



Analyst presentation Q1 2014

14 May 2014

AEG
POWER SOLUTIONS

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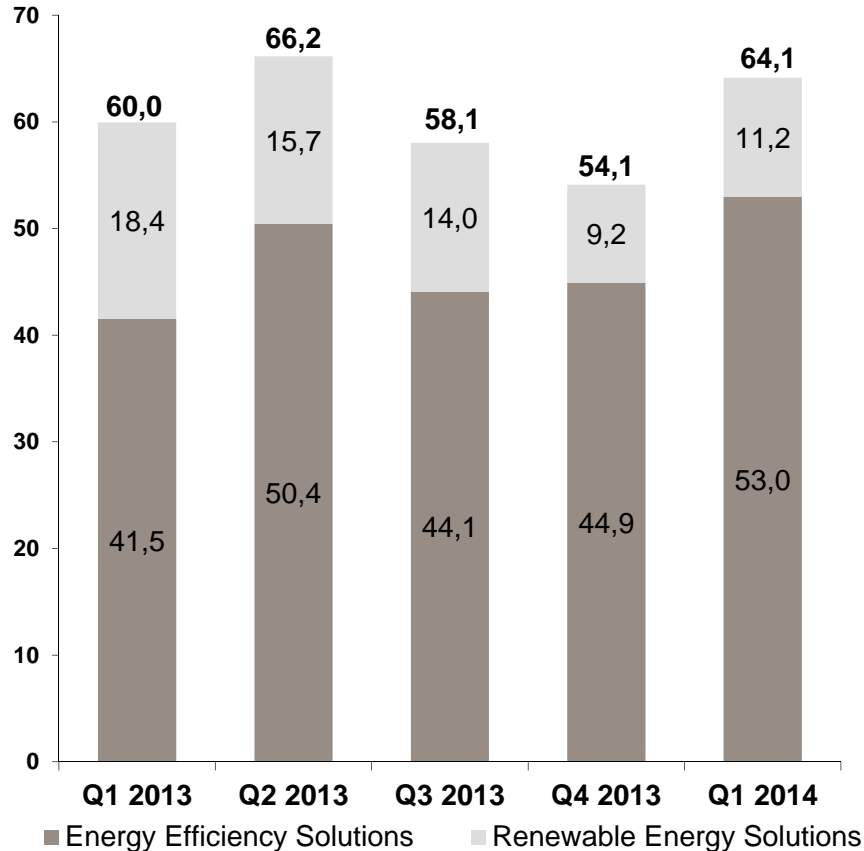
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Financials
Analyst presentation Q1 2014

Order Intake Development [EURm]

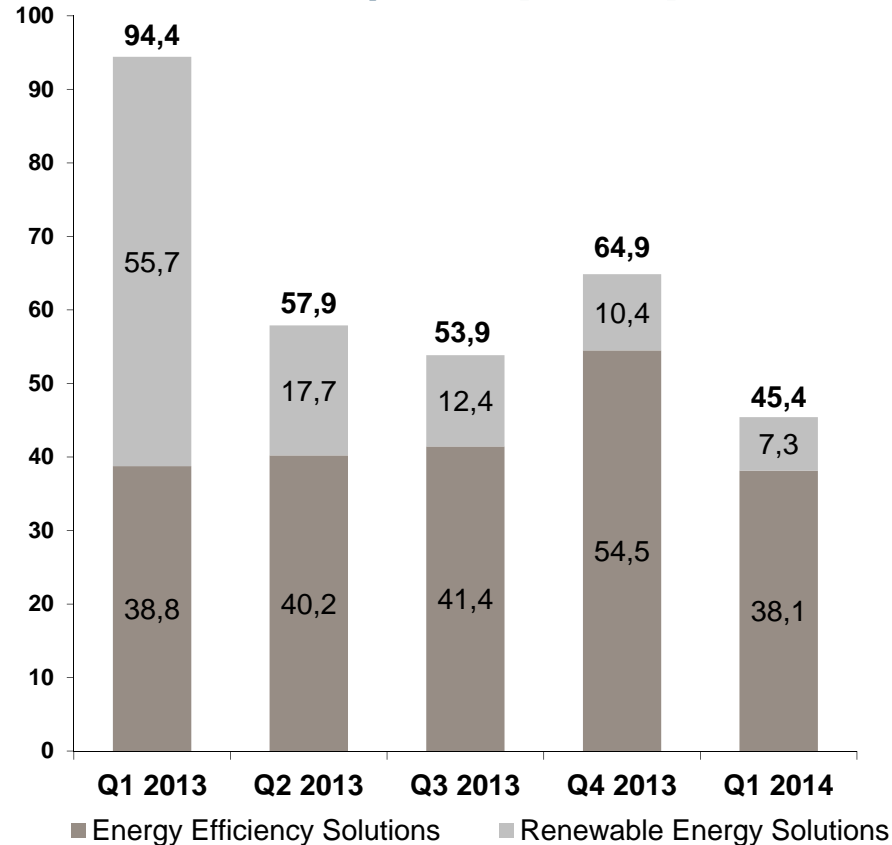


Comments

- Q1 2014 orders were €64.1m, a promising start to the new year, up 7.0% y-o-y (Q1 2013: €60.0m)
- Q1 RES orders were €11.2m, down 39.5% y-o-y (Q1 2013: €18.4m) driven by the low order intake in Solar and reduced order intake in POC
- Q1 EES orders were comparatively strong at €53.0m, up 27.6% y-o-y (Q1 2013: €41.5m)
- Industrial UPS reports a 35% growth compared to the prior year period. Growth comes from a new frame agreement with a large industrial customer and increased volume in the Middle-East.

