJZB) with a total volume of €50.0 million and a term of five years as well as an initial interest rate (to be paid semi-annually) of 4.0% per annum (first year of the term), which will increase by 2.0% per annum for each following year of the term, up to the maximum of 12.0%.



The new shares were included in the existing listing for the Company's shares (ISIN LU1072910919) on the Regulated Market (General Standard) of the Frankfurt Stock Exchange on August 29, 2014. The Notes of the new bond were included in trading on the Unregulated Market (Open Market) of the Frankfurt Stock Exchange on August 27, 2014, by way of trading on terms of issue.

On November 18, 2014, the Board of Directors announced the appointment of Jeffrey Casper as Chief Executive Officer of the Group.

At the Extraordinary General Meeting on May 19, 2015, the shareholders approved the renewal and the increase of the authorized share capital to the aggregate amount of €1.5 million represented by 150,000,000 shares with a nominal value of €0.01 each.

On October 5, 2015, the Bondholders approved a change in the terms and conditions of the €50.0 million Corporate Bond (DE000A1ZJZB9) with a majority of 99.97 percent to enable the issuance on November 9, 2015, of a €14.0 million Convertible Bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

## OPERATING SEGMENTS

The Group has one reportable business segment "Industrial Products and Services" (IPS), in combination with a reportable "unallocated segment" (Unallocated) that represents non-business related expenses.

The Group is in the process of changing its structure from a product focus towards a vertical integrated Group, but full information on costs and asset allocations is currently not yet available. This segmentation will be further developed in 2016.

In addition to the reportable IPS segment, the Group reviews its business activities through analyzing the key vertical markets and develops product and service offering to address these needs.

The geographical allocation of customers' location provides information on the demand side as well as on the underlying economic and political developments that may affect demand.

This set of data will contribute to the Company's growth ambitions in the coming years.

## NON CURRENT ASSETS HELD FOR SALE/ DISCONTINUED OPERATIONS

Included in results of discontinued operations is the subsequent loss resulting from the liquidation of AEG Power Solutions (France) S.A.S. (July 16, 2014) and the closing down of Richardson (April 2014).

On February 4, 2016, the Group completed the sale and purchase agreement with Legrand for the sale of its small services companies Fluxpower GmbH and Primetech s.r.l.

Assets and liabilities of these affiliates have been presented as assets and liabilities held for sale.

### Chronological order of discontinued operations in 2014:

- January 8, 2014: The Group placed AEG Power Solutions (France) S.A.S. into administration.
- January 27, 2014: AEG Power Solutions GmbH, the Group's German subsidiary, divested its power control modules business to Advanced Energy Industries for €22.0 million cash and €1.0 million delayed cash earn-out received in March 2015.
- February 28, 2014: The Group agreed with a South African investor to sell 75% of the shares of the South African subsidiary holding the 3W Power facility in Cape Town and partner to develop the sales of AEG Power Solutions global range of power systems on the South African market.
- April, 2014: The Group closed down its R&D and sales office located in Richardson, Texas, USA.
- July 3, 2014: The Group completed the sale of its German subsidiary skytron Energy GmbH to First Solar.
- July 31, 2014: The Group completed the sale and purchase agreement with Toshiba Mitsubishi-Electric Industrial Company Corporation (TMEIC) to divest 100.0% of the entity.

## GROUP AND SEGMENT FINANCIAL REVIEW

### KEY FIGURES FOR THE YEAR ENDED DECEMBER 2015

in millions of euros	Orders		Revenue		EBITDA		Adjusted EBIT <sup>1</sup>		EBIT	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Industrial Products and Services (IPS)	178.6	210.0	177.4	203.3	(7.1)	(4.4)	(6.5)	(22.4)	(33.9)	(26.3)
% of revenue					-4.0%	-2.2%	-3.7%	-11.0%	-19.1%	-13.0%
Unallocated	–	–	–	–	(2.7)	(7.8)	(3.8)	(2.9)	(3.3)	(8.3)
<b>Total</b>	<b>178.6</b>	<b>210.0</b>	<b>177.4</b>	<b>203.3</b>	<b>(9.8)</b>	<b>(12.2)</b>	<b>(10.3)</b>	<b>(25.3)</b>	<b>(37.2)</b>	<b>(34.6)</b>
% of revenue					-5.6%	-6.0%	-5.8%	-12.5%	-20.9%	-17.0%

<sup>1</sup> The Group has significant non-cash charges resulting from the amortization of intangible assets arising on the acquisition of AEG PS. Therefore, in addition to EBIT and net income, the Group also reports adjusted EBIT and adjusted net income. Adjusted EBIT is EBIT adjusted for the amortization of intangibles on acquisition. Adjusted net income is net income adjusted for the amortization of intangibles on acquisition, the change in the value of warrants and the estimated tax effects of these (see Appendix page 82).

### KEY FIGURES FOR THE YEAR ENDED DECEMBER 2015 (IPS)<sup>1</sup>

in millions of euros	Orders		Revenue		EBITDA		Normalized EBITDA <sup>2</sup>	
	2015	2014	2015	2014	2015	2014	2015	2014
Industrial Products and Services (IPS)	178.6	203.3	177.4	197.0	(7.1)	(2.3)	(0.5)	(13.3)
% of revenue					-4.0%	-1.2%	-0.3%	-6.8%
Unallocated					(2.7)	(7.8)	(3.6)	(2.6)
<b>Total</b>	<b>178.6</b>	<b>203.3</b>	<b>177.4</b>	<b>197.0</b>	<b>(9.8)</b>	<b>(10.1)</b>	<b>(4.1)</b>	<b>(15.9)</b>
% of revenue					-5.6%	-5.1%	-2.3%	-8.1%

<sup>1</sup> For the IPS segment, 2015 orders and revenue numbers correspond to those of the Group, historical 2014 numbers have been adjusted by adding the previous reportable RES and EES segments, adjusted for the operating results of discontinued operations (sale of skytron and India).

<sup>2</sup> Normalized EBITDA is the adjustment made for one-time transaction costs such as the net proceeds of divestiture and costs for restructuring.

The Company ended the year with revenue of €177.4 million which is close to the guidance of €180.0 million revenue given throughout the year. This achievement is remarkable, the Group's core industrial business was both in orders and revenue just above last year numbers, this despite the delay in industrial infrastructure projects following the drop in oil prices and the war zone in Africa/Middle East. The remaining legacy business, (including Solar, POC and DCT) contributed with €23.4 million (2014: €50.6 million) in reaching the revenue guidance.

Orders for the year 2015 ended at €178.6 million, a drop of €31.4 million compared to €210.0 million in 2014, and a drop of €24.7 million compared to €203.3 million, excluding discontinued operations, in 2014.

Revenue for the year 2015 ended at €177.4 million, a drop of €25.9 million compared to €203.3 million in 2014, and a drop of €19.6 million compared to €197.0 million, excluding discontinued operations in 2014.



38.2% of the Group's 2015 total order value is generated in the IPS verticals oil and gas, transportation and power generation market. For 2015 revenue this is 36.6%. Asia Pacific and Africa/Middle East are the main regions where the end customer is located.

Approximately 31.7% of 2015 total order and 30.7% of revenue value is generated in the vertical Services. Services is concentrated across Germany and the rest of Europe. In Asia Pacific and Africa/Middle East the Group is re-enforcing its presence.

The verticals General industry, Grid & Storage and Commercial account for the remaining 30.0% in orders and 32.7% in revenue. Included in General industry are legacy businesses (POC, Solar and DCT). These businesses show a declining order intake and revenue recognition compared to previous years. In 2015 the main transactions comprised €2.9 million orders in Polysilicon (invoiced in 2016), €3.4 million orders in Solar with our South African partner plus €3.3 million revenue arising from the Mali order obtained in Q4 2014. The DCT business lowered with 70.0% to approximately €13.0 million.

With the exception of the increased order intake in Asia Pacific, all other regions reported a decrease in orders compared to 2014. Africa/Middle East reported an increase in revenue, all other regions reported a drop in revenue compared to 2014. This pattern was influenced by the earlier referred economic situation.

The total of restructuring measures taken resulted into a lower operating expense and therefore contributed to a significant reduction in EBITDA loss. The total Group EBITDA of negative €9.8 million improved with €2.4 million compared to negative €12.2 million in 2014.

EBITDA for IPS includes some upsides for 2015 due to release of prior-year provisions:

- Reversal of €0.6 million bad debt allowance on its historic major customer in Polysilicon;
- Reversal of €2.4 million in inventory provision due to the sale of slow moving/obsolete products (mainly Solar).

EBITDA for IPS was positively affected by the €1.0 million capital gain resulting from the completion of the earn-out condition following the sale of the Power Controller Modules business to Advanced Energies Industries, and was negatively impacted by €7.5 million restructuring measures.

EBITDA for IPS in 2014 of €4.4 million, included the capital gain of €18.2 million on the sale of the Power Controller Modules Business, which was offset by €7.7 million one-time expenses relating to working capital adjustments and restructuring charges.

EBITDA for Unallocated was negative €2.7 million, compared to negative €7.8 million in 2014. The year 2014 included €2.4 million one-time expense of which €1.0 million professional fees and €1.4 million for share-based payments relating to the Management Incentive Program ("MIP").

For 2015, the Group reports an adjusted EBITDA of negative €4.1 million, a €13.6 million reduction in losses compared to 2014. Change in product mix, reversal of working capital adjustments, significant reduction in operating expenses, offset by one-time proceeds and restructuring cost are the main drivers.

The table below summarizes the effects on EBITDA of one-time items as referred to earlier.

in millions of euros	2015			2014		
	IPS	Unallocated	Group	IPS	Unallocated	Group
Reported EBITDA	(7.1)	(2.7)	(9.8)	(4.4)	(7.8)	(12.2)
Capital gain sale of POC Module business	(1.0)	–	(1.0)	(18.3)	–	(18.3)
Operating working capital adjustment <sup>1</sup>	–	–	–	(0.9)	–	(0.9)
One-time restructuring charges	7.5	(0.8)	6.7	8.6	2.7	11.3
Other one-time charges	0.1	(0.1)	–	–	2.4	2.4
<b>EBITDA after adjustment</b>	<b>(0.5)</b>	<b>(3.6)</b>	<b>(4.1)</b>	<b>(15.0)</b>	<b>(2.7)</b>	<b>(17.7)</b>

<sup>1</sup> Represents the impairment of working capital to net realizable cash value

### Gross margin

Group gross margin in 2015 was 20.0% compared to 14.6% in 2014.

The Group margin is impacted by the business mix. Besides the growth of its Service business, Management identified a positive development in its overall product margin of the core industrial UPS including batteries. Continuous focus on on-time project execution and overall margin awareness has contributed to this increase. The POC and Solar business was conducted at relatively acceptable margins and was positively impacted by approximately €2.4 million reversal of slow moving/obsolete inventory provisions. The South African Solar project required solar inverters which were on stock and were fully provided for in 2014, as Management had little to no visibility of any future usage at that point in time.

In 2015 fixed costs of operations reduced with approximately €5.0 million compared to 2014, the restructuring measures taken and the effect of tariff negotiations with the Unions (Germany) were by far the largest contributors.

Bad debt and warranty provisions had a positive effect of one-time reversal (the €0.6 million bad debt allowance on the historic main RES customer), in total these provisions represent less than 1.0% of total revenue.

### Research and Development (R&D) costs

R&D costs were as follows:

in millions of euros	2015	2014
Gross R&D spending	5.2	7.5
% of revenue	2.9%	3.7%
Capitalized amounts	(1.2)	(0.6)
Amortization and impairment on capitalized amounts	2.3	4.0
Amortization and impairment of intangibles on acquisition	2.7	2.6
<b>Net R&amp;D costs</b>	<b>9.0</b>	<b>13.5</b>

In 2015, the gross R&D expenses were significantly (30.7%) lower than in 2014, following the restructuring measures taken in 2014.

The main focus was on the extension of the existing technology platforms in the industrial and Data and IT market as well as on the implementation of several reference projects in the emerging smart grid and storage market.

R&D efforts have been made on functions and features of the Protect Blue Data IT UPS, standardization and upgrade of the Protect 8 UPS and the Protect-RCS platforms, the high power charges and the UL certification of key products.

### Selling, general and administrative expenses (SG&A)

SG&A expenses were reduced by €5.9 million (down 12.8% year-on-year) through sale of assets and closing down of offices, restructuring measures in the German subsidiary in Belecke, elimination of central functions, adverse impacts of exchange rates, lower bonuses and related social charges and savings from tariff negotiations with the unions in Belecke. Included in 2014 SG&A expenses was a one-time charge of €1.2 million for the MIP.

### Other expenses (net)

Other expenses increased from €4.7 million in 2014 to €23.6 million in 2015. This variance is primarily resulting from the one-time €18.2 million recognition of income for the sale of the Power Controller Module Business in 2014. In 2015 the related cash earn-out of €1.0 million was recognized.

Restructuring costs in 2015 amount to €6.7 million (2014: €11.3 million). In 2015, two major restructuring programs were initiated, in Germany (Belecke), 95 full-time employees and France (Tours), 30 full-time employees will have to leave. Completion is expected at end of Q1 2016. Total headcount considered including effect of other affiliates is approximately 130 full-time employees.

Amortization charges and accelerated amortization charges on intangibles from the acquisition of AEG PS in 2009 were € 2.9 million and € 4.0 million respectively (2014: €3.7 million and €7.6 million). At the end of 2015, €11.2 million impairment charge for goodwill was recognized (2014: €1.0 million on skytron goodwill).

Others (proceeds sale of obsolete stock and extraordinary gain) reduced with €0.4 million compared to 2014.

### Net financial income/(cost)

In 2015, the Company reported a net financial loss of €7.2 million compared to €36.4 million income in 2014. The decrease of €43.6 million in 2015 is mainly resulting from the financial restructuring of the €100.0 million Bond loan in August 2014. The Company successfully converted half of its €100.0 million debt into equity and exchanged the other half with a new Bond of €50.0 million. The new Bond matures in 2019 and has an escalating interest rate beginning with 4.0% and escalating to 12.0%. The Company recognized an income of €46.7 million on this transaction. In relation to the described exchange offer, 2015 interest expenses were €3.4 million lower than in 2014.

The year 2014 included a one-time loss on financial assets relating to the signed settlement agreement with the Limited Liability Company (LLC) in the U.S.



The Company has no foreign currency instruments in place to mitigate exposure to exchange rates. The change in value in foreign exchange income/losses is a non-cash item. It relates primarily to the revaluation of euro-denominated loan and non-trade intercompany balances between AEG Holding BV and non-euro affiliates. For 2015, the Group had a €0.2 million temporary exchange gain on transactions (2014: loss of €2.7 million).

### Taxation

The tax benefit for 2015 of € 3.2 million (2014: €6.6 million) comprises of a €0.3 million tax charge (2014: benefit of €1.4 million) and a €3.5 million benefit (2014: €5.2 million) in deferred tax. The tax benefit in 2015 is based on the recognition of current and prior-year losses.

The effective tax rate at which the Group recognizes and pays taxes depends on the profitability and tax rates in the countries in which the Group operates. In both years the Group had significant unrecognized deferred tax assets in the form of unrecognized tax losses which impacted its high effective tax rate.

### Non-current assets

Expenditure on tangible fixed assets (capex) in the year 2015 was €0.8 million, which is similar to 2014 level.

Additions to intangible assets in the year amounted to €1.7 million (2014: €1.1 million) of which €1.2 million related to capitalized R&D (2014: €0.6 million) and €0.5 million to software costs (2014: €0.5 million).

The 2015 amortization charge on intangibles acquired on acquisition of AEG PS was €5.5 million, in addition €4.0 million were recorded as accelerated amortization charge for EMS customer relations. Goodwill was amortized by €11.2 million and the €0.7 million remaining balance of Fluxpower was presented as assets held for sale.

Net deferred tax assets increased to €3.4 million. The Group recognized €1.7 million in Spain and €1.2 million in Germany.

### Current assets

Excluding cash, current assets decreased from €89.7 million to €81.8 million. The lower gross volume is the main driver for this reduction.

Total non-intercompany related assets from Fluxpower and Primetech with a value up to €4.4 million have been presented as asset held for sale. This includes the €0.7 million goodwill identified at the time of the acquisition of Fluxpower.

Cash and cash equivalents including overdrafts increased by €1.9 million to €31.2 million. Free cash flow from operations was €12.3 million negative (2014: €1.0 million positive). During 2015, €1.5 million interest was paid on the Bond (2014: nil). The cash includes the proceeds of the €14.0 million Convertible Bond. The Group increased its short-term debt by €0.4 million.

### Current liabilities

Current liabilities decreased by €5.5 million year-on-year. Trade and other payables decreased by €9.1 million due to the lower sales volume.

Provisions increased by €2.1 million due to the net effect of €5.4 million of severance payments during 2015, the newly created restructuring reserves of €6.7 million and the addition of €0.9 million from general risk provision/other liabilities.

Total non-intercompany related liabilities from Fluxpower and Primetech with a value up to €1.5 million have been presented as liabilities held for sale.

Loans, borrowings and corporate income tax provision in total were reduced by €0.1 million.

### Non-current liabilities

Non-current liabilities increased by €11.5 million in the year, of which €12.3 million relate to change in loans and borrowings. On November 9, 2015, the Company issued a €14.0 million Convertible Bond, a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. The equity component of this Convertible Bond was reclassified for an amount of €4.9 million.

Employee benefits reduced with €0.9 million following the restructuring plans in Germany and France and the €0.5 million income due to change in the discount rate applied.

### Equity

Total equity at the end of 2015 was €7.7 million; a decrease of €36.3 million compared to 2014. The net income after tax amounts to €41.6 million and includes the impairment and amortization of intangibles on acquisition (and related tax effects) and the effect of one-off costs. Excluding these, the Group would have reported an estimated net loss of €17.3 million (see Appendix page 82).

€4.9 million is directly recognized in other equity as an element of the €14.0 million Convertible Bond loan and is not subject to further re-measurement.

Further information on movements in equity including retained earnings is shown in the consolidated statement of changes in equity.

## OUTLOOK

The breadth of our core offering across multiple industrial markets including transportation, power generation and industrial process is a counter balance to slowdown in other sectors. Our geographical reach gives us an ability to compete on a wide basis. And within industrial markets, backup power is always a necessity and stable in all market situations. There are challenges in some sectors in converting orders to revenue and we are experiencing increased competition as firms look to adjust to changing patterns of market demand. This can result in downward price pressure. As such, we will continue to aggressively address both our costs as well as to position our resources to where the opportunities exist.

We expect further improvement in 2016, with both like-for-like growth in 2016 and an improvement in profitability. Our medium-term goal continues to be double-digit top-line growth and increasing profit margins toward an EBITDA margin of 10%.

## RESULTS AND DIVIDENDS

The results for the year and the financial position at December 31, 2015, are shown in the consolidated income statement and the consolidated statement of financial position.

No dividend is proposed for the year.

## DIRECTORS' INTERESTS

The interests of Directors and related parties in the share capital of the Company are shown in note 32 of the consolidated financial statements.

## CORPORATE GOVERNANCE

The following governance section is applicable to both the Group and the Company.

3W Power S.A. (formerly 3W Power Holdings S.A.) is a limited Company organized under the laws of Luxembourg. The Company has an authorized share capital of €1,500,000.00 consisting of 150,000,000.00 shares and an issued share capital of €837,037.03 consisting of 83,703,703.00 shares without a nominal value of € 0.01 each. As of the end of the 2015 financial year, the share capital consisted solely of ordinary shares which are listed on the Deutsche Börse Frankfurt.

As a Luxembourg company, we make every effort to fully comply with the letter and spirit of Luxembourg corporate requirements, including standards of governance and responsibility towards all its stakeholders.

### Shareholders

Each of the shares of the Company is entitled to one vote (except for treasury shares). Shareholders are called to an Annual General Meeting each year by the Board of Directors. The Board may also call extraordinary Shareholder Meetings at its discretion. Decisions at the Annual General Meeting are subject to simple majority requirements, unless otherwise provided under Luxembourg law. The Articles of Association provide for general meetings of shareholders to be convened by the Board of Directors and published in the *Mémorial C, Recueil des Sociétés et Associations* and in a Luxembourg newspaper. The Chairman of a shareholder meeting is a Director or, in the absence of any Director, a shareholder chosen by the general meeting.

Issuance of new shares within the Company's authorized share capital is decided by the Board of Directors of the Company. The authorized share capital of the Company is €1,500,000.00. During a period of five years from the publication of the Articles of Association, the Board of Directors is authorized to issue shares within the authorized share capital of the Company subject to the conditions set out in the Articles of Association.

Increases in share capital, beyond the authorized capital, are decided by an extraordinary General Meeting of shareholders.





In accordance with the Articles of Association of the Company and Luxembourg law, the share capital of the Company may be amended by a resolution of the general meeting of shareholders adopted by a majority of two-thirds of the votes validly cast at an extraordinary General Meeting where at least half of the Company's issued share capital is present or represented on first call.

If such requirement is not complied with, a second extraordinary General Meeting will be called by the Board of Directors whereby the resolution amending the share capital of the Company will be passed by a majority of two-thirds of the votes validly cast at the meeting, regardless of the portion of capital present or represented at the meeting. Abstention and nil votes will not be taken into account.

#### **Purchase of own shares by the Company**

The Company may purchase any of its own shares and may make a payment out of capital in respect of such purchase. Under Luxembourg law, the acquisition of its own shares by the Company should comply with the following requirements:

- 1) Such purchase must not breach the principle of equal treatment of all shareholders who are in the same position and the law on market abuse;
- 2) The authorization to acquire the shares shall be given by the General Meeting of shareholders which shall determine the terms and conditions of the proposed acquisition and in particular (i) the maximum number of shares to be acquired, (ii) the duration period for which the authorization is given and which may not exceed five years and (iii) the maximum and minimum consideration;
- 3) The acquisitions by the Company of its own shares may not have the effect of reducing the net assets of the Company below the amount of subscribed share capital plus the reserves which may not be distributed under law or by virtue of the articles of incorporation.
- 4) Only fully paid-up shares may be acquired.

The Board of Directors is responsible to ensure that conditions 3 and 4 stated above are complied with. Shares purchased by the Company may be held as treasury shares. The Company may not exercise any right in respect of treasury shares held by it.

#### **Board of Directors**

Under the Articles of Association of the Company, the Board of Directors consists of at least four members, with no maximum number. The members of the Board are appointed and revoked by ordinary resolution of the shareholders. The Board of Directors may also appoint Directors to fill vacancies on the Board who will hold office only until the next Annual General Meeting and then be eligible for election. During the 2015 financial year, Messrs. Dr. D. Wolfertz (Chairman), W. Loose, K. Schulze, K. Corbin, B. Luft and J. Casper were appointed to the Board of Directors. At the 2016 Annual General Meeting, the entire Board will stand for re-election.

The Board of Directors is responsible for the activity of the Company, the corporate governance structures, approving strategies and, more generally, the day-to-day management of the Company. However, under the Articles of Association, the Company's daily management may be delegated to an Executive Director acting alone. Shareholder approval is required only in limited situations including approving the annual accounts of the Company, amending the articles of association or winding up the Company's business.

At the end of the 2015 financial year, the Board comprised six members, five of them Non-Executive members. As of January 7, 2014, Mr. J. Casper was appointed as Executive Director to the Board of Directors. The Executive Director is entrusted by the Board of Directors with the management of the Company. In this regard, he is responsible for implementing the strategy of the Company to achieve its objectives in line with its risk profile, setting and applying corporate policies and adhering to the rules of corporate social responsibility. The Executive Director is an employee of the Company in his capacity as CEO.

The fees paid to Non-Executive Directors have been set at €100,000 per annum in total by resolution of the shareholders at the Annual General Meeting held on May 19, 2015. Board members are also entitled to reimbursement of their reasonable costs associated with the performance of their duties as Directors. Members of the Board of Directors must report and provide all relevant information regarding any conflict of interest to the Board.

The Board has two standing committees and one ad hoc committee: the Audit Committee, the Compensation Committee and the Restructuring Committee. The Audit Committee and the Compensation Committee are each made up of two Non-Executive Directors. The Restructuring Committee of the Board was constituted in 2014 and continues until the restructuring is finished. The members of this committee are the Chairman, Dr. D. Wolfertz, Mr. W. Loose and Mr. J. Casper.

#### Compensation Committee

The purpose of the Compensation Committee is to (i) oversee the administration of the compensation plans, in particular the incentive compensation and equity-based plans, of the Company (and, to the extent appropriate, the subsidiaries of the Company), (ii) discharge the Board's responsibilities relating to the compensation of the Company's Management Executives and Board Directors, and (iii) review and make recommendations on Director compensation.

#### Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibility to oversee (i) matters relating to the financial controls, reporting, and external audits, the scope and results of audits, and the independence and objectivity of auditors; (ii) monitoring and reviewing the audit function; (iii) monitoring the involvement of the independent auditor, focusing on compliance with applicable legal and regulatory requirements and accounting standards; (iv) the performance of the Company's external auditors and approval of certain business activities on behalf of the Board of Directors.

In 2015, the Audit Committee met regularly with the Management and the Company's auditors and assisted the Board of Directors in fulfilling its duties.

#### Independent Auditors

The independent auditors are appointed by the shareholders at the Annual General Meeting on the recommendation of the Board of Directors and, more specifically, its Audit Committee. The remuneration of the independent auditors is agreed upon by the Board of Directors. The Annual General Meeting of May 19, 2015, approved the appointment of PriceWaterhouse Coopers (PWC), Société coopérative, 2, rue Gerhard Mercator, L-2182 Luxembourg, as external auditor.

