CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED JUNE 30, 2016

3W power

AEG POWER SOLUTIONS

KEY PERFORMANCE INDICATORS (KPIs)

3W POWER | AEG POWER SOLUTIONS – GROUP

	Half-year to June*		
in millions of euros	2016	2015	% change
Backlog	95.3	87.6	8.8%
Orders	94.7	86.9	8.9%
Revenue	79.7	84.1	-5.2%
Book to Bill	1.19	1.03	14.9%
EBITDA [1]	1.1	(4.8)	122.4%
% of revenue	*1.3%*	*-5.7%*	
Normalized EBITDA	(3.7)	(4.6)	19.6%
% of revenue	*-4.7%*	*-5.5%*	
Adjusted EBIT [2]	(6.4)	(7.9)	18.7%
% of revenue	*-8.0%*	*-9.4%*	
Reported EBIT	(4.8)	(11.0)	56.1%
% of revenue	*-6.0%*	*-13.0%*	
Net income	(10.0)	(14.7)	31.9%
Adjusted net income	(11.5)	(11.4)	
Results from discontinued operations	(0.3)	(0.6)	56.8%
Earnings per share (in euros)	(0.12)	(0.18)	
Adjusted earnings per share (in euros)	(0.14)	(0.14)	
Cash used in operating activities	(7.4)	(4.5)	
Cash (used in)/from investing activities	6.4	(0.5)	
Working capital	19.5	22.7	
Cash	22.9	23.4	
Net (debt)	(38.3)	(28.7)	

* unaudited
[1] Earnings before interest, tax, depreciation and amortization "EBITDA"
[2] Earnings before interest and tax "EBIT"

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

	Half-year to June*		
in millions of euros	2016	2015	% change
Backlog	95.3	87.6	8.8%
Orders	94.7	86.9	8.9%
Revenue	79.7	84.1	-5.2%
Book to bill	1.19	1.03	14.9%
EBITDA	3.0	(2.7)	
% of revenue	*3.7%*	*-3.3%*	
Normalized EBITDA	(1.6)	(2.5)	33.7%
% of revenue	*-2.1%*	*-2.9%*	
Reported EBIT	(2.7)	(8.7)	68.7%
% of revenue	*-3.4%*	*-10.3%*	

* unaudited

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

	Half-year to June*			
	Orders		Revenue	
in millions of euros	2016	2015	2016	2015
Europe excl. Germany	45.8	39.1	31.2	31.0
Germany	19.0	20.0	17.2	21.6
Asia	17.1	18.2	17.5	16.3
Africa/Middle East	10.9	8.2	11.2	13.0
Rest of the world	1.9	1.4	2.6	2.2
Total	**94.7**	**86.9**	**79.7**	**84.1**
Of which Products	65.1	57.3	56.4	58.8
Of which Services	29.6	29.6	23.3	25.3

* unaudited

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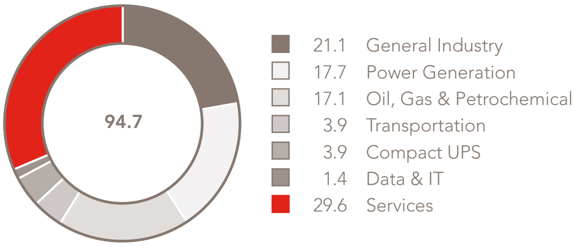
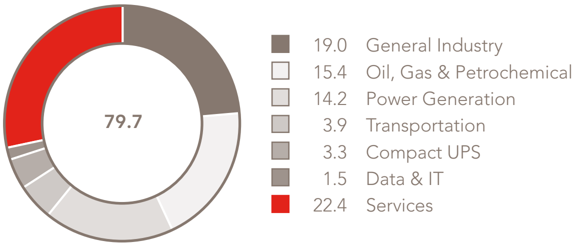
2016 ORDERS BY SEGMENT/PRODUCT GROUP
Half-year to June

in millions of euros



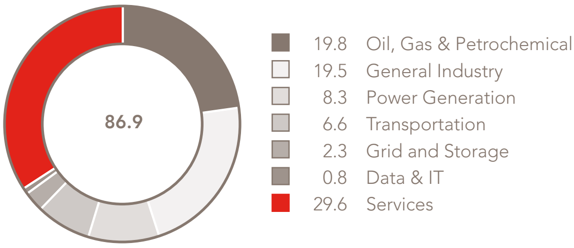
2016 REVENUE BY SEGMENT/PRODUCT GROUP
Half-year to June

in millions of euros



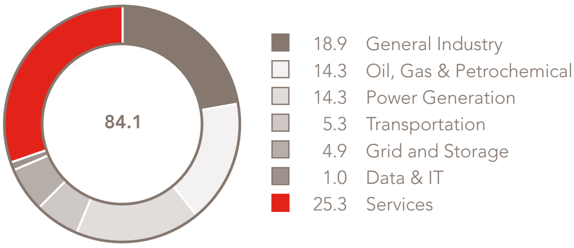
2015 ORDERS BY SEGMENT/PRODUCT GROUP
Half-year to June

in millions of euros



2015 REVENUE BY SEGMENT/PRODUCT GROUP
Half-year to June

in millions of euros



%-changes are not shown if considered not to be helpful in the understanding of the KPIs.
Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

CONTENTS

LETTER TO STAKEHOLDERS

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

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

I am pleased to announce that our Company can post a stronger performance for the first half of fiscal year 2016 than in the prior year. The restructuring process is progressing on track and we witnessed initial results during the second quarter of 2016. Alongside our efforts to improve our competitive positioning and to gain operating efficiencies, the Company's order intake, especially for projects in our important Oil & Gas segment together with political and economic turmoil, continues to be affected by a challenging macroeconomic environment. After a very slow start to the year, we were mostly able to offset these factors because of favorable market and geographic diversification.

In February, we successfully sold two non-core assets Fluxpower GmbH and Primetech s.r.l. The sale enabled us to offer a repurchase invitation of €4.7 million to bond holders leading to a principal debt reduction to approximately €45.0 million. I am also pleased that the Company was supported by its shareholders on all agenda points at its AGM on May 19, 2016.

Group financial results in first six months of 2016
After a slow start to the year, the order book has begun to grow and sales in the second quarter have improved. On a quarter-to-quarter basis, Group revenue increased by 14.7% to €42.6 million in the second quarter. Revenue recognition in the second quarter was affected by recent industrial action in the French affiliate. New work conditions will be implemented as from September 1, 2016. These and other factors reduced the volume of recognized revenue by €3.0 million. Revenue for the first six months therefore totaled €79.7 million.

Normalized EBITDA moved closer to breakeven in the second quarter to -€0.1 million. Normalized EBITDA for the first six months came to -€3.7 million. What is critical for us is that Normalized EBITDA will improve throughout the year as our costs continue to fall and the order book turns to revenue moving closer to our goal of sustainably improving the Company's performance in its core business. We continue to see tremendous potential in energy storage applications and for a growth in services.

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

Outlook
The Group expects to achieve modest growth in its industrial activities. The medium-term objective in 2016 remains that of achieving double-digit revenue growth and an EBITDA margin approaching 10%. Moreover, while the Oil and Gas markets are characterized by a certain resilience, the Company has definitely observed a shift towards Gas infrastructure, as well as more intense competition with notable pressure on prices in its core markets.