AEG PS GROUP – Revenue development

Revenue Development [EURm]



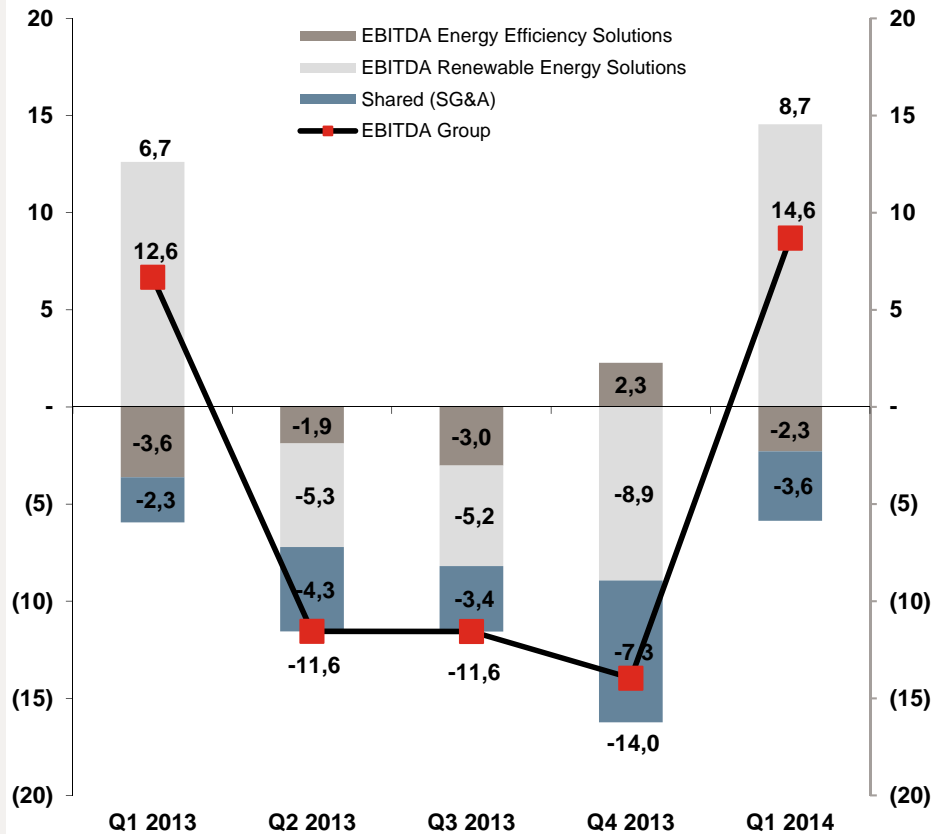
Comments

- Q1 2014 revenues were €45.4m, down 51.9% y-o-y (Q1 2013: €94.4m)
- Q1 RES revenues were €7.3m, down 86.9% y-o-y (Q1 2013: €55.7m) as a result of last year's Poly systems revenue and particularly high Solar revenue
- Q1 EES revenues were €38.1m, down 1.6% y-o-y (Q1 2013: €38.8m), impacted by the separation of the Telecom Converter business from the Group
- UPS systems grew by 20% y-o-y

AEG PS GROUP – EBITDA development

EBITDA Development [EURm]

In addition to RES and EES shared costs have to be included



Comments

- Q1 EBITDA was €8.7m, up from €6.7m y-o-y
- Normalized EBITDA was -€8.3m down from €7.1m y-o-y; normalized EBITDA excludes capital gains and restructuring costs
- Q1 RES EBITDA was €14.6m, up 15.3% from €12.6m y-o-y due to lower volume, a change in the product mix and the high level of operational expenses
- Q1 EES EBITDA was -€2.3m, up 79.1% from -€3.6m y-o-y

Outlook AEG Power Solutions Group



- With the announced financial and operational restructuring measures in mind, the financial outlook for the Group is expected to improve to
 - Revenues of approximately €220 million in 2014, €224 million in 2015 and above €240 million in 2016.
 - EBITDA (after extraordinary expenses) from an anticipated negative €24 million in 2014 to a positive €17 million in 2015 and above €20 million thereafter.
- At the end of fiscal year 2014 the Company expects to have liquidity of approximately €20 million
- Future developments of 3W Power/AEG Power Solutions depend on our ability to retain key business and restore stability following the dramatic restructuring of the Company

Strategic direction
Analyst presentation Q1 2014

Recent Restructuring Achievements



- Structurally loss making subsidiary in Lannion, AEG Power Solutions (France) S.A.S., placed into administration
- Loss making and cash consuming sales office in Richardson, Texas, closed
- Divestiture of power control modules business of Group's German subsidiary to Advanced Energy Industries in combination with long-term manufacturing agreement
 - Cash inflow of €22m for Thyro-Family product line; one year cash earn-out of up to €1m
 - Power control modules are non-core to the Group
- Facility in Cape Town sold to a South African investor and partner to develop the sales of AEG Power Solutions global range of power systems on the South African market
- Reduction of headcount in German facility
- Indian facility of Bangalore sold to Toshiba Mitsubishi-Electric Industrial Systems Corporation

Our Competitive Strengths



AEG PS Group provides high quality electrical power supply for mission critical applications