## RISK

#### Risk management and control over financial reporting

The Company considers Integrated Risk Management (IRM) to be a key part of effective management and internal control. The Company strives for effective IRM and financial navigation to safeguard the assets of the Company and to proactively support the Company's strategic and compliance initiatives. The goal of IRM is to help the Company operate more effectively in a dynamic environment by providing a framework for a systematic approach to managing risks and exploiting opportunities with an acceptable level of risk. A key element of the Company's approach to risk is that line and staff manager bear primary responsibility for identifying and controlling all risks within their field of activity. The Management Board regularly discusses the operational and financial results, including related risks.

Risk Management covers financial as well as operational aspects. Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Company's policy on managing financial risks seeks to ensure effective liquidity and cash flow management and protection of Group equity capital against financial risks.

As part of its continuing evolution, the Company aims to make continuous improvements in its risk management and internal control system.

Our internal control system is an integral component of IRM. The purpose of our internal control system for accounting and reporting is to ensure their compliance with legal stipulations, with the principles of proper accounting, with the rules in the International Financial Reporting Standards (IFRS) and with Group standards. In addition, we perform assessments to help identify and minimize any risks with a direct influence on financial reporting. We monitor changes in accounting standards and enlist the advice of external experts to reduce the risk of accounting misstatements in complex issues.



Our internal accounting control system is designed to ensure that business transactions are correctly and promptly processed and that reliable data on the Company's financial situation are available. It ensures compliance with legal stipulations, accounting standards and accounting rules that are binding for all Group companies included in our consolidated financial statements. A Group-wide calendar of deadlines helps ensure the complete and timely processing of financial statements. By separating financial functions where possible and through ongoing review, we ensure that potential errors (prior to preparation of the statements) are identified and accounting standards complied with.

The Company and individual entity financial statements are subject to external audit which acts as an independent check and monitoring mechanism of the accounting systems and their output. The principal risks that could have a material impact on the Group are set out in notes 5 and 32 of the consolidated financial statements and are summarized below:

#### Credit and customer concentration risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

#### Economic and market risk

This includes risks arising from the general macroeconomic environment, changes in regulations (for example relating to renewable energy, the oil price, the sanction situation with certain countries and environmental policies), the incorrect projection of market price and demand trends, lack of market acceptance for newly developed products and other such related risks.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

#### Interest rate and currency risk

The majority of the Group's debt is in the form of the Notes which are long-term and carry a pre-defined escalating interest rate. Debt with variable interest rate is largely confined to the receivables financing facilities and the Group does not enter into interest rate derivatives. Therefore the Group's exposure to interest rate risk is limited. The Group's primary exposure is to the euro because of its principal operations in the Eurozone. Other euro currencies to which the Group is exposed include USD, GBP, SGD and INR. The Group does not perform hedge-accounting.

#### GOING CONCERN ASSUMPTION

In 2015, the Group focused on the operational improvement plans on a continuous basis to investigate further evaluation of its manufacturing footprint, downsizing of its overhead headcount and adapting its sales strategy and sales force to current market requirements.

The Group is in the process of finalizing the implementation of vertical market segments based on end customer markets. Vertical markets have been identified for Oil & Gas, Power Distribution, Transportation, Renewables (Battery storage and Grid Solutions), Data & IT and Services. Experienced segment leaders have been appointed to define the strategy and to work closely with the affiliates and the end customer(s). The segment leaders work closely with Product Management and R&D to establish a product portfolio that is dedicated to each vertical market- and customer specific requirements. Ongoing R&D investment is a pre-requisite to be an active player and to secure future business growth.

In 2015, the Group suffered a net loss of €41.6 million resulting in a decrease of Group equity to €36.3 million. Operational losses and subsequent negative operational cash flows in 2015 as well as the above mentioned investments and execution of the restructuring program required additional funding. The Company therefore issued a €14.0 million Convertible Bond on November 9, 2015, a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon rate of 5.5%. As a result, available cash per December 31, 2015 was €23.4 million (€31.2 million including restricted cash).

As from Q3 2015, new restructuring programs were initiated and included further headcount reduction in Germany (Belecke, 65 full-time employees) and France (Tours, 30 full-time employees) by the end of Q2, 2016. In addition the Board of Directors approved the divestiture of the small services companies Fluxpower GmbH and Primetech s.r.l. During Q4 2015 buyers were identified and a SPA was signed and completed on February 4, 2016. The headcount, after the effect of the approved restructuring and sale of Fluxpower (23 full-time employees) and Primetech (20 full-time employees) will be reduced to 814 full-time employees (total full-time employees at year-end was 952).

Furthermore extensive effort has been put into evaluating existing budgets and forecasts and continuously updating budgets and forecasts based on the most recent available market and performance information. This process has been reviewed in detail by the Management of the Company and the Board of Directors.

Based on the liquidity forecast of the Group up and until the first quarter of 2017, Management expects that available liquidity headroom will further reduce but will nevertheless be sufficient to operate the business without interruption. This takes into account both forecast cash collateral need and minimum operating cash needs.

#### **Risk on the realization of the budget and forecast**

Realization of the forecast liquidity largely depends on external market conditions and order intake, timely and successful execution of orders and the speed of recovery of the business performance. In this respect, the following matters are essential to take into consideration:

- Market conditions should not develop unfavorably for the Group, which means that a stable operating environment is essential,
- Full realization of the liquidity forecast is achieved including:
  - Order intake and timely conversion to revenues;
  - Timely and successful execution of restructuring (taking into account the local labor laws and obligatory involvement of workers councils and unions) measures and operational improvement plans. These include process improvements, cost savings and trade working capital reductions.

Management believes that the forecast like-for-like revenue will be at least in line with 2015, however with a lower cost basis and improved operating results. Management is also of the opinion that they have a number of actions at their disposal which could potentially provide additional liquidity in 2016. These remedial actions and options include, but are not limited to, the following:

- reinforcement of cash flow control procedures with the aim that solid payment terms and guarantees have been negotiated for major projects;
- postponement of payments relating to internal projects, time to order delivery of batteries and other ancillary products;
- sub rental of real estate (France and Germany);
- cross border utilization of favorable bank terms for customer bank guarantees which require limited cash collateral,
- engagement of professional local partners with the aim of reaching acceptable terms and conditions for the execution of any restructuring.

Besides the risks on the 2016 budget and forecast, Management has identified the following non-current risks, which could affect the Group's liquidity position:

- The Group received 75 lawsuits from former Lannion employees, amounting to €5.0 million, the French court may decide in line with the objective of the claimholders.
- The new bond matures in 2019 and has an escalating interest rate currently at 6.0% and accumulating to 12.0%. The Group may face the risk that all initiatives to further grow sales and margins are not sufficient to secure the last three years of interest payments in the range of 8.0% to 12.0%. Alternative sourcing of financing may turn out to be unsuccessful.
- Willingness of bondholders to continue current financing, which Management expects as there are no events of defaults forecasted. Any cash shortfall resulting into insolvency or bankruptcy of an individual material subsidiary (as described in the terms and conditions of the €50.0 million and €14.0 million bond loan) will entitle each Noteholder to declare his Notes due and demand immediate redemption. Such cash shortfall is not anticipated by Management.

There is a risk that if the forecast is not fully realized, the Company needs additional liquidity on Group level in the near future. Since there is a material risk that the Company faces a liquidity shortage that has not been secured with additional funding, this indicates the existence of material uncertainties, which may cast significant doubt about the Group's ability to continue operating as a going concern.

In light of the above, the Group has assessed the going concern assumption on the basis of which the 2015 financial statements have been prepared. Management is of the opinion that considering the risks and uncertainties as stated above, going concern is mainly dependent on the realization of the 2016 budgets and forecasts within the boundaries set by Management and conclude that the application of the going concern assumption for the 2015 financial statements is therefore appropriate.



## LUXEMBOURG LAW ON TAKEOVER BIDS

The following disclosures are made in accordance with article 11 of the Luxembourg Law on Takeover Bids of May 19, 2006.

### a) Share capital structure

3W Power S.A. has issued one class of shares which is admitted to trading on the Frankfurt Stock Exchange. No other securities have been issued. The issued share capital as at December 31, 2015, amounts to €837,037.03 represented by 83,703,703 shares with no par value, each fully paid-up.

### b) Transfer restrictions

At the date of this report, the 3W Power S.A. shares are freely transferable but shall be subject to the provisions of the applicable Luxembourg insider dealing and market manipulation laws, which prevent anyone who has material non-public information about a company from dealing in its shares and from committing market manipulations. A detailed Dealing in Shares Code contains restrictions on dealings by directors and certain employees of 3W Power S.A. and its subsidiaries.

### c) Major shareholding

The major shareholding structure of 3W Power S.A. as at December 31, 2015, is as follows: Coltrane Master Fund Close Brothers; Group plc; Intec Beteiligungsgesellschaft GmbH and other Board members, (including Executive Board member) control approximately 40% of the total issued shares. The remaining 60% is spread amongst smaller investors.

### d) Special control rights

At the issued and outstanding shares of 3W Power S.A. have equal voting rights and with no special control rights attached.

### e) Control system in employee share scheme

3W Power's Board of Directors is not aware of any issue regarding section e) of article 11 of the Luxembourg Law on Takeover Bids of May 19, 2006.

### f) Voting rights

Each share issued and outstanding in 3W Power S.A. represents one vote. The Articles of Association do not provide for any voting restrictions. In accordance with the Articles of Association, any shareholder who holds one or more share(s) of the Company at 24:00 o'clock (Luxembourg time) on the date falling fourteen (14) days prior to (and excluding) the date of the General Meeting (the "Record Date") shall be admitted to the relevant General Meeting of shareholders. Additional provisions may apply under Luxembourg law.

### g) Shareholder's agreement with transfer restriction

3W Power S.A.'s Board of Directors has no information about any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights.

### h) Appointment of Board members, amendments of the Articles of Association

The appointment and replacement of Board members and the amendments of the Articles of Association are governed by Luxembourg Law and the Articles of Association. The Articles of Association are published under the Investors Relations/ Governance & Compliance Section on [www.aegps.com](http://www.aegps.com).

### i) Powers of the Board of Directors

The Board of Directors is responsible for the activity of the company and the corporate governance structures, adopting and implementing strategies and more generally the day-to-day management of the company, delegated to an Executive Director of the company.

### j) Significant agreements

The Board of Directors is not aware of any significant agreements to which 3W Power S.A. is party and which take effect, alter or terminate upon a change of control of 3W Power S.A. following a takeover bid.

### k) Agreements with Directors and employees

The Executive Committee members are entitled to contractual severance payments in case of dismissal, to the exception of dismissal for serious reasons.

## SUBSEQUENT EVENTS

On January 18, 2016, the Company announced the fulfillment of its Senior Leadership Team. The team comprises of Mr. J. Casper, as Chief Executive Officer (CEO), Dr. Ch. Roth, as Chief Operating Officer (COO), Mr. K. Coulton as VP & General Manager Global Affiliates Sales and Mr. R. de Vries as Chief Financial Officer (CFO) of the Group.

On February 4, 2016, the Group completed the sale and purchase agreement with Legrand for the sale of its small services companies Fluxpower GmbH and Primetech s.r.l.

On March 9, 2016, 3W Power SA communicated that €5.0 million of the proceeds of Fluxpower and Primetech sale are dedicated to the pro-rata repurchase of the €50.0 million Notes. This repurchase facilitates the reduction in the Company debt and cut of interest expenses.

For more information on the Company's corporate governance policy and initiatives, please refer to the Governance & Compliance section of the Company's website at [www.aegps.com](http://www.aegps.com).

Approved by the Board of Directors and signed on its behalf by:

Jeffrey Casper

April 7, 2016

# RESPONSIBILITY STATEMENT

I, Jeffrey Casper, Chief Executive Officer, confirm, to the best of my knowledge, that the consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of 3W Power S.A. and the undertakings included in the consolidation taken as a whole and that the Director's report includes a fair review of the development and performance of the business and the position of 3W Power S.A. and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Jeffrey Casper

On behalf of the Board of Directors  
April 7, 2016

# 2015 FINANCIAL STATEMENTS (IFRS)



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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** As of December 31

in thousands of euros	Note	2015	2014
<b>Assets</b>			
Property, plant and equipment	14	23,857	26,791
Intangible assets	15	22,521	33,894
Goodwill	15	–	11,952
Other financial assets	16	1,650	1,711
Deferred tax assets	17	4,833	1,383
<b>Total non-current assets</b>		<b>52,861</b>	<b>75,731</b>
Inventories	18	29,087	32,301
Trade and other receivables	19	47,014	54,629
Prepayments	20	1,390	2,789
Cash and cash equivalents	21	33,548	29,881
Assets held for sale	6	4,379	–
<b>Total current assets</b>		<b>115,418</b>	<b>119,600</b>
<b>Total assets</b>		<b>168,279</b>	<b>195,331</b>
<b>Equity</b>			
Share capital	22	837	837
Share premium	22	418,822	418,822
Retained earnings	22	(395,594)	(354,482)
Reserve for own shares	22	(22,870)	(22,870)
Other equity	22	4,883	–
Translation reserve	22	1,597	1,712
<b>Total equity attributable to equity holders of the Company</b>		<b>7,675</b>	<b>44,019</b>
<b>Liabilities</b>			
Loans and borrowings	24	50,109	37,764
Retirement benefit obligation	25	27,695	28,566
Provisions	26	12,000	12,008
<b>Total non-current liabilities</b>		<b>89,804</b>	<b>78,338</b>
Loans and borrowings	24	5,772	2,602
Trade and other payables	27	47,801	56,947
Income tax liabilities		330	148
Deferred income	28	5,555	5,556
Provisions	26	9,853	7,721
Liabilities held for sale	6	1,489	–
<b>Total current liabilities</b>		<b>70,800</b>	<b>72,974</b>
<b>Total liabilities</b>		<b>160,604</b>	<b>151,312</b>
<b>Total equity and liabilities</b>		<b>168,279</b>	<b>195,331</b>

The consolidated financial statements on pages 22 to 64 were approved by the Board of Directors on April 7, 2016 and signed on its behalf by:

J. Casper

The notes on pages 26 to 64 are an integral part of these consolidated financial statements.




**CONSOLIDATED STATEMENT OF INCOME** For the year ended December 31

in thousands of euros	Note	2015	2014
<b>Continuing operations</b>			
Revenue	5	177,391	203,286
Cost of sales	8	(141,869)	(173,671)
<b>Gross profit</b>		<b>35,522</b>	<b>29,615</b>
Selling, general and administrative expenses		(40,057)	(45,985)
Research and development expenses		(9,007)	(13,504)
Other income/(expenses)	9	(23,609)	(4,743)
Loss before interest and tax (EBIT) <sup>1</sup>		(37,151)	(34,617)
Finance income		4,306	52,785
Finance costs		(11,483)	(16,434)
<b>Net finance (costs)/income</b>	12	<b>(7,177)</b>	<b>36,351</b>
<b>(Loss)/income before income tax</b>		<b>(44,328)</b>	<b>1,734</b>
Income tax benefit	13	3,200	6,605
<b>(Loss)/income from continuing operations</b>		<b>(41,128)</b>	<b>8,339</b>
<b>Discontinued operations</b>			
Loss from discontinued operations, net of tax	6	(467)	(861)
<b>Net (loss)/income</b>		<b>(41,595)</b>	<b>7,478</b>
Net (loss)/income attributable to:			
Owners of the Company		(41,595)	7,478
Non-controlling interest		–	–
<b>Net (loss)/income</b>		<b>(41,595)</b>	<b>7,478</b>
<b>Earnings per share</b>			
Basic (loss)/income per share (euro)	23	(0.50)	0.23
Diluted (loss)/income per share (euro)		(0.48)	0.23

<sup>1</sup> The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** For the year ended December 31

in thousands of euros	Note	2015	2014
<b>(Loss)/income for the period</b>		<b>(41,595)</b>	<b>7,478</b>
<b>Other comprehensive (loss)/income</b>			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		(115)	(1,924)
<b>Subtotal</b>		<b>(115)</b>	<b>(1,924)</b>
Items that will not be reclassified to profit or loss:			
Unrealized gains and losses on pension liabilities		534	(3,854)
Income tax benefit on other comprehensive income		(51)	–
<b>Subtotal</b>		<b>483</b>	<b>(3,854)</b>
<b>Other comprehensive income/(loss) for the period</b>		<b>368</b>	<b>(5,778)</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(41,227)</b>	<b>1,700</b>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(41,227)	1,700
<b>Total comprehensive (loss)/income for the period</b>		<b>(41,227)</b>	<b>1,700</b>

The notes on pages 26 to 64 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** Equity attributable to holders of the Company

in thousands of euros	Note	Share capital	Share premium	Translation reserve	Reserve for own shares	Other equity	Retained earnings	Total Group equity	Non-controlling interest	Total equity
<b>Balance at January 1, 2014</b>		<b>12,520</b>	<b>383,836</b>	<b>3,636</b>	<b>(22,870)</b>		<b>(359,322)</b>	<b>17,800</b>	–	<b>17,800</b>
Profit/(loss) for the year		–	–	–	–	–	7,478	7,478	–	7,478
Total other comprehensive income/(loss)		–	–	(1,924)	–	–	(3,854)	(5,778)	–	(5,778)
<b>Total comprehensive income/(loss) for the year</b>		<b>–</b>	<b>–</b>	<b>(1,924)</b>	<b>–</b>	<b>–</b>	<b>3,624</b>	<b>1,700</b>	<b>–</b>	<b>1,700</b>
Capital restructuring	22	(12,470)	12,470	–	–	–	–	–	–	–
Issuance of 25,109,731 new shares against contribution in cash	22	251	3,766	–	–	–	–	4,017	–	4,017
Issuance of 53,570,370 new shares against contribution in kind	22	536	18,750	–	–	–	–	19,286	–	19,286
Share-based payments/long-term incentive plan	32	–	–	–	–	–	1,216	1,216	–	1,216
<b>Total contributions by and distributions to owners of the Company</b>		<b>(11,683)</b>	<b>34,986</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,216</b>	<b>24,519</b>	<b>–</b>	<b>24,519</b>
<b>Total transactions</b>		<b>(11,683)</b>	<b>34,986</b>	<b>(1,924)</b>	<b>–</b>	<b>–</b>	<b>4,840</b>	<b>26,219</b>	<b>–</b>	<b>26,219</b>
<b>Balance at December 31, 2014</b>		<b>837</b>	<b>418,822</b>	<b>1,712</b>	<b>(22,870)</b>	<b>–</b>	<b>(354,482)</b>	<b>44,019</b>	<b>–</b>	<b>44,019</b>
							–			
<b>Balance at January 1, 2015</b>		<b>837</b>	<b>418,822</b>	<b>1,712</b>	<b>(22,870)</b>	<b>–</b>	<b>(354,482)</b>	<b>44,019</b>	<b>–</b>	<b>44,019</b>
Profit/(loss) for the year		–	–	–	–	–	(41,595)	(41,595)	–	(41,595)
Total other comprehensive income/(loss)		–	–	(115)	–	–	483	368	–	368
<b>Total comprehensive income/(loss) for the year</b>		<b>–</b>	<b>–</b>	<b>(115)</b>	<b>–</b>	<b>–</b>	<b>(41,112)</b>	<b>(41,227)</b>	<b>–</b>	<b>(41,227)</b>
Value of conversion rights on Convertible Notes	22	–	–	–	–	4,883	–	4,883	–	4,883
<b>Total contributions by and distributions to owners of the Company</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total transactions</b>		<b>–</b>	<b>–</b>	<b>(115)</b>	<b>–</b>	<b>4,883</b>	<b>(41,112)</b>	<b>(36,344)</b>	<b>–</b>	<b>(36,344)</b>
<b>Balance at December 31, 2015</b>		<b>837</b>	<b>418,822</b>	<b>1,597</b>	<b>(22,870)</b>	<b>4,883</b>	<b>(395,594)</b>	<b>7,675</b>	<b>–</b>	<b>7,675</b>

The notes on pages 26 to 64 are an integral part of these consolidated financial statements.


**CONSOLIDATED STATEMENT OF CASH FLOWS** For the year ended December 31

in thousands of euros	Note	2015	2014
<b>Cash flows from operating activities</b>			
Net (loss)/profit from continuing operations for the year		(41,128)	8,339
Result of discontinued operations		(467)	(861)
Adjustments for non-cash items:			
Depreciation and impairment	14	3,230	2,375
Amortization and impairment of intangible assets and goodwill	15	24,072	20,036
Change in provisions	18, 19, 26	6,473	22,711
Other non-cash items related to general risks	26	1,800	–
Share-based payments	10, 32	–	1,216
Change in other financial assets	16	124	1,691
Result on divestments POC Modules business, India and skytron	4	(1,000)	(18,234)
Finance income/(costs) (net)	12	7,177	(36,351)
Income tax	13	(3,200)	(6,605)
<b>Cash flow from operations before changes in working capital</b>		<b>(2,919)</b>	<b>(5,683)</b>
Change in inventories	18	4,934	588
Change in trade and other receivables	19	5,684	3,370
Change in prepayments	20	1,400	(2,189)
Change in trade and other payables	27	(13,391)	(17,306)
Change in employee benefits	25	1,028	563
Change in provisions	26	(6,116)	(8,033)
Change in deferred income	28	(119)	(409)
<b>Cash used in operating activities</b>		<b>(6,580)</b>	<b>(23,416)</b>
Income tax paid		(72)	2,348
<b>Net cash used in operating activities</b>		<b>(9,571)</b>	<b>(26,751)</b>
<b>Cash flows from investing activities</b>			
Decrease/(increase) in non-consolidated investment	16	–	256
Purchase of property, plant and equipment	14	(808)	(813)
Proceeds from sale of property, plant and equipment	14	584	599
Purchase of intangible assets	15	(514)	(500)
Proceeds from divestment of POC modules business	4	1,000	22,000
Proceeds from sale of legal entities net of cash disposed	4	–	7,161
Capitalized internal development expenditure	15	(1,170)	(635)
<b>Net cash (used in)/from investing activities</b>		<b>(908)</b>	<b>28,068</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	22	–	4,017
Transaction costs in relation to the exchange offer	12	–	(4,658)
Interest (paid)/received (net)		(1,832)	(256)
Net proceeds of Convertible Notes payable	24	13,578	–
Change in other long- and short-term debt	24	370	(3,503)
<b>Net cash from/(used in) financing activities</b>		<b>12,116</b>	<b>(4,400)</b>
Effect of movement in exchange rates		261	516
Net increase/(decrease) in cash and cash equivalents		1,898	(2,567)
Cash and cash equivalents (including held for sale and overdrafts) at beginning of year		29,306	31,873
<b>Cash and cash equivalents (including held for sale and overdrafts) at end of year</b>	21	<b>31,204</b>	<b>29,306</b>

The notes on pages 26 to 64 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

3W Power S.A. (the "Company"), was previously registered in Guernsey. With effect from June 2, 2010, the Company became domiciled in Luxembourg and the address of its registered office is: 19, Rue Eugène Ruppert, L-2453 Luxembourg.

On April 9, 2010, the Company changed its name from Germany1 Acquisition Limited to 3W Power Holdings S.A. On May 19, 2011, the Company changed its name to its current name of 3W Power S.A.

The Company's shares are listed on the Regulated Market of the Frankfurt stock exchange (FWB). As from December 19, 2011, the Company delisted its shares from the NYSE Euronext, Amsterdam.

The consolidated financial statements of the Company as at and for the year ended December 31, 2015, comprise the Company and its subsidiaries (together referred to as the "Group"). The Company has one investment which is the acquisition of AEG Power Solutions B.V. ("AEG PS") in September 2009. The Group is a world provider of power electronics and it offers product and service portfolios in uninterruptible power supply (UPS), power conversion and control, for customers spanning the infrastructure markets of energy, telecom, lighting, transportation and general industrial sectors. The Group developed a range of products for the solar energy industry, from solar central inverters, software monitoring, turn-key electrical balance of systems and has invested in areas of power management within distributed power generation and smart micro grids.

## 2. BASIS OF PREPARATION

### A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"). The consolidated financial statements were authorized for issue by the Board of Directors on April 7, 2016.

### B) GOING CONCERN ASSUMPTION

In 2015, the Group focused on the operational improvement plans on a continuous basis to investigate further evaluation of its manufacturing footprint, downsizing of its overhead headcount and adapting its sales strategy and sales force to current market requirements.

The Group is in the process of finalizing the implementation of vertical market segments based on end customer markets. Vertical markets have been identified for Oil & Gas, Power Distribution, Transportation, Renewables (Battery storage and Grid Solutions), Data & IT and Services. Experienced segment leaders have been appointed to define the strategy and to work closely with the affiliates and the end customer(s). The segment leaders work closely with Product Management and R&D to establish a product portfolio that is dedicated to each vertical market- and customer specific requirements. Ongoing R&D investment is a pre-requisite to be an active player and to secure future business growth.

In 2015, the Group suffered a net loss of €41.6 million resulting in a decrease of Group equity to €36.3 million. Operational losses and subsequent negative operational cash flows in 2015 as well as the above mentioned investments and execution of the restructuring program required additional funding. The Company therefore issued a €14.0 million Convertible Bond on November 9, 2015, a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon rate of 5.5%. As a result, available cash per December 31, 2015 was €23.4 million (€31.2 million including restricted cash).

As from Q3 2015, new restructuring programs were initiated and included further headcount reduction in Germany (Belecke, 65 full-time employees) and France (Tours, 30 full-time employees) by the end of Q2, 2016. In addition the Board of Directors approved the divestiture of the small services companies Fluxpower GmbH and Primetech s.r.l. During Q4 2015 buyers were identified and a SPA was signed and completed on February 4, 2016. The headcount, after the effect of the approved restructuring and sale of Fluxpower (23 full-time employees) and Primetech (20 full-time employees) will be reduced to 814 full-time employees (total full-time employees at year-end was 952).