We expect further improvement in our margins in the remainder of the year, with both like-for-like growth in 2016 and improved profitability as substantial savings from the completion of restructuring plans and other cost-cutting measures gradually take effect. As announced in Q3 2015, the Group expects savings in its fixed-cost. Most of those costs savings were anticipated in Q2 2016, with about €3.0 million realized to date. This factor will gain further traction in the forthcoming Q3, with the remaining measures taking effect in Q4.

This way, the Management can continue to streamline business operations, focus on profitable growth, and continue to develop new opportunities in emerging areas such as energy storage. As we become a lean organization, we are better placed to direct our resources toward areas of greater opportunity and to move from those that are not sustainable. The Company benefits from strong diversification in terms of its products and its geographic reach.

I would like to thank all stakeholders for sharing my ongoing confidence in 3W Power | AEG Power Solutions. We have substantially reduced our risk and we have simplified and improved our core operations. These steps are all beginning to be reflected in an improved business performance and a far brighter outlook.

Yours sincerely,

Jeffrey Casper
CEO

OUR SHARES

SHARE PRICE PERFORMANCE

Global stock markets, including the German capital market, posted a weak start to the year 2016. The DAX, Germany's lead index, fell by more than 7.0% in the first quarter of 2016. In the second quarter, it then benefited from a turnaround supported by the central banks. European stock markets came under pressure due to two factors in particular – falling crude oil prices and the great uncertainty surrounding global economic developments. The fall in crude oil prices exerted pressure on all producer countries, leading to fears that the German economy would see lower exports to numerous emerging economies. Market players were concerned in particular by the weak growth of the Chinese economy, where gross domestic product grew by just 7.0% in the second quarter of 2016. Alongside this, geopolitical risks have also risen around the world. The conflicts in the Middle East, the UK referendum in June 2016 with the result that investors have withdrawn and are awaiting further developments, terrorists' attacks in Paris, Brussels, and Istanbul, further negotiations on the solvency of Greece and the stability of European Union with regard to the refugee crisis – all these factors increased insecurity among capital market players.

The 3W Power share performed in line with the developments outlined above, albeit with greater volatility. Its performance at the beginning of 2016 fell short of expectations, with the share price falling 24.28% to its period low at €0.34 on February 1. One month later, the share price then rose to its period high at €0.48 on March 11. After that, however, investor demand failed to maintain this pace, with a subsequent decline in share orders. This may have been due to market participants realizing profits and disposing of their holdings, thereby putting pressure on the share price. As a result, the share price gradually fell and was also adversely affected by a deterioration in the market climate towards the end of March 2016. Over the weeks that followed, the share price managed to recover at least some of its losses and closed at €0.39 on June 30, equivalent to a 13.14% reduction in value in the first six months of fiscal year 2016.

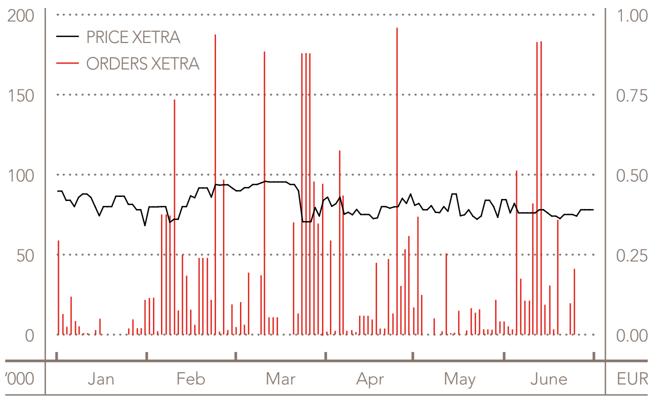
Xetra trading volumes with 3W Power shares totaled almost 3.4 million in the period from January to June 2016. At 33,888 shares, the average daily turnover offered an adequate basis for investors to place orders. Liquidity in the Company's securities is an important factor, especially for institutional investors who require high turnover to make the placement of larger orders more feasible.

SHARE INFORMATION

ISIN	LU1072910919
Stock exchange	Frankfurt Stock Exchange, Xetra (Deutsche Börse AG), Frankfurt/Main, Germany
Symbol	3W9K
Reuters symbol	3W9K.F
Designated sponsor	ODDO SEYDLER BANK AG
High in first six months of 2016	€0.48 (March 11, 2016)
Low in first six months of 2016	€0.34 (February 1, 2016)
Closing price on June 30, 2016	€0.39
Market capitalization on June 30, 2016	€32,644,444.17 million
Number of shares outstanding	83,703,703

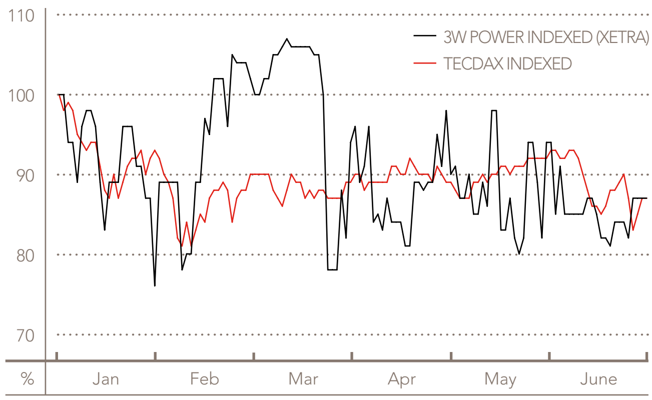
Source: Deutsche Börse

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



From January 1 to June 30, 2016

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



From January 1 to June 30, 2016

SALE OF TWO NON-CORE ASSETS AND PRORATED REPURCHASE OF NOTES

3W Power sold two non-core assets in February 2016 (Fluxpower GmbH and Primetech s.r.l.). Of the net proceeds, an amount of €5.0 million was used to redeem long-term debt. By way of a prorated tender offer in March 2016, the principal amount of the corporate bond (senior bond) was reduced from €50.0 million to €45.0 million. In addition, 3W Power has reduced its interest charge by up to €1.7 million through to 2019. This disposal has further improved the balance sheet. Not only that, operating risks have also been reduced as a result of the ongoing process of simplifying business activities and enhancing the Company's focus. All in all, the Group has reduced its debt and gained added momentum to build a successful business in its core markets of critical infrastructure. This is confirmed in the guidance issued by the Group in its 2016 business outlook.

INVESTOR RELATIONS

3W Power maintains an ongoing dialog with its shareholders and the capital markets. The Company's investor relations activities ensure that the general public is informed of financially relevant developments at all times and provide all necessary information to institutional and retail investors alike. As 3W Power is committed to keeping its stakeholders informed of all key developments in its performance and strategy, investor relations staff are available to assist interested parties at all times. This way, investor relations acts as an essential link between the Company's management and the capital markets.

Like the financial reports published in the past, this interim report also contains information that goes beyond statutory disclosure requirements. This information is intended to provide readers with additional insights into the Company. On its website, 3W Power provides detailed, up-to-date information, including investor news, current and historic financial reports, stock and bond market data, presentations and analyst information. The investor relations section can be found online at http://www.aegps.com/en/investor-relations.