- Expertise in engineering and design of complex, customer specific systems and solutions
- High quality assembly, installation, commissioning, and field service
- R&D excellence and proven ability to bring new technologies and applications to market
- Large installed base and potential for growing services
- Strong brand recognition
- Certified supplier by major customers
- Know-how of energy storage technology

Key Business Activities



Systems & Solutions

Industrial & Commercial Power Supplies

- Uninterruptible Power Supply (UPS)
- Chargers & DC Systems
- Rectifiers
- Services

Advanced Power Systems

- Power Controls
- Energy Storage
- Solar Inverters
- Micro Grid Solutions

Markets

- Industry & Infrastructure
 - Oil & Gas
 - Transportation
 - Power Generation
 - General Industries
- Commercial
 - Data / IT
 - Facilities

- Industrial processes requiring precise heat or power over time
- Distributed Power Generation
- Network Management
- Solar and other renewables
- Applications following mega trends (ballast water treatment, energy storage, grid stabilisation)

Key Product Offering



Industrial & Commercial Power Supplies

Systems & Solutions

UPS



Battery charger/
DC Systems



Applications

Oil &
Gas



Power
Generation



Data & IT



General
Industry



Transportation



Telecom



Advanced Power Systems

Power 2 Gas
rectifier
system



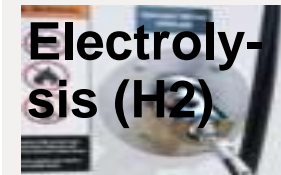
Voltage
controller

Solar
Inverter



BESS

Electroly-
sis (H2)



Polysilicon



Power
Plants



Grid stabi-
lization



Commer-
cial



Selected Customers



NEW INDUSTRIAL PROJECTS Q1 2014 – AEG Power Solutions continues to build its strong position in Oil & Gas, Transportation and Power Generation

ITALY

- Owner: TOTAL E&P ITALIA
- AEG Contract Value: € ~1,8 M
- EPC: TECNIMONT
- Products: 10 redundant AC UPS & 7 redundant DC UPS systems, all with NiCd Batteries and services
- Application: Central Control room, substation
- Project: TEMPAROSSA



MIDDLE EAST

- Owner: Major Oil & Gas company in Saudi Arabia
- AEG Value: Approx. € ~ 1 M
- Via our partner : INMA trading
- Products: >100 x 24 VDC + NiCd batteries + GRP battery box
- Application: remote power back-up
- Project: Pipeline control system / RTU unit



GERMANY

- Owner: Ministry of Energy (MOE) Kurdistan
- AEG Contract value: € ~2,2 M
- EPC: SIEMENS TURKIYA
- Products: >220 x MIP DC system, Nicd batteries & services
- Application: Substation Communication systems



MIDDLE EAST

- Owner: Utility company in Qatar
- AEG Contract value: € ~1,7 M
- EPC: SIEMENS
- Products: several AC (P8 inv) & DC systems, batteries & services
- Application: Substation switchgear protection
- Project: phase 11



SIEMENS



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NEW INDUSTRIAL PROJECTS Q1 2014 – AEG Power Solutions continues to build its strong position in Oil & Gas, Transportation and Power Generation

SINGAPORE

- Owner: Vietnam railways for Metro
- AEG Contract Value: € ~1 M
- EPC: HITACHI
- Products: several DC, all with NiCd Batteries and services
- Application: signaling and substation
- Project: Ho Chi Minh city MRT



MIDDLE EAST

- Owner: Major Electricity and Water company in Abu Dhabi
- AEG Value: Approx. € ~ 1 M
- Via our partner : MDS Abu Dhabi
- Products: Several 125Vdc + NiCd batteries + services
- Application: Substation switchgear protection
- Project: 136 KV Substations



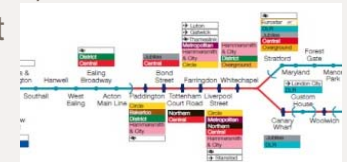
UK

- Owner – Network Rail
- AEG Contract Value - £1.2 M
- Products – SMi2000FE 48VDC Power Systems
- Delivery – Jan 2014 – May 2014
- Project – FTNX
- Application – Power extensions to provide mobile network connectivity.



UK

- Owner – Crossrail Ltd (Rail for London)
- Europe's largest construction project
- AEG Contract Value - £3.7 M
- Products – Protect 3, Protect 4 AC UPS
- Delivery – Works commence 2014 and conclude 2018.
- Project - New rail link through London.
- Application – Station emergency lighting and communications



**Restructuring program
Analyst presentation Q1 2014**

Analysis of the Crisis



Business Downturn 2011 – 2013

- Deterioration of business since end of 2011 principally in Solar and POC
- Failure to adjust fixed costs to diminished business opportunities
- No previous operational improvements
- Increase in number of loss making activities

Complex Management Structure

- Multidimensional management organisation diffusing responsibilities and increasing costs
- Low attention to comprehensive business redesign
- Lack of adequate investments in IT architecture

Inappropriate Capital Structure

- Current capital structure not suitable for Company's assets, performance, profitability, or outlook
- Current gross debt at ca. €125 million
- Annual bond coupon of €9.3 million puts large strain on liquidity

Customer and Supplier Uncertainty

- General market uncertainty about the solvency of AEG PS
- Orders not awarded or cancelled because of financial distress
- Worsening payment conditions by suppliers
- Inability to obtain credit insurance and performance bonds to fund core operations

Implications for the Restructuring



A comprehensive restructuring approach must address all dimensions of the Company

Financial

- Restructure the bond
- Re-establish bankability (e.g., performance bonds)
- Restore trust by credit insurers and business partners
- Focus on cash generation

Operations

- Redesign business processes with focus on efficiency
- Focus business resources on core business (UPS)
- Close / divest non-core or loss-making activities
- Right-size operational headcount
- Prioritise and focus R&D activities

Overhead

- Shift selected headquarter functions to operational units
- Establish clear, lean and empowered management structure
- Reduce headcount
- Upgrade business processes in sales, marketing, IT, HR, finance etc.

