CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED JUNE 30, 2014

3W power

AEG POWER SOLUTIONS

KEY PERFORMANCE INDICATORS (KPIs)

3W POWER | AEG POWER SOLUTIONS GROUP

	Quarter to June*			Half-year to June*		
in millions of euros	Q2 2014	Q2 2013[1]	% change	2014	2013[1]	% change
Backlog	104.0	93.8	10.9%	104.0	93.8	10.9%
Orders	54.4	62.9	-13.6%	118.5	120.8	-1.9%
Revenue	52.7	54.6	-3.5%	98.1	146.6	-33.0%
Book to Bill	1.0	1.2	-10.5%	1.2	0.8	46.6%
EBITDA	(9.2)	(10.3)	11.1%	(5.5)	(1.9)	na
% of revenue	*-17.4%*	*-18.9%*		*-5.6%*	*-1.3%*	
Normalized EBITDA[1]	(5.4)	(8.6)	36.8%	(18.4)	0.0	na
% of revenue	*-10.3%*	*-15.8%*		*-18.7%*	*0.0%*	
Adjusted EBIT	(7.4)	(11.5)	35.6%	(22.5)	(5.1)	na
% of revenue	*-14.0%*	*-21.0%*		*-23.0%*	*-3.5%*	
Reported EBIT	(12.8)	(17.1)	25.5%	(11.3)	(12.8)	11.3%
% of revenue	*-24.2%*	*-31.4%*		*-11.6%*	*-8.7%*	
Net income	(11.7)	(21.4)	45.4%	(13.3)	(22.7)	41.5%
Adjusted net income	(7.8)	(17.6)	55.7%	(22.8)	(17.4)	-31.0%
Results from discontinued operations	–	(1.2)	na	1.6	(3.0)	na
Earnings per share (in euros)	-2.44	-4.48	45.5%	-2.77	-4.75	41.7%
Adjusted earnings per share (in euros)	-1.61	-3.68	56.3%	-4.75	-3.63	-30.9%
Cash from operating activities	(12.1)	16.9	na	(27.8)	10.1	na
Cash used in investing activities	(0.8)	(2.1)	61.9%	21.3	(3.7)	na
Working capital	22.2	51.7	-57.1%	22.2	51.7	-57.1%
Cash	22.5	51.1	-56.0%	22.5	51.1	-56.0%
Net (debt)	(82.3)	(60.2)	-36.7%	(82.3)	(60.2)	-36.7%

* unaudited

[1] 2013 numbers have been re-presented for the reclassification of Harmer & Simmons S.A.S. (formerly AEG Power Solutions (France) S.A.S.), Lannion, as held for sale/discontinued operations.

CONTENTS

4 LETTER TO STAKEHOLDERS
6 OUR SHARES
8 INTERIM DIRECTORS' REPORT
14 RESPONSIBILITY STATEMENT

15 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
- 16 Condensed consolidated interim statement of financial position
- 17 Condensed consolidated interim statement of income
- 17 Condensed consolidated interim statement of comprehensive income
- 18 Condensed consolidated interim statement of changes in equity
- 19 Condensed consolidated interim statement of cash flows
- 20 Notes to the condensed consolidated interim financial statements
- 35 Appendix

36 FINANCIAL CALENDAR AND CONTACTS

AEG POWER SOLUTIONS – RENEWABLE ENERGY SOLUTIONS (RES)

	Quarter to June*			Half-year to June*		
in millions of euros	Q2 2014	Q2 2013[1]	% change	2014	2013[1]	% change
Backlog	16.7	16.5	1.0%	16.7	16.5	1.0%
Orders	9.9	15.7	-37.0%	21.1	34.1	-38.4%
Revenue	9.4	17.7	-46.6%	16.7	73.4	-77.2%
Book to bill	1.1	0.9	17.9%	1.3	0.5	na
EBITDA	(4.5)	(5.3)	14.7%	5.7	7.3	-21.3%
% of revenue	*-48.0%*	*-30.0%*		*34.4%*	*10.0%*	
Normalized EBITDA[1]	(4.0)	(5.3)	25.1%	(12.2)	7.3	na
% of revenue	*-42.1%*	*-30.0%*		*-73.2%*	*10.0%*	
Adjusted EBIT	(4.8)	(6.7)	29.4%	(14.2)	4.7	na
% of revenue	*-50.4%*	*-38.1%*		*-84.7%*	*6.4%*	
Reported EBIT	(5.5)	(7.1)	22.6%	5.1	4.0	27.8%
% of revenue	*-58.0%*	*-40.0%*		*30.4%*	*5.4%*	

* unaudited

[1] 2013 numbers have been re-presented for the reclassification of Harmer & Simmons S.A.S. (formerly AEG Power Solutions (France) S.A.S.), Lannion, as held for sale/discontinued operations.

AEG POWER SOLUTIONS – ENERGY EFFICIENCY SOLUTIONS (EES)

	Quarter to June*			Half-year to June*		
in millions of euros	Q2 2014	Q2 2013[1]	% change	2014	2013[1]	% change
Backlog	87.3	77.3	13.0%	87.3	77.3	13.0%
Orders	44.5	47.2	-5.8%	97.5	86.6	12.5%
Revenue	43.3	36.9	17.2%	81.4	73.2	11.2%
Book to bill	1.0	1.3	-19.6%	1.2	1.2	1.2%
EBITDA	0.6	(0.7)	na	(1.4)	(2.6)	46.4%
% of revenue	*1.5%*	*-1.9%*		*-1.7%*	*-3.5%*	
Normalized EBITDA[1]	1.3	(0.5)	na	0.6	(2.4)	na
% of revenue	*3.1%*	*-1.4%*		*0.8%*	*-3.2%*	
Adjusted EBIT	0.2	(2.0)	na	(1.5)	(4.8)	67.8%
% of revenue	*0.5%*	*-5.4%*		*-1.9%*	*-6.5%*	
Reported EBIT	(1.9)	(5.7)	67.2%	(6.3)	(10.0)	36.7%
% of revenue	*-4.3%*	*-15.5%*		*-7.8%*	*-13.7%*	

* unaudited

[1] 2013 numbers have been re-presented for the reclassification of Harmer & Simmons S.A.S. (formerly AEG Power Solutions (France) S.A.S.), Lannion, as held for sale/discontinued operations.

%-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.

LETTER TO STAKEHOLDERS

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

DEAR SHAREHOLDERS, BONDHOLDERS,
CUSTOMERS AND BUSINESS PARTNERS,
DEAR AEG POWER SOLUTIONS EMPLOYEES:

The financial and operational restructuring of our Group over the last six months was a painful and arduous, yet necessary undertaking on all levels. With a clear restructuring plan we reduced the Group's long-term debt, cut our worldwide cost base, focused the business on core activities, simplified business processes, and reorganized and closed down non-profitable entities. We adjusted the structure of 3W Power | AEG Power Solutions to create a simpler, nimbler Group, where the match between revenue streams, cost base and indebtedness is more appropriate.

The financial restructuring that we undertook and that was approved by bondholders and shareholders has reduced the Group's financial obligations by more than €50 million. The change in conditions for the remaining €50 million bond in exchange for the old €100 million bond lowers interest charges and extends the bond's maturity to August 29, 2019. The combination of asset sales, closing of affiliates, reduction in fixed operating expenses and lower interest through restructuring of the Group's financial commitments aims at returning the Group's remaining core activities to a sound financial position.

Steps taken reduced selling, general and administrative expenses for the first half-year by €7.8 million (including €2.5 million one-time professional fees) while gross R&D expenses were reduced by €3.8 million. The divestiture of skytron and our Group affiliate in Bangalore, India, on July 3 and July 31 respectively, represent milestones in the operational reorganization of our Company. As we refocused the Group and due to the difficult market environment in Solar, RES orders fell 37.0% in Q2 and revenue was down 46.6% compared with the previous year. In EES, the Group's core business, orders declined by 5.8% and the order backlog rose by 13.0% following a strong order intake in Industrial Power Solutions, indicating solid prospects for EES revenue for the next quarter.

We do not intend to make further major divestments but are now embarking on the difficult task of tackling the deep-rooted inefficiencies in the core businesses, which have been under-performing and under-managed for a long time.

Jeffrey Casper, Chief Restructuring Officer of 3W Power and AEG Power Solutions since December 14, 2013 and Board Member since January 7, 2014. His key tasks as CRO include the implementation of an operational turn-around program, cash management and negotiations with the Group's capital providers.

Considerable progress has been made, but many risks remain. While the divestment and winding down of some main locations is largely complete, these actions , by themselves, are not sufficient to give 3W Power | AEG Power Solutions a sustainable and healthy core. Further measures must be implemented in the next six months, including additional reduction of central costs, business process redesign in the core industrial business, further operational improvements and discontinuation of certain non-core business activities. Scaling back to a base of activities from which the Group can sustainably and profitably compete is vital for the success of our Group.

During the next few months, in addition to the continued restructuring efforts, we must be able to gain access to the necessary trade credit and to improve our working capital situation. We must fully restore the confidence of our customers and suppliers and maintain our position as a worldwide provider of best in class power solutions to our customers. In summary, we must avoid the business erosion that financial distress can lead to.

While our prospects are much clearer than they were at the beginning of the restructuring, providing a reliable forecast remains extremely challenging. For 2014, we expect revenue to be in the range of €190-€210 million and normalized EBITDA to be negative. In the medium-term, the goal remains to drive top-line growth in mid-single digits, with an EBITDA margin of 5-10%.

With considerable steps in our operational and financial restructuring taken in a very short time, restoring confidence with our business partners remains of utmost importance in further stabilizing our core markets. Continuing to reassure our partners, and becoming a more focused, competitive business with sustainable profitability, will remain our key priority.

Given the extent of changes at 3W Power | AEG Power Solutions over the last six months, we want to ensure that all our stakeholders feel well-informed about what is happening at our Group. With this in mind, we will endeavor to communicate openly and keep you up-to-date as best as we can.

