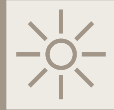
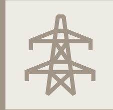

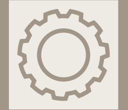

ANNUAL REPORT 2014

NEW STRUCTURE FOR A SUCCESSFUL FUTURE

KEY PERFORMANCE INDICATORS (KPIs)

3W POWER | AEG POWER SOLUTIONS GROUP

	January 1 to December 31		
in millions of euros	2014	2013[1]	% change
Backlog	85.7	85.2	0.6%
Orders	210.0	228.5	-8.1%
Revenue	203.3	260.3	-21.9%
Book to Bill	1.03	0.88	17.7%
EBITDA	(12.2)	(23.6)	48.2%
% of revenue	*-6.0%*	*-9.1%*	
Normalized EBITDA	(17.7)	(5.3)	
% of revenue	*-8.7%*	*-2.0%*	
Adjusted EBIT	(25.3)	(15.3)	-65.3%
% of revenue	*-12.5%*	*-5.9%*	
Reported EBIT	(34.6)	(58.5)	40.8%
% of revenue	*-17.0%*	*-22.5%*	
Net income	7.5	(81.5)	
Adjusted net income	9.6	(45.4)	
Results from discontinued operations	(0.9)	(7.0)	
Earnings per share (in euros)	0.23	(17.03)	
Adjusted earnings per share (in euros)	0.30	(9.48)	
Cash from operating activities	(31.4)	9.9	
Cash used in investing activities	28.1	(7.6)	
Working capital	26.5	29.4	
Cash	29.9	32.7	
Net (debt)	(23.3)	(74.2)	

[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 discontinued operations.

AEG POWER SOLUTIONS – RENEWABLE EFFICIENCY SOLUTIONS (RES)

	January 1 to December 31		
in millions of euros	2014	2013[1]	% change
Backlog	8.0	14.1	-42.9%
Orders	32.6	57.4	-43.1%
Revenue	30.5	96.1	-68.3%
Book to bill	1.07	0.60	79.5%
EBITDA	(7.8)	(6.8)	-15.4%
% of revenue	*-25.6%*	*-7.0%*	
Normalized EBITDA	(18.7)	1.2	
% of revenue	*-61.4%*	*1.2%*	
Adjusted EBIT	(21.6)	(4.5)	
% of revenue	*-71.0%*	*-4.7%*	
Reported EBIT	(19.4)	(28.7)	32.2%
% of revenue	*-63.8%*	*-29.8%*	

AEG POWER SOLUTIONS – ENERGY EFFICIENCY SOLUTIONS (EES)

	January 1 to December 31		
in millions of euros	2014	2013[1]	% change
Backlog	77.7	71.1	9.2%
Orders	177.4	171.2	3.6%
Revenue	172.8	164.2	5.3%
Book to bill	1.03	1.04	-1.5%
EBITDA	3.4	0.5	
% of revenue	*2.0%*	*0.3%*	
Normalized EBITDA	3.6	5.7	-35.9%
% of revenue	*2.1%*	*3.5%*	
Adjusted EBIT	(0.8)	1.5	
% of revenue	*-0.5%*	*0.9%*	
Reported EBIT	(6.9)	(12.1)	43.0%
% of revenue	*-4.0%*	*-7.4%*	

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

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CHAIRMAN’S REVIEW

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

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

DEAR STAKEHOLDERS IN
3W POWER | AEG POWER SOLUTIONS,

In December 2013, in connection with the complete withdrawal of Ripplewood as a shareholder, several experienced and successful entrepreneurs from medium-sized businesses acquired shares in 3W Power | AEG Power Solutions independently from one another. I myself was one of these investors. Following various contingent resignations, four new partners from this group of investors were coopted to the Board of Directors and verified over the course of the year at the meeting of shareholders, each of whom promised to contribute his full personal commitment, along with his extensive experience of the power electronics industry to facilitate and to achieve a speedy turnaround for the Company.

2014 was an eventful and pioneering year for 3W Power | AEG Power Solutions. In the face of dramatic changes in some of our markets as e.g. in solar and polysilicon the Board of Directors intervened and, together with Management, began comprehensive and ambitious restructuring efforts. This referred to business strategy, operational business and our financial situation. In order to develop and quickly and effectively implement the necessary measures, we formed a compact restructuring committee to go a step beyond and focus all its strength on the Company’s recovery. The Board of Directors and the Management were always completely aligned when it came to goals and measures, and what priority these should take. In his capacity as Chief Restructuring Officer, Jeffrey Casper was responsible for operational corporate management and was fully deserving of the trust we put in him. Jeffrey Casper will also be leading further development efforts. In November 2014, he was appointed Chief Executive Officer of 3W Power | AEG Power Solutions.