Illustrative Gives and Gets Analysis



The stakeholders have to contribute to the turnaround to make it a success

Stakeholder	Gives	Gets
Company	<ul style="list-style-type: none"> • Rightsizing • Focus on core business • Process improvements 	<ul style="list-style-type: none"> • Mid-term recovery • Re-acceptance in the market place • Liquidity to conduct the business
Management	<ul style="list-style-type: none"> • Restructuring efforts • Hard work 	<ul style="list-style-type: none"> • Path to growth and success • Incentive scheme aligning to Company goals
Existing Shareholders	<ul style="list-style-type: none"> • Substantial dilution • Provision of fresh money 	<ul style="list-style-type: none"> • Possibility of share price appreciation • Opportunity to invest
Bondholders	<ul style="list-style-type: none"> • Reduction of nominal face value • Interest rate reduction • Extension of maturity 	<ul style="list-style-type: none"> • Additional security • Equity participation • Attractive recovery potential
Suppliers	<ul style="list-style-type: none"> • Relaxation of restrictive payment terms 	<ul style="list-style-type: none"> • Future business relationship • Strong partner
Customers	<ul style="list-style-type: none"> • Loyalty • Orders 	<ul style="list-style-type: none"> • Top class products • Stable business relationship
Employees	<ul style="list-style-type: none"> • Redundancies / social agreements • Commitment to change 	<ul style="list-style-type: none"> • Improved job security

Key Objectives of the Financial Restructuring



The proposed financial restructuring is essential for the survival of AEG PS

- De-leveraging of the Company to a sustainable level
- Attractive recovery for bondholders with chance to exceed 100%
- Investment opportunity for committed shareholders
- Alignment of management and bondholder interests