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, 2016. THE COMPANY AND ITS CONSOLIDATED SUBSIDIARIES ARE COLLECTIVELY REFERRED TO AS THE "GROUP".

CORPORATE EVENTS

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

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

On April 14, 2016, 3W Power SA utilized €4.7 million of the proceeds from the Fluxpower GmbH and Primetech s.r.l. sale to the pro-rata repurchase of the €50.0 million Notes. This repurchase facilitates the reduction in the Company debt and cut of interest expenses.

OPERATING SEGMENTS

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

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

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

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

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

KEY FIGURES – SIX MONTHS ENDED JUNE*

	Orders		Revenue		EBITDA		Adjusted EBIT[1]		EBIT		Normalized EBITDA[2]	
in millions of euros	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Industrial Products and Services (IPS)	94.7	86.9	79.7	84.1	3.0	(2.7)	(4.3)	(5.5)	(2.7)	(8.7)	(1.6)	(2.5)
% of revenue					*3.7%*	*-3.3%*	*-5.4%*	*-6.5%*	*-3.4%*	*-10.3%*	*-2.1%*	*-2.9%*
Unallocated	–	–	–	–	(1.9)	(2.0)	(2.1)	(2.4)	(2.1)	(2.3)	(2.1)	(2.1)
Total	**94.7**	**86.9**	**79.7**	**84.1**	**1.1**	**(4.8)**	**(6.4)**	**(7.9)**	**(4.8)**	**(11.0)**	**(3.7)**	**(4.6)**
% of revenue					*1.3%*	*-5.7%*	*-8.0%*	*-9.4%*	*-6.0%*	*-13.0%*	*-4.7%*	*-5.5%*

* 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 29).
[2] Normalized EBITDA is the adjustment made for one-time transaction costs such as the net proceeds of divestiture and costs for restructuring.

GROUP AND SEGMENT FINANCIAL REVIEW

IPS business reports book-to-bill of 1.19 for the first half-year period

Group orders for the first half-year period of 2016 were €94.7 million; €7.8 million (8.19%) higher compared to €86.9 million in the same period of 2015. Orders for Industrial systems reported a growth of more than 17.8% compared to the previous period. Industrial systems represent 54.0% of the total order intake for the first half-year period (2015: 50.0%). The majority of the Industrial systems are sold in critical infrastructure projects (Power Generation) in the Middle East region. The Industrial UPS systems order intake suffered from the economic situation in the Oil and Gas market.

The book-to-bill ratio for the first half-year was 1.19 and increased 14.9% compared to the previous-year period.

At June 30, 2016 the Company closed the backlog at €95.3 million, an increase of 8.8% compared to previous year period.

IPS business faces challenges in timely converting orders into revenue

First half-year revenue numbers for 2016 were €79.7 million; €4.4 million (5.2 %) lower compared to the same period in 2015. Adjusted for the sale of Fluxpower GmbH and Primetech s.r.l., revenue was €0.9 million lower compared to €80.2 million in the same period of 2015.

The Group's emphasis is on a timely delivery of products, services and systems. A tight control on the order to cash process is required to be successful. For Q3, Management anticipates an accelerated order to revenue conversion through improvement in tools, processes and communications as from customer order intake till delivery. Q2 revenue suffered with approximately €3.0 million delay in revenue recognition of which €2.0 million as a result of the strikes in our French affiliate on the 2015 restructuring plan and the new work conditions to be implemented as from September 1, 2016.

Gross margin improved with 1.4% to 19.7%

Group gross margin in the first half-year of 2016 was 19.7% compared to 18.3% in 2015.

2016 gross margin was positively affected by the reduction in operating expenses (restructuring France and Germany) and the reversal of inventory provisions for the large Solar projects in the Ukraine. The year-to-date margin was negatively affected by the change in the product mix.

Management's ambition to secure the gross margin at a minimum of 20.0% and look for further margin growth is close to realization. The anticipated growth in services revenue and related high-margin business is materializing and contributing to further profitability improvement.

EBITDA

Group EBITDA in the first half-year period was €1.1 million positive compared to EBITDA of €4.8 million negative in the same period prior-year. Normalized for one-time effects, EBITDA in the first half-year period is €3.7 million negative compared to €4.6 million negative in the same period prior-year. Normalization is the adjustment made for one-time transaction costs such as the net proceeds of divestiture and costs for restructuring: in 2016 a capital gain was recorded of €4.8 million (2015: €0.9 million); and a net restructuring expense was recorded of nil (2015: €1.1 million).

Improvement in EBITDA is primarily driven by the increase in gross margin and the achieved savings in the overall operating expenses. The Group has taken drastic measures in reducing its global, corporate and local operating cost basis. Selling expenses for the first half-year reduced with €1.3 million.

Research & Development (R&D) costs
Gross R&D costs in the six months to June were as follows:

in millions of euros	2016	2015
Gross R&D expenses	2,560	2,956
Capitalized R&D expense (net of amortization)	699	320
Amortization of intangible assets	1,324	1,324
Net R&D costs	**4,583**	**4,600**

Gross R&D spending for the first half-year in 2016 decreased 13.4% compared to the same period in 2015.

The main focus was on the extension of the existing technology platforms in the Industrial and the Data & IT market as well as on the implementation of several reference projects in the merging smart grid and storage market. R&D efforts have been made on functions and features of the Protect Blue Data & IT UPS, standardization and upgrade of the Protect 8 UPS and the Protect-RCS platforms, the high power charges and the UL certification of key products.

During the first half-year period in 2016 the Company invested €0.4 million (2015: €1.0 million) in internal development expenditure.

Selling, general and administrative expenses (SG&A)
SG&A expenses decreased 6.4% year-on-year to €19.0 million for the first half-year period. This decrease is 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 extent to the local organizations), the reduction in local operating expenses (major restructuring in Germany and France) and the sale of Fluxpower GmbH and Primetech s.r.l.

Other expenses/income
In the first half-year period of 2016 the Group reported a net other income of €3.1 million compared to an expense of €1.5 million in the same period of 2015.

This change is mainly due to the recognition in 2015 of the €4.8 million result on the divestment of Fluxpower GmbH and Primetech s.r.l. on February 4, 2016.

The remaining difference is attributable to an exceptional income in 2015 of €1.0 million (earn-out resulting from the sale of the POC Module business), €1.1 million lower restructuring expenses in 2016 compared to 2015, €0.4 million lower amortization expenses in 2016 and a one-time impairment charge on goodwill in 2016 of €0.7 million following the sale of Fluxpower and Primetech.

Net financial cost
Net financial cost for the first half-year period in 2016 was €5.2 million (2015: €2.8 million). The increase of €2.4 million is mainly attributable to a €1.3 million increase in interest expenses on the Notes Payable of €50.0 million (2.0% increase to 6.0%) and €1.0 million on foreign exchange losses.

Taxation
In the first half-year period, the Group recorded a net tax benefit of €0.3 million compared to a net tax charge of €0.3 million in 2015.

The current tax income is €0.1 million (2015: €0.2 million) and a deferred tax income of €0.2 million (2015: offset by a deferred tax expense of €0.5 million).

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 the effective tax rate reported.