3W Power | AEG Power Solutions took consistent measures as part of our essential new strategy in 2014 to focus on activities and markets where the Company is most competitive and consequently will be able to achieve attractive profits mid- and long-term. As a consequence of this, Management disposed of all assets and closed all subsidiaries which are not part of the main business according to the new strategy. These measures also allowed for the release of important liquid funds for financing the concerted efforts at breaking even, of which reduction of headcount also comprised a significant part.

In parallel to this, the Group's tight financial situation was restructured and a solid financial foundation for further operational development of the Company was established in the summer of 2014. Due to an exchange of the former bond of €100.0 million for a new bond of €50.0 million, the level of debt and also the burden of interest for the Company in the next years was lowered considerably, and the maturity was extended to 2019. An additional debt-to-equity swap mitigated the effects of the exchange for bondholders and created a realistic chance of full value recovery, as they are now shareholders in the Company and are able to participate in the results of the operational and financial restructuring. Together with the implemented cash capital increase, the Company's equity ratio rose considerably. The financial restructuring was attended to constructively by all stakeholders, bondholders and shareholders, and received over 99% support in the respective meetings. Therefore, I personally like to thank all those who thereby gave the Company a new chance.

Although 3W Power | AEG Power Solutions was able to be considerably stabilized and improved thanks to the aforementioned measures, restructuring and optimization are still ongoing. However, the Company regained important ability to act and in doing so achieved the conditions for changing a previously insufficiently competitive and antiquated business structure into a customer-oriented, lean, flexible and therefore effective organization. We on the Board of Directors actively and constructively attend to and oversee development because we are certain that, with the cooperation of all decision-makers, 3W Power | AEG Power Solutions will be successful in achieving this aim too.

I am also exceedingly optimistic about the pioneering spirit which is now present within our Company. The entire team, from Management to every employee, is united in its goal of achieving long-lasting, profitable and successful growth in the future. This includes taking up new opportunities arising within the market for our core capabilities. This means, among others, the attractive markets currently developing in the fields of energy storage and grid management. First project successes are to be transferred over to lasting market positions for the future.

I would be much obliged if you, dear stakeholders, would continue to put your faith in us. So I cordially invite you to accompany the Company on its further journey.

Thank you for your support and commitment.

Yours sincerely,

Dr. Dirk Wolfertz
Chairman of the Board of Directors

LETTER TO STAKEHOLDERS

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

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.

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

Business year 2014 was a very volatile and challenging year for the Group. The Company needed to go through a public and difficult restructuring that required the sacrifices of many stakeholders, e.g., shareholders, bondholders, Management and employees. It also required patience and understanding from our suppliers and our customers. Nevertheless, the associated measures were unavoidable in order to achieve a going concern, and they marked the initiation of a notable turnaround for the Group.

Based on the trust from and strong alignment with the new major shareholders and Directors, who are themselves all experienced and competent managers in the power electronics industry, 3W Power | AEG Power Solutions made substantial progress on the most important elements of the restructuring. These include: i) focusing on the Group's core activities; ii) realignment of the cost base by reduction in Group overhead; iii) structural improvement of the Group's financials, especially restructuring of the long-term indebtedness; and iv) initiating a transformation of the Company's organization.

Focusing on core activities
To face the challenges posed by the decrease in revenue and operational losses, we informed the public in early January 2014 that the Company would focus its business on the core areas of competitive strength and would therefore be readjusting its footprint. This included concentrating on reducing the worldwide cost base and focusing on core product lines, as well as restructuring and closing down non-profitable entities. Important achievements followed in the months after this announcement. In early January, the Group stopped financing its structurally loss-making subsidiary in Lannion, France, and placed the entity in liquidation in order to reduce cash burn. Just a few days later, the Company initiated plans to close down its R&D and sales office in Richardson, Texas, USA. This entity consistently operated at a loss and continued to consume cash. After existing products and activities were transferred to our German subsidiary, the U.S. office ceased activity at the end of April 2014. Also in January, the German subsidiary AEG Power Solutions GmbH divested its Power Control Modules business (Thyro-Family product line) to Advanced Energy Industries for €23.0 million in cash. In February, the Group agreed with a South African investor to sell 75% of the shares in the South African subsidiary holding the facility in Cape Town. In April, 3W Power | AEG Power Solutions signed a sale and purchase agreement with Toshiba Mitsubishi-Electric Industrial Systems Corporation (TMEIC) to divest the entire Indian affiliate. The transaction was completed on July 31, 2014. In June, we also announced the sale of the German affiliate skytron energy GmbH to First Solar. This sale was closed on July 3, 2014. The aforementioned closures and disposals allowed us to significantly adjust the Company's structure to a more appropriate level, withdraw from structurally unprofitable business and gain liquidity for financing of activities in the remaining core business.