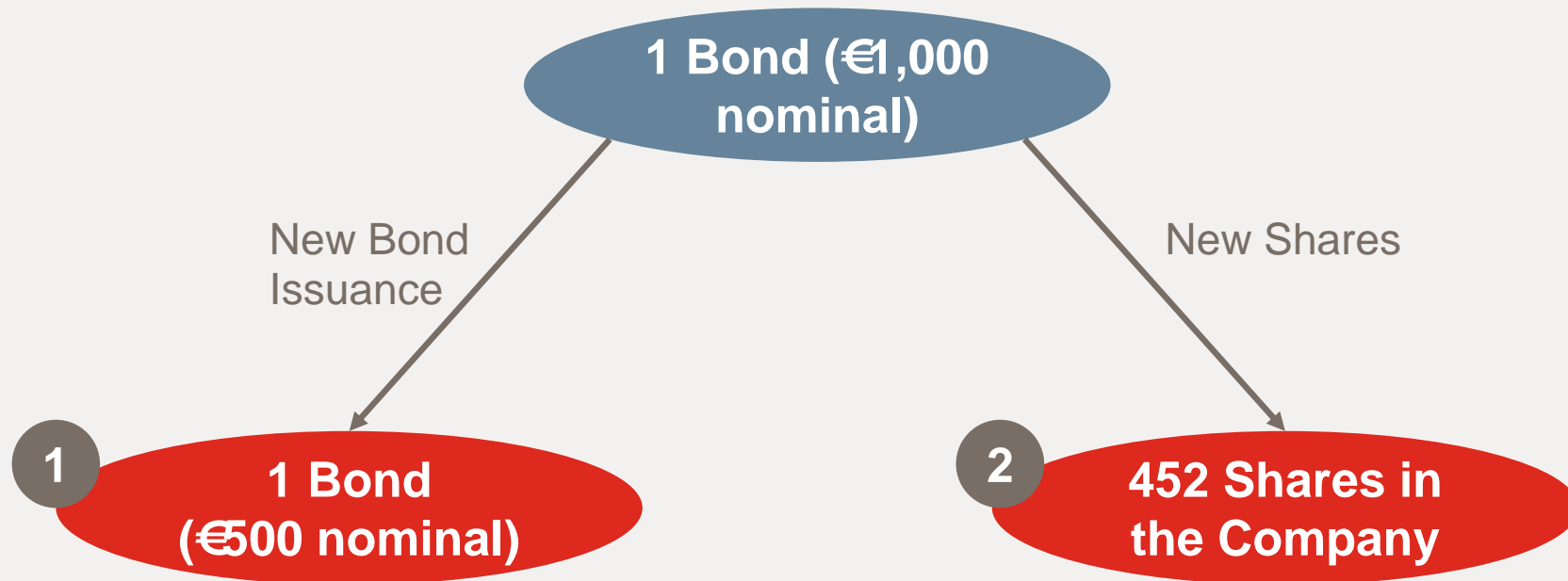


The financial restructuring sets the stage for the successful future of AEG PS

Summary Restructuring Proposal



Each existing bond exchanges into a new bond plus 452 shares in the Company

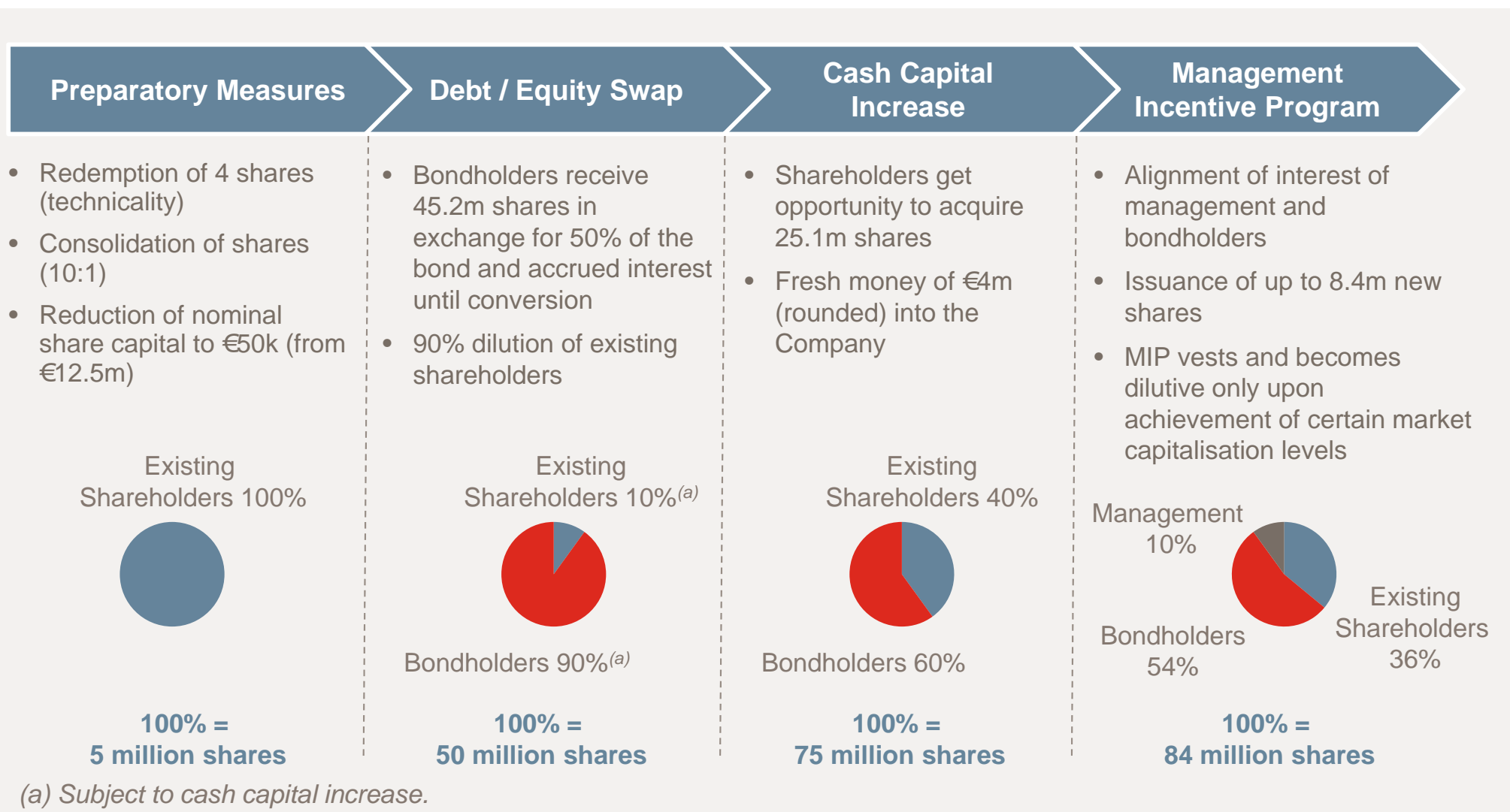


Key Terms of New Bond

Bondholders receive better security in exchange for market-adjusted interest rates and extended repayment terms

#	Criteria	Key Terms
1.	Issuer	<ul style="list-style-type: none"> 3W Power SA, Luxembourg, or legal successor
2.	Guarantor	<ul style="list-style-type: none"> Guarantees from subsidiaries of the Issuer constituting more than 85% of Group sales
3.	Nominal	<ul style="list-style-type: none"> €50 million
4.	Maturity	<ul style="list-style-type: none"> Five years after issuance
5.	Interest	<ul style="list-style-type: none"> Interest rate of 4% in year 1 Interest rate increases by 2 percentage points each year (rate of 12% in year 5) Semi-annual payment
6.	Security	<ul style="list-style-type: none"> Share pledge of subsidiaries of the Issuer constituting more than 85% of Group sales Current accounts of Issuer and claims from intercompany loans by parent companies to pledged subsidiaries
7.	Other	<ul style="list-style-type: none"> Team Treuhand GmbH is Common Representative and has information rights toward the Issuer