Furthermore extensive effort has been put into evaluating existing budgets and forecasts and continuously updating budgets and forecasts based on the most recent available market and performance information. This process has been reviewed in detail by the Management of the Company and the Board of Directors.

Based on the liquidity forecast of the Group up and until the first quarter of 2017, Management expects that available liquidity headroom will further reduce but will nevertheless be sufficient to operate the business without interruption. This takes into account both forecast cash collateral need and minimum operating cash needs.

### **Risk on the realization of the budget and forecast**

Realization of the forecast liquidity largely depends on external market conditions and order intake, timely and successful execution of orders and the speed of recovery of the business performance. In this respect, the following matters are essential to take into consideration:



- Market conditions should not develop unfavorably for the Group, which means that a stable operating environment is essential,
- Full realization of the liquidity forecast is achieved including:
  - Order intake and timely conversion to revenues;
  - Timely and successful execution of restructuring (taking into account the local labor laws and obligatory involvement of workers councils and unions) measures and operational improvement plans. These include process improvements, cost savings and trade working capital reductions.

Management believes that the forecast like-for-like revenue will be at least in line with 2015, however with a lower cost basis and improved operating results. Management is also of the opinion that they have a number of actions at their disposal which could potentially provide additional liquidity in 2016. These remedial actions and options include, but are not limited to, the following:

- reinforcement of cash flow control procedures with the aim that solid payment terms and guarantees have been negotiated for major projects;
- postponement of payments relating to internal projects, time to order delivery of batteries and other ancillary products;
- sub rental of real estate (France and Germany);
- cross border utilization of favorable bank terms for customer bank guarantees which require limited cash collateral,
- engagement of professional local partners with the aim of reaching acceptable terms and conditions for the execution of any restructuring.

Besides the risks on the 2016 budget and forecast, Management has identified the following non-current risks, which could affect the Group's liquidity position:

- The Group received 75 lawsuits from former Lannion employees, amounting to €5.0 million, the French court may decide in line with the objective of the claimholders.
- The new bond matures in 2019 and has an escalating interest rate currently at 6.0% and accumulating to 12.0%. The Group may face the risk that all initiatives to further grow sales and margins are not sufficient to secure the last three years of interest payments in the range of 8.0% to 12.0%. Alternative sourcing of financing may turn out to be unsuccessful.
- Willingness of bondholders to continue current financing, which Management expects as there are no events of defaults forecasted. Any cash shortfall resulting into insolvency or bankruptcy of an individual material subsidiary (as described in the terms and conditions of the €50.0 million and €14.0 million bond loan) will entitle each Noteholder to declare his Notes due and demand immediate redemption. Such cash shortfall is not anticipated by Management.

There is a risk that if the forecast is not fully realized, the Company needs additional liquidity on Group level in the near future. Since there is a material risk that the Company faces a liquidity shortage that has not been secured with additional funding, this indicates the existence of material uncertainties, which may cast significant doubt about the Group's ability to continue operating as a going concern.

In light of the above, the Group has assessed the going concern assumption on the basis of which the 2015 financial statements have been prepared. Management is of the opinion that considering the risks and uncertainties as stated above, going concern is mainly dependent on the realization of the 2016 budgets and forecasts within the boundaries set by Management and conclude that the application of the going concern assumption for the 2015 financial statements is therefore appropriate.

#### C) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise indicated.

#### D) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

#### E) USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 2B	Going concern assumptions
Note 16	Impairment test procedures on goodwill and other intangible assets
Note 18	Utilization of tax losses
Note 25	Loans and borrowings
Note 26	Measurement of defined benefit obligations
Notes 27, 30, 31	Provisions, off-balance sheet commitments and contingencies
Note 32	Financial instruments

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### A) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of 3W Power S.A. and all subsidiaries that the Company controls, i.e. when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated in the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### Business combinations

Until the end of December 31, 2009, the purchase method of accounting based on IFRS 3 (2004) is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets of the subsidiary acquired is recognized as goodwill.

As from January 1, 2010 the Group applies IFRS 3 (revised) for all new business combinations.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets.

All acquisition-related costs other than share and debt issuance costs are expensed.

The non-controlling interests are disclosed separately in the consolidated statements of income as part of profit allocation and in the consolidated statement of financial position as a separate component of equity. Upon acquisition the non-controlling interest is valued at fair value with any subsequent changes being recorded through the consolidated statement of income.

#### Investments in associates

Associates are those entities in which the Group has significant influence, but no control over financial and operating policies. Significant influence is presumed to exist when the Group holds more than 20.0% of the voting power of the entity. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Initially, investments in associates are recognized at cost, including transaction cost. Goodwill identified on the acquisition of the associate is included in the carrying amount of the investment.

The consolidated financial statements include the Group's share of the net profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of the Group. When the share of losses exceeds the interest in an associate, the carrying amount is reduced to zero, and recognition of further losses is discontinued unless the Group has an obligation or has made payments on behalf of the investee. Loans to associates are carried at amortized cost less any impairment losses.

#### B) FOREIGN CURRENCY

Transactions in currencies other than the euro are translated at the rate of exchange applicable on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro by applying the annual average rates.

Foreign currency differences are recognized in other comprehensive income and presented in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the FCTR.



Financial information prepared in currencies other than the euro has been converted at the euro rate per foreign currency unit set out below:

Country	Currency	Closing rates 2015	Average rates 2015	Closing rates 2014	Average rates 2014
China	CNY	0.14	0.14	0.13	0.12
Russia	RUB	0.01	0.01	0.01	0.02
Singapore	SGD	0.65	0.66	0.62	0.59
Ukraine	UAH	0.04	0.04	0.05	0.06
United Kingdom	GBP	1.36	1.38	1.28	1.24
United States	USD	0.92	0.90	0.82	0.75

### C) STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies have been translated into euro using the weighted average rates of exchange for the periods involved. Cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows from the hedged items. Cash flows from other derivative instruments are classified consistent with the nature of the instrument.

### D) DERIVATIVE FINANCIAL INSTRUMENTS

The Group may use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

Derivatives that can be used are interest rate swaps, forward rate agreements, caps and floors and forward exchange contracts. Transactions are entered into with a limited number of counterparties with strong credit ratings. Foreign currency and interest rate hedging operations are governed by an internal policy and rules (treasury policy) approved and monitored by the Board. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at fair value. Attributable transaction costs are recognized in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes therein are accounted as described below. The fair value of forward exchange contracts and interest rate swaps are their quoted market price at the balance sheet date, being the present value of the quoted forward price.

### Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group identifies the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets.

### Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Convertible Bond entered into on November 9, 2015, consists of a liability (including interest and notional amount) and a conversion option that is classified as equity. The equity portion is a financial asset at fair value reported in equity.

### Receivables

Trade and other receivables are initially stated at fair value. Subsequent measurement is at amortized cost using the effective interest method less provision for impairment.

A provision for impairment of trade and other receivables is established when it is more likely than not that the Group will not be able to collect the amounts receivable. The provision for impairment of trade receivables is based on the trade receivable portfolio experience of subsidiaries, as well as on individual assessments of expected non-recoverable receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization, and serious default or delinquency in payments, are considered indicators that the trade receivable is impaired. The amount of the provision is equal to the difference between the carrying amount of the asset and the present value of estimated future cash flows.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. They are stated at face value, which approximates fair value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of short-term debt for the purpose of the statement of cash flows.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale financial assets are reported as a separate component of other comprehensive income until realized. In case of impairment losses on available-for-sale assets these are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the net difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment losses recognized previously in profit or loss.

### Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: notes payable, loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognized initially at fair value. The notes payable liability is recognized initially at its fair value plus transaction costs that are directly attributable to the issue of the financial instrument.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

### Financial guarantees

Financial guarantees are only provided to subsidiaries and therefore are not disclosed in the consolidated financial statements. However, information on financial guarantee to subsidiaries is provided in the section "credit risk".

### Share capital

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

#### Treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, which included directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares.

## E) PROPERTY, PLANT AND EQUIPMENT

### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss. When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.





**Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings, plant and equipment	20–30 years
Infrastructure and fixtures	10–20 years
Equipment and tools	5–10 years
Small equipment and tools	2–5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**F) INTANGIBLE ASSETS**

**Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For acquisitions the Company measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing interest in the acquiree;
- less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the statement of income. Goodwill is measured at cost less accumulated impairment losses.

Impairment procedures on goodwill are performed at least once a year to assess if the carrying value is still higher than the recoverable amount.

**Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

**Other intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

**Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

**Amortization**

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Capitalized development costs	3–7 years
Backlog	2–3 years
Customer relations	14–20 years
Technology	4–10 years

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**G) LEASED ASSETS**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding rental obligations, net of finance charges, are included in other short-term and other non-current liabilities.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease term.

Other leases are operating leases and are not recognized in the Group's statement of financial position. Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Investment property held under an operating lease is recognized in the Group's statement of financial position at its fair value.

#### H) INVENTORIES

Inventories and work in progress are measured at the lower of cost and net realizable value. Cost is primarily calculated on a weighted average price basis. Reserves for inventories and work in progress are calculated based on an analysis of foreseeable changes in demand, technology or the market, in order to determine obsolete or excess inventories and work in progress. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### I) IMPAIRMENT

##### **Financial assets including receivables**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables at a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The amount of the allowance for doubtful receivables reflects both the customers' ability to honor their debts and the age of the debts in question. The Group establishes a bad debt allowance procedure that foresees provisioning for each specific case. As soon as individual trade accounts receivable can no longer be collected in the normal way and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. They are written off when they are deemed to be uncollectible because of bankruptcy or other forms of receivership of the debtors.

The allowance for the risk of non-collection of trade accounts receivables takes into account credit risk concentration, collective debt risk based on average historical losses, and specific circumstances such as serious adverse economic conditions in a specific country.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### **Non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (the "cash-generating unit, or CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the asset or cash generating unit is assessed by its fair value less costs to sell this can be either through directly obtained fair values or by discounting the expected cash flows from a market participants perspective. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination.



The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Non-current assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal groups, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

#### **J) DISCONTINUED OPERATIONS**

##### **Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represent a major line of business or geographical area of operations or is a subsidiary acquired with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation was classified as a discontinued operation and subsequently this decision was reversed, therefore bringing the operation back in use, the comparative statement of comprehensive income is re-presented as if the operation were part of continuing operations as from the start of the comparative year.

#### **K) EMPLOYEE BENEFITS**

##### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than twelve months after the end of the period in which the employees render the service are discounted to their present value.

##### **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate used is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Re-measurements of the net obligation comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest). The Company immediately recognizes all re-measurements in other comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

The Group recognizes gains and losses on settlements of a defined benefit obligation plan when the settlement occurs.

### Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate used is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

### Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the payment is measured to reflect such conditions and there is no true-up for differences between expected and actual conditions.

## L) PROVISIONS

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The Group accrues for losses associated with environmental obligations when such losses are probable and can be estimated reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

### Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected costs of terminating the contract and the expected net costs of continuing with the contract. Before a provision is established, the Group recognizes an impairment loss on the assets associated with that contract.

## M) REVENUE

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.



The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. In general the Group recognizes revenue from the sale of goods and equipment when a contractual arrangement with its customer exists, delivery has occurred, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Accruals for estimated returns are recorded at the same time based on contract terms and prior claims experience. In arrangements where the customer specifies final acceptance of the goods, equipment, services or software, revenue is generally deferred until all the acceptance criteria have been met.

Service revenue related to repair and maintenance activities for goods sold are recognized pro rata over the service period or as services are rendered. Revenue from training and consulting services is recognized when the services are performed.

For product sales through resellers and distributors, revenue is recognized at the time of the shipment to distributors.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair value of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

The Group accrues for warranty costs, sales returns and other allowances based on contract terms and its historical experiences.

Government grants are recognized as income as qualified expenditures are made, except for grants relating to purchases of assets, which are deducted from the cost of the assets.

#### N) LEASE PAYMENTS

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### O) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Transaction costs on financial instruments is expensed over the period that the debt is outstanding using the effective interest method and is included in finance costs.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### P) INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based in its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

#### Q) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise restricted shares, warrants and any share options granted to employees.

#### R) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker (the "CODM" to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has one reportable segment, Industrial Products and Services (IPS), in combination with a reportable unallocated segment (unallocated) that represents non-business related expenses.

The Group is in the process of changing its structure from a product focus towards a vertical integrated Group, but full information on costs and asset allocations is currently not yet available. This segmentation will be further developed in 2016.

#### S) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements. The main standards that might affect the Group are:

- IFRS 9, "Financial Instruments" (replacement of IAS 39) is not yet EU-endorsed and will become effective as from 2018, with earlier adoption permitted. IFRS 9 introduced new requirements for classifying and measuring financial assets and liabilities. This standard encompasses an overall change of accounting principles for financial instruments and will eventually replace IAS 39 – the current standard on financial instruments. As its scope will be further expanded during the next year(s), we will review the effects of a comprehensive standard on financial instruments and consider adoption when appropriate as the scope of IFRS 9 is already final except the part regarding hedging, for which the Company is currently assessing the impact.
- IFRS 15, "Revenue from contracts with customers" is not yet EU-endorsed and will become effective as from January 1, 2018. IFRS 15 replaces existing revenue recognition guidance in IFRS. It introduces a five-step model to determine when to recognize revenue and at what amount, based on transfer of control over goods or services to the customer. New qualitative and quantitative disclosures will also be required. The Company is currently assessing the impact of the new standard.



- IFRS 16, "Leases" is not yet EU-endorsed and will become effective as from January 1, 2019, with earlier adoption permitted if abovementioned IFRS 15 has also been applied.

IFRS 16 supersedes IAS 17 Leases and related interpretations. IFRS 16 requires most leases to be recognized on-balance (under a single model), eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged, and the distinction between operating and finance leases is retained. Under IFRS 16, a lessee recognized a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and is depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined, and the liability accrues interest. As with current IAS 17, under IFRS 16 lessors classify leases as operating or finance in nature. The Company is currently assessing the impact of the new standard.

Changes to other standards, following from amendments and the Annual Improvement cycles, do not have a material impact on the Company's financial statements.

#### 4. FINANCIAL RISK MANAGEMENT

##### Overview

The Group has exposure to the following risks:

- Credit and customer concentration risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Company's framework on risk management is described in the Directors' report.

##### A) CREDIT AND CUSTOMER CONCENTRATION RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

##### Trade and other receivables

The Group's exposure to customer credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently challenging and uncertain circumstances.

The top 30 customers represented 36.9% of the Group revenue (2014: 32.9%) with the top 5 customers representing 14.9% of the Group revenue (2014: 12.1%). The Group monitors its customers closely and uses advance payments and written guarantees to lower the associated credit risk. The Group also tries to mitigate concentration risks by broadening the customer base as much as possible. The concentration by customer can vary from year to year.

More than 50.0% of the Group's customers have been transacting with the Group for over five years, and losses have occurred infrequently. The Group's operating subsidiaries analyze new customers individually for creditworthiness before orders are accepted. Credit risk is also covered where possible by request for collateral such as advance payments, guarantees and the use of retention of title clauses. Credit reviews are carried out which include external ratings, when available, and bank references.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that incurred but are not yet identified. The amount of collective loss allowance is based on historical data of payment statistics for similar financial assets.

### Guarantees

The Group provides guarantees and performance bonds when required for specific projects and such guarantees are approved by Group management. At December 31, 2015, the value of guarantees issued by the Group amounted to €12.0 million (2014: €10.4 million) net of those covered by cash collateral. These guarantees are only provided to subsidiaries.

### B) LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash status and projected sources and needs throughout the year.

In November 2010, the Company successfully raised a net €96.8 million of loan capital through the placement of loan notes due December 1, 2015. As of December 31, 2013, the Group did not believe it would generate sufficient cash flow from operations to be able to fully repay the loan notes due December 1, 2015, and therefore initiated a financial restructuring program. In August 2014, the Company successfully converted half of its €100.0 million debt into equity and exchanged the other half against a new bond of €50.0 million at a term of five years as well as an initial interest rate (to be paid semi-annually) of 4.0% per annum (first year of the term), which will increase by 2.0% per annum for each following year of the term, up to the maximum of 12.0%.

On November 9, 2015, the Company issued a €14.0 million Convertible Bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

Refinancing will require the Group to access credit markets. At December 31, 2015, in addition to the liquidity raised through the loan notes, the Group also had the following credit facilities at certain of its subsidiaries:

- €1.7 million in overdraft and short-term loans of which €1.2 million was undrawn.
- €12.9 million receivable financing of which €10.5 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

The Company addressed and continues addressing its total operating costs model through a business process redesign with an emphasis on cash generation. The combination of asset sales, closing of affiliates, reduction in fixed operating expenses and reduction in interest burden through restructuring of the Group's financial commitments were all designed to bring the remaining activities of the Group onto an improved financial position. The Group is monitoring its trading patterns and factoring into its analysis the different variables involved in the restructuring. Possible mitigation actions are continuously identified.

Taking into account these variables and based on present circumstances, including reasonable assumptions about the probability of certain outcomes, Management believes there will be sufficient liquidity to continue as a going concern throughout the coming twelve months. At December 31, 2015, the Company's cash was €30.3 million compared to €29.3 million at December 31, 2014.

### C) ECONOMIC AND MARKET RISK

These risks include risks from the general macroeconomic environment, changes in regulations (for example relating to renewable energy and environmental policies), the incorrect projection of market price and demand trends, lack of market acceptance for newly developed products and other such related risks.

Our business is affected by the economic and political conditions particularly in the current macroeconomic environment characterized by the continued economic hardship in several countries within the European Union and the recent geopolitical strife in the Ukraine and surrounding areas of Eastern Europe and the CIS. We conduct business both in Europe and Russia. Deepening economic sanctions prohibiting our ability to serve certain markets is a possibility.

Furthermore the Group is affected by the instability in the oil price, projects are delayed and reduced in value.

We continue to pursue business in developing areas and we expect emerging markets to account for an increasing proportion of our total revenue as developing economies grow. Although we furnish much of our content from Europe, many of the projects' ultimate destinations are through EPC's around the world. Emerging markets generally may involve risks such as unfamiliar legal systems, cultural and business practice differences, exchange controls, etc.





#### D) OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each subsidiary supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Mitigation, including insurance where this is effective.

#### E) INTEREST RATE AND CURRENCY RISK

The majority of the Group's debt is in the form of the Notes which are long-term and have an escalating interest rate beginning with 4.0% and accumulating to 12.0%. The interest rate on the Convertible Bond is fixed at 5.5% per annum.

Debt with variable interest rate is largely confined to the receivables financing facilities and the Group does not enter into interest rate derivatives. Therefore the Group's exposure to interest rate risk is limited.

Details of the Group's exposure to currency risk are shown in note 31. The main exposure is to the euro, the Group's functional currency. Exposure to other currencies is relatively limited. The Group will monitor such exposure closely and take appropriate steps to mitigate if required. The Group had no foreign currency instruments in place at the year-end.

#### Capital management

The Board of Directors monitors on a monthly basis the development of the Group's EBITDA, liquidity and net debt. Net debt is defined as the net of total borrowings, less cash and cash equivalents.

The Group monitors, on a weekly basis, the placement of excess cash, the draw on existing credit facilities and the cash flow development. Exchange risks are closely managed and during 2015 the Group did not enter into any major currency hedge transaction.

The Group is seeking to restore and stabilize its financial footing through its financial and operational restructuring program. The intent of the Board is to maintain a strong capital base and source additional working capital facilities to help fund future growth.

During the period, the Company was not exposed to externally imposed capital requirements and as such no covenant exists at year-end.

#### F) CHANGES TO THE GROUP

On January 8, 2014, AEG Power Solutions (France) S.A.S. was placed into administration. The entity was structurally loss-making which the Group could no longer financially support. AEG Power Solutions (France) S.A.S. was deconsolidated from the Group as from January 8, 2014.

On January 15, 2014, the Group initiated plans to close down its R&D and sales office located in Richardson, Texas, USA. The entity was loss-making and continued to consume cash that the Group could no longer afford to provide. The existing products and activities were subsequently transferred to the Group's German subsidiary and the office closed at the end of April 2014. The Group maintains a sales and support presence in the United States.

On January 27, 2014, the AEG Power Solutions GmbH, the Group's German subsidiary, divested its Power Control Modules business to Advanced Energy Industries Germany, GmbH, Metzingen, Germany, a subsidiary of Advanced Energy Industries, Inc. (Advanced Energy Industries) Colorado, USA. Under the agreement, Advanced Energy Industries acquired the Thyro-Family product line for €22.0 million in cash plus a one-year cash earn-out of up to €1.0 million. The Company entered into a long-term manufacturing agreement for manufacturing the modules for Advanced Energy Industries.

On February 28, 2014, the Group agreed with a South African investor to sell 75.0% of the shares of the South African subsidiary holding the 3W Power facility in Cape Town and partner to develop the sales of AEG Power Solutions global range of power systems on the South-African market.

On April 25, 2014, the Group signed a sale and purchase agreement (SPA) with Toshiba Mitsubishi-Electric Industrial Systems Corporation (TMEIC) to divest its Indian affiliate. Under the agreement, TMEIC acquired 100.0% of the entity. The sale was completed on July 31, 2014.

On June 3, 2014, the Group announced the sale of its German affiliate skytron energy GmbH to First Solar. The sale was closed on July 3, 2014.

The following tables present the 2015 and 2014 trading results as continued operations from legal entities/business activities that were sold or have been identified for sale for the next year.

in thousands of euros	Total Revenue <sup>1</sup> 2015	Total Revenue <sup>1</sup> 2014	External Revenue 2015	External Revenue 2014
AEG PS (India) PVT Ltd	–	2,862	–	2,089
skytron energy GmbH	–	4,552	–	4,251
POC Modules business <sup>2</sup>	4,208	5,615	4,208	5,363
Fluxpower GmbH	5,523	5,697	5,503	5,245
Primetech s.r.l.	3,182	2,877	3,182	2,877

<sup>1</sup> Including intra-Group transactions

<sup>2</sup> The Group has entered into a long-term manufacturing agreement for manufacturing the modules for Advanced Energy Industries, which resulted into a reduction in revenue, gross margin and EBIT.

in thousands of euros	Gross margin <sup>1</sup> 2015	Gross margin <sup>1</sup> 2014	Income/(loss) before interest and tax (EBIT) <sup>1</sup> 2015	Income/(loss) before interest and tax (EBIT) <sup>1</sup> 2014
AEG PS (India) PVT Ltd	–	(930)	–	4,314
skytron energy GmbH	–	1,889	–	(460)
POC Modules business <sup>2</sup>	(391)	327	(430)	(215)
Fluxpower GmbH	1,779	1,808	434	269
Primetech s.r.l.	1,104	1,012	129	173

<sup>1</sup> Including intra-Group transactions

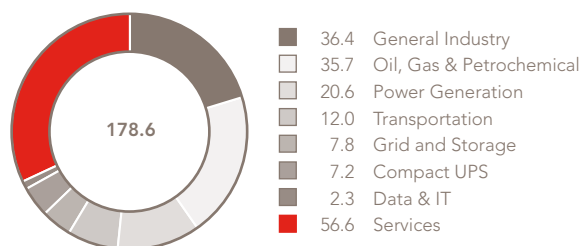
<sup>2</sup> The Group has entered into a long-term manufacturing agreement for manufacturing the modules for Advanced Energy Industries, which resulted into a reduction in revenue, gross margin and EBIT.

## 5. OPERATING SEGMENTS

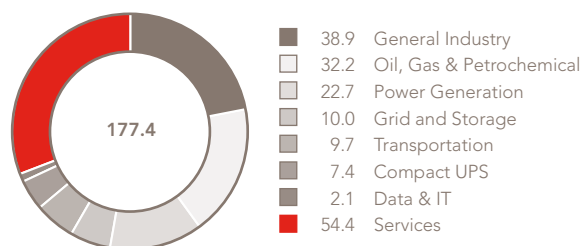
The Group has one reportable segment, Industrial Products and Services (IPS), in combination with a reportable unallocated segment (unallocated) that represents non-business related expenses. Accordingly, the results of the Group are presented in these two segments which also reflect the presentation of information to the Group's Executive Management, who have been identified as the Chief Operating Decision Maker ("CODM").

The Group is in the process of changing its structure from a product focus towards a vertical integrated Group, but full information on costs and asset allocations is currently not yet available. This segmentation will be further developed in 2016. We have included the information for the new vertical segments in the table below.

2015 ORDERS BY SEGMENT/PRODUCT GROUP  
 in millions of euros



2015 REVENUE BY SEGMENT/PRODUCT GROUP  
 in millions of euros





## RESULTS BY OPERATING SEGMENT

For the year ended December 31, 2015

in thousands of euros	Industrial Power Solutions	Unallocated amounts	Total
<b>Revenue</b>	<b>177,391</b>	–	<b>177,391</b>
<b>Segment operating income/(loss)</b>	<b>(5,372)</b>	<b>225</b>	<b>(5,147)</b>
Restructuring income/(costs)	(7,469)	800	(6,669)
Capitalized development costs (net of amortization and impairment)	(1,132)	–	(1,132)
Central overheads	–	(4,035)	(4,035)
Result on divestments	900	–	900
Capital loss	(2)	–	(2)
Amortization and impairment of intangibles & goodwill on acquisition <sup>1</sup>	(20,799)	(267)	(21,066)
<b>Income/(loss) before interest and tax (EBIT)<sup>2</sup></b>	<b>(33,874)</b>	<b>(3,277)</b>	<b>(37,151)</b>

<sup>1</sup> Relates to intangibles identified on the acquisition of AEG PS in 2009.

<sup>2</sup> The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

Revenue comprises €123.0 million for goods and €54.4 million for services (2014: €148.7 million and €54.6 million respectively).