Yours sincerely,

Jeffrey Casper
CRO

OUR SHARES

SHARE PRICE DEVELOPMENT

Capital markets worldwide resumed growth in the first half of 2014. Due to a tightening of the U.S. monetary policy, the political crisis in the Ukraine and relatively weak data for the U.S. Purchasing Managers Index, the share price rally performed in 2013 temporarily faltered at the beginning of the period under review. Optimism however returned to the markets quickly among other things supported by European Central Bank's announcement to continue the low interest monetary policy. The Dow Jones marked a new all-time high at 16,978 points on June 20 and altogether increased by 1.54% during the first six months of 2014. The DAX gained further value leading to a new record at 10,051 points on June 20, exceeding the mark of 10,000 for the first time. Overall performance of the DAX in the first half of 2014 was 2.45%. In contrast, the German Öko DAX, consisting entirely of issuers from the renewable energies sector, struggled during the reporting period and decreased by 11.1% to 41.05 points, reflecting structural problems many issuers in this industry faced.

During the first six months of 2014, the 3W Power share reached its highest quotation of €0.45 on January 28, before the share price gradually decreased with its lowest quotation at €0.24 on March 19. Thereafter, the share price remained relatively stable for the remainder of the period under review. Closing price on June 30 was €0.29 (based on 50,236,024 shares), a loss of 11.5% in the first six months of 2014. Trading volumes on Xetra in 3W Power's stock amounted to 7.6 million in the first six months of 2014, a reduction compared to 12.1 million in the first half of 2013.

On June 25, 2014 at the extraordinary General Meeting of the shareholders of 3W Powers S.A., the shareholders approved to create a special reserve account and to reorganize and reduce the issued share capital from its current amount of €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 of the Company by exchanging ten existing shares against one new share and consequently to exchange all of the 50,236,020 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 share premium account.

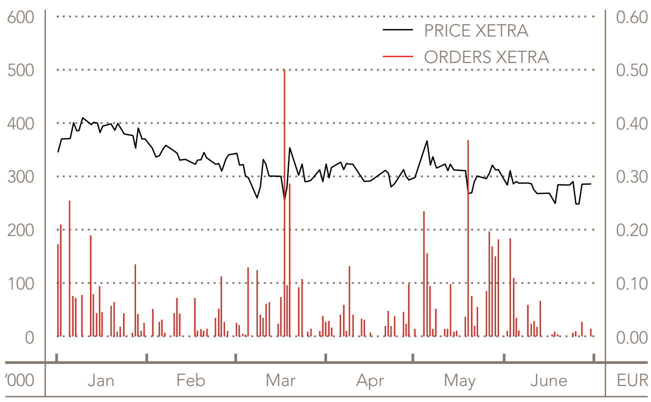
SHARE INFORMATION

ISIN	LU1072910919 (since July 16, 2014)
Stock exchange	Frankfurt Stock Exchange, Xetra (Deutsche Börse AG), Frankfurt/Main
Symbol	3W9K (since July 16, 2014)
Reuters symbol	3W9K.F (since July 16, 2014)
Designated sponsor	Close Brothers Seydler Bank
High in first six months of 2014	€0.45 (January 28, 2014)
Low in first six months of 2014	€0.24 (March 19, 2014)
Closing price on June 30, 2014[1]	€0.29 (based on 50,236,024 shares)
Market capitalization on June 30, 2014	€14.32 million

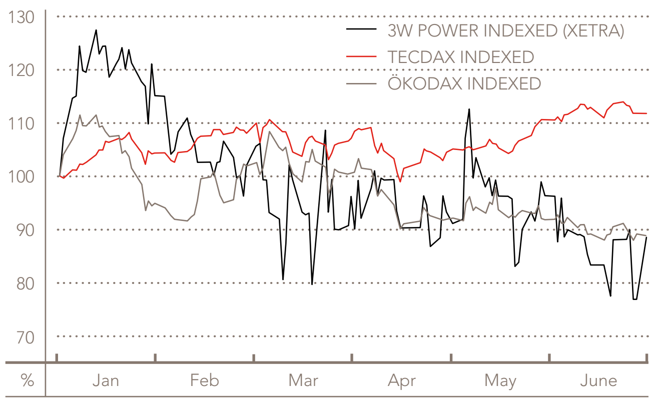
Source: Deutsche Börse

[1] On June 25, 2014 at the extraordinary General Meeting of the shareholders of 3W Powers S.A., the shareholders approved to create a special reserve account and to reorganize and reduce the issued share capital from its current amount of €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 of the Company by exchanging ten existing shares against one new share and consequently to exchange all of the 50,236,020 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 share premium account.

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



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



FINANCIAL RESTRUCTURING

On March 19, the Company informed the public that it agreed with major creditors essential economic principles of restructuring of its corporate bond 2010/2015 (ISIN DE000A1A29T7). The key elements of the restructuring plan were a debt-to-equity swap of 50% of the outstanding bond nominal, the issuance of a new €50 million bond, a cash capital increase by contribution of €4 million (rounded) with subscription rights by the existing shareholders and the implementation of a comprehensive operational restructuring program. This financial restructuring plan was approved by bondholders at a bondholders' meeting on May 5 and by shareholders at an extraordinary General Meeting on June 25 with majorities of more than 99% each.

Execution of the resolutions was executed on the day itself or thereafter. The reverse share split with a ratio of 10:1 was conducted on June 25 and as from July 16, resulting in a new ISIN (LU1072910919) for the converted registered shares of 3W Power. The capital increase with subscription rights for the Company's existing shareholders by issuing 25,109,731 new registered shares with a nominal value of €0.01 at a subscription price of €0.16 started on July 24 and ended on August 25. Following the delisting of the old bond 2010/2015 on July 25, the exchange period for the new bond 2014/2019 with a total volume of €50 million as well as the issue of 53,570,370 new registered shares with a nominal value of €0.01 in exchange for the old bond started on July 31 and ended on August 22. With the successful implementation of the restructuring measures, 3W Power achieved a solid financial basis going forward.

The change of the conditions of the new €50 million bond to be issued on or about August 26, 2014 in exchange of the old €100 million bond will lower the interest charges and extend the maturity of the bond to August 29, 2019. The combination of asset sales, closing of affiliates, reduction in fixed operating expenses and lower interest through restructuring of the Group's financial commitments are all intended to bring the remaining core activities of the Group into a sound financial position.

INTERIM DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF 3W POWER S.A. ("THE COMPANY") FOR THE PERIOD ENDED JUNE 30, 2014. THE COMPANY AND ITS CONSOLIDATED SUBSIDIARIES ARE COLLECTIVELY REFERRED TO AS THE "GROUP".

CORPORATE EVENTS

The sales of both skytron and the Group's affiliate in Bangalore, India were closed on July 3 and July 31, 2014 respectively. "Both disposals represent milestones in the operational reorganization process of the Group as we refocus our scope and efforts on our core businesses and markets", explains Jeffrey Casper, Chief Restructuring Officer of AEG Power Solutions. "The Company does not intend to make further major divestments but is now under way to make the difficult transition to tackling the deep rooted inefficiencies in the core businesses which have been underperforming and undermanaged for a long time." The Group has taken serious measures to reduce its global and corporate cost basis but will need to take further measures in Q3 and Q4. Selling, general and administrative expenses for the first half-year were reduced by €7.8 million (including €2.5 million one-time professional fees) while gross R&D expenses were reduced by €3.8 million. After layoffs and divestitures, total headcount will be reduced to significantly below 1,000 by year-end 2014 compared to 1,521 at year-end 2013. The financial restructuring that was approved by bondholders and shareholders will reduce the financial obligations of the Group by more than €50 million. The change of the conditions of the new €50 million bond to be issued on or about August 26, 2014, in exchange of the old €100 million bond will lower the interest charges and extend the maturity of the bond to August 29, 2019. The combination of asset sales, closing of affiliates, reduction in fixed operating expenses and lower interest through restructuring of the Group's financial commitments are all intended to bring the remaining core activities of the Group.

OPERATING SEGMENTS

The Group has two reportable segments, Renewable Energy Solutions (RES) which comprise the Power Controllers and Solar product lines, and Energy Efficiency Solutions (EES), comprising Energy Management Solutions and DC Telecom product lines. On January 8, 2014, Lannion (AEG Power Solutions (France)) was placed into administration, and subsequently on July 16, 2014 into liquidation. Lannion is deconsolidated as from January 8, 2014. For comparative purpose, the 2013 Q1 and Q2 numbers for Lannion, the telecom converter and LED business, are included in discontinued operations. The Telecom converter and LED business product line were previously included into EES.

Assets/Liabilities held for sale

At June 30, 2014, the Group presented skytron Energy GmbH and AEG PS India PVT Ltd as held for sale. For both entities a sale and purchase agreement (SPA) was signed. Skytron was sold on July 3, 2014 to First Solar and AEG PS India was sold to Toshiba Mitsubishi-Electric Industrial Systems Corporation (TMEIC) on July 31, 2014.

Other changes

On January 15, 2014, the Group initiated plans to close down its R&D and sales office located in Richardson, Texas. The entity was loss-making and continued to consume cash that the Group could no longer afford to support. 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 million in cash plus a one-year cash earn-out of up to €1 million, if the EBITDA target for the product line is met in the first twelve months after closing. 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% 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.

KEY FIGURES – SIX MONTHS ENDED JUNE*

	Orders		Revenue		EBITDA		Adjusted EBIT[1]		EBIT	
in millions of euros	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Renewable Energy Solutions (RES)	21.0	34.1	16.7	73.4	5.7	7.3	(14.2)	4.7	5.1	4.0
% of revenue					*34.4%*	*10.0%*	*-84.7%*	*6.4%*	*30.4%*	*5.4%*
Energy Efficiency Solutions (EES)	97.5	86.7	81.4	73.2	(1.4)	(2.6)	(1.5)	(4.8)	(6.3)	(10.0)
% of revenue					*-1.7%*	*-3.5%*	*-1.9%*	*-6.5%*	*-7.8%*	*-13.7%*
Unallocated[2]	–	–	–	–	(9.8)	(6.6)	(6.8)	(5.0)	(10.1)	(6.8)
Total	**118.5**	**120.8**	**98.1**	**146.6**	**(5.5)**	**(1.9)**	**(22.5)**	**(5.1)**	**(11.3)**	**(12.8)**
% of revenue					*-5.6%*	*-1.3%*	*-23.0%*	*-3.5%*	*-11.6%*	*-8.7%*

* unaudited

[1] 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 35).