Non-current assets
During the first half-year period, the Company reports an outflow of €0.4 million in expenditure for tangible fixed assets. Additions to intangible assets in the half-year totalled €0.4 million and relate fully to capitalized R&D.

Current assets
Excluding cash, current assets decreased from €81.9 million to €73.2 million, which was attributable to the reduction in trade and other receivables of €6.6 million (lower trading volume) and the €4.4 million relating to Assets held for sale due to the completion of the sale of Fluxpower and Primetech, offset by an increase in inventory of €2.4 million.

Current liabilities
Current liabilities decreased with €10.9 million to €59.9 million. This reduction is explained by the following movements: reductions in loans and borrowings of €4.3 million, in advance payments from customers of €1.7 million, in short-term provisions (mainly restructuring) of €5.0 million and the €1.5 million relating to Liabilities held for sale due to completion of the sale of Fluxpower GmbH and Primetech s.r.l., offset by an increase in trade and other payables of €1.2 million.

Non-current liabilities
Loans and Borrowings decreased with €2.3 million which is explained by the repayment of €4.7 million on the €50.0 million Bond loan, offset by the amortization charge following the measurement at amortized cost using the effective interest method.

The Retirement benefit obligation increased with €2.5 million following the reduction in discount rate applied to measure the future liability.

Cash and cash equivalents
The cash balance at June 30, 2016 was €22.9 million, a decrease of €8.3 million in the half-year period, mainly due to negative normalized EBITDA of €3.7 million, non-cash provisions of €0.6 million, and €3.2 million changes in working capital. Net cash used in investing activities was €6.4 million positive in total; the Group invested €0.8 million in capex expenditures and this was offset by a €7.1 million cash proceed relating to the sale of Fluxpower GmbH and Primetech s.r.l. Net cash outflow of €7.2 million in financing activities was mainly driven by the €4.7 million repayment and €1.5 million interest payment to the bondholders.

Equity
Total equity at the end of June 2016 is €4.7 million negative; €12.3 million lower compared to December 2015. The reduction was due to the net loss after tax of €10.0 million and the €2.3 million comprehensive loss for the half-year period.

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

OUTLOOK

The Group expects to achieve modest growth in its industrial activities. The medium term objective in 2016 remains that of achieving double-digit revenue growth and an EBITDA margin approaching 10%. In addition, the Company is ambitious to secure the gross margin at a minium of 20% and look for further margin growth is close to realization.

The Group expects further improvement in margins in the remainder of the year, with both like-for-like growth in 2016 and improved profitability as savings from the completion of restructuring plans and other cost-cutting measures take full effect. As announced in Q3 2015, the Group expects savings in its fixed-cost. Those cost savings began to take effect in Q2 2016, with €3.0 million realized to date. More savings will gain traction in the forthcoming Q3, and the remaining measures in Q4.

RISKS

Persistent operating losses, the effect of unfavorable credit terms given by our suppliers, and continued loss of business volume resulted in falling beneath the minimum level of required liquidity to adequately finance our operations over the coming quarters. The Company addressed and continues to address its operating costs through a business process redesign and with an emphasis on cash generation.

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

The above described liquidity risk and the occurrence of other, (remote) risks, such as the lawsuits received in relation to Lannion, insufficient growth of business and margin improvements for securing the future interest payments in the range of 8.0% to 12.0%, could place the Group into further financial distress.

The other principal risks that could have a material impact on the Group were set out in the 2015 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 12.

DIRECTORS' INTERESTS AND RELATED PARTIES

The interests of Directors and related parties in the share capital of the Company are shown in note 18 of the condensed consolidated interim financial statements.

RESPONSIBILITY STATEMENT

I, Jeffrey Casper, Chief Executive 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 10, 2016

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION As at

in thousands of euros	Note	June 30, 2016*	December 31, 2015
Assets			
Property, plant and equipment		22,786	23,857
Intangible assets	9	19,205	22,521
Other financial assets	9	1,618	1,650
Deferred tax assets	10	5,032	4,833
Total non-current assets		**48,641**	**52,861**
Inventories		31,444	29,087
Trade and other receivables		40,412	47,014
Prepayments		1,320	1,390
Cash and cash equivalents		22,907	33,548
Assets held for sale		–	4,379
Total current assets		**96,083**	**115,418**
Total assets		**144,724**	**168,279**
Equity			
Share capital	11	837	837
Share premium		418,822	418,822
Retained earnings		(408,327)	(395,594)
Reserve for own shares		(22,870)	(22,870)
Other equity		4,883	4,883
Translation reserve		1,990	1,597
Total equity attributable to equity holders of the Company		**(4,665)**	**7,675**
Liabilities			
Loans and borrowings	13	47,773	50,109
Retirement benefit obligation		30,191	27,695
Provisions		11,571	12,000
Total non-current liabilities		**89,535**	**89,804**
Loans and borrowings	13	1,515	5,772
Trade and other payables		49,015	47,801
Income tax liabilities		328	330
Deferred income		3,889	5,555
Provisions	14	5,107	9,853
Liabilities held for sale		–	1,489
Total current liabilities		**59,854**	**70,800**
Total liabilities		**149,389**	**160,604**
Total equity and liabilities		**144,724**	**168,279**

* unaudited

The notes on pages 18 to 28 are an integral part of these condensed consolidated interim financial statements.

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

		Half-year to June*	
in thousands of euros	Note	2016	2015
Continuing operations			
Revenue	5	79,744	84,112
Cost of sales		(64,037)	(68,720)
Gross profit		**15,707**	**15,392**
Selling, general and administrative expenses		(18,985)	(20,254)
Research and development expenses		(4,583)	(4,600)
Other income/(expenses)	6	3,051	(1,496)
Loss before interest and tax (EBIT)[1]		(4,810)	(10,958)
Finance income		853	3,561
Finance costs		(6,100)	(6,362)
Net finance costs	7	**(5,247)**	**(2,801)**
Loss before income tax		**(10,057)**	**(13,759)**
Income tax benefit/(loss)	8	315	(346)
Loss from continuing operations		**(9,742)**	**(14,105)**
Discontinued operations			
Loss from discontinued operations, net of tax		(250)	(578)
Net loss		**(9,992)**	**(14,683)**
Net loss attributable to: Owners of the Company		(9,992)	(14,683)
Non-controlling interest		–	–
Net loss		**(9,992)**	**(14,683)**
Earnings per share			
Basic loss per share (euro)		(0.12)	(0.18)
Diluted basic loss per share (euro)		(0.11)	–

* unaudited

[1] 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

		Half-year to June*	
in thousands of euros	Note	2016	2015
Loss for the period		**(9,992)**	**(14,683)**
Other comprehensive loss			
Items that are or may be reclassified to profit or loss: Foreign currency translation differences for foreign operations		393	(77)
Subtotal		**393**	**(77)**
Items that will never be reclassified to profit or loss: Unrealized gains and losses on pension liabilities		(2,741)	–
Income tax benefit on other comprehensive income		–	–
Subtotal		**(2,741)**	**–**
Other comprehensive loss for the period		**(2,348)**	**(77)**
Total comprehensive loss for the period		**(12,340)**	**(14,760)**
Total comprehensive loss attributable to: Owners of the Company		(12,340)	(14,760)
Total comprehensive loss for the period		**(12,340)**	**(14,760)**