Rationalizing operations
During 2014, fixed costs of operations were gradually reduced due to the restructuring measures taken. On a like-for-like basis (excluding sold assets/discontinued operations), the Group's total fixed costs fell by €25.2 million compared to 2013. In this context, headcount was also reduced from 1,521 at year-end 2013 to 988 employees at the end of February 2015. The reorganization at our largest facility in Belecke, Germany, was especially important in this regard. Following the signing of an agreement for a social plan and balance of interest in March, a total of 160 employees from all departments left the Company. These measures became inevitable in order to safeguard the future of the whole Company and, in particular, to secure the long-term operations at the Belecke site. Despite the reductions, the German subsidiary remains the Group's largest facility, and the Belecke site is a major source of expertise.

Restructuring the Group's financials
One of the most important aspects of business year 2014 was the successful execution of the comprehensive financial restructuring. After creditors of the Company's old corporate bond and shareholders both agreed on the Company's proposals with approval rates of more than 99% each at a bondholders' meeting and at a general meeting respectively, the implementation of the financial restructuring took place between July 24 and August 29. The successful conversion of the old bond resulted in a reduction in loans from €100.0 million to €50.0 million in exchange for 45.2 million new shares (debt to equity). The new €50.0 million bond extends its maturity to August 29, 2019 and reduces interest expense from the former fixed annual rate of 9.25% to an initial rate of 4.00% p.a. with an annual step-up of 2.00% per year to a maximum of 12.00% p.a. The new bond is freely pre-payable at any time. The Company also issued 25,109,731 new shares in connection with its cash capital increase from authorized capital and successfully placed them all at a price of €0.16, completing a capital increase of approximately €4.0 million.

The conversion of the bond and the capital increase resulted in a substantial improvement in the Company's equity, which was €44.0 million as at December 31, 2014. This allowed the Company to regain a solid financial base for its planned activities going forward. The complete financial restructuring concept and its execution in a clear and efficient manner have been described by restructuring experts as a constructive role model for such undertakings.

Customer loyalty
Strikingly evident from early on in the overall restructuring process was that, despite all challenges, the Group was extremely important to its customers. AEG Power Solutions and the associated historic companies Saft Power Systems, Harmer & Simmons and NIFE have long and storied histories of operating in critical power in some of the most important infrastructure environments that exist. Our systems and applications have a respected and critical position in our core markets. We were able to continue to serve our customers, and I am pleased to note that we did not lose a single frame contract or major client. We are therefore grateful to our customers, and we are further on committed to serving them.

In oil and gas, power generation including nuclear power, transportation and general industry, our critical power applications provide safety and reliability. We save lives. The robustness and quality of our applications are well known and highly appreciated by end customers in the markets we serve.

Group financial results 2014
As a result of our restructuring measures and the Group's reduced footprint, both orders and revenue of 3W Power | AEG Power Solutions were below the previous year's level. While orders decreased 8.1% to €210.0 million (2013: € 228.5 million), revenue was down 21.9% to €203.3 million (2013: 260.3 million) year on year. Variance was in line with expectations, and revenue level met the guidance we had given to the market following the financial restructuring accomplished in mid-2014. EBITDA was still negative at -€12.2 million – which, however, meant a substantial improvement of 48.2% (2013: -€23.6 million) year on year. The EBITDA margin for the year was -6.0% (2013: -9.1%). The most important driver for our profit situation was the restructuring, which is improving results and provides evidence that the Company continues to recover and is stabilizing its position. Following negative Normalized EBITDA (which is EBITDA impacted by one-time transactions) on a quarterly basis from Q1 to Q3 2014, a positive €1.8 million Normalized EBITDA in Q4 2014 demonstrated the Company's ability to achieve profits in operating business. It thereby underlines the successful progress of the Group's turnaround process.