## RESULTS BY OPERATING SEGMENT

For the year ended December 31, 2014

in thousands of euros	Industrial Power Solutions	Unallocated amounts	Total
<b>Revenue</b>	<b>203,286</b>	–	<b>203,286</b>
<b>Segment operating income/(loss)</b>	<b>(21,321)</b>	<b>830</b>	<b>(20,491)</b>
Restructuring income/(costs)	(8,526)	(2,770)	(11,296)
Capitalized development costs (net of amortization and impairment)	(3,358)	–	(3,358)
Central overheads	–	(6,077)	(6,077)
Result on divestments (note 4F)	18,234	–	18,234
Amortization of tangible and intangible assets and working capital <sup>1</sup>	3,671	–	3,671
Amortization and impairment of intangibles on acquisition <sup>2</sup>	(15,033)	(267)	(15,300)
<b>Income/(loss) before interest and tax (EBIT)<sup>3</sup></b>	<b>(26,333)</b>	<b>(8,284)</b>	<b>(34,617)</b>

<sup>1</sup> Amortization relates to the fair valuing of assets at the net realizable value of legal entities that have been disposed during the financial year 2014.

<sup>2</sup> Relates to intangibles identified on the acquisition of AEG PS in 2009 and skytron in 2010.

<sup>3</sup> The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

## SEGMENT ASSETS AND REVENUE BY GEOGRAPHY

The Group monitors assets at country level rather than by operating segment. Therefore, information on assets is disclosed below on a geographical basis.

## MATERIAL INFORMATION ABOUT GEOGRAPHICAL SEGMENTS

In presenting information on the basis of geographical segments, segment revenue is based on the location of customers. Segment assets and liabilities are based on the location of the assets and liabilities.

The country of domicile of the Company (Luxembourg) is included in the rest of Europe.

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia <sup>1</sup>	Americas	Held for sale	Total
Revenue for the period ended December 31, 2015	45,446	64,783	62,383	4,779	–	<b>177,391</b>
Revenue for the period ended December 31, 2014	51,810	80,222	65,026	6,228	–	<b>203,286</b>

<sup>1</sup> Includes the Cyprus-based Solar customer with its major operation in Eastern Europe.

For the year ended and as at December 31, 2015

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Non-current assets <sup>1</sup>	31,063	18,383	1,765	–	–	<b>51,211</b>
Total assets	56,863	80,941	26,022	74	4,379	<b>168,279</b>
Total liabilities	46,126	94,274	13,710	5,005	1,489	<b>160,604</b>

<sup>1</sup> Non-current assets exclude goodwill and non-current financial assets.

For the year ended and as at December 31, 2014

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Non-current assets <sup>1</sup>	39,152	21,100	1,816	–	–	<b>62,068</b>
Total assets	83,158	87,548	23,709	916	–	<b>195,331</b>
Total liabilities	52,540	82,946	10,228	5,598	–	<b>151,312</b>

<sup>1</sup> Non-current assets exclude goodwill and non-current financial assets.

## 6. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

### AEG POWER SOLUTIONS (FRANCE) S.A.S.

#### Discontinued operations

On January 8, 2014, the AEG Power Solutions S.A.S at Lannion was placed into administration and subsequently on July 16, 2014, into liquidation. The entity was structurally loss-making which the Group could no longer support. The principal business activity of Lannion is telecom converters and LED. The loss related to discontinued operations €0.4 million (2014: €0.9 million) represents the effect of the deconsolidation of Lannion, and the provision anticipated on received lawsuits (note 27). No cash transactions occurred during 2014 and 2015.

#### DISCONTINUED OPERATIONS

in thousands of euros	2015	2014
Revenue	–	–
Expenses	(467)	(861)
<b>Result from operating activities</b>	<b>(467)</b>	<b>(861)</b>
Income tax	–	–
<b>Loss from discontinued operations, net of tax</b>	<b>(467)</b>	<b>(861)</b>
Earnings per share		
Basic (loss) per share (euro)	–	(0.03)

In the third quarter of 2015, the Board of Directors approved the divestment of two small services companies: Fluxpower GmbH and Primetech s.r.l. On February 4, 2016, the Group completed the sale and purchase agreement with Legrand. As at December 31, 2015, assets and liabilities of these affiliates have been presented as assets and liabilities held for sale.



## ASSETS HELD FOR SALE

in thousands of euros	Fluxpower GmbH	Primetech s.r.l.	Total
Intangible assets	99	13	112
Goodwill	700	-	700
Property, plant and equipment	25	103	128
Inventories	219	251	470
Trade and other receivables	1,088	927	2,015
Cash and cash equivalents	717	237	954
<b>Total assets held for sale</b>	<b>2,848</b>	<b>1,531</b>	<b>4,379</b>

## LIABILITIES HELD FOR SALE

in thousands of euros	Fluxpower GmbH	Primetech s.r.l.	Total
Employee benefits	-	180	180
Income tax liabilities	137	40	177
Trade and other payables	539	593	1,132
<b>Total liabilities held for sale</b>	<b>676</b>	<b>813</b>	<b>1,489</b>

## 7. ACQUISITIONS

No acquisitions occurred during 2015 and 2014.

## 8. COST OF SALES

in millions of euros	2015	2014
Material costs	(95.6)	(109.8)
Employee costs	(36.3)	(44.4)
Other costs <sup>1</sup>	(9.3)	(10.8)
Net inventory income/(expense)	1.7	(7.4)
Bad debt allowance	(0.7)	(0.4)
Tangible depreciation costs	(1.6)	(0.7)
Intangible depreciation costs	(0.1)	(0.1)
<b>Total cost of sales</b>	<b>(141.9)</b>	<b>(173.6)</b>

<sup>1</sup> Other costs include warranty reserve and other variable costs.

## 9. OTHER INCOME/(EXPENSES)

in thousands of euros	Note	2015	2014
Proceeds sale obsolete/excess stock		-	652
Result on divestments POC Modules business, India and skytron	4	1,000	18,234
Capital gain		-	52
Other income		211	-
<b>Other income</b>		<b>1,211</b>	<b>18,938</b>
Amortization of intangible assets	15	(2,896)	(3,631)
Impairment of intangible assets	15	(4,003)	(7,654)
Goodwill impairment	15	(11,252)	(1,100)
Restructuring costs (net)	26	(6,669)	(11,296)
<b>Other expense</b>		<b>(24,820)</b>	<b>(23,681)</b>
<b>Total other (expense)</b>		<b>(23,609)</b>	<b>(4,743)</b>

## 10. PERSONNEL EXPENSES

in thousands of euros	Note	2015	2014
Wages and salaries		(58,517)	(64,697)
Compulsory social security contributions		(5,992)	(11,639)
Contributions to defined contribution plans	25	(589)	(988)
Expenses related to defined benefit plans		-	(236)
Increase/(decrease) in liability for long-service leave		(1,152)	(1,293)
Share-based payments/long-term incentive payments	32	-	(1,216)
<b>Total personnel expenses</b>		<b>(66,250)</b>	<b>(80,069)</b>

## 11. FTE BY REGION

The total average number of full-time equivalent (FTE) employees in the year to December 31, 2015, and comparative numbers for the year 2014 are as follows:

number	2015	2014
Germany	446	551
France	161	185
Rest of Europe and Africa	221	238
Asia Pacific	140	188
North America	-	6
<b>Total average FTE</b>	<b>968</b>	<b>1,168</b>

The total headcount at December 31, 2015, is 992 (2014: 1,037).

## 12. FINANCE INCOME AND COSTS

in thousands of euros	Note	2015	2014
Gain as a result of the exchange offer		–	46,715
Interest income on bank deposits		542	418
Foreign exchange income		3,764	5,652
<b>Finance income</b>		<b>4,306</b>	<b>52,785</b>
Interest expense on loans and payables		(406)	(625)
Interest expense on notes payable	24	(6,161)	(9,438)
Pension related financial expenses	25	(746)	(896)
Foreign exchange costs		(3,549)	(2,908)
Loss on financial asset		–	(2,046)
Other finance costs	6	(621)	(521)
<b>Finance costs</b>		<b>(11,483)</b>	<b>(16,434)</b>
<b>Net finance income/(costs)</b>		<b>(7,177)</b>	<b>36,351</b>

Interest on notes payable relates to interest accrued at 4.0% (January to July) and 6.0% (August to December) on the notes placed in August 2014 of €50.0 million and 5.5% on the Convertible Bond of €14.0 million which was issued in November 2015, (2014: 9.25% on the notes placed in December 2010 of €100.0 million and 4.0% on the notes placed in August 2014 of €50.0 million) and the amortized portion of costs incurred in placing the notes payable. Such costs are expensed over the period that the debt is outstanding using the effective interest method.

Gain as a result of the exchange offer of €46.7 million represents the conversion of €100.0 million notes plus the accrued interest of €6.9 million on these 9.25% Notes into new 4.0% notes, with a fair value of €36.0 million (nominal value of €50.0 million) and shares of the Company, with a fair value of €19.3 million, offset by €4.9 million costs relating to the conversion.

Loss on financial asset of €2.0 million relates to the signed settlement agreement with the Limited Liability Company (LLC) in the U.S. The LLC was a partnership between the Group and an experienced investor and manager of solar assets in the U.S. The partnership did not result into the level of anticipated business opportunities and as such the Group cancelled the agreement and impaired the total invested value.

Other finance costs include factoring charges.

## 13. INCOME TAX (CHARGE)/BENEFIT

The net tax charges related to continuing operations are included in the statement of income as follows:

in thousands of euros	2015	2014
<b>Current tax (expense)/benefit</b>		
Income tax benefit/(charge) for the year	(295)	1,442
<b>Deferred tax (expense)/benefit</b>		
Origination and reversal of temporary differences	63	(7,125)
Recognition and utilization of prior year losses	3,432	12,288
<b>Deferred tax benefit</b>	<b>3,495</b>	<b>5,163</b>
<b>Total income tax benefit</b>	<b>3,200</b>	<b>6,605</b>

## RECONCILIATION OF EFFECTIVE TAX RATE

in thousands of euros	2015	2014
(Loss)/income from continuing operations for the period	(41,128)	8,339
Total income tax benefit	3,200	6,605
<b>Income/(loss) from continuing operations before income tax</b>	<b>(44,328)</b>	<b>1,734</b>
Expected income tax (charge)/benefit using the Company's domestic tax rate of 29.22% (2014: 29.22%)	12,952	(507)
Effect of different local tax rates	68	(60)
Tax exempt expense (impairment of goodwill)	(3,288)	(1,055)
Current year losses for which no deferred tax asset was set up	(9,964)	(4,054)
Recognition of prior-year losses	3,432	12,288
Reduction in deferred tax assets	–	(7)
<b>Income tax benefit</b>	<b>3,200</b>	<b>6,605</b>

## 14. PROPERTY, PLANT AND EQUIPMENT

See table on next page.

### DEPRECIATION AND IMPAIRMENT CHARGES

The depreciation/impairment charge recognized in the consolidated statement of income is as follows:

- Cost of sales: €1,630 (2014: €739) thousand
- Selling, general and administrative expenses: €1,412 (2014: €1,407) thousand
- Research and development expenses: €188 (2014: €229) thousand



In assessing whether property, plant and equipment have to be impaired, the carrying amount of the assets is compared with the recoverable amount of the cash-generating unit. For the period 2015, no impairment charge was recognized (2014: nil).

#### DISPOSAL AND OTHERS

Included in disposal and others for the period 2014 are the effects of ceasing activities in Lannion and South Africa.

#### ACQUISITION THROUGH BUSINESS COMBINATIONS

No acquisition through business combinations occurred in 2014 and 2015.

#### TRANSFER TO ASSETS HELD FOR SALE

Relates to the sale of Fluxpower GmbH and Primetech s.r.l.

#### LEASED PLANT AND MACHINERY

The Group has no material finance lease agreements.

#### CAPITALIZED BORROWING COSTS

For 2014 and 2015 no costs were capitalized.

in thousands of euros	Land	Building	Machinery and equipment	Furniture, IT and office equipment	Total
<b>Cost</b>					
<b>Balance at January 1, 2014</b>	<b>2,957</b>	<b>21,923</b>	<b>18,894</b>	<b>7,855</b>	<b>51,629</b>
Additions	–	12	305	496	813
Disposals and others	–	(390)	(7,463)	(3,889)	(11,742)
Effect of movements in exchange rates	–	27	415	150	592
<b>Balance at December 31, 2014</b>	<b>2,957</b>	<b>21,572</b>	<b>12,151</b>	<b>4,612</b>	<b>41,292</b>
<b>Balance at January 1, 2015</b>	<b>2,957</b>	<b>21,572</b>	<b>12,151</b>	<b>4,612</b>	<b>41,292</b>
Additions	–	48	191	569	808
Disposals and others	–	(693)	(598)	(818)	(2,109)
Transfer to assets held for sale	–	–	(32)	(375)	(407)
Effect of movements in exchange rates	–	19	96	32	147
<b>Balance at December 31, 2015</b>	<b>2,957</b>	<b>20,946</b>	<b>11,808</b>	<b>4,020</b>	<b>39,731</b>
<b>Depreciation and impairment</b>					
<b>Balance at January 1, 2014</b>	<b>–</b>	<b>(5,613)</b>	<b>(11,002)</b>	<b>(4,862)</b>	<b>(21,477)</b>
Depreciation for the year	–	(1,198)	(415)	(762)	(2,375)
Disposals and others	–	293	6,494	2,859	9,646
Effect of movements in exchange rates	–	(24)	(184)	(87)	(295)
<b>Balance at December 31, 2014</b>	<b>–</b>	<b>(6,542)</b>	<b>(5,107)</b>	<b>(2,852)</b>	<b>(14,501)</b>
<b>Balance at January 1, 2015</b>	<b>–</b>	<b>(6,542)</b>	<b>(5,107)</b>	<b>(2,852)</b>	<b>(14,501)</b>
Depreciation for the year	–	(1,198)	(1,262)	(770)	(3,230)
Disposals and others	–	467	506	681	1,654
Transfer to assets held for sale	–	–	23	256	279
Effect of movements in exchange rates	–	(17)	(35)	(24)	(76)
<b>Balance at December 31, 2015</b>	<b>–</b>	<b>(7,290)</b>	<b>(5,875)</b>	<b>(2,709)</b>	<b>(15,874)</b>
<b>Carrying amounts</b>					
At January 1, 2015	2,957	15,030	7,044	1,760	26,791
<b>At December 31, 2015</b>	<b>2,957</b>	<b>13,656</b>	<b>5,933</b>	<b>1,311</b>	<b>23,857</b>

## 15. INTANGIBLE ASSETS

in thousands of euros	Goodwill	Backlog	Customer relations	Technology	Capitalized development	Software and licenses	Total
<b>Cost</b>							
<b>Balance at January 1, 2014</b>	<b>102,232</b>	<b>24,007</b>	<b>215,978</b>	<b>55,740</b>	<b>27,550</b>	<b>8,081</b>	<b>433,588</b>
Additions	-	-	-	-	-	500	500
Internally developed assets	-	-	-	-	635	-	635
Disposals and others	-	-	-	-	(4,141)	(1,313)	(5,454)
Effect of movements in exchange rates	-	-	-	-	-	137	137
<b>Balance at December 31, 2014</b>	<b>102,232</b>	<b>24,007</b>	<b>215,978</b>	<b>55,740</b>	<b>24,044</b>	<b>7,405</b>	<b>429,406</b>
<b>Balance at January 1, 2015</b>	<b>102,232</b>	<b>24,007</b>	<b>215,978</b>	<b>55,740</b>	<b>24,044</b>	<b>7,405</b>	<b>429,406</b>
Additions	-	-	-	-	-	514	514
Internally developed assets	-	-	-	-	1,170	-	1,170
Disposals and others	-	-	-	-	-	(758)	(758)
Transfer to assets held for sale	(700)	-	-	-	-	(208)	(908)
Effect of movements in exchange rates	-	-	-	-	-	66	66
<b>Balance at December 31, 2015</b>	<b>101,532</b>	<b>24,007</b>	<b>215,978</b>	<b>55,740</b>	<b>25,214</b>	<b>7,019</b>	<b>429,490</b>
<b>Amortization and impairment</b>							
<b>Balance at January 1, 2014</b>	<b>(89,180)</b>	<b>(24,007)</b>	<b>(188,205)</b>	<b>(45,956)</b>	<b>(13,210)</b>	<b>(5,537)</b>	<b>(366,095)</b>
Amortization for the year	-	-	(11,285)	(2,647)	(2,861)	(1,010)	(17,803)
Impairment	(1,100)	-	-	-	(1,133)	-	(2,233)
Disposals and others	-	-	-	-	1,451	1,238	2,689
Effect of movements in exchange rates	-	-	-	-	-	(118)	(118)
<b>Balance at December 31, 2014</b>	<b>(90,280)</b>	<b>(24,007)</b>	<b>(199,490)</b>	<b>(48,603)</b>	<b>(15,753)</b>	<b>(5,427)</b>	<b>(383,560)</b>
<b>Balance at January 1, 2015</b>	<b>(90,280)</b>	<b>(24,007)</b>	<b>(199,490)</b>	<b>(48,603)</b>	<b>(15,753)</b>	<b>(5,427)</b>	<b>(383,560)</b>
Amortization for the year	-	-	(6,899)	(2,649)	(2,302)	(970)	(12,820)
Impairment	(11,252)	-	-	-	-	-	(11,252)
Disposals and others	-	-	-	-	-	629	629
Transfer to assets held for sale	-	-	-	-	-	95	95
Effect of movements in exchange rates	-	-	-	-	-	(61)	(61)
<b>Balance at December 31, 2015</b>	<b>(101,532)</b>	<b>(24,007)</b>	<b>(206,389)</b>	<b>(51,252)</b>	<b>(18,055)</b>	<b>(5,734)</b>	<b>(406,969)</b>
<b>Carrying amounts</b>							
At January 1, 2015	11,952	-	16,488	7,137	8,291	1,978	45,846
<b>At December 31, 2015</b>	<b>-</b>	<b>-</b>	<b>9,589</b>	<b>4,488</b>	<b>7,159</b>	<b>1,285</b>	<b>22,521</b>





In July 2014, skytron was sold and the remaining €1.1 million goodwill of the initial acquisition in 2010 was impaired.

The remaining intangibles associated with backlog, customer relations and technology relate to the acquisition of AEG PS by the Company on September 10, 2009.

#### IMPAIRMENT CHARGES

In assessing whether intangible assets have to be impaired, the carrying amount of the intangible assets is compared with the recoverable amount of the cash-generating unit ("CGU"). For the period 2015, the Company recognized an impairment charge of €11.2 million which is fully attributable to goodwill.

#### DISPOSAL AND OTHERS

Included in disposal and others for the period 2014 is the total net amount of the R&D projects relating to the sold POC module business.

#### TRANSFER TO ASSETS HELD FOR SALE

Relates to the sale of Fluxpower GmbH and Primetech s.r.l.

#### ACQUISITION THROUGH BUSINESS COMBINATIONS

No acquisition through business combinations occurred in 2014 and 2015.

#### CAPITALIZED DEVELOPMENT COSTS

The Group has procedures and processes to monitor and capitalize costs on projects designed to develop new marketable products which meet the capitalization criteria.

#### GOODWILL AND INTANGIBLES ON ACQUISITION

As a result of the acquisition of AEG Power Solutions, €102.5 million of goodwill was generated in 2009 and following the impairment charge in 2015 of €11.2 million the full amount was amortized. Goodwill arising on the acquisition of skytron amounted to €3.1 million and was fully amortized in 2014. The €0.7 million goodwill arose in 2011 on the acquisition of Fluxpower is reported in assets held for sale at December 31, 2015.

Goodwill is not amortized but is tested annually for impairment. In the case of AEG PS, the goodwill generated has been allocated to CGUs. In the case of Fluxpower, the goodwill has been allocated directly to the business acquired which represents the CGU.

A summary of the results of the 2015 impairment test together with the CGUs to which goodwill has been allocated is shown below (in millions of euros):

CGU	Net carrying amount of goodwill at January 1, 2015	Additions	Assets held for sale	Impairment charge	Net carrying amount of goodwill at December 31, 2015	Difference between fair value less cost to sell and the carrying amount of the assets
EMS	11.2	-	-	(11.2)	-	-
Fluxpower	0.7	-	(0.7)	-	-	-
<b>Total</b>	<b>11.9</b>	<b>-</b>	<b>(0.7)</b>	<b>(11.2)</b>	<b>-</b>	<b>-</b>

The recoverable amount of the CGUs was based on the fair value less cost to sell. The outcome of the annual procedures performed on impairment testing resulted into an impairment charge on goodwill of €11.2 million on CGU EMS. An accelerated amortization charge of €4.0 million was taken in 2015 against customer relations for EMS as a result of specific review of individual customer values. Accelerated amortization charges are included in the amortization charges for the year.

The fair value less cost to sell for each CGU was determined by discounting the future cash flows generated from the continuing use of the CGUs. The calculation of this value was based on the key assumptions described below; a deduction of 2.0% was applied to take into account the costs to sell.

Cash flows were projected based on past experience, actual operating results and five-year business plans. Terminal growth rates used in the valuations are set at 0.5% (prevailing years at 1.0%), the Company applied a 0.5% reduction attributable to risks in areas in which the Company expects further growth development.

The Company completed the annual testing of goodwill and review of intangibles. In prior years, the methodology used for the testing was based on the determination of the value in use ("ViU") which is then compared to the carrying value ("CV") of each cash-generating unit ("CGU") in order to assess the impairment or otherwise of the goodwill. In addition, a review was carried out of the useful life of intangibles ascribed to customer relations, which represent the largest intangible carried on the consolidated balance sheet of the Company. The input for the goodwill impairment valuation fair value hierarchy is classified as level 3 fair value, due to the use of unobservable inputs.

At December 31, 2015, the provision of the headcount restructuring program initiated in Germany and Tours is included in our balance sheet as per year-end 2015. In the projections used for the 2015 impairment testing the effect of these referred to and additional anticipated restructuring, costs and benefits is included. The Group anticipates on synergies and process improvement in the area of its sales and marketing and back office functions.

Under IAS 36, cash flow adjustments that refer to these adjustments would not be allowed to be included for the calculation of ViU. The use of a discounted cash flow ("DCF") model to calculate the fair value less cost to sell is permitted under IFRS 13. IFRS 13 is applicable in determining the fair value less cost to sell of disposal of a cash-generating unit in impairment testing. In the approach to determine the fair value, IFRS 13 puts emphasis on the fact that this should be based from the perspective of a market participant. In using a discounted cash flow method to determine the fair value all cash flows should be taken into account that a market participant would, which (if a market participant would do so) would also include future investments and restructuring. As the purpose of this calculation is to determine a fair value, it's a different calculation than the ViU which purely looks as it from the Company's perspective.

In setting the five-years plan, Management took into account actual performance in 2015, prevailing economic condition, the new vertical market segment approach of (key) end-customer markets. In addition there is an ongoing focus on margin improvement by cutting inefficiencies and reducing material costs. The projections for the five-year plans have been based on the expectation of completion of the current and new restructuring initiatives, and some recovery in the economy adjusted for factors expected to influence the units' activities such as growth in major vertical market end-customer segments (Oil & Gas, Power Distribution, Transportation and Services), and successful introduction of new products in the core business.

Management concluded that the restructuring programs initiated in 2015 took longer than anticipated, and therefore took a more conservative approach in the timing on the realization of the desired effects for the next five-year period and subsequently identified an impairment on goodwill of €11.2 million. An average pre-tax discount rate of 16.98% (2014: 15.6%) was applied in determining the recoverable amount of the CGUs. The discount rate was estimated using the market rate for risk free returns and risk premium and by benchmarking against the cost of equity, capital structure and credit spreads of a peer group of companies operating in sectors similar to those of AEG PS's operations. For 2015, the discount rate was increased to take into account the risk premium.

An increase in the discount rate of 1.0% would have resulted in an impairment charge of €6.9 million that is to be allocated to the remaining intangible assets customer relations and technology for the CGU EMS.

Impairment procedures on goodwill are performed at least once a year to assess if the carrying value is still higher than the recoverable amount.

The amortization and impairment charges were recognized as follows in the consolidated statement of income:

- Cost of sales: €120 (2014: €42) thousand
- Research and development expenses: €5,051 (2014: €6,778) thousand
- Other expenses: €18,150 (2014: €12,384) thousand
- Selling, general and administrative expenses: €750 (2014: €832) thousand

## 16. OTHER FINANCIAL ASSETS

in thousands of euros	2015	2014
Cash guarantee deposit for employees in case of insolvency (Germany)	1,502	1,101
Non-consolidated investments	–	535
Others	148	75
<b>Total other financial assets</b>	<b>1,650</b>	<b>1,711</b>

In 2014, the Group signed a settlement agreement with the Limited Liability Company (LLC) in the U.S.

The LLC was a partnership between the Group and an experienced investor and manager of solar assets in the U.S. The partnership did not result into the level of anticipated business opportunities and as such the Group cancelled the agreement and impaired the total invested value.

## 17. DEFERRED TAX ASSETS

### UNRECOGNIZED DEFERRED TAX ASSETS

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

As at December 31, deferred tax assets have not been recognized in respect of the following items:

in thousands of euros	2015	2014
Tax losses	36,428	34,312
Deductible temporary differences	8,563	28,152
<b>Total unrecognized deferred tax assets</b>	<b>44,991</b>	<b>62,464</b>

Of the total unrecognized deferred tax assets on tax losses, €5.1 million (2014: €5.6 million) will expire within ten years, nil (2014: €3.0 million) will expire after ten years and €31.3 million (2014: €25.7 million) have no expiration date.



## RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities at December 31 are attributable to the following:

in thousands of euros	Assets 2015	Liabilities 2015	Assets 2014	Liabilities 2014
Property, plant and equipment	–	(2,367)	–	(3,360)
Intangible assets	–	(4,464)	–	(6,685)
Inventories	378	–	138	(42)
Employee benefits	4,137	–	4,079	–
Provisions	94	–	842	(10)
Other items	371	(297)	221	(251)
<b>Sub-total</b>	<b>4,980</b>	<b>(7,128)</b>	<b>5,280</b>	<b>(10,348)</b>
Tax loss carry-forwards	6,981	–	6,451	–
<b>Tax assets/(liabilities)</b>	<b>11,961</b>	<b>(7,128)</b>	<b>11,731</b>	<b>(10,348)</b>
Set-off of deferred tax positions	(7,128)	7,128	(10,348)	10,348
<b>Net tax assets/(liabilities) at December 31</b>	<b>4,833</b>	<b>–</b>	<b>1,383</b>	<b>–</b>

Net deferred tax assets are not expected to be recovered within the next twelve months but Management is of the opinion that it is probable that these losses will be compensated by future taxable profits. Net deferred tax assets relate to the following balance sheet captions and tax loss carry-forwards (including tax credit carry-forwards) of which the movements during the years 2015 and 2014 respectively are as follows:

## MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD

in thousands of euros	Balance Dec. 31, 2013	Lannion	Recognized in profit or loss	Recognized in other com- prehensive income	Balance Dec. 31, 2014	Recognized in profit or loss	Recognized in other com- prehensive income	Balance Dec. 31, 2015
Property, plant and equipment	(3,095)	453	(718)	–	(3,360)	993	–	(2,367)
Intangible assets	(12,905)	–	6,220	–	(6,685)	2,221	–	(4,464)
Inventories	1,450	–	(1,354)	–	96	282	–	378
Employee benefits	4,086	(440)	433	–	4,079	109	(51)	4,137
Provisions	560	–	273	–	833	(739)	–	94
Other items	(347)	–	317	–	(30)	104	–	74
<b>Sub-total</b>	<b>(10,251)</b>	<b>13</b>	<b>5,171</b>	<b>–</b>	<b>(5,067)</b>	<b>2,970</b>	<b>(51)</b>	<b>(2,148)</b>
Tax loss carry-forwards	6,458	–	(8)	–	6,450	531	–	6,981
<b>Total</b>	<b>(3,793)</b>	<b>13</b>	<b>5,163</b>	<b>–</b>	<b>1,383</b>	<b>3,501</b>	<b>(51)</b>	<b>4,833</b>

## 18. INVENTORIES

in thousands of euros	2015	2014
Raw materials and consumables	25,625	30,643
Work in progress	10,192	11,947
Finished goods	12,063	14,022
<b>Gross inventory</b>	<b>47,880</b>	<b>56,612</b>
Reserve for slow-moving and obsolete inventories	(18,793)	(24,311)
<b>Net inventory</b>	<b>29,087</b>	<b>32,301</b>

Included in cost of sales is €95.5 (2014: €109.8) million of material costs and €1.7 income (2014: €7.4 expense) million of allowance for write-down of inventory.

The Group sold and scrapped for approximately €5.0 million in total of its obsolete inventory mainly related to the POC and Solar business.

Group inventories are not pledged as security.

## 19. TRADE AND OTHER RECEIVABLES

in thousands of euros	2015	2014
Trade receivables	47,790	54,587
Income tax receivables	797	739
Other current assets	3,623	5,404
Allowance for doubtful accounts	(5,196)	(6,101)
<b>Net trade and other receivables</b>	<b>47,014</b>	<b>54,629</b>
<b>Current</b>	<b>47,014</b>	<b>54,629</b>

For 2015 and 2014, trade receivables and allowance for doubtful accounts were based on normal trading activities. The impairment charges for doubtful debts in 2015 amounted to €0.7 million, (2014: €0.4 million), and are included in cost of sales.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in notes 4 and 31.

## 20. PREPAYMENTS

For 2015 and 2014, this relates to regular advance payments to Group suppliers.

## 21. CASH AND CASH EQUIVALENTS

in thousands of euros	2015	2014
Bank balances	25,695	24,878
Restricted cash	7,853	5,003
<b>Cash and cash equivalents</b>	<b>33,548</b>	<b>29,881</b>
Bank overdrafts included in loans and borrowings	(3,298)	(575)
Cash classified as held for sale	954	–
<b>Cash and cash equivalents used in the statement of cash flows</b>	<b>31,204</b>	<b>29,306</b>

### RESTRICTED CASH

Restricted cash comprise amounts used as cash collateral in relation to bank guarantees issued by the Group companies to customers.

These amounts are expected to be released over the following periods:

in millions of euros	2015	2014
Within 1 year	5.9	3.4
Between 2–3 years	1.0	1.2
After 4 years	0.9	0.4
<b>Total</b>	<b>7.8</b>	<b>5.0</b>

## 22. CAPITAL AND RESERVES

### SHARE CAPITAL

in number of shares	Ordinary shares	Treasury shares <sup>1</sup>	Total shares
<b>Issued at December 31, 2013</b>	<b>47,890,356</b>	<b>2,345,668</b>	<b>50,236,024</b>
Capital restructuring (reverse stock split (1:10) and cancellation of four shares)	(43,101,320)	(2,111,102)	(45,212,422)
Issuance of new shares against contribution in cash	25,109,731	–	25,109,731
Issuance of new shares against contribution in kind	53,570,370	–	53,570,370
<b>Issued at December 31, 2014<sup>2</sup></b>	<b>83,469,137</b>	<b>234,566</b>	<b>83,703,703</b>
<b>Issued at December 31, 2015<sup>2</sup></b>	<b>83,469,137</b>	<b>234,566</b>	<b>83,703,703</b>

<sup>1</sup> Included in treasury shares are 2,500,000 shares previously held in escrow for the purpose of an earn-out agreement with the former AEG Power Solutions B.V. shareholders. The earn-out was based on the achievement of certain EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The targets have not been met and under the terms of the earn-out agreement the shares were released from escrow to the Company in September 2012.

<sup>2</sup> Included in the ordinary shares are 8,370,370 shares for the Management Incentive Program ("MIP"). The MIP has been created on July 21, 2014 to transfer, under certain conditions, the MIP Shares to certain members of the Management of the Company, who have substantially expedited the current restructuring of the AEG PS Group since December 2013 (the "Beneficiaries").

At the extraordinary General Meeting (EGM) held on May 7, 2010, the shareholders voted to set the issued share capital of the Company at €12,520,006 by conversion of the same amount from the share premium account. The issued share capital of the Company was therefore fixed at €12,520,006 divided into 50,236,024 shares (including the 2,500,000 of shares shown above as treasury shares). Each class of share has no par value. The authorized capital of the Company was set at €37,560,018 consisting of 150,240,072 shares.

At the EGM held on December 14, 2010, the shareholders voted to amend the classes of shares of the Company to create a single class as provided in the share purchase agreement of September 10, 2009. Shareholders' rights have not been modified and the total number of shares remains the same. All shares of the Company are now ordinary shares.



On December 17, 2010, the Company's shares were admitted to trading on the Regulated Market of the Frankfurt stock exchange (FWB) under the ticker symbol 3W9. The shares on the Euronext market, Amsterdam (ticker 3WP) were delisted on December 19, 2011. Warrants in the Company were listed on the Euronext, Amsterdam (ticker 3WPW) and expired on July 24, 2012, and were delisted on the same date.

On June 25, 2014, at the Annual General Meeting of the shareholders of 3W Power S.A., the shareholders approved to create a special reserve account and to reorganize and reduce the share capital from €12,520,006 to €50,236.02. The shareholders approved for this reduction a cancellation of four shares held by the Company, a reverse stock split (without capital reduction) of the issued shares by the Company by exchanging ten existing shares against one new share and consequently to exchange all of the 50,125,020 existing shares issued in the Company against 5,023,602 shares, and an allocation of €12,469,768.98 from the issued share capital account to the special reserve account.

On August 26, 2014, the Company:

- increased its share capital with 25,109,731 new registered shares against €4.0 million contribution in cash from the existing shareholders and the implementation of a Management Incentive Program ("MIP"). Nominal value of the share is €0.01.
- increased its share capital with 53,570,370 new registered shares against €19.3 million contribution in kind of a portion of the claims under the €100.0 million of unsubordinated loan notes ("the Notes"). Nominal value of the share is €0.01.

On August 29, 2014, the Company:

- completed an exchange offer program. Approximately 82.0% of the creditors of the old bond exercised their rights to new shares and approximately 84.0% exercised their rights to new Notes. The acquisition period went from July 31, 2014, to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book build. The shares were sold for €0.26 per share and the Notes were sold for 70.0% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bond holders who elected not to subscribe to the new debt and equity increase.

The new shares were included in the existing listing for the Company's shares (ISIN LU1072910919) on the Regulated Market (General Standard) of the Frankfurt Stock Exchange on August 29, 2014.

At the Extraordinary General Meeting on May 19, 2015, the shareholders approved the renewal and the increase of the authorized share capital to the aggregate amount of €1.5 million represented by 150,000,000 shares with a nominal value of €0.01 each.

On November 9, 2015, the Company issued the €14.0 million Convertible Bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

Management analyzed the relevant terms of the contract that impacted the accounting of the Convertible Bond. These terms included: a) interest, b) early redemption and c) conversion right. Management concluded that the interest and the notional amount classify as liability. Furthermore Management concluded, that the conversion option is classified as equity and should be separately valued and accounted for. The conversion option was valued at 15% and revealed a value of €4.8 million which was recognized in other equity.

in thousands of euros	Share capital
<b>January 1, 2014</b>	<b>12,520</b>
Capital restructuring (reverse stock split 1:10 and cancellation of four shares)	(12,470)
Issuance of 25,109,731 new shares against contribution in cash	251
Issuance of 53,570,370 new shares against contribution in kind	536
<b>December 31, 2014</b>	<b>837</b>
<b>December 31, 2015</b>	<b>837</b>

in thousands of euros	Share premium
<b>January 1, 2014</b>	<b>383,836</b>
Capital restructuring (reverse stock split 1:10 and cancellation of four shares)	12,470
Issuance of 25,109,731 new shares against contribution in cash	3,766
Issuance of 53,570,370 new shares against contribution in kind	18,750
<b>December 31, 2014</b>	<b>418,822</b>
<b>December 31, 2015</b>	<b>418,822</b>

in thousands of euros	Reserve for own shares
<b>January 1, 2014</b>	<b>(22,870)</b>
<b>December 31, 2014</b>	<b>(22,870)</b>
<b>January 1, 2015</b>	<b>(22,870)</b>
<b>December 31, 2015</b>	<b>(22,870)</b>

in thousands of euros	Other equity
<b>January 1, 2014</b>	-
<b>December 31, 2014</b>	-
<b>January 1, 2015</b>	-
Value of conversion rights on convertible notes	4,883
<b>December 31, 2015</b>	<b>4,883</b>

The reserve for the Company's own shares comprises the cost of the Company's shares held by or on behalf of the Company. At December 31, 2015 the Company held 235,462 (2014: 235,462) of its own shares with an aggregate cost of €22,870 thousand (2014: €22,870 thousand).

No dividends were declared or paid by the Company in 2015 and 2014.

#### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### 23. EARNINGS PER SHARE

#### BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the result attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

Loss/profit attributable to ordinary shareholders

in thousands of euros	2015	2014
(Loss)/income for the period	(41,595)	7,478
Continuing operations	(41,128)	8,339
Discontinued operations	(467)	(861)

Weighted average number of ordinary shares

in number of shares	2015	2014
Issued ordinary shares at December 31	83,469,137	83,469,137
Effect of new shares issued	–	(51,228,527)
<b>Weighted average number of ordinary shares</b>	<b>83,469,137</b>	<b>32,240,610</b>
<b>Basic (loss)/income per share (euro)</b>	<b>(0.50)</b>	<b>0.23</b>
<b>Continuing operations (loss)/income per share (euro)</b>	<b>(0.49)</b>	<b>0.26</b>
<b>Discontinued operations loss per share (euro)</b>	<b>(0.01)</b>	<b>(0.03)</b>

#### DILUTED EARNINGS PER SHARE

In evaluating diluted earnings per share, the effects of instruments that could potentially dilute basic earnings per share should be considered. Such instruments included the shares awarded (but not yet vested) to Directors and other executives (note 32) under service agreements and long-term incentive plan (LTIP, note 32) and the MIP (note 32). In both 2015 and 2014 the MIP awards were not included in the calculation of diluted earnings per share as the conditions under which these

instruments would result in the issue of dilutive shares were not met at either year-end. Following the issuance of the Convertible Bond on November 9, 2015 a diluted effect was taken into consideration.

Loss/profit adjusted for Convertible Bond attributable to ordinary shareholders

in thousands of euros	2015	2014
(Loss)/Income for the period	(41,448)	7,478

Weighted average number of ordinary shares

in number of shares	2015	2014
Issued ordinary shares at December 31	83,469,137	83,469,137
Effect of new shares issued	–	(51,228,527)
Effect of Convertible Bond issued	3,278,237	–
<b>Weighted average number of ordinary shares</b>	<b>86,747,374</b>	<b>32,240,610</b>
<b>Diluted basic (loss)/income per share (euro)</b>	<b>(0.48)</b>	<b>0.23</b>
<b>Continuing operations (loss)/income Diluted per share (euro)</b>	<b>(0.47)</b>	<b>0.26</b>
<b>Discontinued operations loss Diluted per share (euro)</b>	<b>(0.01)</b>	<b>(0.03)</b>

### 24. LOANS AND BORROWINGS

Details of the Group's loans and borrowings are as follows:

in thousands of euros	2015	2014
<b>Non-current</b>		
Notes payable	49,670	37,249
Unsecured government loans	439	515
Unsecured bank loans	–	–
<b>Total non-current</b>	<b>50,109</b>	<b>37,764</b>
<b>Current</b>		
Unsecured government loans	76	76
Unsecured bank loans	–	106
Bank overdrafts	3,298	575
Obligations under receivable factoring arrangements	2,398	1,845
Others	–	–
<b>Total current</b>	<b>5,772</b>	<b>2,602</b>
<b>Grand total of current and non-current</b>	<b>55,881</b>	<b>40,366</b>



The main terms and conditions of outstanding loans and borrowings were as follows:

in thousands of euros	Currency	Nominal interest rate %	Year of maturity	Nominal value 2015	Carrying amount 2015	Nominal value 2014	Carrying amount 2014
Notes payable <sup>1</sup>	EUR	Escalating annual interest rate from 4.0% to 12.0%	2019	50,000	40,872	50,000	37,249
Notes payable <sup>2</sup>	EUR	5.5%	2020	14,000	8,798	–	–
Government loans <sup>3</sup>	EUR	–	2021-2022	515	515	591	591
Bank loans <sup>4</sup>	EUR	Euribor +1.5%	2015	–	–	106	106
Bank overdraft <sup>5</sup>	EUR	Euribor +3.25% - 5.75%	–	3,298	3,298	575	575
Obligations under receivable factoring arrangements <sup>6</sup>	EUR	Euribor +0.8% - 3.65%	–	2,398	2,398	1,845	1,845
<b>Total</b>				<b>70,211</b>	<b>55,881</b>	<b>53,117</b>	<b>40,366</b>

There are only non-material differences between the carrying amount and fair value for both the non-current and current part of the loans and borrowings. These differences are comparable to the differences as disclosed in the last annual financial statements. All financial instruments carried at fair value within the Company are categorized in “level 1” which is equal to last year. The valuation techniques and the inputs used in the fair-value measurement did not change during 2015 compared to last year.

The fair value of the €50.0 million notes payable amount to €35,005 thousand as at December 31, 2015 (December 31, 2014: €37,800 thousand). The fair value of all other financial assets and liabilities are considered to be equal to their carrying values.

#### Non-current

##### <sup>1</sup> Unsubordinated notes payable €50.0 million effective interest 15.96%, due August 29, 2019.

On August 29, 2014, the Company issued loan notes (the “Notes”) with a nominal value of €50.0 million. The Notes were exchanged by creditors of the old bond as well as investors participating in an accelerated book building on August 25/26, 2014. The Notes bear interest from and including August 29, 2014 to, but excluding August 29, 2019, at an escalating interest rate starting at 4.0% and on an annual basis increased with 2.0% p.a. (15.96% effective interest), payable annually in arrears on February 29 (if the relevant calendar year is a leap year or on February 28 if the relevant calendar year is not a leap year) and August 29 of each year. The first interest payment was made on February 28, 2015. The Notes are redeemable at par on August 29, 2019. The Notes have the benefit of unconditional and irrevocable guarantees by certain subsidiaries of the issuer. Once per interest period the issuer is entitled to redeem all outstanding Notes in the amount of 20.0% of the initial principle amount of a Note (i.e. in each interest period in the amount of EUR 100.00 per note). The issuer is free to choose the interest periods in which it wishes to make a partial redemption. The Issuer is entitled at any time to redeem the outstanding Notes in whole, but not in part, at 101.0% of the outstanding principal amount of the Notes together with accrued interest. If a change of control occurs, each Noteholder shall have the right to require the issuer to redeem or, at the issuer’s option, purchase (or procure the purchase by a third party of) in whole or in part his Notes at 100.0% of the outstanding principal amount (the “Put Option”). An exercise of the Put Option shall, however, only become valid if during the put period Noteholders of Notes with a principal amount of at least 50.0% of the outstanding aggregate principal amount of the Notes then outstanding have exercised the Put Option. Management judgment is that the Notes will be held until maturity.

##### <sup>2</sup> Unsubordinated notes payable €14,000,000, five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5% (effective interest 17.47%), due November 11, 2020.

Costs of issuing the Notes amounted to € 422,023.63. The Notes bear interest from and including November 11, 2015, to, but excluding November 11, 2016, at a rate of 5.50% p.a. (17.47% effective interest), payable annually in arrears on November 11 of each year. The first interest payment will be made on November 11, 2016. The Notes are redeemable at par on November 11, 2020. The Notes have the benefit of an unconditional and irrevocable guarantee by AEG Power Solutions B.V. Management analyzed the relevant terms of the contract that impacted the accounting of the Convertible Bond. These terms included: a) interest, b) early redemption and c) conversion right. Management concluded that the interest and the notional amount classify as liability. Furthermore Management concluded, that the conversion option is classified as equity and should be separately valued and accounted for. The conversion option was valued at 15% and revealed a value of €4.8 million which was recognized in other equity.

#### Other non-current loans

<sup>3</sup> Includes two interest-free government loans repayable by varying annual installments in the range of €6 thousand to €43 thousand. One of these loans is secured.

<sup>4</sup> There is one unsecured bank loan with a nominal value of €300 thousand (interest at Euribor +1.5%). During 2015 the bank loan was repaid.

#### Current loans

##### <sup>5</sup> Bank overdraft

The bank overdraft is held by one of the Group’s subsidiaries. Interest on the overdraft is charged at rates between Euribor +3.25% and 5.75%.

##### <sup>6</sup> Obligations under receivable factoring arrangements

The Group has entered into financing agreements which provide for trade receivable financing facilities in France, Italy and Spain, up to a maximum of €12.9 million at December 31, 2015. These finance facilities are secured by trade account receivables. The interest conditions for these finance facilities vary between Euribor plus a margin between 0.8% and 3.65%. The facilities have no fixed expiry date, but most are renewable annually.

## 25. RETIREMENT BENEFIT OBLIGATION

The Group sponsors a number of defined benefit pension plans and defined contribution plans in different countries.

### Defined benefit plans

The benefits provided by the defined benefit plans are based on employees' years of service and compensation levels. The largest defined benefit pension plans are in Germany and France. Together these plans account for more than 95.0% of the total net defined benefit obligation. Other countries include Netherlands, France and Italy.

The plans have different characteristics:

- In Germany, the retirees benefit from the receipt of a pension during their retirement (perpetual annuity). In addition, employees can benefit from early retirement under the "Altersteilzeitverträge" scheme, and from long service awards which are granted to employees on retirement based on their length of service, grade and salary. The recognition of these liabilities is determined based on independent actuarial calculations.
- In France, employees benefit from a retirement and indemnity plan. A lump-sum payment is received by the employee on his retirement or departure. Similarly to France, in Italy, lump-sum payments are distributed on the employee's retirement or departure.
- In Netherlands, the retirees benefit from the receipt of a pension during their retirement (perpetual annuity) similar to Germany. As per January 1, 2014, the Company changed its defined benefit plan in the Netherlands into a defined contribution plan.

The defined benefit plan is still in place, however there are no active members.

In other countries, the plans depend upon local legislation, the business and the historical practice of the entity.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. Independent actuaries calculate annually the Group's obligation in respect of defined benefit plans, using the projected unit credit method. Actuarial assumptions comprise mortality, rates of employee turnover, projection of future salary levels and revaluation of future benefits. Future estimated benefits are discounted using discount rates appropriate to each country.

The assets are determined as the present value of the expected future cash flows of the accrued benefits.

### Defined contribution plans

In addition to defined benefit plans, the Group sponsors a number of defined contribution plans. At the end of 2013, the Company has changed its defined benefit plan in the Netherlands into a defined contribution plan. Moreover the Group participates in state plans (which are considered to be defined contribution plans), for which contributions expensed correspond to the contributions due to state organizations. These state plans relate to France and Italy.

For defined contribution plans, the benefits paid out depend solely on the amount of contributions paid into the plan and the investment returns arising from contributions. The Group's obligation is limited to the amount of contributions paid.

### Employee benefit expenses

The following pre-tax employee benefit expenses have been recognized:

in thousands of euros	2015	2014
Defined contribution plans	(476)	(254)
Defined benefit plans	(589)	(988)
Other	–	(236)
<b>Total pre-tax employee benefit costs</b>	<b>(1,065)</b>	<b>(1,478)</b>

Employee benefits/liabilities comprise the following elements:

in thousands of euros	2015	2014
Accrued liability	25,475	26,250
ATZ (Altersteilzeitverträge)	1,065	1,285
Long-service awards	1,155	1,031
<b>Total employee benefits</b>	<b>27,695</b>	<b>28,566</b>





The components of net periodic costs for the year ended December 31 are as follows:

**MOVEMENT IN DEFINED BENEFIT OBLIGATION AND FAIR VALUE OF PLAN ASSETS**

in thousands of euros	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset)/liability	
	2015	2014	2015	2014	2015	2014
<b>Balance at January 1</b>	<b>28,435</b>	<b>24,616</b>	<b>(2,185)</b>	<b>(2,171)</b>	<b>26,250</b>	<b>22,445</b>
<b>Included in statement of income</b>						
Current service cost	274	224	–	–	274	224
Past service credit	–	–	–	–	–	–
Interest costs/(income)	601	776	(48)	(50)	553	726
Other costs/(income)	–	–	40	38	40	38
Curtailment	(278)	–	–	–	(278)	–
	<b>597</b>	<b>1,000</b>	<b>(8)</b>	<b>(12)</b>	<b>589</b>	<b>988</b>
<b>Included in OCI</b>						
Re-measurement loss (gain):						
Actuarial loss (gain) from:						
– demographic assumptions	–	–	–	–	–	–
– financial assumptions	(121)	3,985	–	–	(121)	3,985
– experience adjustment	(409)	(130)	(4)	(1)	(413)	(131)
– Return on plan assets excluding interest income	–	–	–	–	–	–
	<b>(530)</b>	<b>3,855</b>	<b>(4)</b>	<b>(1)</b>	<b>(534)</b>	<b>3,854</b>
<b>Other</b>						
Other	–	–	417	–	417	–
Benefits paid	(1,066)	(1,036)	(1)	(1)	(1,067)	(1,037)
	<b>(1,066)</b>	<b>(1,036)</b>	<b>416</b>	<b>(1)</b>	<b>(650)</b>	<b>(1,037)</b>
<b>Transfer to liabilities held for sale</b>	<b>(180)</b>	–	–	–	<b>(180)</b>	–
<b>Balance at December 31</b>	<b>27,256</b>	<b>28,435</b>	<b>(1,781)</b>	<b>(2,185)</b>	<b>25,475</b>	<b>26,250</b>

The Group expects €1.0 million in benefits to be paid to its defined benefit plans in 2016.

The pension plans in France and Germany are unfunded. The plan assets in the Netherlands are invested in generic funds held by insurance companies and comprise equity securities, debt securities with fixed and variable interest rates and indirect real estate investments.

The interest costs are recorded in financial expenses. Service costs are included in cost of sales and selling, general and administrative expenses.

**Assumptions**

To determine actuarial valuations for the defined benefit plan, actuaries for the Group have determined general assumptions on a country-by-country basis and specific assumptions (rate of employee turnover, salary increases) company by company.

The principal assumptions used to calculate the defined obligation as of December 31 by the main geographical areas are as follows:

in %	2015		2014	
	Germany	France	Germany	France
Discount rate	2.20	2.20	2.15	2.25
Future salary growth	n/a	1.75–3.00	n/a	1.75–3.00
Future pension increases	2.0	–	2.0	–

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date have been based on the following mortality tables:

- France: INSEE F 2008-2010
- Germany: Heubeck® 2005 G

At December 31, 2015, the weighted average duration of the defined benefit obligation was 13.8 years (2014: 13.8 years).

The components of net periodic costs for the year ended December 31 are as follows:

in thousands of euros	2015	2014
Service costs	274	224
Interest costs	593	764
Expected return on plan assets	(40)	(38)
Curtailment and other costs	(238)	38
<b>Total net costs</b>	<b>589</b>	<b>988</b>

### Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation at December 31 as follows:

Effect in thousands of euros	2015		2014	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	2,993	(3,726)	2,896	(3,620)
Future mortality (+1 year)	1,194	n/a	1,126	n/a

### Other benefit plans

Employee benefits include € 2,220 thousand (2014: €2,316 thousand) for other benefit plans. This includes € 1,065 thousand (2014: € 1,285 thousand) for "Altersteilzeitverträge", a scheme in Germany under which employees can seek early retirement, and a further €1,155 thousand (2014: €1,031 thousand) for long-service awards. Such awards are granted to employees on retirement based on their length of service, grade and salary and are determined by an independent actuarial calculation.