* unaudited

The notes on pages 18 to 28 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	Other equity	Retained earnings	Total Group equity	Non-controlling interest	Total equity
Balance at January 1, 2015		**837**	**418,822**	**1,712**	**(22,870)**	–	**(354,482)**	**44,019**	**–**	**44,019**
Loss for the period		–	–	–	–	–	(14,683)	(14,683)	–	(14,683)
Total other comprehensive loss		–	–	(77)	–	–	–	(77)	–	(77)
Total comprehensive loss for the period		**–**	**–**	**(77)**	**–**	–	**(14,683)**	**(14,760)**	**–**	**(14,760)**
Total transactions		**–**	**–**	**(77)**	**–**	–	**(14,683)**	**(14,760)**	**–**	**(14,760)**
Balance at June 30, 2015*		**837**	**418,822**	**1,635**	**(22,870)**	–	**(369,165)**	**29,259**	**–**	**29,259**
Balance at December 31, 2015		**837**	**418,822**	**1,597**	**(22,870)**	**4,883**	**(395,594)**	**7,675**	**–**	**7,675**
Loss for the period		–	–	–	–	–	(9,992)	(9,992)	–	(9,992)
Total other comprehensive loss		–	–	393	–	–	(2,741)	(2,348)	–	(2,348)
Total comprehensive loss for the period		–	–	**393**	–	–	**(12,733)**	**(12,340)**	–	**(12,340)**
Total transactions		–	–	**393**	–	–	**(12,733)**	**(12,340)**	–	**(12,340)**
Balance at June 30, 2016*		**837**	**418,822**	**1,990**	–	**4,883**	**(408,327)**	**(4,665)**	–	**(4,665)**

* unaudited

The notes on pages 18 to 28 are an integral part of these condensed consolidated interim financial statements.

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

		Half-year to June*	
in thousands of euros	Note	2016	2015
Cash flows from operating activities			
Net loss from continuing operations for the year		(9,742)	(14,105)
Result of discontinued operations		(250)	(578)
Adjustments for non-cash items: Depreciation and impairment		1,412	1,643
Amortization and impairment of intangible assets and goodwill		4,470	4,534
Change in provisions		(366)	1,478
Change in other non-current financial assets		20	(9)
Result on divestments Fluxpower, Primetech and POC Modules business		(4,828)	(1,000)
Net finance costs	8	5,247	2,801
Income tax charge/(benefit)	9	(315)	346
Cash flow from operations before changes in working capital		**(4,352)**	**(4,890)**
Change in inventories		(1,815)	1,560
Change in trade and other receivables		8,491	7,795
Change in prepayments		65	(360)
Change in trade and other payables		(2,649)	(7,230)
Change in employee benefits		123	577
Change in provisions		(5,834)	(2,378)
Change in deferred income		(1,626)	491
Cash used in operating activities		**(3,245)**	**455**
Income tax paid		199	(88)
Net cash used in operating activities		**(7,398)**	**(4,523)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(366)	(462)
Proceeds from sale of property, plant and equipment		15	92
Acquisition of intangible assets		(27)	(135)
Proceeds from divestment Fluxpower, Primetech and POC Modules business		7,111	1,000
Capitalized internal development expenditure		(370)	(954)
Net cash from/(used in) in investing activities		**6,363**	**(459)**
Cash flows from financing activities			
Repayment of Notes payable program		(4,696)	–
Interest (paid)/received (net)		(1,552)	(910)
Change in other long- and short-term debt		(979)	(528)
Net cash used in financing activities		**(7,227)**	**(1,438)**
Effect of movement in exchange rates		(35)	463
Net decrease in cash and cash equivalents		(8,297)	(5,957)
Cash and cash equivalents at the beginning of the period		31,204	29,306
Cash and cash equivalents at the end of the period		**22,907**	**23,349**

* unaudited

The notes on pages 18 to 28 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Company's shares are listed on the Regulated Market of the Frankfurt stock exchange (FWB). As from December 19, 2011, the Company delisted its shares from the NYSE Euronext, Amsterdam. The 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, 2016, comprise the Company and its subsidiaries (together referred to as the "Group"). The Company has one investment which is the acquisition of AEG Power Solutions B.V. ("AEG PS") in September 2009. The Group is a world provider of power electronics and it offers product and service portfolios in 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 systems and has invested in areas of power management within distributed power generation and smart micro grids.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The 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, 2015.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 10, 2016.

B) SEASONALITY

There is no significant seasonal pattern included in the year-to-date figures, since the Company's activities are hardly subject to seasonality.

C) GOING CONCERN ASSUMPTIONS

The Group continued its focus on the operational improvement plans on a continuous basis to investigate further evaluation of its manufacturing footprint, downsizing of its overhead headcount and adapting its sales strategy and sales force to current market requirements (the operational restructuring).

The first half-year period revealed a negative Normalized EBITDA of €3.7 million. We expect positive Normalized EBITDA for both Q3 and Q4 resulting into a year-end outlook with Normalized EBITDA at break-even. In three years of reorganization and restructuring, including closing down of non-profitable organizations, sale of non-core activities and focus on a lean central and local operations structure, Management have reduced fixed operating expenses by over 50%, resulting in a cost structure of approximately €60.0 million.

During this period, several external pressures needed to be taken into account. Prolonged drop in oil prices resulted in price pressures from increased competition and lower investment into Oil & Gas infrastructure; turmoil in the Middle East and North Africa have reduced demand for capital investments in certain areas; economic sanctions and recession in Russia has suppressed investment, slower growth in China and negative exchange rate movements in Asia Pacific have all been headwinds. Despite these challenges, to the Company is positioned to break even at a normalized EBITDA for 2016.

Profitability is dependent on realizing selling margins and the efficiency to which we are able to fulfill customer orders. In 2016 our margin structure is positively affected by concessions on contractual pay (a new agreed tariff agreement in Germany) and the continued cost reductions in Tours, China and Singapore. We will continue to focus on cost optimization. In particular in the finance, sales, service and engineering support organizations throughout the remainder of 2017.

Further improvement will come from the subcontracting of the PCBA activities in Germany and in a continued optimization of the operating footprint. The assumptions are for an anticipated growth in services with the full implementation of a global service scheduling and billing tool, harmonized processing for provision of spare parts, higher margins on core offerings, and the recruitment of service sales engineers by end of 2016. These actions are expected to lead to increased margins and volume. With the fulfillment of these assumptions, we expected Normalized EBITDA for the first-half year period in 2017 to be positive.

In the first half-year 2016, the Group suffered a net loss of €10.0 million resulting in a decrease of Group equity to €4.7 million negative. Operational losses and subsequent negative operational cash flows in 2016 as well as the above mentioned investments and execution of the restructuring program (€5.8 million in first half-year) reduced available cash from €31.2 million to €22.9 million including restricted cash. This reduction includes the one-time cash received for the sale of Fluxpower GmbH and Primetech s.r.l. and the repayment of €4.7 million to the €50.0 million Bond loan.