The Renewable Energies Solutions (RES) business further declined in 2014, driven significantly by the drop in underlying Solar and POC markets as well as divestments of non-core units within the Group. RES orders fell by 43.1% year on year to €32.6 million (2013: €57.4 million), and revenue was even down 68.3% to €30.5 million (2013: €96.1 million). RES EBITDA in 2014 was down 15.4% to -€ 7.8 million (2013: -€6.8 million). Still, there is no sign of a structural recovery in this weak market for RES.

The activities in Energy Efficiency Solutions (EES) remained our most important competitive strength. EES experienced growth in the industrial business in 2014. While the focus on key end-customer segments – such as oil and gas, power generation and transportation – proved successful, additional order intake was partially hindered by the macro developments in the Middle East. EES orders were up 3.6% in 2014, reaching €177.4 million (2013: €171.2 million), and EES revenue increased by 5.3% to €172.8 million (2013: €164.2 million) year on year. In 2014, EES EBITDA increased to €3.4 million (2013: €0.5 million).

Future prospects/transformation of the organization

Although many objectives were accomplished in 2014, 3W Power | AEG Power Solutions is still just in year two of a difficult restructuring. We expect the unrectified situation in Russia and Ukraine, the recent decrease in the oil price as well as an uncertain economic perspective to burden our results in the first half of 2015. However, a further improvement of the situation is expected thereafter. For full business year 2015, we forecast revenue to be in line with the revenues of 2014 on a like for like basis. The medium-term goal remains having top-line growth in the mid-single digits and an EBITDA margin of 5% to 10%.

On an internal level, the challenge for us going forward is not only to rely upon best-in-class technology and reliability, but to develop and implement a customer-facing organization that is proactive, receptive to input and adaptive to the changing commercial environments in which we operate. Our service personnel are highly qualified. In our core markets, we must continue to increase our footprint and expand our capability so that we not only provide the best service, but do so with efficiency and discipline.

We must also be smart and attentive to continued opportunities that exist in our focused fields. Areas such as energy storage and data centers offer some intriguing possibilities. And we must learn how to grow profitably. To achieve these objectives, we require a different mindset and organization than in the past. Our operations need to be focused on reduced costs, better quality and higher efficiency. Again, this requires new systems, processes and an even higher performance of our employees.

Continuous and sustainable improvement in these areas will result in faster growth and higher profits. This does not happen in a short period of time, but instead requires sustained and constant effort. I am committed – together with a fresh and focused core management team – to achieving these results. We are very pleased to have a supportive and helpful board with the depth, experience and perseverance to see these improvements through.

I would like to thank all stakeholders for their continued patience and their sustained confidence in 3W Power | AEG Power Solutions. Although the upcoming tasks are demanding, based on what has already been achieved, I am fully convinced we will be bringing the Company further back on track and will achieve solid results going forward.

Yours sincerely,

Jeffrey Casper
CEO

OUR SHARES

SHARE PRICE DEVELOPMENT

Global capital markets were strongly affected by external influences in 2014. The European Central Bank's consistent monetary policy of low interest rates, the generally low commodity prices and the positive performance of technology stocks boosted investor sentiment. However, political and military conflicts in Ukraine and the Middle East, the substantial decrease in the price of oil, rising debt in some European countries and the end of the Federal Reserve's quantitative easing dampened prospects for macroeconomic growth. As a result of these contrary factors, stock markets were highly volatile in the reporting period. The Dow Jones gained 7.55% during 2014 and hit a new all-time high of 18,103 points on December 26 despite a number of intermediate setbacks. This was even more the case for the German DAX. Its development was characterized by severe ups and downs during the period