## 26. PROVISIONS

in thousands of euros	Warranty	Restructuring	General Risks	Total
<b>Balance at January 1, 2014</b>	<b>6,393</b>	<b>5,266</b>	<b>259</b>	<b>11,918</b>
Provisions net made/(released) during the year	4,025	11,296	4,252	19,573
Provisions used during the year	(2,700)	(6,755)	–	(9,455)
Disposal/discontinued	(873)	(1,577)	(83)	(2,533)
Other	94	29	103	226
<b>Balance at December 31, 2014</b>	<b>6,939</b>	<b>8,259</b>	<b>4,531</b>	<b>19,729</b>
<b>Balance at January 1, 2015</b>	<b>6,939</b>	<b>8,259</b>	<b>4,531</b>	<b>19,729</b>
Provisions net made/(released) during the year	256	6,669	1,800	8,725
Provisions used during the year	(1,399)	(4,672)	(691)	(6,762)
Disposal/discontinued	–	–	–	–
Other	25	(1)	137	161
<b>Balance at December 31, 2015</b>	<b>5,821</b>	<b>10,255</b>	<b>5,777</b>	<b>21,853</b>

### Restructuring

Restructuring charges in 2015 related to the estimated costs of the Group's operational restructuring program. Cash outflow is expected during 2016.

Restructuring costs expensed were recognized in the statement of income in other operating expenses.

### Warranty

The warranty provision is based on estimates made from historical data regarding warranty costs associated with similar products and services.

All of the above provisions are expected to be used within one year with the exception of warranty. The Group's warranty terms exceed one year (2-3 years maximum).

### General Risks

Comprises provisions related to claims or identified risks other than warranty claims. The 2015 increase of € 1,109 thousand mainly relates to the liquidation of Lannion and the ceasing of operational activities in Dallas (2014: € 4,252) thousand. No cash outflow expected within the next 1-2 years.



## 27. TRADE AND OTHER PAYABLES

in thousands of euros	2015	2014
Trade accounts payable	28,480	31,244
Accrued salaries and wages	7,541	9,038
Accrued taxes and VAT payable	1,179	2,650
Accrued social security charges	2,471	3,991
Accrued trademark royalty	408	453
Accrued interest on notes payable	1,105	667
Others	6,617	8,904
<b>Total</b>	<b>47,801</b>	<b>56,947</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31.

## 28. DEFERRED INCOME

Deferred income relates mainly to customer deposits and advances of €5.6 (2014: €5.6) million in connection with projects in progress.

## 29. CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET COMMITMENTS

### CONTRACTUAL CASH OBLIGATIONS

The following table presents minimum payments that the Group will have to make in the future under contracts and firm commitments. Amounts related to finance lease obligations are fully reflected in the consolidated statement of financial position.

December 31, 2015

in thousands of euros	Within 1 year	2–3 years	4–5 years	After 5 years	Total
Operating leases	2,694	2,638	698	303	6,333
Unconditional purchase obligations	76	–	–	–	76
<b>Total</b>	<b>2,770</b>	<b>2,638</b>	<b>698</b>	<b>303</b>	<b>6,409</b>

The unconditional purchase obligations are related to the requirements to place firm commitments for tangible and intangible assets. Rental expenses under operating leases amounted to €3.5 million in 2015 (€3.8 million in 2014).

### OTHER COMMITMENTS

December 31, 2015

in thousands of euros	Within 1 year	2–3 years	4–5 years	After 5 years	Total
Guarantees	7,729	2,861	788	588	11,966

Commitments on customer contracts relate to bonds and guarantees issued and are shown as net of bonds and guarantees secured by cash collateral.

### TRADEMARK LICENSE AGREEMENT

With effect from July 1, 2008, AEG PS entered into a trademark license agreement (the "AEG License") with AB Electrolux which granted the Company the right to use the AEG PS trademark for an initial term of ten years. An annual royalty is payable based on a percentage of the net selling price of the respective trademark product.

On September 1, 2014, the contract was amended to reflect the following:

- The minimum annual royalty for 2014 and 2015 will be based on actual sales;
- The parties shall meet and agree on sales targets and minimum annual royalty for 2016;
- For the years 2017 to 2019 the amended agreement stipulates that the sales targets and minimum annual royalty will not be lower than those applying for the last year of the preceding three-year period (for the first three-year period 2017 to 2019, compared to year 2016), unless otherwise specifically agreed due to extraordinary circumstances.

### 30. CONTINGENCIES

Management believes that any legal proceedings incidental to the conduct of its business, including employee-related actions, are adequately provided for in the consolidated financial statements or will not result in any significant costs to the Group in the future. Apart from the legal proceedings mentioned below, neither the Company nor its subsidiaries are the subject of government interventions or a party to legal, or arbitration proceedings which might significantly affect the Group's profitability. To Management's best knowledge, no such proceedings are pending.

We refer to the explanation in note 35 about the situation after year-end of our subsidiary in Lannion.

### 31. FINANCIAL INSTRUMENTS

#### CREDIT RISK

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The principal exposure to credit risk at the reporting date was:

in thousands of euros	2015	2014
Trade receivables net of allowance for doubtful accounts	42,594	48,486

The maximum gross exposure to credit risk at the reporting date by geographic region (based on the country of domicile that holds the receivable) was:

in thousands of euros	2015	2014
Europe excl. Germany	26,880	31,260
Germany	8,593	13,952
Asia	10,370	7,596
Africa/Middle East	1,584	1,405
Rest of the world	363	374
<b>Total</b>	<b>47,790</b>	<b>54,587</b>

Generally, the maximum exposure to credit risk is represented by the carrying value of the financial assets in the consolidated balance sheet. Trade receivables are presented net of a provision bad debt, which is based on individually significant exposures, and a collective loss component for groups of trade receivables in respect of losses that have been incurred but not yet identified. The risk related to individual significant exposures is measured and analyzed on a local level, mainly by means of ageing analysis. Next to ageing analysis additional circumstances, like the recent impact of the credit crisis on the financial situation of customers are being evaluated

continuously. When necessary, additional impairment allowances were recognized. The collective loss component allowance is determined based on historical data of payment statistics for similar financial assets.

#### IMPAIRMENT LOSSES

The aging of trade receivables at the reporting date was:

in thousands of euros	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
<b>Not past due</b>	<b>37,195</b>	<b>(1,305)</b>	<b>38,096</b>	<b>(379)</b>
Past due 0–30 days	3,801	(14)	5,696	(107)
Past due 31–120 days <sup>1</sup>	1,872	(439)	5,282	(1,384)
Past due 121–180 days	426	(12)	1,091	(662)
Past due 181–360 days	4,496	(3,426)	4,422	(3,569)
<b>Total</b>	<b>47,790</b>	<b>(5,196)</b>	<b>54,587</b>	<b>(6,101)</b>

<sup>1</sup> Includes receivable of €1.1 million related to an overdue receivable from a large customer which filed for Chapter 11 in November 2014.

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of reporting date that the debtors will not meet their payment obligations. For the movement schedule for the allowance of impairment of trade receivables see note 19.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

in thousands of euros	2015	2014
<b>Balance at January 1</b>	<b>6,101</b>	<b>7,422</b>
Transfer to assets held for sale	(66)	–
Utilization of impairment reserve	(1,599)	(172)
Impairment loss (released)/recognized	729	435
Disposal/discontinued	–	(1,690)
Other	31	106
<b>Balance at December 31</b>	<b>5,196</b>	<b>6,101</b>

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

Other assets of the Group which can be exposed to potential credit risk include other current assets, prepayments and holdings of cash and cash equivalents. The value of these items is shown on the statement of financial position or in the notes to the consolidated financial statements. Based on historic default rates and specific review of receivables, the Group believes that, apart from the above, no further impairment allowance is necessary.



### LIQUIDITY RISK

The liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow generation and access to capital markets are important to finance organic long-term growth, capital expenditures, working capital requirements and expected operational expenses.

The table below shows the Group's net position to finance its obligations due within one year at December 31:

in thousands of euros	2015	2014
Trade and other payables	47,801	56,947
Current income tax liabilities	330	148
Short-term provisions	9,853	7,721
<b>Total</b>	<b>57,984</b>	<b>64,816</b>
Purchase commitments <sup>1</sup>	6,690	5,334
Operating leases	2,694	2,235
Guarantees on customer contracts	7,729	5,897
<b>Total</b>	<b>17,113</b>	<b>13,466</b>
<b>Total obligations</b>	<b>75,097</b>	<b>78,282</b>
Financing resources		
Cash and cash equivalents, excluding restricted cash > 1 year	32,555	28,306
Net proceeds sale Fluxpower GmbH and Primech S.r.l.	2,000	–
Trade and other receivables	47,014	56,289
Loans and borrowings	(5,772)	(2,602)
<b>Total</b>	<b>75,797</b>	<b>81,993</b>
<b>Net position</b>	<b>700</b>	<b>3,711</b>

<sup>1</sup> Purchase commitments include unconditional purchase obligations as referred to in note 29 (firm commitment of tangible and intangible assets, €76 thousand) and the unconditional purchase obligations related to the firm commitments for recurring operating expenses (€4,961 thousand).

In August 2014, the Company successfully converted its €100.0 million of nominal loan through the exchange offer. In essence €50.0 million was converted into equity and €50.0 million were repaid to the old bond holders. The exchange offer improves the Company's short-term liquidity and reduces the Company's indebtedness.

In November 2015, the Company issued a €14.0 million Convertible Bond, a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%.

At December 31, 2015, in addition to the liquidity raised through the Convertible Bond, the Group also had the following credit facilities at certain of its subsidiaries:

- €1.7 million in overdraft and short-term loans of which €1.2 million was undrawn
- €12.9 million receivable financing of which €10.5 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

Persistent operating losses, the effect of unfavorable credit terms given by our suppliers, and continued loss of business volume resulted in falling beneath the minimum level of required liquidity to adequately finance our operations over the coming quarters. The Company addressed and continues addressing its operating costs through a business process redesign and with an emphasis on cash generation. The combination of asset sales, closing of affiliates, reduction in fixed operating expenses and reduction in interest burden through restructuring of the Group's financial commitments were all designed to bring the activities of the Group into a stable financial position. The occurrence of other, remote, risks, such as the lawsuits received in relation to Lannion, insufficient growth of business and margin improvements for securing the future interest payments in the range of 8.0% to 12.0%, could place the Group into further financial distress and may result in an insolvency.

The table below summarizes the projected contractual cash flows based on the maturity profile of the Group's interest bearing loans and borrowings (including interest) as at December 31, 2015:

in thousands of euros	Within 1 year	2–5 years	After 5 years	Total
<b>Maturity profile</b>				
Obligations under receivable factoring arrangements	(2,398)	–	–	(2,398)
Notes payable	(8,620)	(75,580)	–	(84,200)
Other debt	(76)	(306)	(133)	(515)
<b>Total</b>	<b>(11,094)</b>	<b>(75,886)</b>	<b>(133)</b>	<b>(87,113)</b>

## CURRENCY RISK

The Group's exposure to foreign currency risk based on the following net amounts as at December 31, 2015 was:

in thousands of euros	EUR	USD	GBP	SGD	CNY	Other
Cash	27,974	2,452	255	773	1,423	671
Trade and other receivables	34,934	4,739	1,424	2,618	2,974	325
Prepayments	1,118	91	-	-	132	49
Trade and other payables	(33,919)	(5,791)	(1,806)	(3,076)	(2,459)	(750)
Deferred income	(3,552)	(368)	(404)	(419)	(778)	(34)
Short- and long-term debt	(55,881)	-	-	-	-	-
<b>Total</b>	<b>(29,326)</b>	<b>1,123</b>	<b>(531)</b>	<b>(104)</b>	<b>1,292</b>	<b>261</b>

The Group is primarily exposed to the euro because of its principal operations in the Eurozone. Other currencies to which the Group is exposed include the USD, GBP, SGD and CNY. A change of 5.0% in any of these currencies would have a maximum impact of €0.1 million on equity or statement of income.

## FAIR VALUES

### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

in thousands of euros	Notes	Carrying amount 2015	Fair value 2015	Carrying amount 2014	Fair value 2014
<b>Assets carried at amortized cost</b>					
Trade and other receivables	19	47,014	47,014	54,629	54,629
Cash and cash equivalents	21	33,548	33,548	29,881	29,881
<b>Total</b>		<b>80,562</b>	<b>80,562</b>	<b>84,510</b>	<b>84,510</b>
<b>Liabilities carried at amortized cost</b>					
Trade and other payables	27	47,801	47,801	56,947	56,947
Loans and borrowings	24	6,211	6,211	3,117	3,117
Notes payable	24	49,670	44,122	37,249	37,800
<b>Total</b>		<b>103,682</b>	<b>98,134</b>	<b>97,313</b>	<b>97,864</b>

### Fair value hierarchy

As at December 31, 2015, there are no financial instruments which are carried at fair value. The fair value of the notes payable is disclosed below. The Group uses three levels of valuation method as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2015	Level 1	Level 2	Level 3
Notes payable	35,005	9,117	-
December 31, 2014	Level 1	Level 2	Level 3
Notes payable	37,800	-	-



The fair values of the financial assets and liabilities do not materially differ from the carrying amount due to the absence of interest related components, the absence of long-term fixed interest rates and the accounting policies used.

#### CUSTOMER CONCENTRATION RISK

The top 30 customers represented 36.9% of the Group revenue (2014: 32.9%) with the top 5 customers representing 14.9% of the Group revenue (2014: 12.1%). The Group monitors its customers closely and uses advance payments and written guarantees to lower the associated credit risk. The Group also tries to mitigate concentration risks by broadening the customer base as much as possible. The concentration by customer can vary from year to year.

#### CREDIT RISK

At the end of 2014, our major operation in Germany (Warstein, Belecke), was informed that one of their major customers, filed for chapter 11 (anticipated bankruptcy), following a financial dispute with an American multinational corporation in consumer electronics. A bad debt allowance charge of €1.3 million was recorded.

In March 2015, the Group sold these receivables for a consideration of €0.6 million in cash (without recourse).

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

### 32. RELATED PARTIES

The Group's subsidiaries have related party relationships with each other and with the Company. These involve trading and other intra-Group transactions all of which are carried out on an arm's length basis. Related party relationships also exist with Board members and managers who have an interest in the equity of the Company.

A related party relationship also exists with Directors and other senior managers who receive remuneration from the Group.

#### BOARD AND KEY MANAGEMENT REMUNERATION

The total remuneration of Board members and other senior managers included the following amounts:

Year to December 31, 2015

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (5 FTE)
Salary, bonuses and short-term benefits	656,273	–	656,273	515,967
Severance	–	–	–	–
Post-employment benefits	54,764	–	54,764	21,591
Share-based payments (MIP)	–	–	–	–
Fees	–	100,000	100,000	–
<b>Total</b>	<b>711,037</b>	<b>100,000</b>	<b>811,037</b>	<b>537,558</b>

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. J. Casper. Fees relate to Non-Executive Directors; Dr. D. Wolfertz, Mr. W. Loose, Mr. K. Schulze, Mr. B. Luft and Mr. K. Corbin. Other managers include Mr. D. Ehrmantraut (COO) for the period January to October 2015. For Messrs. C. Roth (COO), K. Coulton (VP Global sales) and R. de Vries (CFO), the period December was included.

Year to December 31, 2014

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (5 FTE)
Salary, bonuses and short-term benefits	1,023,293	–	1,023,293	654,090
Severance	–	–	–	648,672
Post-employment benefits	46,781	–	46,781	21,156
Share-based payments (MIP) <sup>1</sup>	508,127	508,127	1,016,254	199,709
Fees	–	15,000	15,000	–
<b>Total</b>	<b>1,578,201</b>	<b>523,127</b>	<b>2,101,328</b>	<b>1,523,627</b>

<sup>1</sup> An expense of €1,216 thousand has been recognized in the income statement with credit to equity in relation to share-based payments (MIP) following the financial restructuring.

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. J. Casper. Fees relate to Non-Executive Director Mr. K. Corbin.

RELATED PARTY INTERESTS IN THE EQUITY  
 AND NOTES OF THE COMPANY

As at December 31, 2015	No. of shares	50.0 million Bonds at nominal value (€)	14.0 million Convertible Bonds at nominal value (€)
Intec Beteiligungsgesellschaft	6,072,080	100,000	100,000
Mr. W. Loose	1,664,000	–	100,000
Mr. B. Luft	4,175,644	248,500	100,000
Mr. K. Schulze	2,077,056	–	100,000
Mr. J. Casper	2,635,904	–	–
AEG PS managers	44,858	–	–
<b>Total</b>	<b>16,669,542</b>	<b>348,500</b>	<b>400,000</b>

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2015 were as in the table above.

Ripplewood with 30.2% of the total shares outstanding acting as the major shareholder of the Company sold its shares in December 2013 to several individual investors. These investors, amongst others, are: Intec Beteiligungsgesellschaft, Mr. B. Luft and Mr. J. Casper. Intec Beteiligungsgesellschaft is controlled by Dr. D. Wolfertz.

AEG PS managers refer to key executives other than Directors.

EXECUTIVE LONG-TERM INCENTIVE PLAN

At the Company's Annual General Meeting (AGM) held in June 2014, shareholders approved the cancellation of the long-term incentive plan (LTIP) for senior executives that was approved at the AGM held in May 2011.

The LTIP was supervised by the Compensation Committee of the Board and it comprised two parts; part A and part B.

PART A

Under Part A, participants had been granted annual awards of shares, in the form of nil-cost options, over a four-year period. All awards will vest at the end of the four-year period subject to the condition that the participant is still employed by the Company at that point in time. The maximum number of shares which can be granted under Part A of the LTIP is 725,000 although no individual can be granted more than 30.0% of this maximum number of shares. On a change of control all outstanding awards will vest immediately. In the period to June 2014 no shares have been awarded, 30,000 shares were forfeited and 105,000 shares were cancelled. Mr. J. Casper waived his compensation entitlement for the 75,000 shares held.

PART B

Under Part B, participants had been allocated a number of units from a total pool of units. These units had no value on grant but gave participants the opportunity to share in a percentage of the value created for shareholders in excess of pre-determined share price targets at annual measurement points.

There were three measurement dates over a three-year performance period, namely May 1, 2012, May 1, 2013 and May 1, 2014.

The defined share price targets have not been achieved and as such all 270,000 shares were cancelled without any compensation entitlement.

In the period to December 2014 no shares were awarded nor forfeited.

	2014
<b>LTIP A</b>	
<b>Outstanding at the beginning of the period</b>	<b>135,000</b>
Granted during the period	–
Forfeited during the period	(30,000)
Cancelled during the period	(105,000)
<b>Outstanding at the end of the period and exercisable</b>	<b>–</b>
<b>LTIP B</b>	
<b>Outstanding at the beginning of the period</b>	<b>270,000</b>
Granted during the period	–
Forfeited during the period	–
Cancelled during the period	(270,000)
<b>Outstanding at the end of the period and exercisable</b>	<b>–</b>

MANAGEMENT INCENTIVE PROGRAM

The MIP has been created on July 21, 2014, to transfer, under certain conditions, the MIP Shares to certain members of the Management of the Company, who have substantially expedited the current restructuring of the AEG PS Group since December 2013 (the "Beneficiaries"). To this end, the MIP shares will be subscribed and acquired by Close Brothers Seydler Bank AG ("CBSB"; recently renamed in ODDO SEYDLER BANK AG) in course of the in-kind capital increase. CBSB undertook to hold the MIP shares as legal owner in its own name, but not to, at any time, exercise the voting rights inherent to the MIP shares, and to then release and transfer them in full or in part to the Beneficiaries, provided the following conditions are met.





CBSB will release and transfer the MIP shares to the Beneficiaries if and to the extent the performance targets described below have been reached. In this respect the release and transfer of the MIP shares to the Beneficiaries takes place as follows:

- 25.0% of the MIP shares in the case of a market capitalization of the Company of EUR 50.0 million (“Tranche 1”);
- 50.0% of the MIP shares in the case of a market capitalization of the Company of EUR 95.0 million (“Tranche 2”); and
- 25.0% of the MIP shares in the case of a market capitalization of the Company of EUR 139.0 million (“Tranche 3”).

The above-mentioned market capitalization levels will be calculated based on the volume-weighted share price within a period of 150 calendar days for Tranche 1 and 120 calendar days for Tranches 2 and 3. The volume-weighted share price of the Company’s shares shall be calculated on the volume weighted average share price in XETRA on each trading day during the relevant period for each tranche appearing on or derived from Bloomberg page 3W9K GY AQR (Volume Weighted Average Price) (or any successor screen page) or, if no volume-weighted average price is reported, on the basis of the official closing price (Börsenschlusskurs) as reached on XETRA and the respective trading volume as reported by XETRA. The term of the MIP starts on the day of the subscription and acquisition of the MIP shares by CBSB and lapses ten years thereafter. A minimum period of six months, starting on the day of the 137 subscriptions and acquisition of the MIP shares by CBSB, applies before the MIP shares can be released and transferred to the Beneficiaries pursuant to the above-mentioned rules.

The rules above shall continue to apply in case of termination or removal from office of the respective beneficiaries by the Company or in cases of non-reelection to the Board of Directors, i.e. even if the performance targets described above are met after such termination or removal from office by the Company. This does not apply in case of a termination for good reason (Kündigung aus wichtigem Grund) by the Company, unless the Board of Directors decides otherwise, such as in case of serious illness or otherwise.

In the case of a change of control, CBSB will transfer to the Beneficiaries all allotted MIP shares not already released and transferred immediately and irrespective of the expiration of a minimum waiting period or the achievement of the performance targets described above.

Change of control means the occurrence of any of the following events:

(i) the Company becomes aware that any person or group of persons acting in concert within the meaning of § 2 (5) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) (each an “Acquirer”) has become the legal or beneficial owner of more than 30% of the voting rights of the Company; or

(ii) the merger of the Company with or into a third person or the merger of a third person with or into the Company, or the sale of all or substantially all of the assets (determined on a consolidated basis) of the Company to a third person other than in a transaction following which (A) in the case of a merger holders that represented 100.0% of the voting rights of the Company own directly or indirectly at least a majority of the voting rights of the surviving person immediately after such merger and (B) in the case of a sale of all or substantially all of the assets, each transferee becomes a guarantor in respect of the New Bond and is or becomes a subsidiary of the Company. If not all MIP shares are released and transferred by CBSB to the Beneficiaries pursuant to the above-mentioned rules upon the lapse of ten years starting from the day of the subscription and acquisition of the MIP shares by CBSB, CBSB shall, subject to applicable law, release and transfer to the Company those MIP shares which have not been released and transferred to the Beneficiaries at that point of time together with any dividends accrued on the respective MIP shares so released and transferred, less any taxes paid by CBSB on such dividends, and the Company shall then cancel such MIP shares.

The total of 8,370,370 MIP shares is allotted as follows:

Mr. J. Casper	3,348,148 shares
Mr. W. Loose	1,674,074 shares
Intec Beteiligungsgesellschaft	1,674,074 shares
Senior Management (undisclosed)	1,674,074 shares.

At December 31, 2015 no shares were vested.

### 33. AUDITORS’ REMUNERATION

The 2015 fees of the independent auditor of the Group, PWC, were as follows (2014: KPMG):

in thousands of euros	2015	2014
Audit services	489	487
Audit-related services	185	330
Other services related to taxation	–	150
Other fees	–	–
<b>Total</b>	<b>674</b>	<b>967</b>

### 34. GROUP ENTITIES

#### SUBSIDIARIES

	Country of incorporation	Ownership interest	
		2015	2014
PSS Holdings (France) S.A.S.	France	100	100
AEG PS S.A.S (Tours)	France	100	100
Atem Energy S.A.R.L.	France	100	100
3WPower Holding GmbH	Germany	100	100
AEG PS GmbH	Germany	100	100
Fluxpower GmbH	Germany	100	100
AEG PS Ltd	United Kingdom	100	100
AEG PS Iberica SL	Spain	100	100
3W Power S.p.A.	Italy	100	100
Primetech s.r.l.	Italy	100	100
AEG PS Pte Ltd	Singapore	100	100
AEG PS SDN BHD	Malaysia	100	100
3W Power USA, Inc.	USA	100	100
AEG PS (Russia) LLC	Russia	100	100
AEG PS Co.	China	100	100
3W Power Ukraine TOV	Ukraine	100	100
3W Power Holdings B.V.	The Netherlands	100	100
AEG Power Solutions B.V.	The Netherlands	100	100
3W Power (South Africa) Pty Ltd <sup>1</sup>	South Africa	51	51
3W Power (South Africa) <sup>1</sup>	South Africa	25	25
AEG PS Aram. Kft.	Hungary	100	100
AEG PS spol s.r.o.	Czech Republic	100	100

<sup>1</sup> 3W Power Pty Ltd (South Africa) and 3W Power (South Africa) are not included in the 2014 and 2015 consolidated results.

The overview of subsidiaries reflects the sale and liquidation of affiliates as a result of the operational restructuring plan. In addition, during 2014 the Group liquidated AEG PS Inc, Canada and Opcion Dos Energia Natural SL, Spain.

The Group acquired 51.0% in 3W Power Pty Ltd, South Africa, the remaining 49.0% is held by a South African investor.

### 35. SUBSEQUENT EVENTS

On January 18, 2016, the Company announced the fulfillment of its Senior Leadership Team. The team comprises of Mr. J. Casper, as Chief Executive Officer (CEO), Dr. Ch. Roth, as Chief Operating Officer (COO), Mr. K. Coulton as VP & General Manager Global Affiliates Sales and Mr. R. de Vries as Chief Financial Officer (CFO) of the Group.