[2] EBITDA for unallocated includes a charge for restructuring of €0.5 million (2013: €1.7 million).

KEY FIGURES – QUARTER ENDED JUNE*

	Orders		Revenue		EBITDA		Adjusted EBIT[1]		EBIT	
in millions of euros	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Renewable Energy Solutions (RES)	9.9	15.7	9.4	17.7	(4.5)	(5.3)	(4.8)	(6.7)	(5.5)	(7.1)
% of revenue					*-48.0%*	*-30.0%*	*-50.4%*	*-38.1%*	*-58.0%*	*-40.0%*
Energy Efficiency Solutions (EES)	44.5	47.2	43.3	36.9	0.6	(0.7)	0.2	(2.0)	(1.9)	(5.7)
% of revenue					*1.5%*	*-1.9%*	*0.5%*	*-5.4%*	*-4.3%*	*-15.5%*
Unallocated[2]	–	–	–	–	(5.3)	(4.3)	(2.8)	(2.8)	(5.4)	(4.3)
Total	**54.5**	**62.9**	**52.7**	**54.6**	**(9.2)**	**(10.3)**	**(7.4)**	**(11.5)**	**(12.8)**	**(17.1)**
% of revenue					*-17.4%*	*-18.9%*	*-14.0%*	*-21.0%*	*-24.2%*	*-31.4%*

* unaudited

[1] 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 35).

[2] EBITDA for unallocated includes a charge for restructuring of €0.5 million (2013: €1.6 million).

GROUP AND SEGMENT FINANCIAL REVIEW

EES confirms a strong order intake for the first half-year period, total EES backlog of €87.3 million and book to bill of 1.2 at the end of June 30, 2014

Group orders for the first half-year period of 2014 were €118.5 million, €2.3 million reduction (1.9%) compared to the prior-year half-year period of €120.8 million. The book to bill at the end of the half-year period is 1.21.

Group orders for the second quarter of 2014 were €54.5 million, €8.4 million reduction (13.4%) compared to the prior-year quarter of €62.9 million.

EES orders for the first half-year period increased by €10.9 million (12.5%) to €97.5 million compared to prior-year half-year period. The book to bill at the end of the half-year period is 1.2 million.

EES orders for the second quarter of 2014 were €44.5 million, €2.7 million reduction (5.8%) compared to the prior-year quarter of €47.2 million.

EES had a strong order intake in Industrial Power Solutions and Communication Solutions. In these markets AEG PS is perceived as a reliable solutions partner to the variety of our international customers. We established growth in Asia, Europe and the Middle East. Commercial Power Solutions is demonstrating modest growth and requires the commercialization of middle and large systems under our own AEG PS brand.

Overall order intake in RES fell according to expectations in the first half-year period by €13.0 million to €21.1 million compared to €34.1 million for the prior-year half-year period. The difficult market environment in Solar, the effect of closing down the Dallas operation, the anticipated sale of our Berlin (skytron) and Indian operations influenced this trend.

The order intake in POC was affected by the sale of the POC module business to Advanced Energy Industries and the weak market situation in Polysilicon. Power Controller solutions however have entered into new markets and revealed positive successes in POC.

EES reports strong revenue for the second quarter in 2014 and the first half-year period

First half-year revenue numbers for 2014 were €98.1 million, €48.5 million (33.0 %) lower compared to same period in 2013. Second quarter revenue was €52.7 million, €1.9 million (3.5 %) lower compared to same period in 2013. Q1 2013 revenue included the sales coming forth from the large contract with an important Western European Solar EPC customer.

EES reports a strong revenue development in the first half-year period. Revenue increased by €8.2 million (11.2%) to €81.4 million for the half-year period. In Q2 the revenue increased by €6.4 million (17.2%) to €43.3 million. The revenue increase is following the high order intake in Energy Management Solutions and DC Telecom during the first quarter of 2014. The Resulting EES backlog at June 30, 2014 also predicts a solid revenue development for the next quarter.

RES revenue fell significantly driven by the drop in Solar and POC revenue. RES revenue for the quarter was €9.4 million compared to €17.7 million of previous-year quarter. RES revenue for the first half-year was €16.7 million compared to €73.4 million of previous-year half-year period.

Gross margin under pressure largely caused by restructuring decision

Group gross margin in the first half-year of 2014 was 11.2% compared to 24.6% in 2013. The gross margin fell due to a combination of effects: drop in RES revenue, change in product mix (less RES products with relatively high margins); provisions for certain renegotiated payment conditions with suppliers, relatively high one time inventory and bad debt reserves and provisions. Positively, the quarter just reflects the first savings gained from restructuring and reductions in the overall operating expenses.

Negative EBITDA

Group EBITDA in the second quarter was €9.2 million negative compared to negative EBITDA of €10.3 million in the prior-year quarter. Normalized for one time effects EBITA in the second quarter is €5.4 million negative compared to €8.6 million negative in the prior-year quarter. Group EBITDA for the half-year period was €5.5 million negative compared to €1.9 million negative in the prior-year period. Normalized for one time effects EBITDA in the first half-year period is €18.4 million negative compared to €0.0 million in the prior-year period. Drop in EBITDA is primarily caused by the explanation given for the drop in gross margin and to a certain extend compensated by savings in the overall operating expenses. The Group has taken drastic measures in reducing its global and corporate cost basis. Selling expenses for the first half-year reduced with €7.8 million (including €2.5 million one-time professional fees); gross R&D expenses reduced with €3.8 million.

Research & Development (R&D) costs

Gross R&D costs in the quarter to June were as follows:

in millions of euros	2014	2013
Gross R&D expenses	4,683	8,456
Capitalized R&D (income)/expense (net of amortization)	774	(675)
Amortization of intangible assets	1,324	1,669
Total expense	**6,781**	**9,450**

Gross R&D spending for the first half-year in 2014 decreased 44.6% compared to the same period in 2013. The closing down of the Dallas operation and the liquidation of the Lannion entity contributed to this significant reduction in gross R&D expenses. The restructuring program implemented in Germany (Belecke) also impacted the R&D function. In line with this significant cost reduction the Group is re-positioning itself in terms of R&D support required for operations and the development of new product offering considering the low revenue in Solar and the market requirements for our industrial and commercial UPS product solutions.

During the first half-year period in 2014, the Company invested €0.6 million (2013: €2.3 million) in internal development expenditure.

Selling, general and administrative expenses (SG&A)

SG&A expenses decreased 16.2% year-on-year to €27.2 million for the first half-year period. This decrease was due to the reduction in global and corporate costs. The SBU management function has been eliminated and the global functions were and are pushed down to a maximum extend to the local organizations.

Other expenses/income

In the first half-year period of 2014, the Group reported a net other income of €11.7 million compared to an expense of €6.9 million in 2013 for the first half-year period. This change is mainly due to €18.2 million result on the divestment of the POC modules business to Advanced Energy Industries on January 27, 2014. In addition this income was negatively impacted by an increase of €3.2 million in restructuring expense (largely driven by the Belecke restructuring) and positively impacted by a decrease of €2.7 million in amortization charges on intangibles. Comparative number for the previous half-year period included €2.0 million accelerated amortization charges on customer relations. The remaining net difference of €0.9 million primarily relates to the sale of obsolete inventory.

Net financial cost

Net financial cost for the first half-year period in 2014 and 2013 was €8.1 million. During the first half-year period in 2014, the Group reported a net foreign exchange loss of €0.4 million compared to €2.3 million loss in the first half-year period in 2013. This effect is following the change in exchange rates for the INR and the UAH, the limited exposure in our USD due to the closing of the Dallas office and the cancelled exposure in the ZAR due to the sale of the operation. Other finance costs increased by €2.2 million, of which €1.9 million relates to a loss on an investment in a limited liability company (LLC) in the U.S.

Taxation
In the first half-year period, the Group recorded a net tax benefit of €4.6 million compared to €1.2 million in 2013.

The current tax income is €1.5 million (2013: charge €0.4 million) and is increased by a deferred tax benefit of €3.0 million (2013: offset by a deferred tax benefit of €1.6 million). The deferred tax benefit is primarily driven by our Germany-based operations.

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 periods, the Group had significant unrecognized deferred tax assets in the form of unrecognized tax losses, and this contributes to a high effective tax rate.

Non-current assets
During the first half-year period, the Company had an outflow of €0.5 million in expenditure for tangible fixed assets. Additions to intangible assets in the half-year totaled €0.7 million, of which €0.6 million related to capitalized R&D. Following the sale of the POC business modules intangible assets (capitalized Research & Development costs) were lowered with €2.7 million.

Goodwill is adjusted with €1.1 million following the decision to present skytron as held for sale.

At December 31, 2013, a net cumulative investment of €2.2 million was outstanding in a limited liability company (LLC) in the U.S. The LLC is a partnership between the Group and an experienced investor and manager of solar assets in the United States. Under the partnership agreement, the Group will invest up to $5.0 million (€3.8 million) in the LLC under the stewardship of the partner. During Q1 2014, a settlement agreement was signed which brought an end to the partnership. The partner repaid €0.3 million of the principal amount and €1.4 million was written off as cost to cancel the $5.0 million investment commiment. The remainder of €0.5 million is outstanding and is expected to be received in 2017.

Current assets and current liabilities
Excluding cash, current assets increased from €107.2 million to €111.6 million, which was primarily due to a €3.5 million increase in prepayments following some large frame agreements with Solar suppliers. Current liabilities at June 2014 were stable at €88.9 million, €1.1 million higher compared to December 2013. The total of the current assets and liabilities of skytron and India are reported in the line Asset/Liabilities held for sale, as such the individual elements of current assets and liabilities report a variance between December 2013 and June 2014.