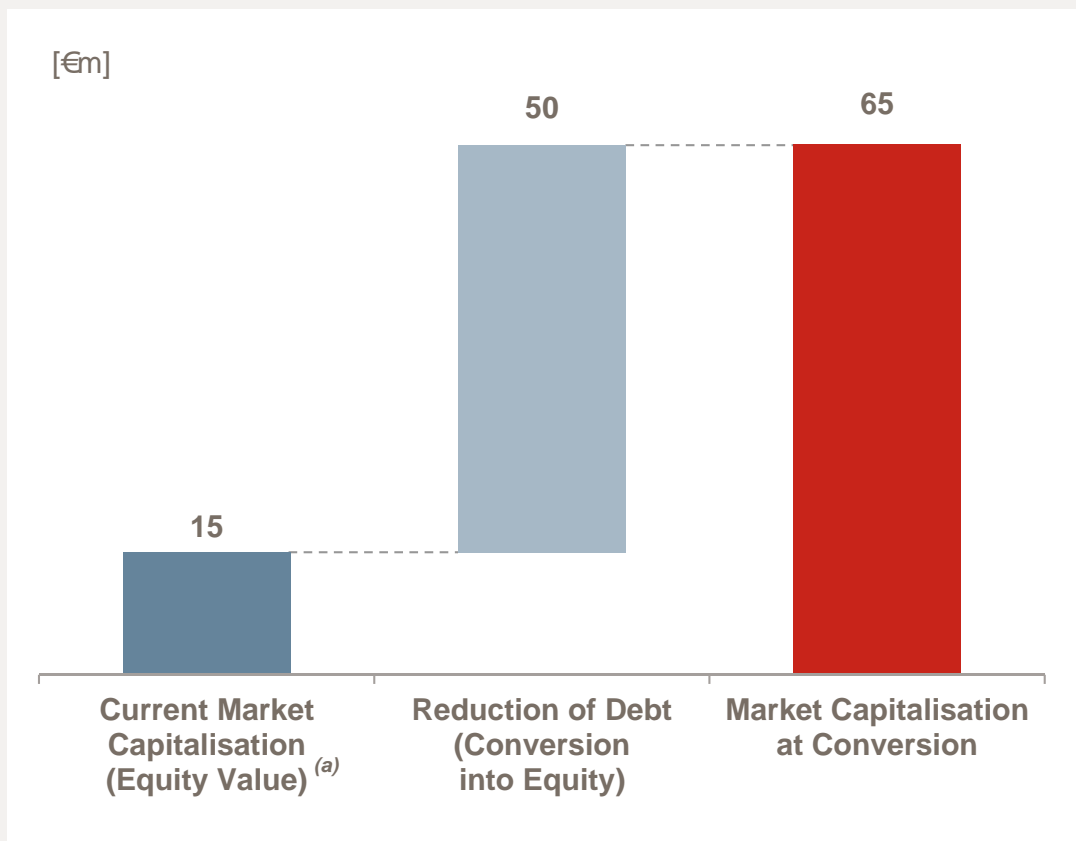
Capital Measures – Step-by-Step



Illustrative Recovery at Conversion

At conversion, Bondholders would have a hypothetical recovery of nearly 90%

Market Capitalisation at Conversion



Bondholders' Recovery

[€m]	Amount
Market Capitalisation at Conversion	65
Number of Shares [m]	75
Implied Share Price	€0.86
New Bond Nominal (per Bond)	€500
Equity (452 Shares @ €0.86)	€390
Total Value per Bond	€390
Recovery	89%

(a) As per April 30th, 2014.