The headcount reduction in Germany (Belecke, 65 full-time employees) and France (Tours, 30 full-time employees) was completed during Q2, 2016. The divestiture of Fluxpower GmbH and Primetech s.r.l. was completed on February 4, 2016. The resulting headcount at the end of June 30, 2016 was 809 (992 at December 31, 2015).

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

The Company is in a turnaround process along various lines. This turnaround process should result in a company that is again realizing positive net cash-flows which is currently not the case. The resulting simplification of the operating business model and the focus on four key business areas has greatly reduced the volatility in the business. This allows the business to operate with a lower level of cash.

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

Management expects that the 2016 forecast will be met as the orders are in line with the forecast. The second half-year period, based on prior-years experiences, forecasts growth in both orders and revenue compared to the first half-year period. This is also based on the commercial opportunities, reported by our sales organization.

The relating backlog at year-end is anticipated to be near €100.0 million. For 2017 Management expects growth in both orders and revenue for the first half-year in 2017 compared to the first half-year in 2016.

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

- Market conditions should not develop unfavorably for the Group, which means that a stable operating environment is essential,
- Full realization of the liquidity forecast is achieved including:
- Order intake and timely conversion to revenues;
- Timely and successful execution of operational restructuring (taking into account the local labor laws and obligatory involvement of workers councils and unions) measures and operational improvement plans. These include process improvements, cost savings and trade working capital reductions.
- Ongoing support external stakeholders to realize forecast working capital positions and required cash collateral.
- Willingness of bondholders to continue current financing, which Management expects as there are no events of defaults forecasted. Any cash shortfall resulting into insolvency or bankruptcy of an individual material subsidiary (as described in the terms and conditions of the €50.0 million and €14.0 million bond loan) will entitle each Noteholder to declare his Notes due and demand immediate redemption. Such cash shortfall is not anticipated by Management.

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

- The Group received 75 lawsuits from former Lannion employees, amounting to €5.0 million, the French court may decide in line with the objective of the claimholders.
- The €50.0 million Bond loan matures in 2019 and has an escalating interest rate currently at 6.0% and accumulating to 12.0%. The €14.0 million convertible Bond loan matures in 2020 and has a 5.5% interest rate. The Group may face the risk that all initiatives to further grow sales and margins are not sufficient to secure interest payments on both bonds during the last three years of interest payments in the range of 8.0% to 12.0%.
- Alternative sourcing of financing may turn out to be unsuccessful.

Management addressed the financial situation with the Board of directors including the long-term debt outlook. Management is in constant dialog with the Board to develop various options to secure the long-term financing of the Company. This may include the retention of a professional advisor or other actions to consider the best approach to long-term financing, strategic partnerships, or alternative to further facilitate the growth and development of the Group. The external options are in process and will continue in earnest to address the long-term needs of the Group.

Management is also of the opinion that they have a number of so called self-help actions at their disposal which could potentially provide additional liquidity in 2016. These remedial actions and options include, but are not limited to, the following:

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

There is a risk that if the forecast is not fully realized, the Company needs additional liquidity on Group level in the near future that cannot be solved through so called self-help actions.

Since there is a material risk that the Company faces a liquidity shortage that has not been secured with additional funding, this indicates the existence of material uncertainties, which may cast significant doubt about the Group's ability to continue operating as a going concern.

In light of the above, the Group has assessed the going concern assumption on the basis of which the June 30, 2016, condensed consolidated interim financial statements have been prepared. Management is of the opinion that considering the risks and uncertainties as stated above, going concern is mainly dependent on the realization of the 2016 budgets and forecasts within the boundaries set by Management and conclude that the application of the going concern assumption for the June 30, 2016, condensed consolidated interim financial statements is therefore appropriate.

D) 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, 2015.

E) CHANGES TO THE GROUP

On January 27, 2014 the AEG Power Solutions GmbH, the Group's German subsidiary, divested its power control modules business to Advanced Energy Industries 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 €23.0 million (thereof €1.0 million earn-out which was received in March 2015). The Company entered into a long-term manufacturing agreement for manufacturing the modules for Advanced Energy Industries.

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

The following table presents the half-year period trading results of 2016 and 2015 as continued operations and included in the June 30, 2016 condensed consolidated interim financial statements from legal entities/business activities that were sold during 2014 and 2016.

in thousands of euros	Total Revenue[1] June 30, 2016*	Total Revenue[1] June 30, 2015*	External Revenue June 30, 2016*	External Revenue June 30, 2015*
POC Modules business[2]	2,274	2,028	2,274	2,028
Fluxpower GmbH	254	2,149	254	2,147
Primetech s.r.l.	196	1,735	196	1,735

* 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] June 30, 2016*	Gross margin[1] June 30, 2015*	Income/(loss) before interest and tax (EBIT)[1] June 30, 2016*	Income/(loss) before interest and tax (EBIT)[1] June 30, 2015*
POC Modules business[2]	253	(379)	217	(401)
Fluxpower GmbH	46	650	(47)	(27)
Primetech s.r.l.	44	656	(42)	148

* 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.

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, 2015. The new and amended standards and interpretations effective as from January 1, 2016, have no impact on these condensed consolidated interim financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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, 2015.

For the half-year period the top 5 customers accounted for approximately 16.6% of the Group revenue (2015: 16.4%).

5. SEGMENTS

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

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

RESULTS BY OPERATING SEGMENT
For half-year to June 30, 2016*

in thousands of euros	Industrial Power Solutions	Unallocated amounts	Total
Revenue	**79,744**	**–**	**79,744**
Segment operating income/(loss)	**(3,644)**	**(136)**	**(3,780)**
Restructuring income/(costs)	(202)	156	(46)
Capitalized development costs (net of amortization and impairment)	(699)	–	(699)
Central overheads	–	(1,971)	(1,971)
Result on divestments	4,828	–	4,828
Capital gain	37	–	37
Amortization and impairment of intangibles and goodwill on acquisition[1]	(3,046)	(133)	(3,179)
Income/(loss) before interest and tax (EBIT)[2]	**(2,726)**	**(2,084)**	**(4,810)**

* 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 €56,452 thousand for goods and €23,292 thousand for services.

RESULTS BY OPERATING SEGMENT
For half-year to June 30, 2015*

in thousands of euros	Industrial Power Solutions	Unallocated amounts	Total
Revenue	**84,112**	**–**	**84,112**
Segment operating income/(loss)	**(5,240)**	**85**	**(5,155)**
Restructuring income/(costs)	(1,234)	169	(1,065)
Capitalized development costs (net of amortization and impairment)	(320)	–	(320)
Central overheads	–	(2,378)	(2,378)
Result on divestments	900	–	900
Capital loss	(35)	–	(35)
Amortization and impairment of intangibles and goodwill on acquisition[1]	(2,772)	(133)	(2,905)
Income/(loss) before interest and tax (EBIT)[2]	**(8,701)**	**(2,257)**	**(10,958)**

* 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 €58,822 thousand for goods and €25,290 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 ON 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 period ended June 30, 2016*	17,243	31,178	28,760	2,563	–	**79,744**
Revenue for the period ended June 30, 2015*	21,498	31,121	29,281	2,212	–	**84,112**

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

For the period ended and as at June 30, 2016*

in thousands of euros	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Non-current assets[1]	29,214	16,177	1,632	–	–	**47,023**
Total assets	53,668	64,059	26,359	638	–	**144,724**
Total liabilities	44,326	85,582	14,589	4,892	–	**149,389**