Non-current liabilities
Non-current liabilities declined from €135.6 million to €130.3 million. The majority of this reduction can be explained due to the changes in the Group structure. Deferred tax liabilities (net of assets) declined from €3.8 million to €0.8 million as a result of the €3.0 million recognized deferred tax benefit in the first half-year period of 2014.

Cash and cash equivalents
The cash balance at June 30, 2014 was €23.9 million (including the cash reported in Assets held for sale), a decrease of 7.9 million in the half-year period, mainly due to operating cash outflow of €27.8 million which relates to EBITDA offset by provisions recorded through the year and the net effect of changes in working capital, which included a €2.3 million receipt of income tax payment. Net cash from investing activities was €21.3 million positive. This primarily comprises the €22.0 million gross cash proceeds from Advanced Energy Industries for the sale of our POC module business. €1.5 million net cash was used in financing activities for the reduction in short-term debt.

Equity
Total equity at the end of June 2014 is €4.0 million; €13.8 million lower than at December 2013. The reduction was due to the net loss after tax of €13.3 million and €0.4 million loss in translation adjustment. In lieu of the upcoming restructuring of the €100 million notes payable, the Company adjusted its share capital on June 25, 2014.

Further information on movements and anticipated changes in the equity including retained earnings is shown in the consolidated statement of changes in equity and in note 20 of these condensed consolidated interim financial statements.

OUTLOOK

Although having a much clearer view compared to the beginning of the restructuring the ability to provide a reliable forecast is still extremely challenging. The Company now expects revenue for 2014 to be in the range of €190-210 million and normalized ebitda to be negative. The medium-term goal remains to have top line growth in mid-single digits and an EBITDA margin of 5-10%.

RISKS

The principal risks that could have a material impact on the Group were set out in the 2014 Annual Report and are deemed incorporated in this report.

SHARE CAPITAL

Details of the share capital (including own shares held by the Company as treasury shares) and share premium are shown in note 13.

DIRECTORS' INTERESTS AND RELATED PARTIES

The interests of Directors and related parties in the share capital of the Company are shown in note 19 of the condensed consolidated interim financial statements.

RESPONSIBILITY STATEMENT

I, Jeffrey Casper, Chief Restructuring Officer, confirm, to the best of my knowledge, that the condensed consolidated interim 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 Directors' 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
August 28, 2014

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16 Condensed consolidated interim statement of financial position
17 Condensed consolidated interim statement of income
17 Condensed consolidated interim statement of comprehensive income
18 Condensed consolidated interim statement of changes in equity
19 Condensed consolidated interim statement of cash flows
20 Notes to the condensed consolidated interim financial statements
35 Appendix

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION As at

in thousands of euros	Note	June 30, 2014*	December 31, 2013
Assets			
Property, plant and equipment		28,198	30,152
Intangible assets		47,326	54,441
Goodwill		11,952	13,052
Other non-current financial assets		1,653	3,648
Total non-current assets		**89,129**	**101,293**
Inventories		39,434	45,888
Trade and other receivables		54,631	60,664
Prepayments		4,114	585
Cash and cash equivalents		22,450	32,746
Assets held for sale	6	13,409	–
Total current assets		**134,038**	**139,883**
Total assets		**223,167**	**241,176**
Equity			
Share capital	13	50	12,520
Share premium		396,306	383,836
Retained earnings		(372,766)	(359,322)
Reserve for own shares		(22,870)	(22,870)
Cumulative translation adjustment		3,256	3,636
Total equity attributable to equity holders of the Company		**3,976**	**17,800**
Liabilities			
Loans and borrowings	15	99,501	99,267
Employee benefits		25,013	26,124
Deferred tax liabilities	12	757	3,793
Provisions		5,052	6,393
Total non-current liabilities		**130,323**	**135,577**
Loans and borrowings	15	4,149	6,221
Trade and other payables		68,375	69,388
Income tax liabilities		1,479	842
Deferred income		5,356	5,823
Provisions	16	6,816	5,525
Liabilities held for sale	6	2,693	–
Total current liabilities		**88,868**	**87,799**
Total liabilities		**219,191**	**223,376**
Total equity and liabilities		**223,167**	**241,176**

* unaudited

The notes on pages 20 to 34 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME For the period ended June 30

in thousands of euros	Note	Quarter to June[1,2] Q2 2014	Q2 2013	Half-year to June[1,2] 2014	2013
Continuing operations					
Revenue	5	52,715	54,608	98,128	146,555
Cost of sales		(46,661)	(45,578)	(87,143)	(110,511)
Gross profit		**6,054**	**9,030**	**10,985**	**36,044**
Selling, general and administrative expenses		(13,983)	(16,013)	(27,228)	(32,483)
Research and development expenses		(2,729)	(4,549)	(6,781)	(9,450)
Other income/(expenses)	7	(2,111)	(5,610)	11,679	(6,906)
(Loss) before interest and tax (EBIT)[3]		**(12,769)**	**(17,142)**	**(11,345)**	**(12,795)**
Finance income		603	59	1,503	595
Finance costs		(3,299)	(5,989)	(9,651)	(8,695)
Net finance (costs)	8	**(2,696)**	**(5,930)**	**(8,148)**	**(8,100)**
(Loss) before income tax		**(15,465)**	**(23,072)**	**(19,493)**	**(20,895)**
Income tax benefit/(charge)	9	3,763	2,875	4,575	1,204
(Loss)/profit from continuing operations		**(11,702)**	**(20,197)**	**(14,918)**	**(19,691)**
Discontinued operations					
Income/(loss) from discontinued operations, net of tax		–	(1,246)	1,638	(2,999)
Net (loss)		**(11,702)**	**(21,443)**	**(13,280)**	**(22,690)**
Net (loss) attributable to:					
Owners of the Company		(11,702)	(21,443)	(13,280)	(22,690)
Non-controlling interest		–	–	–	–
Net (loss)		**(11,702)**	**(21,443)**	**(13,280)**	**(22,690)**
Earnings per share					
Basic/diluted (loss) per share (in euros)		-2.44	-4.48	-2.77	-4.75
Continuing operations					
Basic/diluted (loss) per share (in euros)		-2.44	-4.22	-3.11	-4.12
Discontinued operations					
Basic/diluted income/(loss) per share (in euros)		–	-0.26	0.34	-0.63

[1] unaudited
[2] Re-presented for reclassification of Harmer & Simmons S.A.S. (formerly AEG Power Solutions (France) S.A.S.), Lannion, as held for sale/discontinued operations in 2013.
[3] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME For the period ended June 30

in thousands of euros	Note	Quarter to June* Q2 2014	Q2 2013	Half-year to June* 2014	2013
(Loss) for the period		**(11,702)**	**(21,443)**	**(13,280)**	**(22,690)**
Other comprehensive income					
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		(132)	1,340	(380)	1,289
Subtotal		**(132)**	**1,340**	**(380)**	**1,289**
Items that will never be reclassified to profit or loss:					
Unrealized gains and losses on pension liabilities		–	176	(12)	(56)
Income tax benefit on other comprehensive income		–	(135)	–	(110)
Subtotal		–	**41**	**(12)**	**(166)**
Other comprehensive income/(loss) for the period		**(132)**	**1,381**	**(392)**	**1,123**
Total comprehensive (loss) for the period		**(11,834)**	**(20,062)**	**(13,672)**	**(21,567)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(11,834)	(20,062)	(13,672)	(21,567)
Non-controlling interest		–	–	–	–
Total comprehensive (loss) for the period		**(11,834)**	**(20,062)**	**(13,672)**	**(21,567)**

* unaudited

The notes on pages 20 to 34 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM 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	Retained earnings	Total Group equity	Non-controlling interest	Total equity
Balance at January 1, 2013		**12,520**	**383,836**	**1,730**	**(23,596)**	**(277,690)**	**96,800**	**–**	**96,800**
Profit/(loss) for the period		–	–	–	–	(22,690)	(22,690)	–	(22,690)
Total other comprehensive income/(loss)		–	–	1,289	–	(166)	1,123	–	1,123
Total comprehensive income/(loss) for the period		**–**	**–**	**1,289**	**–**	**(22,856)**	**(21,567)**	**–**	**(21,567)**
Share-based payments/ long-term incentive plan		–	–	–	–	(163)	(163)	–	(163)
Total contributions by and distributions to owners of the Company		**–**	**–**	**–**	**–**	**(163)**	**(163)**	**–**	**(163)**
Total transactions		**–**	**–**	**1,289**	**–**	**(23,019)**	**(21,730)**	**–**	**(21,730)**
Balance at June 30, 2013*		**12,520**	**383,836**	**3,019**	**(23,596)**	**(300,709)**	**75,070**	**–**	**75,070**
Balance at December 31, 2013		**12,520**	**383,836**	**3,636**	**(22,870)**	**(359,322)**	**17,800**	**–**	**17,800**
Profit/(loss) for the period		–	–	–	–	(13,280)	(13,280)	–	(13,280)
Total other comprehensive income/(loss)		–	–	(380)	–	(12)	(392)	–	(392)
Total comprehensive income/(loss) for the period		**–**	**–**	**(380)**	**–**	**(13,292)**	**(13,672)**	**–**	**(13,672)**
Capital restructuring		(12,470)	12,470	–	–	–	–	–	–
Share-based payments/ long-term incentive plan		–	–	–	–	(152)	(152)	–	(152)
Total contributions by and distributions to owners of the Company		**(12,470)**	**12,470**	**–**	**–**	**(152)**	**(152)**	**–**	**(152)**
Total transactions		**(12,470)**	**12,470**	**(380)**	**–**	**(13,444)**	**(13,824)**	**–**	**(13,824)**
Balance at June 30, 2014*		**50**	**396,306**	**3,256**	**(22,870)**	**(372,766)**	**3,976**	**–**	**3,976**