Illustrative Economic Analysis of Bondholders' Recovery

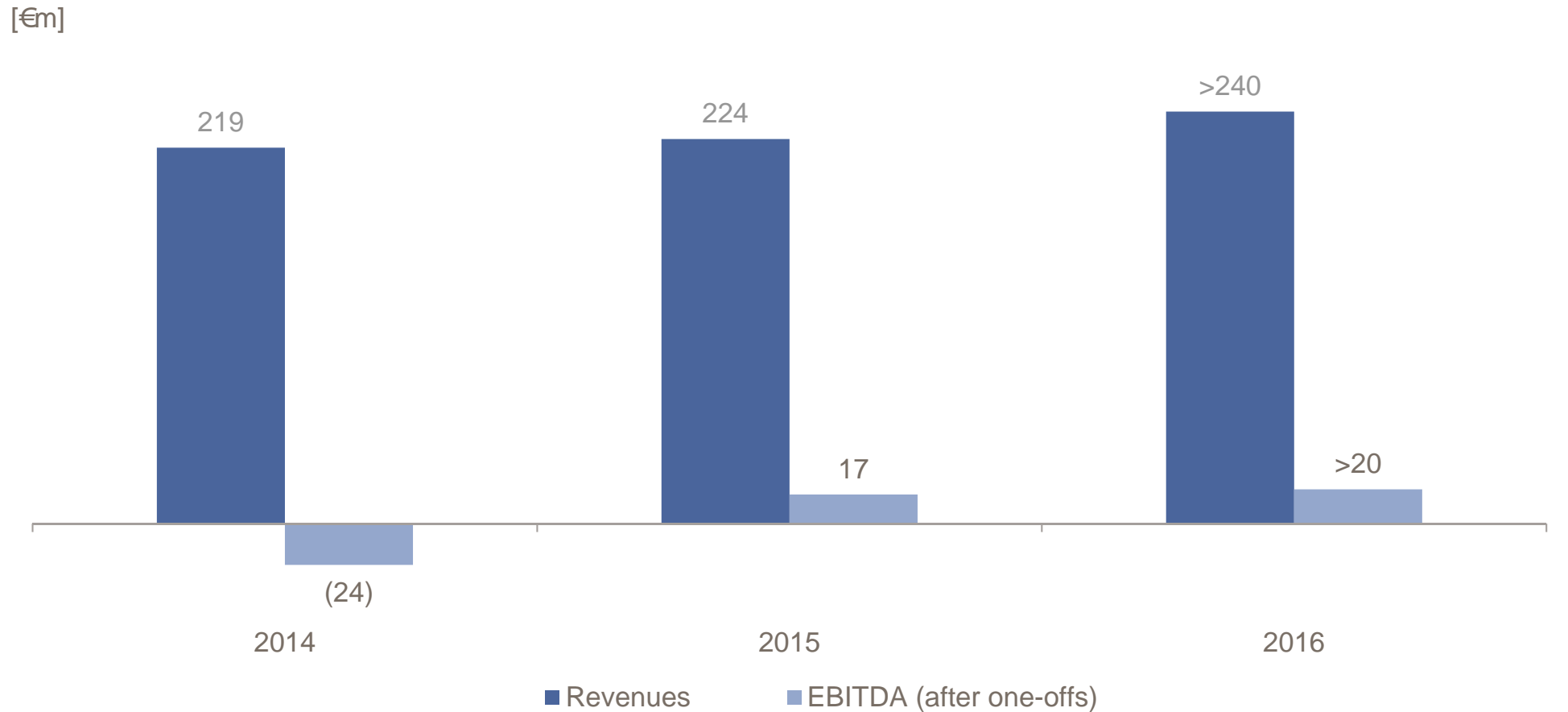


The restructuring proposal offers bondholders the potential for full recovery

[€m]	25	50	95	139
Market Capitalisation				
Implied Share Price	€0.33	€0.65	€1.16	€1.66
Ownership				
<i>Bondholders</i>	60.0%	58.5%	55.5%	54.0%
<i>Existing Shareholders</i>	40.0%	39.0%	37.0%	36.0%
<i>Management</i>	0.0%	2.5%	7.5%	10.0%
New Bond	50	50	50	50
Equity Value for Bondholders	15	29	53	75
Total Value to Bondholders	65	79	103	125
Recovery	65%	79%	103%	125%

Financial Outlook 2014 – 2016

By 2015 and following a successful restructuring, AEG PS will regain profitability



Next Steps



First Bondholders' Meeting

- Wednesday, **April 9th, 2014**
- Voting on the Financial Restructuring Plan including the authorisation of Team Treuhand GmbH as common representative in connection with the exchange of the Bond
- **Quorum of 50%** (not achieved)
- 75% majority required

Second Bondholders' Meeting

- Monday, **May 5th, 2014**
- Voting on the Financial Restructuring Plan including the authorisation of Team Treuhand GmbH as common representative in connection with the exchange of the Bond
- **Quorum of 25%** (achieved)
- 75% majority required

Implementation

- **Late Summer 2014**
- Shareholders' Meeting after Bondholders' resolutions are executable
- Implementation of capital measures
 - Share split
 - Capital reduction
 - Debt / equity swap
 - Cash capital increase
- Issuance of new bond

Please help the restructuring succeed.

Thank you for your support!

Appendix
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AEG PS GROUP – Key Performance Indicators



EURm	Q1 2014	Q1 2013	% change	Q1 2014	Q4 2013	% change
Backlog	101.9	94.0	8.4%	101.9	88.1	15.7%
Orders	64.1	60.0	7.0%	64.1	54,1	18.5%
Revenue	45.4	94.4	-51.9%	45.4	64.9	-30.1%
Book to Bill	1.4	0.6		1.4	0.8	
EBITDA	8.7	6.7	30.2%	8.7	(14.0)	
<i>% of revenue</i>	<i>19.1%</i>	<i>7.1%</i>		<i>19.1%</i>	<i>-21.5%</i>	
Normalized EBITDA	(8.3)	7.1		(8.3)	1.2	
<i>% of revenue</i>	<i>-18.2%</i>	<i>7.5%</i>		<i>-18.2%</i>	<i>1.8%</i>	

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

Rounding differences may occur.

Historical numbers have been represented to reflect the change in classification of the telecom converter business (CVT/LED).

It is included in the reported financials.

RES – Key Performance Indicators



EURm	Q1 2014	Q1 2013	% change	Q1 2014	Q4 2013	% change
Backlog	17.2	19.6	-12.3%	17.2	14.1	22.0%
Orders	11.2	18.4	-39.5%	11.2	9.2	21.7%
Revenue	7.3	55.7	-86.9%	7.3	10.4	-29.8%
Book to Bill	1.5	0.3		1.5	0.9	
EBITDA	14.6	12.6	15.3%	14.6	(8.9)	
<i>% of revenue</i>	<i>200.2%</i>	<i>22.7%</i>		<i>200.2%</i>	<i>-86.2%</i>	
Normalized EBITDA	(4.6)	12.6		(4.6)	(1.1)	
<i>% of revenue</i>	<i>-63.4%</i>	<i>22.7%</i>		<i>-63.4%</i>	<i>-10.9%</i>	

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EES – Key Performance Indicators



EURm	Q1 2014	Q1 2013	% change	Q1 2014	Q4 2013	% change
Backlog	84.7	74.4	13.9%	84.7	74.0	14.5%
Orders	53.0	41.5	27.6%	53.0	44.9	18.0%
Revenue	38.1	38.8	-1.6%	38.1	54.5	-30.1%
Book to Bill	1.4	1.1		1.4	0.8	
EBITDA	(2.3)	(3.6)	36.9%	(2.3)	2.3	
<i>% of revenue</i>	-6.0%	-9.3%		-6.0%	4.2%	
Normalized EBITDA	(0.7)	(3.3)	79.1%	(0.7)	6.1	
<i>% of revenue</i>	-1.8%	-8.6%		-1.8%	11.2%	