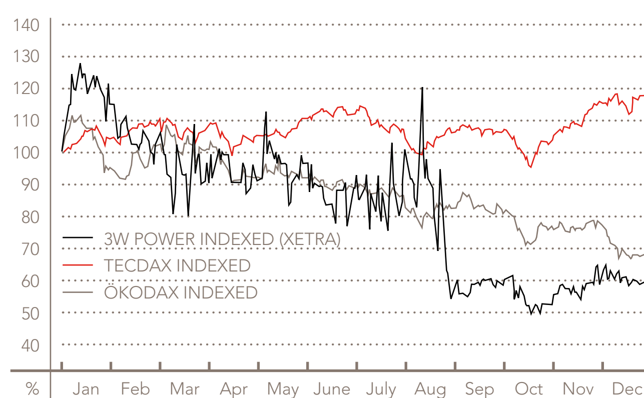
SHARE INFORMATION

ISIN	LU1072910919 (since July 16, 2014); previously: LU0953526265
Stock exchange	Frankfurt Stock Exchange, Xetra (Deutsche Börse AG), Frankfurt/Main, Germany
Symbol	3W9K (since July 16, 2014); previously: 3W9
Reuters symbol	3W9K.F (since July 16, 2014); previously: 3W9.F
Designated sponsor	ODDO SEYDLER BANK AG (formerly: Close Brothers Seydler Bank AG)
High in 2014	€0.93 (January 28, 2014); based on 83,703,703 shares
Low in 2014	€0.30 (October 16, 2014); based on 83,703,703 shares
Closing price on December 30, 2014	€0.42
Market capitalization on December 30, 2014	€35.16 million
Number of shares outstanding	83,703,703

Source: Deutsche Börse

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

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



under review. Although the index reached a new record of 10,093 points on December 5, the performance of individual shares in Germany's top 30 listed companies varied greatly, posting a mere 2.16% increase in value in 2014. The German ÖkoDAX, consisting entirely of issuers from the renewable energy sector, continued its downward trend and fell by 30.73% to 31.97 points in 2014, thereby reflecting the structural problems that many issuers in this industry faced.

The 3W Power share declined in value during the reporting period. Retroactively adjusted for the effects of splits and subscription rights (see explanation below), it started relatively well in 2014 and reached its highest quotation at €0.93 on January 28. During the months that followed, the share price fluctuated between approximately €0.50 and €0.80 before losing further value following the realization of the financial restructuring measures. After exercising rights to acquire new shares and thereby increasing their positions, some investors disposed their holdings, putting pressure on the share price. This pushed down the share price to its lowest quotation of €0.30 on October 16. Although it gradually regained value before the end of the year, the share price was only partly able to recover its losses and closed at €0.42 on December 30, resulting in a decrease of 36.94% in 2014.

Xetra trading volumes in 3W Power's stock amounted to almost 16.0 million in 2014. The average daily turnover of more than 66,000 shares meant a sufficient base for investors to place their orders. Liquidity in the Company's securities is important, especially for institutional investors who require a high turnover, since it makes the placement of larger orders more feasible.

FINANCIAL RESTRUCTURING

On March 19, the Company informed the public by ad hoc release that it had agreed with major creditors on the essential economic principles for the 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 2010/2015 nominal value, the issuance of a new €50.0 million bond 2014/2019, a cash capital increase by contribution of €4.0 million (rounded) with subscription rights for the current shareholders and the implementation of a comprehensive operational restructuring program. This financial restructuring plan was approved by bondholders at a creditors' meeting on May 5 and by shareholders at an extraordinary general meeting on June 25 by majorities of more than 99% each.

The resolutions were carried out between July and August 2014. A reverse share split with a ratio of 10:1 was conducted with effect from July 16, which led to 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 way of issuing 25,109,731 new registered shares with a nominal value of €0.01 per share at a subscription price of €0.16 started on July 24 and ended on August 25. The rights offering was fully underwritten. After the old bond 2010/2015 was officially delisted on July 25, the acquisition period for the new bond 2014/2019 (ISIN DE000A1ZJZB9), with a total volume of €50.0 million, as well as the issue of 53,570,370 new registered shares with a nominal value of €0.01 per share in exchange for the old bond started on July 31 and ended on August 22. Approximately 82% of the creditors of the old bond exercised their rights to new shares, and approximately 84% exercised their rights to new notes. The remaining shares and new notes were offered to investors in an accelerated bookbuilding procedure. Thanks to the successful implementation of the restructuring measures, 3W Power has achieved a solid financial basis going forward. As a result of the aforementioned measures, the number of shares outstanding increased from 50,236,024 to 83,703,703 shares.

INVESTOR RELATIONS

3W Power nurtures a continuous dialogue with its shareholders and the capital markets. The main focus in 2014 was the implementation and execution of the restructuring concept as well as the associated consolidation of the Company. Investor relations kept the public well informed about the relevant measures at all times, providing all required information for both institutional and private investors alike. Because 3W Power is committed to keeping its stakeholders informed of all key business and strategic developments, investor relations representatives are always available for interested parties and provide an essential link between the Company's management and capital market representatives.