* unaudited

The notes on pages 20 to 34 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS For the period ended June 30

in thousands of euros	Note	Quarter to June* Q2 2014	Q2 2013	Half-year to June* 2014	2013
Cash flows from operating activities					
(Loss) for the period from continuing operations		(11,702)	(20,197)	(14,918)	(19,691)
Result of discontinued operations		–	(1,246)	1,638	(2,999)
Adjustments for non-cash items:					
Depreciation		1,050	1,266	809	2,488
Amortization and impairment of intangible assets and goodwill		2,531	5,547	5,038	8,418
Change in provisions		2,931	4,161	9,863	5,689
Charge for share-based payments		(222)	(380)	(152)	(163)
Change in other non-current financial assets		274	769	1,636	791
Result on divestment of POC modules business		–	–	(18,167)	–
Finance expense/(income) (net)	8	2,697	5,963	8,148	8,130
Income tax charge/(benefit)	9	(3,763)	(2,884)	(4,575)	(1,222)
Cash flow from/(used in) operations before changes in working capital		**(6,204)**	**(7,001)**	**(10,680)**	**1,441**
Change in inventories		3,474	(1,440)	(1,511)	(183)
Change in trade and other receivables		(4,820)	52,417	(2,950)	51,445
Change in prepayments		(793)	204	(3,625)	(48)
Change in trade and other payables		(1,138)	(21,953)	(7,302)	(21,346)
Change in employee benefits		162	365	394	595
Change in provisions		(2,866)	(3,098)	(4,350)	(6,055)
Change in deferred income		(317)	(519)	(73)	(9,959)
Cash generated from/(used in) working capital		**(6,298)**	**25,976**	**(19,417)**	**14,449**
Income tax paid		433	(2,046)	2,279	(5,830)
Net cash from/(used in) operating activities		**(12,069)**	**16,929**	**(27,818)**	**10,060**
Cash flows from investing activities					
Decrease/(investment) in non-consolidated investments		–	(240)	256	(240)
Acquisition of property, plant and equipment		(165)	(346)	(541)	(1,090)
Proceeds from sale of property, plant and equipment		46	28	318	124
Acquisition of intangible assets		(73)	(136)	(84)	(198)
Proceeds from divestment of POC modules business		–	–	22,000	–
Capitalized internal development expenditure		(635)	(1,417)	(635)	(2,257)
Net cash from/(used in) investing activities		**(827)**	**(2,111)**	**21,314**	**(3,661)**
Cash flows from financing activities					
Interest (paid)/received (net)		(44)	(34)	(28)	(62)
Change in other long- and short-term debt		997	854	(1,423)	(3)
Net cash from/(used in) financing activities		**953**	**820**	**(1,451)**	**(65)**
Effect of movement in exchange rates		127	810	12	267
Net (decrease)/increase in cash and cash equivalents		(11,816)	16,448	(7,943)	6,601
Cash and cash equivalents at the beginning of the period		35,746	33,045	31,873	42,892
Cash and cash equivalents at the end of the period		**23,930**	**49,493**	**23,930**	**49,493**

* unaudited

The notes on pages 20 to 34 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

3W Power S.A. (The "Company") is 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 (Prime Standard) of the Frankfurt stock exchange (FWB). As from December 19, 2011 the Company delisted its shares from the NYSE Euronext, Amsterdam. The Company's warrants were delisted from the NYSE Euronext, Amsterdam. The condensed consolidated interim financial statements of the Company as at and for the first half-year period ended June 30, 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended December 31, 2013 are available upon request from the Company's registered office address or at www.aegps.com.

The Group is a world provider of premium power electronics. It offers product and service portfolios in uninterruptable 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 system and has invested in areas of power management within distributed power generation and smart micro grids.

On June 25, 2014, at the extraordinary general meeting of the shareholders of 3W Powers S.A., the shareholders approved to create a special reserve account and to reorganize and reduce the issued share capital from its current amount of €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 of the Company by exchanging ten existing shares against one new share and consequently to exchange all of the 50,236,020 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 share premium account.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 "Interim Financial Reporting" and are unaudited. They do not include all of the information required for full annual financial statements of the Group prepared in accordance with IFRS, as adopted by the European Union (EU), and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2013.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 28, 2014.

B) GOING CONCERN ASSUMPTIONS

At the end of November 2013, close to the payment date of the Coupon on the 9.25% Notes Payable, it was established that the Group was heavily dependent on the cash overdue from its major Eastern Europe-based customer. The reason for this dependence can be found in the business situation of the Group which deteriorated with the collapse of the polysilicon capex cycle.

The Company invested heavily in its solar expansion, and failed to realize sustainable growth necessary to cover its costs. The Company's past restructuring efforts failed to improve the profitability of its industrial activities. Management continued to pursue growth and development of new ideas in the face of mounting risks. Persistent losses of legacy activities in telecommunications and telecom converters were continuing.

On December 14, 2013, following a significant change in shareholdings and the departure of the previous management team, four new members joined the Board of Directors and Jeffrey Casper was appointed to the position of Chief Restructuring Officer (CRO). The Company commenced with the building blocks of developing an operational and financial restructuring program. Both restructuring plans are to be executed during 2014 with the objective to improve the Company's short-term liquidity situation and to safe guard the Company's future existence.

The operational restructuring plan is seeking to derisk and simplify the business by selling or closing non-performing, non-core assets, reducing headcount to re-balance with existing sales volume and to simplify management structures. An important part of the operational restructuring plan is the redundancy program at our main subsidiary in Germany, which will lead to 160 employees leaving.

The Company will further continue closing non-core affiliates and unprofitable subsidiaries and may elect to complete some more non-strategic asset divestitures. After layoffs and divestitures, total headcount is expected to be approximately 1,000 by year-end 2014 compared to 1,521 at year-end 2013.

The financial restructuring plan is aimed at a fundamental restructuring of the outstanding loan of €100 million (the 9.25% Notes). The key elements of the restructuring plan are a debt-to-equity swap of 50% of the outstanding bond nominal, a change of the conditions of the remaining €50 million Notes which includes significantly lowering the interest charges and a prolonged repayment date to December 2019. In addition, as part of the financial restructuring, it is contemplated that the current shareholders will have preferential subscription rights to increase the capital by a cash-contribution of €4 million against issuance of new shares.

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. The budgets and forecasts underlying the going concern assessment anticipate a recovery of the overall profitability and our overall liquidity situation. As indicated, this will be achieved by 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. All these designed measures are to bring the remaining activities of the Group into a sound financial position. Furthermore, Management will be reinforced in key positions. The forecasted cash flows are dependent on external market circumstances and the speed of recovery of the business performance in most of our segments. There is a risk that this recovery does not occur due to deteriorating market conditions, delay in order intake or slower than expected business performance recovery, e.g. if restructuring measures do not pay off and sale of assets are delayed or do not succeed as planned. This may furthermore result in impairments. If the forecasted results are not achieved, there is a more than remote risk that the safety margins (net of upsides and additional risks) taken into account are insufficient, which if this risk materializes, may result in additional cash outflow or alternatively reduced anticipated inflow.

This situation 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 2014 Q2 condensed consolidated interim financial statements have been prepared. Going concern is mainly dependent on the successful implementation of the financial restructuring plan and the realization of the budgets and forecasts within the boundaries set by Management. The realization of these budgets and forecasts are largely dependent on the timely recovery of the Group's operational and cash flow performance including the operational restructuring plan in Germany as well as in other sites. Furthermore going concern is dependent on the timely and successful implementation of measures such as disposal of assets, businesses or other activities in order to generate sufficient cash flow.

Management is of the opinion though that the application of the going concern assumption for the June 30, 2014 condensed consolidated interim financial statements is appropriate, based on the following facts and circumstances:

- The Group has obtained the required approval from the holders of its €100 million corporate bond to restructure the bond. The shareholders have voted on this financial restructuring. In addition, as part of the financial restructuring process, it is contemplated that the current shareholders will have preferential subscription rights to increase the capital by a cash contribution of €4 million against issuance of new shares. Based on the current situation, Management believes that although this financial restructuring represents a material uncertainty regarding the going concern, they believe that based on the current facts this financial restructuring is expected to be successful.

- Current business forecasts indicate sufficient liquidity to operate the business without interruption. These business forecasts include the successful implementation of the redundancy plans in Germany and at other sites. Given the current status of the redundancy plan in Germany, including the agreement on a social plan and balance of interest with the works council, Management believes that the realization of these restructurings is expected to be successful.

- The operational restructuring plan also includes the disposal of assets, businesses or other activities in order to generate cash flows. Based on the current status (placement into administration of the subsidiary in Lannion, sale of power control modules business, disposal of the South African entity, the sale of Indian entity as well as the sale of skytron), Management believes that this part of the restructuring plan is also expected to be successful.

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 are all designed to bring the remaining activities of the Group into a sound financial position. Failure of any of these activities to raise the necessary cash, reduce costs and to restore bankability and normalize credit conditions could place the Group into further financial distress. Failure to successfully complete the restructuring may result in insolvency.

C) USE OF ESTIMATES AND JUDGMENTS

The preparation of the condensed consolidated interim 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.

By preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013.

D) 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. is 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. The entity was loss-making and continued to consume cash that the Group could no longer afford to support. 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 million in cash plus a one year cash earn-out of up to €1 million, if the EBITDA target for the product line is met in the first twelve months after closing. 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% 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 acquires 100% of the entity. The sale is subject to customary conditions precedent and is 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 at July 3, 2014.