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

For the period ended and as at December 31, 2015*

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

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

6. OTHER INCOME/(EXPENSE)

	Half-year to June*	
in thousands of euros	2016	2015
Result on divestments Fluxpower, Primetech and POC Modules business	4,828	1,000
Other income	37	152
Other income	**4,865**	**1,152**
Amortization of intangible assets	(1,021)	(1,448)
Impairment of goodwill (Fluxpower GmbH)	(700)	–
Restructuring costs (net)	(46)	(1,065)
Other expense	(47)	(135)
Other expense	**(1,814)**	**(2,648)**
Total other (expense)/income	**3,051**	**(1,496)**

* unaudited

7. FINANCE INCOME AND COSTS

	Half-year to June*	
in thousands of euros	2016	2015
Interest income on bank deposits	128	357
Foreign exchange income	725	3.204
Finance income	**853**	**3,561**
Interest expense on loans and payables	(142)	(192)
Interest expense on notes payable	(4,218)	(2,872)
Pension related financial expenses	(279)	(306)
Foreign exchange costs	(1,171)	(2,742)
Other finance costs	(290)	(250)
Finance costs	**(6,100)**	**(6,362)**
Net finance income/(costs)	**(5,247)**	**(2,801)**

* unaudited

Interest on notes payable relates to interest accrued at 6.0% on the Notes placed in August 2014 , see note 13 (2015: 4.0%) 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.

8. INCOME TAX (CHARGE)/BENEFIT

	Half-year to June*	
in thousands of euros	2016	2015
Current tax benefit/ (expense)		
Income tax benefit/(charge) for the period	116	144
Deferred tax benefit/ (expense)		
Origination and reversal of temporary differences	199	(490)
Deferred tax benefit/(expense)	**199**	**(490)**
Total income tax benefit/(expense)	**315**	**(346)**

* unaudited

RECONCILIATION OF EFFECTIVE TAX RATE

	Half-year to June*	
in thousands of euros	2016	2015
Loss from continuing operations for the period	(9,742)	(14,105)
Total income tax benefit/(charge)	315	(346)
Loss from continuing operations before income tax	**(10,057)**	**(13,759)**
Expected income tax benefit using the Company's domestic tax rate of 29.22% (2015: 29.22%)	2,939	4,020
Effect of different local tax rates	1,062	(82)
Current-year losses for which no deferred tax asset was set up	(3,686)	(3,769)
Reduction of deferred tax assets	–	(515)
Income tax benefit/(loss)	**315**	**(346)**

* unaudited

9. INTANGIBLE ASSETS

As a result of the acquisition of AEG Power Solutions, €102.5 million of goodwill was generated in 2009 and fully amortized by the end of 2015.

Following the sale of Fluxpower GmbH, a charge of €0.7 million of goodwill was reflected in the financial statement of income (capital gain). At December 31, 2015, this amount was included in Assets held for sale.

10. 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, 2016*	Dec. 31, 2015
Tax losses	37,158	36,428
Deductible temporary differences	6,574	8,563
Total unrecognized deferred tax assets	**43,732**	**44,991**

* unaudited

Of the total unrecognized tax losses, €5.6 million (2015: €5.1 million) will expire within ten years, nil (2015: nil) will expire after ten years and €31.6 million (2015: €31.3 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, 2016*	Liabilities June 30, 2016*	Assets Dec. 31, 2015	Liabilities Dec. 31, 2015
Property, plant and equipment	–	(2,536)	–	(2,367)
Intangible assets	–	(3,973)	–	(4,464)
Inventories	287	–	378	–
Employee benefits	4,089	–	4,137	–
Provisions	94	–	94	–
Other items	(61)	140	371	(297)
Sub-total	**4,409**	**(6,369)**	**4,980**	**(7,128)**
Tax loss carry-forwards	6,992	–	6,981	–
Tax assets/(liabilities)	**11,401**	**(6,369)**	**11,961**	**(7,128)**
Set-off of deferred tax positions	(6,369)	6,369	(7,128)	7,128
Net tax assets/(liabilities)	**5,032**	–	**4,833**	**–**

* unaudited

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD

in thousands of euros	Balance Dec. 31, 2015	Recognized in Profit or loss	Recognized in Other Compre-hensive Income	Balance June 30, 2016*
Property, plant and equipment	(2,367)	(169)	–	(2,536)
Intangible assets	(4,464)	491	–	(3,973)
Inventories	378	(91)	–	287
Employee benefits	4,137	(48)	–	4,089
Provisions	94	–	–	94
Other items	74	5	–	79
Sub-total	**(2,148)**	**188**	–	**(1,960)**
Tax loss carry-forwards	6,981	11	–	6,992
Total	**4,833**	**199**	–	**5,032**

* unaudited

11. CAPITAL AND RESERVES

A) SHARE CAPITAL

in number of shares	Ordinary shares	Treasury shares [1]	Total shares
Issued at December 31, 2014 [2]	**83,469,137**	**234,566**	**83,703,703**
Issued at June 30, 2015*	**83,469,137**	**234,566**	**83,703,703**
Issued at December 31, 2015 [2]	**83,469,137**	**234,566**	**83,703,703**
Issued at June 30, 2016*	**83,469,137**	**234,566**	**83,703,703**

* unaudited

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

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

B) DIVIDEND

No dividends were declared or paid by the Company in 2016 or 2015.

12. 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:

in thousands of euros	Half-year to June* 2016	2015
Loss for the period	(9,992)	(14,683)
Continuing operations	(9,742)	(14,105)
Discontinued operations	(250)	(578)

* unaudited

in euros	Half-year to June* 2016	2015
Basic loss per share	(0.12)	(0.18)
Diluted loss per share	(0.11)	–
Continuing operations loss per share	(0.12)	(0.17)
Discontinued operations loss per share	–	(0.01)

* unaudited

13. LOANS AND BORROWINGS

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

in thousands of euros	June 30, 2016*	Dec. 31, 2015
Non-current		
Notes payable	47,355	49,670
Unsecured government loans	418	439
Total non-current	**47,773**	**50,109**
Current		
Unsecured government loans	76	76
Bank overdrafts	–	3,298
Obligations under receivable factoring arrangements	1,439	2,398
Total current	**1,515**	**5,772**
Grand total of current and non-current	**49,288**	**55,881**

* 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, 2016*	Carrying amount June 30, 2016*	Nominal value Dec. 31, 2015	Carrying amount Dec. 31, 2015
Notes payable[1]	EUR	Escalating annual interest rate from 4.0% to 12.0%	2019	45,304	38,183	50,000	40,872
Notes payable[2]	EUR	5.5%	2020	14,000	9,172	14,000	8,798
Government loans[3]	EUR	–	2021–2022	494	494	515	515
Bank overdraft[4]	EUR	Euribor +2.25%–3.50%	–	–	–	3,298	3,298
Obligations under receivable factoring arrangements[5]	EUR	Euribor +0.95%–3.25%	–	1,439	1,439	2,398	2,398
Total				**61,237**	**49,288**	**70,211**	**55,881**

* unaudited

There are only non-material differences between the carrying amount and fair value for both the non-current and current part of the loans and borrowings. These differences are comparable to the differences as disclosed in the last annual financial statements. All financial instruments carried at fair value within the Company are categorized in "level 1" which is equal to last year. The valuation techniques and the inputs used in the fair-value measurement did not change during 2016 compared to last year.