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

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS OF 3W POWER S.A. ("THE COMPANY") FOR THE YEAR ENDED DECEMBER 31, 2014. THE COMPANY AND ITS CONSOLIDATED SUBSIDIARIES ARE COLLECTIVELY REFERRED TO AS THE GROUP.

CORPORATE EVENTS

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

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

AEG PS is a world provider of power electronics. It offers product and service portfolios in uninterruptable power supply (UPS), power conversion and control, for customers spanning the infrastructure markets of 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.

The Company changed its name from Germany1 Acquisition to 3W Power Holdings S.A. on April 9, 2010 while on June 8, 2010 it migrated from Guernsey to Luxembourg.

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

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

On May 19, 2011 the Company changed its name from 3W Power Holdings S.A. to 3W Power S.A.

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

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

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

On August 26, 2014 the Company:

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

On August 29, 2014 the Company:

- completed an exchange offer program. Approximately 82% of the creditors of the Notes exercised their rights to new shares and approximately 84% exercised their rights to new notes. The acquisition period went from July 31, 2014 to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book building. The shares were sold for €0.26 per share and the Notes were sold for 70% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bond holders who elected not to subscribe to the new debt and equity increase.
- issued a new bond 2014/2019 (ISIN DE000A1ZJZB9/WKN A1ZJZB) with a total volume of €50.0 million and a term of five years as well as an initial interest rate (to be paid semi-annually) of 4% per annum (first year of the term), which will increase by 2% per annum for each following year of the term.

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

On November 18, 2014 The Board of Directors announced the appointment of Jeffrey Casper as Chief Executive Officer – and Dietrich Ehrmanntraut as Chief Operating officer of the Group.

OPERATING SEGMENTS

The Group operates in two segments, Renewable Energy Solutions ("RES") and Energy Efficiency Solutions ("EES"). RES comprises the Power Controllers and Solar business units. EES includes the Energy Management Solutions ("EMS") and DC Telecom converters.

NON CURRENT ASSETS HELD FOR SALE/ DISCONTINUED OPERATIONS

On January 8, 2014 the Group placed into administration its subsidiary in Lannion, AEG Power Solutions (France) S.A.S. The entity was structurally loss-making which the Group could no longer financially support. Lannion's cumulated (EBITDA) losses over the last five years, which were fully supported by the Group, reached €27 million, €11.1 million occurring in the last two years. On July 16, 2014 Lannion was brought into liquidation. Lannion's major line of business activity was in the Telecom onverter and LED business which therefore stopped and as such the 2013 operational loss has been represented and is included in results of discontinued operations. In these consolidated financial statements, the Converter business unit is excluded from the EES segment and 2013 numbers are represented for comparative purposes.

On January 15, 2014 the Group initiated plans to close down its R&D and sales office located in Richardson, Texas, USA. The entity was consistently loss-making and continued to consume cash that the Group could no longer afford to support.

GROUP AND SEGMENT FINANCIAL REVIEW

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 Unites States.

On January 27, 2014 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., Colorado, USA. Under the agreement, Advanced Energy Industries acquired the Thyro-Family product line for €22.0 million in cash plus a one-year cash earn-out of up to €1.0 million, 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 to produce the modules for Advanced Energy Industries. See subsequent events page 19.

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 acquired 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.

KEY FIGURES FOR THE YEAR ENDED DECEMBER 2014

	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)	32.6	57.3	30.5	96.1	(7.8)	(6.8)	(21.6)	(4.5)	(19.4)	(28.7)
% of revenue					*-25.6%*	*-7.0%*	*-71.0%*	*-4.7%*	*-63.8%*	*-29.8%*
Energy Efficiency Solutions (EES)	177.4	171.2	172.8	164.2	3.4	0.5	(0.8)	1.5	(6.9)	(12.1)
% of revenue					*2.0%*	*0.3%*	*-0.5%*	*0.9%*	*-4.0%*	*-7.4%*
Unallocated	–	–	–	–	(7.8)	(17.3)	(2.9)	(12.3)	(8.3)	(17.7)
Total	**210.0**	**228.5**	**203.3**	**260.3**	**(12.2)**	**(23.6)**	**(25.3)**	**(15.3)**	**(34.6)**	**(58.5)**
% of revenue					*-6.0%*	*-9.1%*	*-12.7%*	*-5.9%*	*-17.0%*	*-22.5%*

[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 one-time charges and the amortization of intangibles on acquisition. Adjusted net income is net income adjusted for one-time charges and the amortization of intangibles on acquisition and the estimated tax effects of these (see Appendix page 80).