The following tables presents the Q1 and Q2 trading results of 2014 and 2013 as continued operations as included in the June 30, 2014 condensed consolidated interim financial statements from legal entities/ business activities that were sold during the half-year period or are planned to be sold at the end of the second quarter 2014.

in thousands of euros	Total Revenue[1] Q2 2014*	Total Revenue[1] June 30, 2014*	Total Revenue[1] Q2 2013*	Total Revenue[1] June 30, 2013*	External Revenue Q2 2014*	External Revenue June 30, 2014*	External Revenue Q2 2013*	External Revenue June 30, 2013*
AEG PS (India) PVT Ltd	811	2,739	1,599	7,117	514	2,025	1,204	6,564
skytron energy GmbH	1,995	4,552	3,475	10,000	1,911	4,251	2,471	4,564
POC Modules business[2]	1,445	2,959	3,815	7,188	1,193	2,707	3,301	6,106

* unaudited
[1] Including intra-Group transactions
[2] 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[1] Q2 2014*	Gross margin[1] June 30, 2014*	Gross margin[1] Q2 2013*	Gross margin[1] June 30, 2013*	Income/(loss) before interest and tax (EBIT)[1] Q2 2014*	Income/(loss) before interest and tax (EBIT)[1] June 30, 2014*	Income/(loss) before interest and tax (EBIT)[1] Q2 2013*	Income/(loss) before interest and tax (EBIT)[1] June 30, 2013*
AEG PS (India) PVT Ltd	(262)	(734)	(25)	945	(518)	(1,393)	(510)	(426)
Skytron Energy GmbH	604	1,889	1,386	4,092	(561)	(460)	136	1,432
POC Modules business[2]	90	586	1,888	3,498	(47)	119	1,113	2,065

* unaudited
[1] Including intra-Group transactions
[2] 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.

E) RE-PRESENTED NUMBERS

In these condensed consolidated interim financial statements 2013 numbers have been re-presented for reclassification of Harmer & Simmons S.A.S. (formerly AEG Power Solutions (France) S.A.S.), as assets held for sale and discontinued operations (the Telecom Converter business unit was excluded from the EES segment).

For the half-year period the top five customers accounted for 14.5% of the Group revenue (EES segment: 11.7% and RES segment: 28.2%; full year 2013: 8.0%, 5.9% and 11.9% respectively). No significant revenue transactions occurred with the Cyprus-based Solar customer in this half-year period (2013: 46.4% of RES segment).

3. SIGNIFICANT ACCOUNTING POLICIES

All accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2013. The new standards and interpretations effective as from January 1, 2014 have no impact on these condensed consolidated interim financial statements.

4. FINANCIAL RISK MANAGEMENT

The aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2013.

5. OPERATING SEGMENTS

The Group has two reportable segments, Renewable Energy Solutions (RES) which comprise the Power Controllers and Solar product lines and Energy Efficiency Solutions (EES), comprising Energy Management Solutions and DC Telecom product lines. On January 8, 2014, Lannion (AEG Power Solutions (France)) was placed into administration and therefore deconsolidated. For comparative purpose, the 2013 Q1 and Q2 numbers for Lannion, the telecom converter and LED business, were already included in discontinued operations. The telecom converter and LED business product line were previously included into EES.

Accordingly, the results of the Group are presented in these two segments which also reflect the presentation of information to the Group's Chief Restructuring Officer/CEO, who has been identified as the chief operating decision maker ("CODM").

RESULTS BY OPERATING SEGMENT

For half-year to June 30, 2014*

in thousands of euros	RES	EES	Unallocated amounts	Total
Revenue	**16,718**	**81,410**	**–**	**98,128**
Segment operating income/(loss)	**(9,795)**	**(1,228)**	**(2,555)**	**(13,578)**
Restructuring income/(costs)	(2,351)	(2,262)	(520)	(5,133)
Result on divestment of POC modules business/other capital gain	18,313	–	(142)	18,171
Central overheads	–	–	(6,758)	(6,758)
Capitalized development costs (net of amortization)	(729)	(45)	–	(774)
Amortization of intangibles on acquisition [1]	(347)	(2,793)	(133)	(3,273)
Income/(loss) before interest and tax (EBIT) [2]	**5,091**	**(6,328)**	**(10,108)**	**(11,345)**

* unaudited
[1] Relates to intangibles identified on the acquisition of AEG PS in 2009.
[2] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

Revenue comprises €73,545 thousand for goods and €24,583 thousand for services.

RESULTS BY OPERATING SEGMENT

For half-year to June 30, 2013*

in thousands of euros	RES	EES	Unallocated amounts	Total
Revenue	**73,350**	**73,205**	**–**	**146,555**
Segment operating income/(loss)	**3,891**	**(4,700)**	**(135)**	**(944)**
Restructuring income/(costs)	–	(181)	(1,688)	(1,869)
Central overheads	–	–	(4,832)	(4,832)
Capitalized development costs (net of amortization)	784	(88)	–	696
Amortization of intangibles on acquisition [1]	(692)	(5,021)	(133)	(5,846)
Income/(loss) before interest and tax (EBIT) [2]	**3,983**	**(9,990)**	**(6,788)**	**(12,795)**

* unaudited
[1] Relates to intangibles identified on the acquisition of AEG PS in 2009.
[2] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

Revenue comprises €121,260 thousand for goods and €25,295 thousand for services.

RESULTS BY OPERATING SEGMENT
For the quarter ended June 30, 2014*

in thousands of euros	RES	EES	Unallocated amounts	Total
Revenue	**9,448**	**43,267**	**–**	**52,715**
Segment operating income/(loss)	**(4,475)**	**(71)**	**(1,297)**	**(5,843)**
Restructuring income/(costs)	(551)	(678)	(520)	(1,749)
Result on divestment of POC modules business/other capital gain	45	–	(41)	4
Central overheads	–	–	(3,490)	(3,490)
Capitalized development costs (net of amortization)	(326)	271	–	(55)
Amortization of intangibles on acquisition[1]	(174)	(1,396)	(66)	(1,636)
(Loss) before interest and tax (EBIT)[2]	**(5,481)**	**(1,874)**	**(5,414)**	**(12,769)**

* unaudited
[1] Relates to intangibles identified on the acquisition of AEG PS in 2009.
[2] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

Revenue comprises €40,512 thousand for goods and €12,203 thousand for services.

RESULTS BY OPERATING SEGMENT
For the quarter ended June 30, 2013*

in thousands of euros	RES	EES	Unallocated amounts	Total
Revenue	**17,689**	**36,919**	**–**	**54,608**
Segment operating income/(loss)	**(7,322)**	**(1,982))**	**(434)**	**(9,738)**
Restructuring income/(costs)	–	(178)	(1,550)	(1,728)
Central overheads	–	–	(2,305)	(2,305)
Capitalized development costs (net of amortization)	584	4	–	588
Amortization of intangibles on acquisition[1]	(346)	(3,547)	(66)	(3,959)
Income/(loss) before interest and tax (EBIT)[2]	**(7,084)**	**(5,703)**	**(4,355)**	**(17,142)**

* unaudited
[1] Relates to intangibles identified on the acquisition of AEG PS in 2009.
[2] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

Revenue comprises €41,550 thousand for goods and €13,058 thousand for services.

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[1]	Americas	Held for sale	Total
Revenue for the six month period ended June 30, 2014*	24,990	40,647	29,674	2,817	–	98,128
Revenue for the six month period ended June 30, 2013*	25,536	43,406	74,130	3,483	–	146,555

* unaudited
[1] Includes the Cyprus-based Solar customer with its major operation in Eastern Europe.

For the period ended and as at June 30, 2014*

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Non-current assets[1]	44,789	28,872	1,863	–	–	75,524
Total assets	96,375	92,432	20,135	815	13,410	223,167
Total liabilities	41,483	161,944	8,209	4,862	2,693	219,191

* unaudited
[1] Non-current assets exclude goodwill and non-current financial assets.

For the year ended and as at December 31, 2013

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Non-current assets[1]	50,609	31,800	2,184	–	–	84,593
Total assets	107,208	104,095	24,854	5,019	–	241,176
Total liabilities	55,373	154,501	10,311	3,191	–	223,376

[1] Non-current assets exclude goodwill and non-current financial assets.

6. NON-CURRENT ASSETS HELD FOR SALE

AEG POWER SOLUTIONS INDIA PVT LTD AT BENGALORE IN INDIA

Assets and liabilities held for sale
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 acquires 100% of the entity. The sale is subject to customary CP's and was closed on July 31, 2014.

ASSETS HELD FOR SALE

in thousands of euros	June 30, 2014*
Property, plant and equipment	1,330
Intangible assets	42
Trade and other receivables	3,497
Inventories	1,863
Cash and cash equivalents	93
Other current assets	86
Total assets held for sale	**6,911**

* unaudited

LIABILITIES HELD FOR SALE

in thousands of euros	June 30, 2014*
Provisions	309
Trade and other payables	756
Deferred income	3
Other current liabilities	393
Total liabilities held for sale	**1,461**

* unaudited

SKYTRON ENERGY GMBH AT BERLIN IN GERMANY

Assets and liabilities held for sale
On June 3, 2014, the Group announced the sale of its German affiliate skytron-energy GmbH to First Solar. The sale was completed on July 3, 2014.

ASSETS HELD FOR SALE

in thousands of euros	June 30, 2014*
Property, plant and equipment	229
Intangible assets	26
Goodwill	1,100
Trade and other receivables	1,545
Inventories	2,096
Cash and cash equivalents	1,490
Other current assets	12
Total assets held for sale	**6,498**

* unaudited

LIABILITIES HELD FOR SALE

in thousands of euros	June 30, 2014*
Provisions	434
Trade and other payables	65
Deferred income	324
Other current liabilities	409
Total liabilities held for sale	**1,232**

* unaudited

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

Discontinued operations
In Q3 2012, Management presented the telecom converter business as a discontinued operation and assets held for sale. Following the change in Management in April 2013 it was decided to end the sales process of AEG Power Solutions S.A.S. at Lannion in France ("Lannion") and consequently include the assets and liabilities of Lannion in the consolidated assets and liabilities of the Group.

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. For the half-year period 2013 the operational loss of Lannion was €3.0 million. The principal business activity of Lannion is telecom converters and LED. These were included in the EES segment. The amount related to discontinued operations (€1,6 million) as reported as per June 30, 2014, represents the effect of deconsolidation of Lannion.