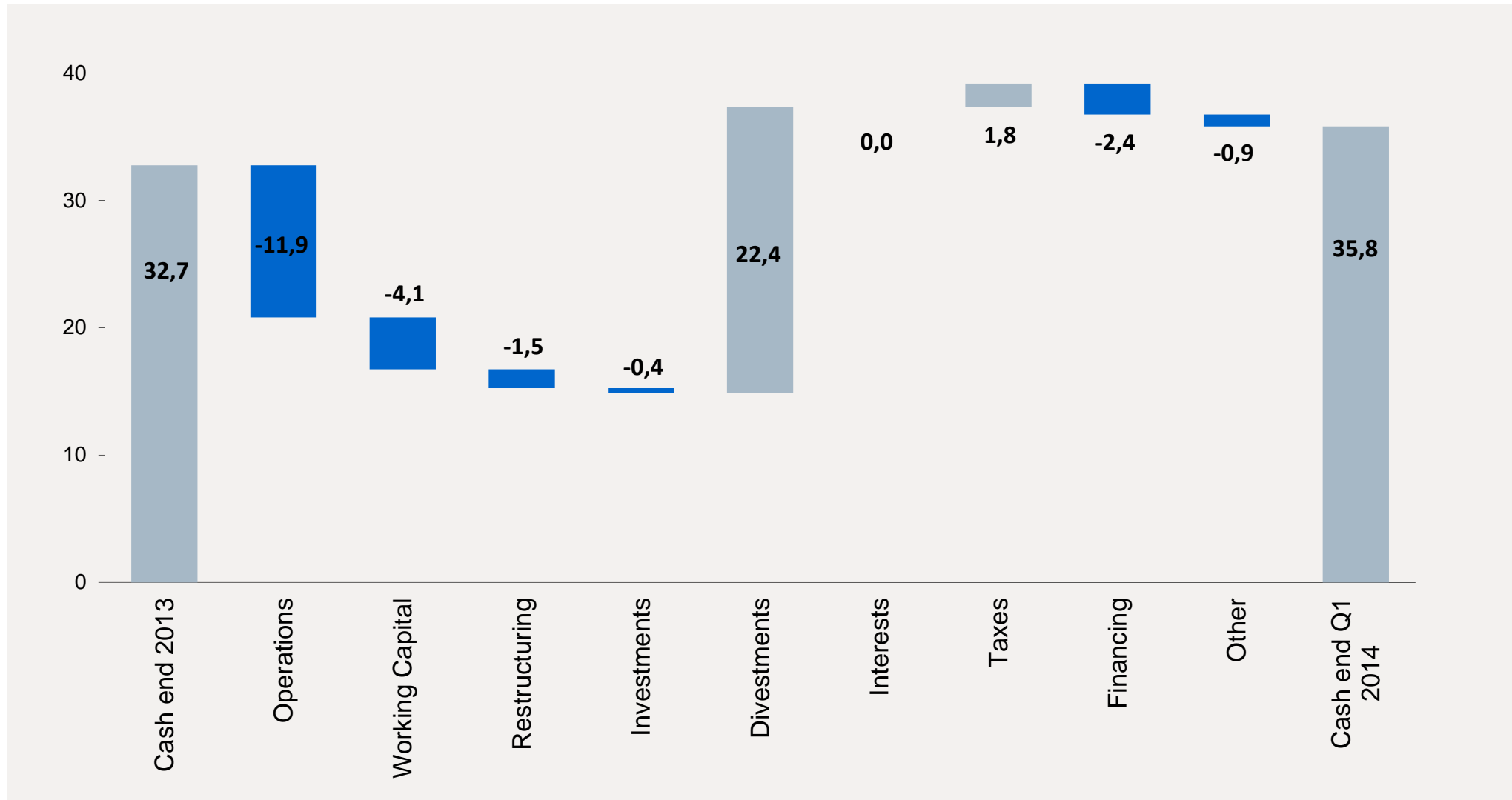
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AEG PS GROUP – Q1 Cash Flow Bridge



Rounding differences may occur.

AEG PS GROUP – Derivations & Reconciliations

Derivation of EBITDA, [EURm]	Q1 2014	Reconciliation from Reported EBIT to Adjusted EBIT, [EURm]	Q1 2014
Reported EBIT	2,292	Reported EBIT	2,292
Impairment on R&D	2,691	Amortization of intangibles on acquisition	1,637
Amortization of intangibles on acquisition	1,637	Restructuring	3,384
Amortization of R&D	720	Sale of POC modules	(20,959)
Depreciation charge on tangible assets	1,092	Other	101
Deprecation charge on intangible assets	264	Impairment on R&D	2,691
EBITDA	8,694	Professional fees (financial restructuring)	500
		Adjusted EBIT	(10,354)
		Reconciliation from Adjusted EBIT to Normalized EBITDA, [EURm]	Q1 2014
		Adjusted EBIT	(10,354)
		Depreciation charge on tangible assets	1,092
		Deprecation charge on intangible assets	264
		Other	720
		Normalized EBITDA	(8,278)

Rounding differences may occur.

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