AEG PS finished 2014 in line with the guidance given. The result of complex restructuring which included sale of assets, closing down of structural loss-making affiliates, reduction in headcount and new market focus in the core EES business resulted for the year 2014 in orders of €210.0 million, revenue of €203.3 million and an EBITDA margin of -6.0%. Compared to 2013, orders were lower by 8.1%, revenue was down 21.9% and EBITDA improved as a result of one-time transactions. Normalized EBITDA, which is EBITDA adjusted for one-time transactions, was negative €17.7 million, a significant increase in loss due to the complex restructuring measures.

RES

2014 orders in RES fell by 43.1% and 2014 revenue fell by 68.3%.

The Solar restructuring measures taken, which included the sale of India and skytron, the operational closing down of the Dallas office and the cut in development of new product introduction, combined with the weak market situation in Solar (financing, delays and cuts in government subsidies), caused a significant decrease in the overall order intake.

Orders and sales in POC were impacted by the restructuring measures taken due to the sale of the Power Controller Module business. Although a large order was obtained from a key customer in the polysilicon market we still see no sign of a structural recovery in this weak market. The Group continues to apply its technology to new markets and new applications and has occasionally success.

RES EBITDA in 2014 came to negative €7.8 million compared to €6.8 million loss in the prior year. The modest drop in EBITDA is due to significant lower volumes, a reduction in operating expenses, and a corresponding restructuring provision of €4.4 million (2013: € 0.1million). Following the restructuring measures in Solar, the Group decided to write off another €5.0 million (2013: €5.0 million) on POC thyristors and solar material/finished products. The chapter 11 filing of our largest customer in polysilicon business resulted into a bad-debt provision charge of €1.1 million and an accelerated amortization charge of €7.4 million on Customer Relations intangibles. These loss effects were compensated by a €18.3 million capital gain following the sale of the Power Controller Module business and a reversal of an impairment charge of €2.0 million relating to working capital.

EES

Orders for 2014 were €177.4 million, up 3.6% compared to 2013. Revenue for 2014 at €172.8 million represents an increase of 5.3% compared to 2013. EES is experiencing growth in the industrial business. The Group is finalizing its new approach to the customer market by implementing a vertical segment based on (key) end-customer markets, including Oil and Gas, Power Distribution, Transportation, Data & IT and Services. Orders and sales in Telecom business maintained at 2013 level.

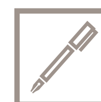
EES EBITDA in 2014 increased to €3.4 million compared to €0.5 million in the prior year. The increase in EBITDA relates to the increase in sales, the successful reduction in operating expenses and the reversal of €3.9 million impairment charges in working capital in relationship to the sale of India to TMEIC, offset by €2.9 million higher restructuring charges in 2014 (2013: €1.3 million).

EBITDA for Unallocated includes for 2014 €2.4 million one-time expense relating to €1.0 million professional fees (2013: €1.9 million) and €1.4 million for share-based payments relating to the Management Incentive Program ("MIP") (2013: na). For 2014 the Group reports an adjusted EBITDA of negative €17.7 million, €12.4 million additional losses compared to 2013. Drop in volume, change in product mix, sale of assets, closing down of affiliates and restructuring cost, offset by one-time proceeds and reversal of working capital adjustments are the main causes.

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

	2014				2013			
in millions of euros	RES	EES	Unallocated	Group	RES[1]	EES[2]	Unallocated	Group
Reported EBITDA	(7.8)	3.4	(7.8)	(12.2)	(6.8)	0.5	(17.3)	(23.6)
Capital gain sale of POC Module business	(18.3)	–	–	(18.3)	–	–	–	–
Operating working capital adjustment[3]	3.0	(3.9)	–	(0.9)	7.8	3.9	–	11.7
One-time restructuring charges	4.4	4.2	2.7	11.3	0.1	1.3	1.8	3.2
Other one-time charges	–	–	2.4	2.4	–	–	3.4	3.4
EBITDA after adjustment	**(18.7)**	**3.7**	**(2.7)**	**(17.7)**	**1.1**	**5.7**	**(12.1)**	**(5.3)**

[1] Includes €0.3 million income following order cancellation settlement with a customer
[2] Includes €1.2 million income following order cancellation settlement with a customer
[3] Represents the impairment of working capital to net realizable cash value



Gross margin impacted by one-time effects
Group gross margin in 2014 was 14.6% compared to 16.4% in 2013.