DISCONTINUED OPERATIONS

in thousands of euros	Half-year to June 30, 2013*
Revenue	5,773
Expenses	(8,790)
Result from operating activities	**(3,017)**
Income tax	18
Loss for the period	**(2,999)**
Earnings per share	
Basic (loss) per share (euro)	-0.63

* unaudited

7. OTHER INCOME/(EXPENSES)

	Quarter to June*		Half-year to June*	
in thousands of euros	Q2 2014	Q2 2013	2014	2013
Result on divestment of POC modules business[1]	–	–	18,166	–
Other	728	82	810	82
Other income	**728**	**82**	**18,976**	**82**
Amortization of intangible assets	(907)	(3,538)	(1,815)	(4,523)
Restructuring costs (net)	(1,749)	(1,728)	(5,133)	(1,869)
Other	(183)	(426)	(349)	(596)
Other (expense)	**(2,839)**	**(5,692)**	**(7,297)**	**(6,988)**
Total (expense)/ income	**(2,111)**	**(5,610)**	**11,679**	**(6,906)**

* unaudited
[1] Includes €22.0 million proceeds for the sale of the POC modules business to Advanced Energy Industries (note 2D).

8. FINANCE INCOME AND COSTS

	Quarter to June*		Half-year to June*	
in thousands of euros	Q2 2014	Q2 2013	2014	2013
Interest income on bank deposits	131	59	207	124
Foreign exchange income	472	–	1,296	471
Finance income	**603**	**59**	**1,503**	**595**
Interest expense on loans and payables	(122)	(115)	(172)	(205)
Interest expense on notes payable	(2,490)	(2,473)	(4,980)	(4,947)
Pension related financial expenses	(196)	(229)	(388)	(543)
Foreign exchange costs	(311)	(3,029)	(1,665)	(2,726)
Other finance costs[1]	(180)	(143)	(2,446)	(274)
Finance costs	**(3,299)**	**(5,989)**	**(9,651)**	**(8,695)**
Net finance (costs)/income	**(2,696)**	**(5,930)**	**(8,148)**	**(8,100)**

* unaudited
[1] Other finance costs in 2014 include €1.9 million loss on other non-current financial investment as a result of the settlement agreement with the LLC (note 11).

Interest on notes payable relates to interest accrued at 9.25% on the Notes placed in December 2010 (note 15) 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. Other finance costs include factoring charges.

9. INCOME TAX BENEFIT/(CHARGE)

	Quarter to June*		Half-year to June*	
in thousands of euros	Q2 2014	Q2 2013	2014	2013
Current tax (charge)/benefit				
Income tax benefit/(charge) for the period	2,275	2,583	1,539	(368)
Deferred tax benefit/(charge)				
Origination and reversal of temporary differences	1,488	1,017	2,775	1,572
Recognition of current and prior-year tax losses	–	(725)	261	–
Deferred tax benefit	**1,488**	**292**	**3,036**	**1,572**
Total income tax benefit	**3,763**	**2,875**	**4,575**	**1,204**

* unaudited

RECONCILIATION OF EFFECTIVE TAX RATE

	Quarter to June*		Half-year to June*	
in thousands of euros	Q2 2014	Q2 2013	2014	2013
Income/(loss) for the period	(11,702)	(20,197)	(14,918)	(19,691)
Total income tax (charge)/benefit	3,763	2,875	4,575	1,204
Income/(loss) before income tax	**(15,465)**	**(23,072)**	**(19,493)**	**(20,895)**
Expected income tax benefit using the Company's domestic tax rate of 29.22%	4,519	6,741	5,696	6,106
Effect of different local tax rates	(576)	1,161	(315)	580
Current-year losses for which no deferred tax asset was set up	(180)	(4,624)	(2,472)	(5,671)
Previously unrecognized tax losses	–	–	1,540	–
Other	–	(403)	126	189
Income tax (charge)/benefit	**3,763**	**2,875**	**4,575**	**1,204**

* unaudited

10. INTANGIBLE ASSETS

In assessing whether intangible assets have to be impaired, the carrying amount of the intangible assets is compared with the re-coverable amount of the cash generating unit ("CGU") For the first quarter 2014, the Company performed an impairment test which did not reveal any impairment charge. However as a result of this test, the difference between fair value less cost to sell and the carrying amount of the assets ("headroom") for the CGU EMS reduced completely from €36.1 million to nil.

An average pre-tax discount rate of 15.8% (2013:17.5%) was applied in determining the recoverable amount of the CGU. 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 2014 the discount rate was decreased to take into account the realized effects of the operational and financial restructuring.

An increase in the pre-tax discount rate of 1% would have resulted in an impairment charge of €8.4 million in 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.

Goodwill identified on the acquisition of skytron energy GmbH was adjusted with €1.1 million due to the presentation as held for sale.

11. OTHER NON-CURRENT FINANCIAL ASSETS

The Group has invested funds in the limited liability company (LLC) in the U.S. The LLC is a partnership between the Group and an experienced investor and manager of solar assets in the United States. Under the partnership agreement, the Group had to invest up to $5.0 million in the LLC under the stewardship of the partner.

Following the Group's restructuring plan, a settlement agreement was entered to waive rights over this investment. The financial impact is disclosed in note 8.

12. DEFERRED TAX ASSETS AND LIABILITIES

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.

Deferred tax assets have not been recognized in respect of the following items:

in thousands of euros	June 30, 2014*	Dec. 31, 2013
Tax losses	41,699	44,269
Deductible temporary differences	13,692	9,955
Total unrecognized deferred tax assets	**55,391**	**54,224**

* unaudited

Of the total unrecognized tax losses, €9.4 million (2013: €10.1 million) will expire within ten years, €2.2 million (2013: €2.3 million) will expire after ten years and €30.1 million (2013: €31.9 million) have no expiration date.

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

in thousands of euros	Assets June 30, 2014*	Liabilities June 30, 2014*	Assets Dec. 31, 2013	Liabilities Dec. 31, 2013
Property, plant and equipment	42	(3,536)	247	(3,342)
Intangible assets	–	(10,327)	–	(12,905)
Inventories	923	–	1,557	(107)
Employee benefits	3,381	–	4,086	_
Other items	466	(174)	995	(782)
Sub-total	**4,812**	**(14,037)**	**6,885**	**(17,136)**
Tax loss carry-forwards	8,468	–	6,458	–
Tax assets/(liabilities)	**13,280**	**(14,037)**	**13,343**	**(17,136)**
Set-off of deferred tax positions	(13,280)	13,280	(13,343)	13,343
Net tax assets/(liabilities)	**–**	**(757)**	**–**	**(3,793)**

* unaudited

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD

in thousands of euros	Balance Dec. 31, 2013	Recognized in profit or loss	Recognized in other comprehensive income	Balance June 30, 2014*
Property, plant and equipment	(3,095)	(399)	_	(3,494)
Intangible assets	(12,905)	2,578	_	(10,327)
Inventories	1,450	(527)	_	923
Employee benefits	4,086	(705)	_	3,381
Other items	213	79	_	292
Sub-total	**(10,251)**	**1,026**	_	**(9,225)**
Tax loss carry-forwards	6,458	2,010	–	8,468
Total	**(3,793)**	**3,036**	**–**	**(757)**

* unaudited

13. CAPITAL AND RESERVES

A) SHARE CAPITAL

in number of shares	Ordinary shares	Treasury shares	Total shares
Issued at December 31, 2012	**47,816,019**	**2,420,005**	**50,236,024**
Issued at June 30, 2013*	**47,816,019**	**2,420,005**	**50,236,024**
Issued at December 31, 2013	**47,890,356**	**2,345,668**	**50,236,024**
Capital restructuring[1]	(43,101,320)	(2,111,102)	(45,212,422)
Issued at June 30, 2014*	**4,789,036**	**234,566**	**5,023,602**

* unaudited

[1] On June 25, 2014 at the extraordinary General Meeting of the shareholders of 3W Powers S.A., the shareholders approved to create a special reserve account and to reorganize and reduce the issued share capital from its current amount of €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 of the Company by exchanging ten existing shares against one new share and consequently to exchange all of the 50,236,020 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 share premium account.

B) DIVIDEND

No dividends were declared or paid by the Company in 2014 or 2013.

14. 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.

Loss/profit attributable to ordinary shareholders:

	Quarter to June*		Half-year to June*	
in euros	Q2 2014	Q2 2013	2014	2013
Basic (loss)/earnings per share	-2.44	-4.48	-2.77	-4.75
Continuing operations (loss)/ earnings per share	-2.44	-4.22	-3.11	-4.12
Discontinued operations (loss)/ earnings per share	–	-0.26	0.34	-0.63

* unaudited

15. LOANS AND BORROWINGS

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

in thousands of euros	June 30, 2014*	Dec. 31, 2013
Non-current		
Notes payable	98,924	98,569
Government loans	571	592
Bank loans	6	106
Total non-current	**99,501**	**99,267**
Current		
Government loans	76	61
Bank loans	200	200
Bank overdrafts	103	873
Obligations under receivable factoring arrangements	3,767	5,064
Other	3	23
Total current	**4,149**	**6,221**
Grand total of current and non-current	**103,650**	**105,488**

* unaudited

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 June 30, 2014*	Carrying amount June 30, 2014*	Nominal value Dec. 31, 2013	Carrying amount Dec. 31, 2013
Notes payable[1]	EUR	9.250	2015	100,000	98,924	100,000	98,569
Government loans[2]	EUR	–	2021-2022	647	647	653	653
Bank loans[3]	EUR	Euribor +1.5-3.75	–	206	206	306	306
Bank overdraft[4]	EUR	Euribor +3.0-5.75	–	103	103	873	873
Obligations under receivable factoring arrangements[5]	EUR	Euribor +0.8-4.7	–	3,767	3,767	5,064	5,064
Other	EUR	–	–	3	3	23	23
Total				**104,726**	**103,650**	**106,919**	**105,488**

* unaudited

Non-current

[1] Unsubordinated notes payable €100,000,000, effective interest 10.11%, due December 1, 2015.
On December 1, 2010, the Company issued loan notes (the "Notes") with a nominal value of €100 million. The Notes were bought by pan-European institutional investors and asset managers. Costs of issuing the Notes amounted to €3,250,000. The Notes bear interest from and including December 1, 2010 to, but excluding December 1, 2015 at a rate of 9.25% p.a. (10.11% effective interest), payable annually in arrears on December 1 of each year. The first interest payment was made on December 1, 2011.The Notes are redeemable at par on December 1, 2015. The Notes have the benefit of an unconditional and irrevocable guarantee by AEG Power Solutions B.V. The terms and conditions of the Notes provide that the Company may, at its option, redeem the Notes, in whole but not in part, at any time after the third anniversary of the date of issue at a price of 102% of the principal amount plus accrued interest, and at any time after the fourth anniversary at a price of 101% of the principal amount plus accrued interest. The terms and conditions further provide that the Note holders may require an early redemption in whole or in part at 101% of their principal amount plus accrued interest in the event of a change of control of the Company. The Notes are traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market.