On February 4, 2016, the Group completed the sale and purchase agreement with Legrand for the sale of its small services companies Fluxpower GmbH and Primetech s.r.l.

On March 9, 2016, 3W Power SA communicated that €5.0 million of the proceeds of Fluxpower and Primetech sale are dedicated to the pro-rata repurchase of the €50.0 million Notes. This repurchase facilitates the reduction in the Company debt and cut of interest expenses.



## INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



To the Shareholders of  
3W Power S.A.  
19, rue Eugène Ruppert  
L-2453 Luxembourg

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of 3W Power S.A. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Board of Director's responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of 3W Power S.A. and its subsidiaries as at December 31, 2015, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Emphasis of matter with regard to going concern

We draw attention to the going concern paragraph in the note 2 of the consolidated financial statements which indicates that the Group essentially depends on the full realization of its liquidity forecast, the willingness of stakeholders to continue their financing and in the case of a liquidity shortfall, that additional funding is secured. These conditions, along with other matters as set forth in the note 2 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated Directors' report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, April 7, 2016  
PricewaterhouseCoopers  
Société coopérative  
Represented by

Marc Minet

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Expert-comptable (autorisation  
gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477  
TVA LU25482518

**COMPANY STATEMENT OF FINANCIAL POSITION** As of December 31

in thousands of euros	Note	2015	2014
<b>Assets</b>			
Shares in affiliated undertakings	7	12,332	2,674
Loans to affiliated undertakings	8	46,620	84,720
Trade and other receivables	9	7,727	–
<b>Total non-current assets</b>		<b>66,679</b>	<b>87,394</b>
Loans to affiliated undertakings	8	5,400	–
Trade and other receivables	9	240	7,201
Cash and cash equivalents	10	10,584	18
<b>Total current assets</b>		<b>16,224</b>	<b>7,219</b>
<b>Total assets</b>		<b>82,903</b>	<b>94,613</b>
<b>Liabilities</b>			
Loans and borrowings	11	49,670	37,248
<b>Total non-current liabilities</b>		<b>49,670</b>	<b>37,248</b>
Trade and other payables	12	1,784	1,555
Loans and borrowings	11	1,105	667
<b>Total current liabilities</b>		<b>2,889</b>	<b>2,222</b>
<b>Total liabilities</b>		<b>52,559</b>	<b>39,470</b>
<b>Equity</b>			
Share capital	13	837	837
Share premium	13	418,822	418,822
Reserve for own shares	13	(22,870)	(22,870)
Other equity	13	4,883	–
Retained earnings		(371,328)	(341,646)
<b>Total equity attributable to equity holders of the Company</b>		<b>30,344</b>	<b>55,143</b>
<b>Total equity and liabilities</b>		<b>82,903</b>	<b>94,613</b>

The Company financial statements on pages 66 to 80 were approved by the Board of Directors on April 7, 2016 and signed on its behalf by:

J. Casper

The notes on pages 70 to 80 are an integral part of these Company financial statements.


**COMPANY STATEMENT OF COMPREHENSIVE INCOME** For the year ended December 31

in thousands of euros	Note	2015	2014
Administrative expenses	5	(1,258)	(1,882)
Impairment of investments in subsidiaries	7	(25,842)	(31,606)
<b>Loss before interest and tax</b>		<b>(27,100)</b>	<b>(33,488)</b>
Finance income	6	3,594	53,260
Finance costs	6	(6,173)	(9,441)
<b>Net finance (costs)/income</b>		<b>(2,579)</b>	<b>43,819</b>
<b>Profit/(loss) before income tax for the year</b>		<b>(29,679)</b>	<b>10,331</b>
Income tax		(3)	(3)
<b>Total comprehensive profit/(loss) for the year</b>		<b>(29,682)</b>	<b>10,328</b>

The notes on pages 70 to 80 are an integral part of these Company financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY** Equity attributable to owners of the Company

in thousands of euros	Share capital	Share premium	Reserve for own shares	Other equity	Retained earnings	Total equity
<b>Balance at January 1, 2014</b>	<b>12,520</b>	<b>383,836</b>	<b>(22,870)</b>	<b>–</b>	<b>(353,190)</b>	<b>20,296</b>
Profit for the year	–	–	–	–	10,328	10,328
<b>Total comprehensive profit for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,328</b>	<b>10,328</b>
Capital restructuring	(12,470)	12,470	–	–	–	–
Issuance of 25,109,731 new shares against contribution in cash	251	3,766	–	–	–	4,017
Issuance of 53,570,370 new shares against contribution in kind	536	18,750	–	–	–	19,286
Share-based payments/ long-term incentive plan	–	–	–	–	1,216	1,216
<b>Total contributions by and distributions to owners of the Company</b>	<b>(11,683)</b>	<b>34,986</b>	<b>–</b>	<b>–</b>	<b>1,216</b>	<b>24,519</b>
<b>Total transactions</b>	<b>(11,683)</b>	<b>34,986</b>	<b>–</b>	<b>–</b>	<b>11,544</b>	<b>34,847</b>
<b>Balance at December 31, 2014</b>	<b>837</b>	<b>418,822</b>	<b>(22,870)</b>	<b>–</b>	<b>(341,646)</b>	<b>55,143</b>
<b>Balance at January 1, 2015</b>	<b>837</b>	<b>418,822</b>	<b>(22,870)</b>	<b>–</b>	<b>(341,646)</b>	<b>55,143</b>
loss for the year	–	–	–	–	(29,682)	(29,682)
Value of conversion rights on Convertible Notes	–	–	–	4,883	–	4,883
<b>Total comprehensive profit for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,883</b>	<b>(29,682)</b>	<b>(24,799)</b>
<b>Total transactions</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,883</b>	<b>(29,682)</b>	<b>(24,799)</b>
<b>Balance at December 31, 2015</b>	<b>837</b>	<b>418,822</b>	<b>(22,870)</b>	<b>4,883</b>	<b>(371,328)</b>	<b>30,344</b>

The notes on pages 70 to 80 are an integral part of these Company financial statements.


**COMPANY STATEMENT OF CASH FLOWS** For the year ended December 31

in thousands of euros	Note	2015	2014
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		(29,682)	10,328
Adjustments for non-cash items:			
Shares in affiliated undertakings		25,842	31,606
Share-based payments	5, 15	–	1,216
Finance expense (net)	6	2,579	(43,819)
Income tax		3	3
<b>Cash flow used in operations before changes in working capital</b>		<b>(1,258)</b>	<b>(666)</b>
Change in trade and other receivables		–	(1,319)
Change in trade and other payables		221	2,111
<b>Cash from operating activities</b>		<b>221</b>	<b>792</b>
Income tax paid		(3)	(3)
<b>Net cash from/(used in) operating activities</b>		<b>(1,040)</b>	<b>123</b>
<b>Cash flows from investing activities</b>			
Net loan to AEG PS B.V.	8	(2,800)	–
Interest received		2,828	515
<b>Net cash from investing activities</b>		<b>28</b>	<b>515</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		–	4,017
Transaction costs debt to equity swap		–	(4,658)
Proceeds convertible Bonds		13,578	–
Interest paid		(2,000)	–
<b>Net cash used in financing activities</b>		<b>11,578</b>	<b>(641)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>10,566</b>	<b>(3)</b>
Cash and cash equivalents at beginning of year		18	21
<b>Cash and cash equivalents at end of year</b>	10	<b>10,584</b>	<b>18</b>

The notes on pages 70 to 80 are an integral part of these Company financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

On June 8, 2010, 3W Power S.A. (formerly 3W Power Holdings S.A.), (the "Company") transferred the place of its registered office and its principal place of business from Guernsey to Luxembourg, adopted the Luxembourg nationality and changed its name from Germany1 Acquisition Limited to 3W Power Holdings S.A. On May 19, 2011, the Company changed its name to its current name of 3W Power S.A. The registered office of the Company is at 19, rue Eugène Ruppert, L-2453 Luxembourg.

By resolution dated November 15, 2011, the Board of Directors of the Company decided to terminate the listing of the Company's shares on NYSE Euronext in Amsterdam.

As per December 17, 2010, the Company commenced the trading of its shares on the Regulated Market of the Frankfurt stock exchange (FWB). As at December 31, 2011, shares issued by the Company are listed on the Frankfurt stock exchange (ticker: 3W9). As from December 19, 2011, the Company delisted its shares from the NYSE Euronext, Amsterdam.

The Company has applied accounting policies consistently in these separate financial statements and in the consolidated financial statements.

On June 25, 2014, at the Annual General Meeting of the shareholders of 3W Power S.A., the shareholders approved to create a special reserve account and to reorganize and reduce the share capital from €12,520,006 to €50,236.02. The shareholders approved for this reduction a cancellation of four shares held by the Company, a reverse stock split (without capital reduction) of the issued shares by the Company by exchanging ten existing shares against one new share and consequently to exchange all of the 50,125,020 existing shares issued in the Company against 5,023,602 shares, and an allocation of €12,469,768.98 from the issued share capital account to the special reserve account.

On August 26, 2014 the Company:

- increased its share capital with 25,109,731 new registered shares against €4.0 million contribution in cash from the existing shareholders and the implementation of a Management Incentive Program ("MIP"). Nominal value of the share is €0.01.
- increased its share capital with 53,570,370 new registered shares against €19.3 million contribution in kind of a portion of the claims under the €100.0 million of unsubordinated loan notes ("the Notes"). Nominal value of the share is €0.01.

On August 29, 2014 the Company:

- completed an exchange offer program. Approximately 82.0% of the creditors of the old bond exercised their rights to new shares and approximately 84.0% exercised their rights to new Notes. The acquisition period went from July 31, 2014 to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book build. The shares were sold for €0.26 per share and the Notes were sold for 70.0% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bond holders who elected not to subscribe to the new debt and equity increase.
- issued a new bond 2014/2019 (ISIN DE000A1ZJB9/WKN A1ZJZB) with a total volume of €50.0 million and a term of five years as well as an initial interest rate (to be paid semi-annually) of 4.0% per annum (first year of the term), which will increase by 2.0% per annum for each following year of the term.

The new shares were included in the existing listing for the Company's shares (ISIN LU1072910919) on the Regulated Market (General Standard) of the Frankfurt Stock Exchange on August 29, 2014. The Notes of the new bond were included in trading on the Unregulated Market (Open Market) of the Frankfurt Stock Exchange on August 27, 2014 by way of trading on terms of issue.

At the Extraordinary General Meeting on May 19, 2015, the shareholders approved the renewal and the increase of the authorized share capital to the aggregate amount of €1.5 million represented by 150,000,000 shares with a nominal value of €0.01 each.

On October 5, 2015, Bondholders approved a change in the terms and conditions of its €50.0 million Corporate Bond (DE000A1ZJB9) with a majority of 99.97 percent.

On November 9, 2015, the Company issued the €14.0 million Convertible Bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJB9).

### 2. BASIS OF PREPARATION

#### A) STATEMENT OF COMPLIANCE

The Company prepared the Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and laws and regulations in the Grand Duchy of Luxembourg.

#### B) GOING CONCERN ASSUMPTION

The going concern assumption for the Company is materially dependent on the Group's performance and the Group's going concern assumptions.

In 2015 The Group focused on the operational improvement plans on a continuous basis to investigate further evaluation of its manufacturing footprint, downsizing of its overhead headcount and adapting its sales strategy and sales force to current market requirements.





The Group is in the process of finalizing the implementation of vertical market segments based on end customer markets. Vertical markets have been identified for Oil & Gas, Power Distribution, Transportation, Renewables (Battery storage and Grid Solutions), Data & IT and Services. Experienced segment leaders have been appointed to define the strategy and to work closely with the affiliates and the end customer(s).

The segment leaders work closely with Product Management and R&D to establish a product portfolio that is dedicated to each vertical market- and customer specific requirements. Ongoing R&D investment is a pre-requisite to be an active player and to secure future business growth.

In 2015 the Group suffered a net loss of €41.6 million resulting in a decrease of Group equity to €36.3 million. Operational losses and subsequent negative operational cash flows in 2015 as well as the above mentioned investments and execution of the restructuring program, required additional funding. The Company therefore issued a €14.0 million convertible bond which on 9 November 2015, a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon rate of 5.5%. As a result available cash per December 31, 2015 was €23.4 million (€31.2 million including restricted cash).

As from Q3 2015 new restructuring programs were initiated and included further headcount reduction in Germany (Belecke, 65 persons) and France (Tours, 30 persons) by the end of Q2, 2016. In addition the Board of Directors approved the divestiture of the small services companies Fluxpower GmbH and Primetech s.r.l. During Q4 2015 buyers were identified and a SPA was signed and completed on February 4, 2016. The headcount, after the effect of the approved restructuring and sale of Fluxpower (23 fte) and Primetech (20fte ) will be reduced to 814 fte (total fte at year-end was 952).

Furthermore extensive effort has been put into evaluating existing budgets and forecasts and continuously updating budgets and forecasts based on the most recent available market and performance information. This process has been reviewed in detail by the Management of the Company and the Board of Directors.

Based on the liquidity forecast of the Group up and until the first quarter of 2017, management expects that available liquidity headroom will further reduce but will nevertheless be sufficient to operate the business without interruption. This takes into account both forecast cash collateral need and minimum operating cash needs.

#### **Risk on the realization of the budget and forecast**

Realization of the forecast liquidity largely depends on external market conditions and order intake, timely and successful execution of orders and the speed of recovery of the business performance. In this respect, the following matters are essential to take into consideration:

- Market conditions should not develop unfavorable for the Group, which means that a stable operating environment is essential

- Full realization of the liquidity forecast is achieved including:
  - Order intake and timely conversion to revenues;
  - Timely and successful execution of restructuring (taking into account the local labor laws and obligatory involvement of workers councils and unions) measures and operational improvement plans. These include process improvements, cost savings and trade working capital reductions;

Management believes that the forecast like-for-like revenue will be at least in line with 2015, however with a lower cost basis and improved operating results. Management is also of the opinion that they have a number of actions at their disposal which could potentially provide additional liquidity in 2016. These remedial actions and options include, but are not limited to, the following:

- reinforcement of cash flow control procedures with the aim that solid payment terms and guarantees have been negotiated for major projects
- postponement of payments relating to internal projects, time to order delivery of batteries and other ancillary products
- sub rental of real estate (France and Germany)
- cross border utilization of favorable bank terms for customer bank guarantees which require limited cash collateral.
- engagement of professional local partners with the aim of reaching acceptable terms and conditions for the execution of any restructuring.

Besides the risks on the 2016 budget and forecast, management has identified the following non-current risks, which could affect the Group's liquidity position.

- The Group received 75 lawsuits from former Lannion employees, amounting to €5.0 million, the French court may decide in line with the objective of the claimholders.
- The new bond matures in 2019 and has an escalating interest rate currently at 6.0% and accumulating to 12.0%. The Group may face the risk that all initiatives to further grow sales and margins are not sufficient to secure the last three years of interest payments in the range of 8.0% to 12.0%. Alternative sourcing of financing may turn out to be unsuccessful.
- Willingness of bondholders to continue current financing, which management expects as there are no events of defaults forecasted. Any cash shortfall resulting into insolvency or bankruptcy of an individual material subsidiary (as described in the terms and conditions of the €50.0 million and €14.0 million bond loan) will entitle each Noteholder to declare his Notes due and demand immediate redemption. Such cash shortfall is not anticipated by management.

There is a risk that if the forecast is not fully realized, the Company needs additional liquidity on Group level in the near future. Since there is a material risk that the Company faces a liquidity shortage that has not been secured with additional funding, this indicates the existence of material uncertainties, which may cast significant doubt about the Companies ability to continue operating as a going concern.

In light of the above the Company has assessed the going concern assumption on the basis of which the 2015 financial statements have been prepared. Management is of the opinion that considering the risks and uncertainties as stated above going concern is mainly dependent on the realization of the 2016 budgets and forecasts within the boundaries set by Management and conclude that the application of the going concern assumption for the 2015 financial statements is therefore appropriate.

#### C) BASIS OF MEASUREMENT

The financial statements have been prepared under the historic cost convention, unless otherwise indicated.

#### D) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

#### E) USE OF ESTIMATES AND JUDGMENTS

In the application of IFRS, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Note 7, shares in affiliated undertakings, includes information about assumptions and estimation on uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

#### F) ADOPTION OF NEW AND REVISED IFRS

See note 2, section (F) of the consolidated financial statements in which the Company describes all standards and interpretations that were adopted as from January 1, 2015.

#### G) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

See note 3, section (S) of the consolidated financial statements in which the Company describes all standards and interpretations that are not yet adopted.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied to the Company financial statements are the same as described in note 3 of the consolidated financial statements with the exception of these described below:

#### Investments in affiliated undertakings

Investments in affiliated undertakings are presented in the statement of financial position of the Company at acquisition cost less adjustment for impairment. Investments in affiliated undertakings are tested for impairment at year-end when Management identifies a triggering event according to IAS 39. When an impairment trigger is identified, Management tests the carrying amount of the affiliated undertakings for impairment according to IAS 36 requirements, by comparing the carrying amount of the shares in affiliated undertakings to its recoverable amount, defined as the highest of its fair value less cost to sale and its value in use.

#### Loans to affiliated undertakings

Loans to affiliated undertakings are financial assets with determinable payments that are not traded in active markets. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses.

### 4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### Loans and other receivables

The fair value of loans and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

#### Non-derivative financial liabilities

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

#### Share-based payments

Share-based payments are measured by reference to the value based on market prices.



## 5. ADMINISTRATIVE EXPENSES

Included in administrative expenses are:

in thousands of euros	2015	2014
Administration, accountancy and trustee fees	(305)	(300)
Audit, legal and professional fees	(452)	42
Directors' fees and expenses	(132)	24
Share-based payment expenses (including LTIP and MIP)	–	(1,216)
Other	(369)	(275)
Recharge of administrative expenses	–	(157)
<b>Total administrative expenses</b>	<b>(1,258)</b>	<b>(1,882)</b>

2015 expenses are considerably lower than 2014, this is mainly attributable to the recognition in 2014 of the MIP expense of 1.2 million and the reversal of provisions that relate to professional and directors' fees.

## 6. FINANCE INCOME AND FINANCE COSTS

in thousands of euros	2015	2014
Interest income on loans	3,594	6,545
Gain as a result of the exchange offer	–	46,715
<b>Finance income</b>	<b>3,594</b>	<b>53,260</b>
Interest expense on notes payable	(6,162)	(9,438)
Other finance costs	(11)	(3)
<b>Finance costs</b>	<b>(6,173)</b>	<b>(9,441)</b>
<b>Net finance income/(costs)</b>	<b>(2,579)</b>	<b>43,819</b>

The above include the following interest income and expense in respect of assets and liabilities not at fair value through profit or loss:

in thousands of euros	2015	2014
Total interest income on financial assets	3,594	6,545
Total interest expense on financial liabilities	(6,162)	(9,438)

Interest on notes payable relates to interest accrued at 4.0% (January to July) and 6.0% (August to December) on the Notes placed in August 2014 of €50.0 million and 5.5% on the Convertible Bond of €14.0 million which was issued in November 2015, (2014: 9.25% on the Notes placed in December 2010 of €100.0 million and 4.0% on the Notes placed in August 2014 of €50.0 million) and the amortized portion of costs incurred in placing the notes payable. Such costs are expensed over the period that the debt is outstanding using the effective interest method.

Gain as a result of the exchange offer of €46.7 million represents the conversion of €100.0 million Notes plus the accrued interest of €6.9 million on these 9.25% Notes into the new €50.0 million Notes (nominal value), with a fair value of €36.0 million and the issued new shares of the Company, with a fair value of €19.3 million, offset by €4.9 million costs relating to the conversion.

## 7. SHARES IN AFFILIATED UNDERTAKINGS

Shares in affiliated undertakings represent the Company's 100% interest in 3W Power Holdings B.V. which in turn holds 100% of AEG Power Solutions B.V. ("AEG PS") acquired on September 10, 2009. AEG PS is a world provider of power electronics. It offers product and service portfolios in uninterruptible power supply (UPS), power conversion and control, for customers spanning the infrastructure markets of energy, telecom, lighting, transportation and general industrial sectors.

The Group developed a range of products for the solar energy industry, from solar central inverters, software monitoring, turn-key electrical balance of systems and has invested in areas of power management within distributed power generation and smart micro grids.

Movement in carrying amount is as follows:

in thousands of euros	2015	2014
<b>Carrying amount at January 1</b>	<b>2,674</b>	<b>34,280</b>
Debt to equity conversion through share premium	35,500	–
Impairment charge	(25,842)	(31,606)
<b>Carrying amount at December 31</b>	<b>12,332</b>	<b>2,674</b>

Management identified a triggering event according to IAS 39 in analyzing the significant and prolonged decline of the fair value of the Company's shares, and accordingly of the Company's sole investment in an affiliated undertaking and recognized an impairment charge of €25.8 million. The recoverable amount of the affiliated undertaking has been estimated based on the value derived from the Companies market capitalization at year end 2015.

## 8. LOANS TO AFFILIATED UNDERTAKINGS

in thousands of euros	2015	2014
Loan to subsidiary (long term portion)	46,620	84,720
Loan to subsidiary (short term portion)	5,400	–
<b>Total loans to subsidiary</b>	<b>52,020</b>	<b>84,720</b>

The loan is with its AEG Power Solutions B.V., the majority of the loan carries interest at 6.25% and a small portion at 5.75%, although contractually repayable on demand, is not expected to be settled within the next twelve months after reporting date. The interest increased from 4.25% to 6.25% following the change in the interest conditions on the Notes. The 5.5% relates to the Convertible Bond with a mark-up of 0.25%. In 2015, the Company converted €35.5 million of the 2014 loan portion into equity. In February 2016, a reimbursement of €5.4 million was made and as such this amount is presented as short-term.

See note 14 for the fair value of the loans at the end of 2015.

## 9. TRADE AND OTHER RECEIVABLES

in thousands of euros	2015	2014
Due from affiliated undertakings and shareholders (long term portion)	7,727	–
Due from affiliated undertakings and shareholders (short term portion)	–	7,169
Prepayments	240	32
<b>Total trades and other receivables</b>	<b>7,967</b>	<b>7,201</b>

Although receivables are formally due within 1 year, management of the Company entered for 2015 into an agreement with the affiliate undertaking that there will be no claim on full reimbursement within the next twelve months. See note 14 for the fair value of the loans. Trade and other receivables were not impaired during the year.

## 10. CASH AND CASH EQUIVALENTS

in thousands of euros	2015	2014
Current accounts	10,584	18
<b>Total cash and cash equivalents</b>	<b>10,584</b>	<b>18</b>

Cash and cash equivalents comprise current accounts and increased in 2015 following the proceeds of the €14.0 million convertible Bond. See note 14 for the fair value of cash and cash equivalents at the end of 2015.

## 11. LOANS AND BORROWINGS

in thousands of euros	2015	2014
<b>Non-current</b>		
Notes payable <sup>1</sup>	40,872	37,248
Notes payable <sup>2</sup>	8,798	–
<b>Total non-current</b>	<b>49,670</b>	<b>37,248</b>
<b>Current</b>		
Accrued interest	1,105	667
<b>Total current</b>	<b>1,105</b>	<b>667</b>
<b>Total loans and borrowings</b>	<b>50,775</b>	<b>37,915</b>

### <sup>1</sup> Unsubordinated notes payable €50,000,000 effective interest 15.96%, due August 29, 2019.

On August 29, 2014, the Company issued loan notes (the "Notes") with a nominal value of €50.0 million. The Notes were exchanged by creditors of the old bond as well as investors participating in an accelerated book building on August 25/26, 2014. The Notes bear interest from and including August 29, 2014 to, but excluding August 29, 2019 at an escalating interest rate starting at 4.0% and on an annual basis increased with 2.0% pa (15.96% effective interest), payable annually in arrears on February 29 (if the relevant calendar year is a leap year or on February 28 if the relevant calendar year is not a leap year) and August 29 of each year. The first interest payment was made on February 28, 2015. The Notes are redeemable at par on August 29, 2019. The Notes have the benefit of an unconditional and irrevocable guarantees by certain subsidiaries of the issuer. Once per interest period the Issuer is entitled to redeem all outstanding Notes in the amount of 20.0% of the initial principle amount of a Note (i.e. in each interest period in the amount of EUR 100.00 per note). The Issuer is free to choose the interest periods in which it wishes to make a partial redemption. The Issuer is entitled at any time to redeem the outstanding Notes in whole, but not in part, at 101.0% of the outstanding principal amount of the Notes together with accrued interest. If a change of control occurs, each Noteholder shall have the right to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase by a third party of) in whole or in part his Notes at 100.0% of the outstanding principal amount (the "Put Option"). An exercise of the Put Option shall, however, only become valid if during the put period Noteholders of Notes with a principal amount of at least 50.0% of the outstanding aggregate principal amount of the Notes then outstanding have exercised the Put Option. Management judgment is that the Notes will be held until maturity.

### <sup>2</sup> Unsubordinated notes payable €14,000,000, five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5% (effective interest 17.47%), due November 11, 2020.

The Notes bear interest from and including November 11, 2015, to, but excluding November 11, 2016, at a rate of 5.50% p.a. (17.47% effective interest), payable annually in arrears on November 11 of each year. The first interest payment will be made on November 11, 2016. The Notes are redeemable at par on November 11, 2020. The Notes have the benefit of an unconditional and irrevocable guarantee by AEG Power Solutions B.V. Management analyzed the relevant terms of the contract that can impact the accounting of the Convertible Bond. These terms included: a) interest, b) early redemption and c) conversion right. Management concluded that the interest and the notional classify as liability. Furthermore Management concluded, that the conversion option is classified as equity and should be separately valued and accounted for. The conversion option was valued at 15% and revealed a value of €4.8 million which was recognized in other equity.