The fair value of the €45.3 million notes payable amount to €30,762 thousand as at June 30, 2016 (December 31, 2015: €35,005 thousand). The fair value of all other financial assets and liabilities are considered to be equal to their carrying values.

Non-current

[1] **Unsubordinated notes payable €45.3 million effective interest 15.96%, due August 29, 2019.**
On August 29, 2014, the Company issued loan notes (the "Notes") with a nominal value of €50.0 million. The Notes were exchanged by creditors of the old bond as well as investors participating in an accelerated book building on August 25/26, 2014. The Notes bear interest from and including August 29, 2014 to, but excluding August 29, 2019, at an escalating interest rate starting at 4.0% and on an annual basis increased with 2.0% p.a. (15.96% effective interest), payable annually in arrears on February 29 (if the relevant calendar year is a leap year or on February 28 if the relevant calendar year is not a leap year) and August 29 of each year. The first interest payment was made on February 28, 2015. The Notes are redeemable at par on August 29, 2019. The Notes have the benefit of unconditional and irrevocable guarantees by certain subsidiaries of the issuer. Once per interest period the issuer is entitled to redeem all outstanding Notes in the amount of 20.0% of the initial principle amount of a Note (i.e. in each interest period in the amount of EUR 100.00 per note). The issuer is free to choose the interest periods in which it wishes to make a partial redemption. The Issuer is entitled at any time to redeem the outstanding Notes in whole, but not in part, at 101.0% of the outstanding principal amount of the Notes together with accrued interest. If a change of control occurs, each Noteholder shall have the right to require the issuer to redeem or, at the issuer's option, purchase (or procure the purchase by a third party of) in whole or in part his Notes at 100.0% of the outstanding principal amount (the "Put Option"). An exercise of the Put Option shall, however, only become valid if during the put period Noteholders of Notes with a principal amount of at least 50.0% of the outstanding aggregate principal amount of the Notes then outstanding have exercised the Put Option. On April 14, 2015, the Company repayed €4.7 million reducing the net nominal value to €45.3 million. Management judgment is that the Notes will be held until maturity.

[2] **Unsubordinated notes payable €14,000,000, five-year subordinated non-mandatory convertible at €0.60 with an annual coupon of 5.5% (effective interest 17.47%), due November 11, 2020.**
Costs of issuing the Notes amounted to €422 thousand. The Notes bear interest from and including November 11, 2015, to, but excluding November 11, 2016, at a rate of 5.50% p.a. (17.47% effective interest), payable annually in arrears on November 11 of each year. The first interest payment will be made on November 11, 2016. The Notes are redeemable at par on November 11, 2020. The Notes have the benefit of an unconditional and irrevocable guarantee by AEG Power Solutions B.V. Management analyzed the relevant terms of the contract that impacted the accounting of the Convertible Bond. These terms included: a) interest, b) early redemption and c) conversion right. Management concluded that the interest and the notional amount classify as liability. Furthermore Management concluded that the conversion option is classified as equity and should be separately valued and accounted for. The conversion option was valued at 15% and revealed a value of €4.8 million which was recognized in other equity.

Other non-current loans

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

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 +3.25% 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 €10.9 million at June 30, 2016. These finance facilities are secured by trade account receivables. The interest conditions for these finance facilities vary between Euribor plus a margin between 0.95% and 3.25%. The facilities have no fixed expiry date, but most are renewable annually.

14. PROVISIONS

Provisions included in current liabilities relate primarily to restructuring of €5.3 million. Long-term provisions relate to product warranty reserves and mid-term risks.

15. 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, 2016*

in thousands of euros	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Operating leases	1,966	2,264	671	322	5,223
Unconditional purchase obligations	64	–	–	–	64
Total	**2,030**	**2,264**	**671**	**322**	**5,287**

* 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 €1.6 million in 2016 (€1.9 million in 2015).

OTHER COMMITMENTS

June 30, 2016*

in thousands of euros	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Guarantees	5,450	2,333	1,746	855	10,384

* unaudited

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

TRADEMARK LICENSE AGREEMENT

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

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

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

16. 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 and corresponding provisions included in these interim Financial Statements, 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.

17. 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, 2016 were as follows:

	No. of shares	50.0 million Bonds at nominal value (€)	14.0 million Convertible Bonds at nominal value (€)
Intec Beteiligungs-gesellschaft	6,072,080	100,000	100,000
Mr. W. Loose	1,670,000	–	100,000
Mr. B. Luft	4,175,644	248,500	100,000
Mr. K. Schulze	2,077,066	–	100,000
Mr. J. Casper	2,599,614	–	–
AEG PS managers	20,000	–	–
Total	**16,614,404**	**348,500**	**400,000**

AEG PS managers refer to key executives other than Directors.

APPENDIX

RECONCILIATION FROM REPORTED EBIT TO ADJUSTED EBIT

For the period ended

	Half-year to June*	
in millions of euros	2016	2015
Reported EBIT	**(4.8)**	**(11.0)**
Adjustments		
Amortization of intangibles on acquisition	2.5	2.9
Restructuring costs	–	1.1
Result on divestments	(4.8)	(0.9)
Impairment of goodwill	0.7	–
Total adjustments	**(1.6)**	**3.1**
Adjusted EBIT	**(6.4)**	**(7.9)**

* unaudited

DERIVATION OF EBITDA

For the period ended

	Half-year to June*	
in millions of euros	2016	2015
Reported EBIT	**(4.8)**	**(11.0)**
Depreciation and amortization charges		
Amortization and impairment of intangibles on acquisition	3.2	2.9
Depreciation charge on tangible assets	1.3	1.5
Amortization charge on intangible assets	0.4	0.5
Other	1.0	1.3
Total depreciation and amortization charges	**6.0**	**6.2**
EBITDA	**1.1**	**(4.8)**

* 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.

DERIVATION OF NORMALIZED EBITDA

For the period ended

	Half-year to June*	
in millions of euros	2016	2015
Adjusted EBIT	**(6.4)**	**(7.9)**
Depreciation and amortization charges		
Depreciation charge on tangible assets	1.3	1.5
Amortization charge on intangible assets	0.4	0.5
Other	1.0	1.3
Total depreciation and amortization charges	**2.7**	**3.3**
Normalized EBITDA	**(3.7)**	**(4.6)**

* unaudited

RECONCILIATION FROM REPORTED NET INCOME TO ADJUSTED NET INCOME

For the period ended

	Half-year to June*	
in millions of euros	2016	2015
Reported net income	**(10.0)**	**(14.7)**
Adjustments		
Amortization of intangibles on acquisition	2.5	2.9
Restructuring costs	–	1.1
Capital gain on divestments	(4.8)	(0.9)
Impairment of goodwill	0.7	–
Estimated tax effect on the above	0.1	0.2
Total adjustments	**(1.5)**	**3.3**
Adjusted net income	**(11.5)**	**(11.4)**

* unaudited

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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.

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