Other non-current loans

[2] Includes four interest-free government loans repayable by varying annual installments in the range of €6-43 thousand. One of these loans is secured.

[3] There are two unsecured bank loans with a nominal value of €166 thousand (interest at Euribor + 3.2%) and €300 thousand (interest at Euribor +1.5%). The carrying amounts at June 30, 2014 were €125 thousand, and €81 thousand respectively. The loans are repayable by monthly installments over a period of three and five years respectively.

Current loans

[4] **Bank overdraft**
The bank overdraft is held by one of the Group's subsidiaries. Interest on the overdraft is charged at rates between Euribor +3.0% and 5.75%.

[5] **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 €14.7 million at June 30, 2014. 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 4.7%.The facilities have no fixed expiry date, but most are renewable annually.

16. PROVISIONS

Provisions included in current liabilities relate primarily to restructuring of €5.1 million. Long-term provisions relate to product warranty reserves.

17. 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 capital lease obligations are fully reflected in the consolidated statement of financial position.

June 30, 2014*

in thousands of euros	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Operating leases	2,781	3,871	1,656	437	8,745
Unconditional purchase obligations	72	–	–	–	72
Total	**2,853**	**3,871**	**1,656**	**437**	**8,817**

* unaudited

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 €2.3 million in half-year 2014 (€2.9 million in half-year 2013).

OTHER COMMITMENTS

June 30, 2014*

in thousands of euros	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Guarantees	7,970	3,721	191	176	12,058

* unaudited

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

AEG PS S.A.S. (Tours, France) received financial support from the local French government. This transaction was secured with the pledge of assets (building) and will remain in place until the end of Q3 2015.

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, subject to a minimum royalty of €6.723 million for 2014. AEG PS and Electrolux amended the AEG License on July 27, 2010 to expand the range of products covered by the license and to set sale and minimum royalty targets through 2014. For the years 2015 to 2018, the amended agreement provides that the sales targets and minimum annual royalty will be no less than the sales target and minimum royalty for year 2014. The term of the license was also extended until 2028. Management is re-negotiating the terms of the trademark agreement for the period 2013-2018. Pending final outcome on these negotiations a provision of €1.933 million was included in order to meet the terms and conditions of the existing agreement.

18. CONTINGENCIES

Management believes that any legal proceedings incidental to the conduct of its business, including employee related actions, are adequately provided for in the condensed consolidated interim 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.

19. 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.

RELATED PARTY INTERESTS IN THE EQUITY AND NOTES OF THE COMPANY

The interests of Directors and other related parties in the shares of the Company at June 30, 2014 were as follows:

	No. of shares [1]	Bonds at nominal value (€)
Intec Beteiligungsgesellschaft	399,748	200,000
Mr. Willi Loose	10,000	–
Mr. Bernd Luft	658,500	497,000
Mr. Klaus Schulze	5,600	–
Mr. Jeffrey Casper	105,452	–
AEG PS managers	4,143	–
Total	**1,183,443**	**697,000**

[1] The interests of Directors and other related parties in the shares of the Company have been adjusted for the reverse stock split. The numbers of shares outstanding have been divided by a factor 10.

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, the shareholders approved the cancellation of the long-term incentive plan (LTIP) for senior executives including the CEO and CFO. This plan was approved in the AGM of 2011 and the aim of the LTIP was to act as a strong retention mechanism for key executives and to closely align their interest with those of the shareholders by linking executive rewards with the value delivered to shareholders. The key-executives that were granted shares/units for the LTIP part A (Mr. Jeffrey Casper: 75,000 and AEG PS managers: 60,000) and B (Mr. Jeffrey Casper: 150,000 and AEG PS managers: 120,000) will receive a compensation in due time.

20. SUBSEQUENT EVENTS

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 acquires 100% of the entity. The sale was completed on July 31, 2014. Included in this agreement is the mid-term continuation of manufacturing activities to the Group telecom business.

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

On July 16, 2014, the Company conducted a reverse stock split. The converted registered shares will be traded under the new ISIN LU1072910919 (previously LU0953526265) or the new WKN A114Z9 (previously A1W2L4).

In addition, as part of the financial restructuring, it was contemplated that the current shareholders have preferential subscription rights to increase the capital by a cash-contribution of €4.0 million against issuance of new shares and the implementation of a management incentive program (MIP). The MIP focus on the sustainable improvement of equity value and, therefore, bondholders' recovery.

The prospectuses that deal with the conversion of 50% of the outstanding principal amount of the bond into shares (debt-to-equity swap) and the issue of a new bond in the amount of €50 million for the remaining 50% of the outstanding principal amount of the bond have all been approved by the relevant regulatory authorities. See Company website www.aegps.com for more details.

On July 22, 2014, the Company announced the implementation of a capital increase from the authorized capital of the Company with subscription rights announced as part of the financial restructuring. Accordingly, the Company resolved to increase its share capital from €50,236.02 by €251,097.31 to €301,333.33 by issuing 25,109,731 new registered shares with a nominal value of €0.01 and with full dividend rights from January 1, 2014 ("New Shares").

The New Shares were offered to the Company's shareholders by way of indirect subscription rights in accordance with the subscription ratio of 1:5 (five New Shares for every existing share) and at a subscription price of €0.16. The subscription period started on July 24, 2014 and ended on August 26, 2014 (inclusive).

APPENDIX

RECONCILIATION FROM REPORTED EBIT TO ADJUSTED EBIT

For the period ended

	Quarter to June*		Half-year to June*	
in millions of euros	Q2 2014	Q2 2013	2014	2013
Reported EBIT	**(12.8)**	**(17.1)**	**(11.3)**	**(12.8)**
Adjustments				
Amortization of intangibles on acquisition	1.7	3.9	3.3	5.8
Restructuring costs	1.7	1.8	5.1	1.9
Capital gain on sale of POC modules	–	–	(18.2)	–
Reversal impairment of tangible assets	–	–	(1.5)	–
Reversal impairment of intangible assets	–	–	(0.1)	–
Reversal impairment of working capital	–	–	(2.3)	–
Professional consultancy and other fees	2.0	(0.2)	2.5	–
Total adjustments	**5.4**	**5.5**	**(11.2)**	**7.7**
Adjusted EBIT	**(7.4)**	**(11.5)**	**(22.5)**	**(5.1)**

* unaudited

DERIVATION OF EBITDA

For the period ended

	Quarter to June*		Half-year to June*	
in millions of euros	Q2 2014	Q2 2013	2014	2013
Reported EBIT	**(12.8)**	**(17.1)**	**(11.3)**	**(12.8)**
Depreciation and amortization charges				
Amortization and impairment of intangibles on acquisition	1.7	3.9	3.3	5.8
Depreciation charge on tangible assets	0.9	1.2	0.7	2.3
Amortization charge on intangible assets	0.3	0.8	0.5	1.2
Other	0.7	0.9	1.4	1.6
Total depreciation and amortization charges	**3.6**	**6.8**	**5.8**	**10.9**
EBITDA	**(9.2)**	**(10.3)**	**(5.5)**	**(1.9)**

* unaudited

DERIVATION OF NORMALIZED EBITDA

For the period ended

	Quarter to June*		Half-year to June*	
in millions of euros	Q2 2014	Q2 2013	2014	2013
Adjusted EBIT	**(7.4)**	**(11.5)**	**(22.5)**	**(5.1)**
Depreciation and amortization charges				
Depreciation charge on tangible assets	1.0	1.2	2.2	2.3
Amortization charge on intangible assets	0.3	0.8	0.6	1.2
Other	0.7	0.9	1.4	1.6
Total depreciation and amortization charges	**2.0**	**2.9**	**4.2**	**5.1**
Normalized EBITDA	**(5.4)**	**(8.6)**	**(18.4)**	**0.0**

* unaudited

RECONCILIATION FROM REPORTED NET INCOME TO ADJUSTED NET INCOME

For the period ended

	Quarter to June*		Half-year to June*	
in millions of euros	Q2 2014	Q2 2013	2014	2013
Reported net income	**(11.7)**	**(21.4)**	**(13.3)**	**(22.7)**
Adjustments				
Amortization of intangibles on acquisition	1.6	3.9	3.3	5.8
Restructuring costs	1.7	1.8	5.1	1.9
Capital gain on sale of POC modules	–	–	(18.2)	–
Professional consultancy and other costs	2.0	(0.2)	2.5	–
Estimate tax effect on the above	(1.4)	(1.7)	(2.2)	(2.4)
Total adjustments	**3.9**	**3.8**	**(9.5)**	**5.3**
Adjusted net income	**(7.8)**	**(17.6)**	**(22.8)**	**(17.4)**

* unaudited

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.

November 19
Publication of Q3 2014 results

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Copy deadline:
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Note to the condensed consolidated interim financial statements: This is the English original of the condensed consolidated interim financial statements. A German translation of these condensed consolidated interim financial statements 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: These condensed consolidated interim financial statements contain forward-looking statements that are based on certain assumptions and expectations at the time of their publication. These statements are subject to risks and uncertainties and actual results may differ substantially from the future oriented statements made in these condensed consolidated interim financial statements. 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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