See note 14 for the fair value of the loans at the end of 2015.



Loans are due as follows:

in thousands of euros	2015	2014
Within 1 year	1,105	667
Within 2–5 years	49,670	37,248
<b>Total</b>	<b>50,775</b>	<b>37,915</b>

## 12. TRADE AND OTHER PAYABLES

in thousands of euros	2015	2014
<b>Trade payables</b>	<b>1,784</b>	<b>1,555</b>

## 13. CAPITAL AND RESERVES

### SHARE CAPITAL

in number of shares	Ordinary shares	Treasury shares <sup>1</sup>	Total shares
<b>Issued at December 31, 2013</b>	<b>47,890,356</b>	<b>2,345,668</b>	<b>50,236,024</b>
Capital restructuring (reverse stock split (1:10) and cancellation of four shares)	(43,101,320)	(2,111,102)	(45,212,422)
Issuance of new shares against contribution in cash	25,109,731	–	25,109,731
Issuance of new shares against contribution in kind	53,570,370	–	53,570,370
<b>Issued at December 31, 2014<sup>2</sup></b>	<b>83,469,137</b>	<b>234,566</b>	<b>83,703,703</b>
<b>Issued at December 31, 2015</b>	<b>83,469,137</b>	<b>234,566</b>	<b>83,703,703</b>

<sup>1</sup> Included in treasury shares are 2,500,000 shares previously held in escrow for the purpose of an earn-out agreement with the former AEG Power Solutions B.V. shareholders. The earn-out was based on the achievement of certain EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The targets have not been met and under the terms of the earn-out agreement the shares were released from escrow to the Company in September 2012.

<sup>2</sup> Included in the ordinary shares are 8,370,370 shares for the Management Incentive Program ("MIP"). The MIP has been created on July 21, 2014 to transfer, under certain conditions, the MIP shares to certain members of the Management of the Company, who have substantially expedited the current restructuring of the AEG PS Group since December 2013 (the "Beneficiaries").

At the extraordinary General Meeting (EGM) held on May 7, 2010, the shareholders voted to set the issued share capital of the Company at €12,520,006 by conversion of the same amount from the share premium account. The issued share capital of the Company was therefore fixed at €12,520,006 divided into 50,236,024 shares (including the 2,500,000 of shares shown above as treasury shares). Each class of share has no par value. The authorized capital of the Company was set at €37,560,018 consisting of 150,240,072 shares.

At the EGM held on December 14, 2010, the shareholders voted to amend the classes of shares of the Company to create a single class as provided in the share purchase agreement of September 10, 2009. Shareholders' rights have not been modified and the total number of shares remains the same. All shares of the Company are now ordinary shares.

On December 17, 2010, the Company's shares were admitted to trading on the Regulated Market of the Frankfurt stock exchange (FWB) under the ticker symbol 3W9. The shares on the Euronext market, Amsterdam (ticker 3WP) were delisted on December 19, 2011. Warrants in the Company were listed on the Euronext, Amsterdam (ticker 3WPW) and expired on July 24, 2012, and were delisted on the same date.

On June 25, 2014, at the Annual General Meeting of the shareholders of 3W Power S.A., the shareholders approved to create a special reserve account and to reorganize and reduce the share capital from €12,520,006 to €50,236.02. The shareholders approved for this reduction a cancellation of four shares held by the Company, a reverse stock split (without capital reduction) of the issued shares by the Company by exchanging ten existing shares against one new share and consequently to exchange all of the 50,125,020 existing shares issued in the Company against 5,023,602 shares, and an allocation of €12,469,768.98 from the issued share capital account to the special reserve account.

On August 26, 2014 the Company:

- increased its share capital with 25,109,731 new registered shares against €4.0 million contribution in cash from the existing shareholders and the implementation of a Management Incentive Program ("MIP"). Nominal value of the share is €0.01.
- increased its share capital with 53,570,370 new registered shares against €19.3 million contribution in kind of a portion of the claims under the €100.0 million of unsubordinated loan notes ("the Notes"). Nominal value of the share is €0.01.

On August 29, 2014 the Company:

- completed an exchange offer program. Approximately 82.0% of the creditors of the old bond exercised their rights to new shares and approximately 84.0% exercised their rights to new Notes. The acquisition period went from July 31, 2014 to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book build. The shares were sold for €0.26 per share and the Notes were sold for 70.0% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bond holders who elected not to subscribe to the new debt and equity increase.

The new shares were included in the existing listing for the Company's shares (ISIN LU1072910919) on the Regulated Market (General Standard) of the Frankfurt Stock Exchange on August 29, 2014.

At the Extraordinary General Meeting on May 19, 2015, the shareholders approved the renewal and the increase of the authorized share capital to the aggregate amount of €1.5 million represented by 150,000,000 shares with a nominal value of €0.01 each.

On November 9, 2015, the Company issued the €14.0 million Convertible Bond (ISIN DE000A1Z9U50), a five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5%. It is subordinated to the €50.0 million senior secured bond payable in 2019 (ISIN: DE000A1ZJZB9).

in thousands of euros	Share capital
<b>January 1, 2014</b>	<b>12,520</b>
Capital restructuring (reverse stock split 1:10 and cancellation of four shares)	(12,470)
Issuance of 25,109,731 new shares against contribution in cash	251
Issuance of 53,570,370 new shares against contribution in kind	536
<b>December 31, 2014</b>	<b>837</b>
<b>December 31, 2015</b>	<b>837</b>

in thousands of euros	Share premium
<b>January 1, 2014</b>	<b>383,836</b>
Capital restructuring (reverse stock split 1:10 and cancellation of four shares)	12,470
Issuance of 25,109,731 new shares against contribution in cash	3,766
Issuance of 53,570,370 new shares against contribution in kind	18,750
<b>December 31, 2014</b>	<b>418,822</b>
<b>December 31, 2015</b>	<b>418,822</b>

in thousands of euros	Reserve for own shares
<b>January 1, 2014</b>	<b>(22,870)</b>
<b>December 31, 2014</b>	<b>(22,870)</b>
<b>January 1, 2015</b>	<b>(22,870)</b>
<b>December 31, 2015</b>	<b>(22,870)</b>

in thousands of euros	Other Equity
<b>January 1, 2014</b>	–
<b>December 31, 2014</b>	–
<b>January 1, 2015</b>	–
Value of conversion rights on convertible notes	4,883
<b>December 31, 2015</b>	<b>4,883</b>

The reserve for the Company's own shares comprises the cost of the Company's shares held by or on behalf of the Company. At December 31, 2015 the Company held 235,462 (2014: 235,462) of its own shares with an aggregate cost of €22,870 thousand (2014: €22,870 thousand).

No dividends were declared or paid by the Company in 2015 or 2014.

## 14. FINANCIAL INSTRUMENTS

### CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At the end of the reporting period the Company has the following financial assets and liabilities:

in thousands of euros	2015	2014
Cash and cash equivalents	10,584	18
Loans and receivables	59,987	91,921
<b>Total financial assets</b>	<b>70,571</b>	<b>91,939</b>
Financial liabilities measured at amortized costs		
Trade and other payables	1,784	1,555
Interest on notes payable	1,105	667
Notes payable	49,670	37,248
<b>Total financial liabilities measured at amortized cost</b>	<b>52,559</b>	<b>39,470</b>
<b>Total net financial assets/(liabilities)</b>	<b>18,012</b>	<b>52,469</b>



## FAIR VALUES

### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

in thousands of euros	Notes	Carrying amount 2015	Fair value 2015	Carrying amount 2014	Fair value 2014
<b>Assets carried at amortized cost</b>					
Cash and cash equivalents		10,584	10,584	18	18
Loans and receivables		59,987	59,987	91,921	91,921
<b>Total</b>		<b>70,571</b>	<b>70,571</b>	<b>91,939</b>	<b>91,939</b>
<b>Liabilities carried at amortized cost</b>					
Trade and other payables		1,784	1,784	1,555	1,555
Borrowings		1,105	1,105	667	667
Notes payable		49,670	44,122	37,248	37,800
<b>Total</b>		<b>52,559</b>	<b>47,011</b>	<b>39,470</b>	<b>40,022</b>

### Fair value hierarchy

As at December 31, 2014, there are no financial instruments which are carried at fair value. The fair value of the notes payable is disclosed below. The Group uses three levels of valuation method as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of loans and receivables is considered equal to the carrying amount based on the total carrying amount of the Company's investment through shares and receivables of €87.4 million.

December 31, 2015	Level 1	Level 2	Level 3
Notes payable	35,005	9,117	–
December 31, 2014	Level 1	Level 2	Level 3
Notes payable	37,800	–	–

## 15. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Company has related party relationships with its subsidiaries and with entities having a significant influence over the Company. Related party relationships also exist with Board members and managers who have an interest in the equity of the Company or who receive remuneration from the Company and the Group.

### BOARD AND KEY MANAGEMENT REMUNERATION

The total remuneration of Board members and Group senior managers are included in the following amounts:

Year to December 31, 2015

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (5 FTE)
Salary, bonuses and short-term benefits	656,273	–	656,273	515,967
Severance	–	–	–	–
Post-employment benefits	54,764	–	54,764	21,591
Share-based payments (MIP)	–	–	–	–
Fees	–	100,000	100,000	–
<b>Total</b>	<b>711,037</b>	<b>100,000</b>	<b>811,037</b>	<b>537,558</b>

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. J. Casper. Fees relate to Non-Executive Directors; Dr. D. Wolfertz, Mr. W. Loose, Mr. K. Schulze, Mr. B. Luft and Mr. K. Corbin. Other managers include Mr. D. Ehrmantraut (COO) for the period January to October 2015. For Messrs. C. Roth (COO), K. Coulton (VP Global sales) and R. de Vries (CFO), the period December was included.

Year to December 31, 2014

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (5 FTE)
Salary, bonuses and short-term benefits	1,023,293	–	1,023,293	654,090
Severance	–	–	–	648,672
Post-employment benefits	46,781	–	46,781	21,156
Share-based payments (MIP) <sup>1</sup>	508,127	508,127	1,016,254	199,709
Fees	–	15,000	15,000	–
<b>Total</b>	<b>1,578,201</b>	<b>523,127</b>	<b>2,101,328</b>	<b>1,523,627</b>

<sup>1</sup> An expense of €1,216 thousand has been recognized in the income statement with credit to equity in relation to share-based payments (MIP) following the financial restructuring.

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. J. Casper. Fees relate to Non-Executive Director Mr. K. Corbin.

### RELATED PARTY INTERESTS IN THE EQUITY AND NOTES OF THE COMPANY

As at December 31, 2015	No. of shares	50.0 million Bonds at nominal value (€)	14.0 million Convertible Bonds at nominal value (€)
Intec Beteiligungsgesellschaft	6,072,080	100,000	100,000
Mr. W. Loose	1,664,000	–	100,000
Mr. B. Luft	4,175,644	248,500	100,000
Mr. K. Schulze	2,077,056	–	100,000
Mr. J. Casper	2,635,904	–	–
AEG PS managers	44,858	–	–
<b>Total</b>	<b>16,669,542</b>	<b>348,500</b>	<b>400,000</b>

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2015 were as in the table above.

Ripplewood with 30.2% of the total shares outstanding acting as the major shareholder of the Company sold its shares in December 2013 to several individual investors. These investors, amongst others, are: Intec Beteiligungsgesellschaft, Mr. B. Luft and Mr. J. Casper. Intec Beteiligungsgesellschaft is controlled by Dr. D. Wolfertz.

AEG PS managers refer to key executives other than Directors. During 2015, Mr K. Schulze increased his interest with 77,056 shares and in AEG PS managers a 20,000 shares increase was recognized following the appointment of the management team.





#### EXECUTIVE LONG-TERM INCENTIVE PLAN

At the Company's Annual General Meeting (AGM) held in June 2014, shareholders approved the cancellation of the long-term incentive plan (LTIP) for senior executives that was approved at the AGM held in May 2011.

The LTIP was supervised by the Compensation Committee of the Board and it comprised two parts; part A and part B.

#### PART A

Under Part A, participants had been granted annual awards of shares, in the form of nil-cost options, over a four-year period. All awards will vest at the end of the four-year period subject to the condition that the participant is still employed by the Company at that point in time. The maximum number of shares which can be granted under Part A of the LTIP is 725,000 although no individual can be granted more than 30.0% of this maximum number of shares. On a change of control all outstanding awards will vest immediately. In the period to June 2014 no shares have been awarded, 30,000 shares were forfeited and 105,000 shares were cancelled. Mr. J. Casper waived his compensation entitlement for the 75,000 shares held.

#### PART B

Under Part B, participants had been allocated a number of units from a total pool of units. These units had no value on grant but gave participants the opportunity to share in a percentage of the value created for shareholders in excess of pre-determined share price targets at annual measurement points.

There were three measurement dates over a three-year performance period, namely May 1, 2012, May 1, 2013 and May 1, 2014.

The defined share price targets have not been achieved and as such all 270,000 shares were cancelled without any compensation entitlement.

In the period to December 2014 no shares were awarded nor forfeited.

	2014
<b>LTIP A</b>	
<b>Outstanding at the beginning of the period</b>	<b>135,000</b>
Granted during the period	-
Forfeited during the period	(30,000)
Cancelled during the period	(105,000)
<b>Outstanding at the end of the period and exercisable</b>	<b>-</b>
<b>LTIP B</b>	
<b>Outstanding at the beginning of the period</b>	<b>270,000</b>
Granted during the period	-
Forfeited during the period	-
Cancelled during the period	(270,000)
<b>Outstanding at the end of the period and exercisable</b>	<b>-</b>

#### MANAGEMENT INCENTIVE PROGRAM

The MIP has been created on July 21, 2014, to transfer, under certain conditions, the MIP shares to certain members of the Management of the Company, who have substantially expedited the current restructuring of the AEG PS Group since December 2013 (the "Beneficiaries"). To this end, the MIP shares will be subscribed and acquired by Close Brothers Seydler Bank AG ("CBSB"; recently renamed in ODDO SEYDLER BANK AG) in course of the in-kind capital increase. CBSB undertook to hold the MIP shares as legal owner in its own name, but not to, at any time, exercise the voting rights inherent to the MIP shares, and to then release and transfer them in full or in part to the Beneficiaries, provided the following conditions are met.

CBSB will release and transfer the MIP shares to the Beneficiaries if and to the extent the performance targets described below have been reached. In this respect the release and transfer of the MIP shares to the Beneficiaries takes place as follows:

- 25.0% of the MIP shares in the case of a market capitalization of the Company of EUR 50.0 million ("Tranche 1");
- 50.0% of the MIP shares in the case of a market capitalization of the Company of EUR 95.0 million ("Tranche 2"); and
- 25.0% of the MIP shares in the case of a market capitalization of the Company of EUR 139.0 million ("Tranche 3").

The above-mentioned market capitalization levels will be calculated based on the volume-weighted share price within a period of 150 calendar days for Tranche 1 and 120 calendar days for Tranches 2 and 3. The volume-weighted share price of the Company's shares shall be calculated on the volume-weighted average share price in XETRA on each trading day during the relevant period for each tranche appearing on or derived from Bloomberg page 3W9K GY AQR (Volume Weighted Average Price) (or any successor screen page) or, if no volume-weighted average price is reported, on the basis of the official closing price (Börsenschlusskurs) as reached on XETRA and the respective trading volume as reported by XETRA. The term of the MIP starts on the day of the subscription and acquisition of the MIP Shares by CBSB and lapses ten years thereafter. A minimum period of six months, starting on the day of the 137 subscriptions and acquisition of the MIP Shares by CBSB, applies before the MIP Shares can be released and transferred to the Beneficiaries pursuant to the above-mentioned rules.

The rules above shall continue to apply in case of termination or removal from office of the respective beneficiaries by the Company or in cases of non-re-election to the Board of Directors, i.e. even if the performance targets described above are met after such termination or removal from office by the Company. This does not apply in case of a termination for good reason (Kündigung aus wichtigem Grund) by the Company, unless the Board of Directors decides otherwise, such as in case of serious illness or otherwise.

In the case of a change of control, CBSB will transfer to the Beneficiaries all allotted MIP shares not already released and transferred immediately and irrespective of the expiration of a minimum waiting period or the achievement of the performance targets described above.

Change of control means the occurrence of any of the following events:

(i) the Company becomes aware that any person or group of persons acting in concert within the meaning of § 2 (5) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) (each an "Acquirer") has become the legal or beneficial owner of more than 30% of the voting rights of the Company; or

(ii) the merger of the Company with or into a third person or the merger of a third person with or into the Company, or the sale of all or substantially all of the assets (determined on a consolidated basis) of the Company to a third person other than in a transaction following which (A) in the case of a merger holders that represented 100 % of the voting rights of the Company own directly or indirectly at least a majority of the voting rights of the surviving person immediately after such merger and (B) in the case of a sale of all or substantially all of the assets, each transferee becomes a guarantor in respect of the New Bond and is or becomes a subsidiary of the Company. If not all MIP Shares are released and transferred by CBSB to the Beneficiaries pursuant to the above-mentioned rules upon the lapse of ten years starting from the day of the subscription and acquisition of the MIP Shares by CBSB, CBSB shall, subject to applicable law, release and transfer to the Company those MIP Shares which have not been released and transferred to the Beneficiaries at that point of time together with any dividends accrued on the respective MIP Shares so released and transferred, less any taxes paid by CBSB on such dividends, and the Company shall then cancel such MIP Shares.

The total of 8,370,370 MIP shares is allotted as follows:

Mr. J. Casper	3,348,148 shares
Mr. W. Loose	1,674,074 shares
Intec Beteiligungsgesellschaft	1,674,074 shares
Senior Management (undefined)	1,674,074 shares.

At December 31, 2015 no shares were vested.

## 16. FINANCIAL RISKS

The carrying amount of financial assets represents the maximum credit exposure. The main credit risk is the €52.0 million loan receivable from AEG Power Solutions B.V.

All principal balance sheet amounts (including cash balances, obligations under the notes payable and the warrants) are denominated in euro and therefore there is no significant currency risk.

A risk of valuation exists in respect of the carrying amount of shares in affiliated undertakings. At December 31, 2015 the shares are stated at acquisition price less the impairment that was identified. Should there be objective evidence that one or more events have a negative effect on the estimated future cash flows from the shares then an impairment test will be carried out in addition to the yearly impairment test.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash flow generation and access to capital markets are important to finance organic long-term growth, capital expenditures, working capital requirements and expected operational expenses.

Economic and market risk includes risks arising from the general macroeconomic environment, changes in regulations (for example relating to renewable energy, the oil price, the sanction situation with certain countries and environmental policies), the incorrect projection of market price and demand trends, lack of market acceptance for newly developed products and other such related risks.

## 17. GUARANTEES AND COMMITMENTS

At December 31, 2015, no guarantee was issued by the Company.

## 18. SUBSEQUENT EVENTS

On January 18, 2016, the Company announced the fulfillment of its Senior Leadership Team. The team comprises of Mr. J. Casper, as Chief Executive Officer (CEO), Dr. Ch. Roth, as Chief Operating Officer (COO), Mr. K. Coulton as VP & General Manager Global Affiliates Sales and Mr. R. de Vries as Chief Financial Officer (CFO) of the Group.

In February 2016 the Company received €5.4 million from the outstanding principal amount of loans to affiliated undertakings.

On February 28, 2016, the Company paid the €1.5 million interest on its €50.0 million Notes.

On March 9, 2016, 3W Power SA communicated that €5.0 million is to be used to the pro-rata repurchase of the €50.0 million Notes. This repurchase facilitates the reduction in the Company debt and cut of interest expenses.



# INDEPENDENT AUDITOR'S REPORT ON THE COMPANY FINANCIAL STATEMENTS



To the Shareholders of  
 3W Power S.A.  
 19, rue Eugène Ruppert  
 L-2453 Luxembourg

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of 3W Power S.A., which comprise the statement of financial position as at December 31, 2015, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of 3W Power S.A. as at December 31, 2015, and of its financial performance and of its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Emphasis of matter with regard to going concern

We draw attention to the going concern paragraph in the note 2 of the financial statements which indicates that the Company essentially depends on the full realization of its liquidity forecast, the willingness of stakeholders to continue their financing and in the case of a liquidity shortfall, that additional funding is secured. These conditions, along with other matters as set forth in the note 2 indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Directors' report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, April 7, 2016

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## APPENDIX

**RECONCILIATION FROM REPORTED EBIT TO ADJUSTED EBIT**

For the period ended

in millions of euros	Quarter to December		December 31	
	Q4 2015	Q4 2014	2015	2014
<b>Reported EBIT</b>	<b>(20.8)</b>	<b>(17.7)</b>	<b>(37.2)</b>	<b>(34.6)</b>
<b>Adjustments</b>				
Amortization of intangibles on acquisition	1.4	1.6	5.8	6.5
Accelerated amortization of intangibles on acquisition	4.0	7.7	4.0	7.7
Impairment of goodwill and intangibles on acquisition	11.3	–	11.3	1.1
Restructuring charge/(release)	3.0	4.9	6.7	11.3
Capital gain on divestments	–	1.5	(0.9)	(18.3)
(Reversal of) impairment of tangible assets	–	–	–	(1.5)
Impairment of intangible assets	–	1.1	–	1.0
(Reversal of) impairment of working capital	–	1.4	–	(0.9)
Professional consultancy and other costs	–	(1.5)	–	2.4
<b>Total adjustments</b>	<b>19.6</b>	<b>16.8</b>	<b>26.9</b>	<b>9.3</b>
<b>Adjusted EBIT</b>	<b>(1.2)</b>	<b>(0.9)</b>	<b>(10.3)</b>	<b>(25.3)</b>

**DERIVATION OF EBITDA**

For the period ended

in millions of euros	Quarter to December		December 31	
	Q4 2015	Q4 2014	2015	2014
<b>Reported EBIT</b>	<b>(20.8)</b>	<b>(17.7)</b>	<b>(37.2)</b>	<b>(34.6)</b>
<b>Depreciation and amortization charges</b>				
Amortization and impairment of intangibles on acquisition	16.7	9.3	21.1	15.3
Depreciation charge on tangible assets	0.8	0.6	3.0	2.1
Amortization charge on intangible assets	0.3	0.3	1.0	1.0
Other	0.5	1.9	2.2	4.0
<b>Total depreciation and amortization charges</b>	<b>18.3</b>	<b>12.1</b>	<b>27.4</b>	<b>22.4</b>
<b>EBITDA</b>	<b>(2.5)</b>	<b>(5.6)</b>	<b>(9.8)</b>	<b>(12.2)</b>

**DERIVATION OF NORMALIZED EBITDA**

For the period ended

in millions of euros	Quarter to December		December 31	
	Q4 2015	Q4 2014	2015	2014
<b>Adjusted EBIT</b>	<b>(1.2)</b>	<b>(0.9)</b>	<b>(10.3)</b>	<b>(25.3)</b>
<b>Depreciation and amortization charges</b>				
Depreciation charge on tangible assets	0.8	0.6	3.0	3.7
Amortization charge on intangible assets	0.3	0.3	1.0	1.1
Other	0.5	0.8	2.2	2.9
<b>Total depreciation and amortization charges</b>	<b>1.6</b>	<b>1.6</b>	<b>6.2</b>	<b>7.7</b>
<b>Normalized EBITDA</b>	<b>0.5</b>	<b>0.7</b>	<b>(4.1)</b>	<b>(17.7)</b>

**RECONCILIATION FROM REPORTED NET INCOME TO ADJUSTED NET INCOME**

For the period ended

in millions of euros	Quarter to December		December 31	
	Q4 2015	Q4 2014	2015	2014
<b>Reported net income</b>	<b>(19.3)</b>	<b>(19.2)</b>	<b>(41.6)</b>	<b>7.5</b>
<b>Adjustments</b>				
Regular amortization of intangibles on acquisition	1.4	1.6	5.8	6.5
Accelerated amortization of intangibles on acquisition	4.0	7.7	4.0	7.7
Impairment of goodwill and intangibles on acquisition	11.3	–	11.3	1.1
Restructuring charge/(release)	3.0	4.9	6.7	11.3
Capital gain on divestments	–	1.5	(0.9)	(18.3)
Professional consultancy and other costs	–	(1.5)	–	2.4
(Reversal of) impairment of tangible assets	–	–	–	(1.5)
(Reversal of) impairment of intangible assets	–	1.1	–	1.0
(Reversal of) impairment of working capital	–	1.4	–	(0.9)
Estimate tax effect on the above	(1.7)	(3.7)	(2.6)	(7.2)
<b>Total adjustments</b>	<b>18.0</b>	<b>13.0</b>	<b>24.3</b>	<b>2.1</b>
<b>Adjusted net income</b>	<b>(1.4)</b>	<b>(6.2)</b>	<b>(17.3)</b>	<b>9.6</b>

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

**May 12**

Publication of Q1 2016 results

**August 4**

Publication of Q2 2016 results

**November 10**

Publication of Q3 2016 results

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HGB Hamburger Geschäftsberichte, Hamburg

**Note to the annual report:** This is the English original of the annual report. A German translation of this report is also available. In the event of deviations between the two versions, the English language version will prevail.

**Note regarding the rounding of figures:** Due to the rounding of figures and percentages small deviations may occur.

**Disclaimer:** This annual report contains forward-looking statements that are based on certain assumptions and expectations at the time of its publication. These statements are subject to risks and uncertainties and actual results may differ substantially from the future oriented statements made in this report. Many of these risks and uncertainties are determined by factors that are beyond the control of 3W Power | AEG Power Solutions and cannot be gauged with any certainty at this point in time. This includes future market conditions and economic developments, the behavior of other market participants, the achievement of expected synergy effects as well as legal and political decisions. 3W Power | AEG Power Solutions does not feel obliged to publish corrections of these forward-looking statements to reflect events or circumstances that have occurred after the publication date of this material.

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