This reduction is due to a drop in volume, a change in product mix, higher warranty provisions and considerable low margins in RES. During 2014 fixed costs of operations were gradually reduced following the restructuring measures taken and the effect of tariff negotiations with the Unions (Germany). On a like for like basis (excluding sold assets/discontinued operations) fixed costs in total reduced with €8.1 million compared to 2013. The 2014 gross margin included €8.8 million allowance costs for provisions taken on bad debt and excess slow moving inventory, €1.1 million related to a bad debt provision due to a large customer who filed at the end of November for chapter 11 (anticipated bankruptcy), €2.4 million provision charges on excess inventory as a result of the close-down of the Dallas office, €1.0 million income as a result of a net adjustment on operating working capital.

Research & Development (R&D) costs
R&D costs were as follows:

in millions of euros	2014	2013
Gross R&D spending	7.5	16.0
% of revenue	*3.7%*	*6.1%*
Capitalized amounts	(0.6)	(5.4)
Amortization and impairment on capitalized amounts	4.0	10.6
Amortization and impairment of intangibles on acquisition	2.6	5.9
Net R&D costs	**13.5**	**27.1**

R&D efforts were adjusted in an adequate manner to support the Group's restructuring measures.

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

In EES, R&D efforts focused on functions and features of the Protect Blue Data IT UPS and to standardize and upgrade the Protect 8 UPS and the Protect-RCS platforms.

In RES, R&D was driven down because of missing markets for solar inverters.

R&D developed as a derivative of the solar technology platform intelligent Battery Power Management Solutions for some reference projects.

For the long-term storage market, R&D continues to develop intelligent rectifier systems for use in hydrogen energy storage securing projects in Europe and the U.S.

Selling, general and administrative expenses (SG&A)
SG&A expenses were reduced by €16.5 million (down 26.4% year-on-year) through sale of assets and closing down of offices, restructuring measures in the German subsidiary in Belecke, elimination of central functions, adverse impacts of exchange rates, lower bonuses and related social charges and savings from tariff negotiations with the unions in Belecke. Included in SG&A expenses is a one-time charge of €1.2 million for the MIP.

Other expenses (net)
Other expenses decreased from €11.6 million in 2013 to €4.7 million in 2014. This is mainly caused by the one-time recognition of €18.2 million income for the sale of the Power Controller Module Business. This income offset the €2.9 million increase in amortization charges and accelerated amortization charges on intangibles from the acquisition of AEG PS in 2009 and €1.0 million impairment charge for goodwill on skytron, and the increase of €8.1 million in restructuring expenses.

Net financial income/(cost)
In 2014 the Company reported a net financial income of €36.4 million compared to €16.1 million costs in 2013. The increase of €52.5 million in 2014 is mainly resulting from the financial restructuring of the €100.0 million bond loan in August 2014. The Company successfully converted half of its €100.0 million debt into equity and exchanged the other half with a new bond of €50.0 million. The new bond matures in 2019 and has an escalating interest rate beginning with 4% and escalating to 12%. The Company recognized an income of €46.7 million on this transaction.

The Company has no foreign currency instruments in place to mitigate exposure to exchange rates. The change in value in foreign exchange income/losses is a non-cash item. It relates primarily to the revaluation of euro-denominated loan and non-trade inter-Company balances between Holding BV and non-euro affiliates. The Group recognized a temporary exchange loss on transactions with its affiliate in Ukraine.

Taxation
The tax benefit for 2014 of €6.6 million (2013: €0.1 million) comprises of a €1.4 million income tax benefit (2013: charge of €5.7 million) and a €5.2 million benefit (2013: €5.8 million) in deferred tax. The tax benefit in 2014 is based on the recognition of current and prior-year losses.

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

Non-current assets
Expenditure on tangible fixed assets (capex) in the year 2014 decreased to €0.8 million compared to €2.6 million in 2013. During 2014 €2.1 million was reflected as a net reduction following a disposal of assets (South Africa, India and skytron), the liquidation of Lannion and the ceasing of operational activities in Dallas. The Group released 4.7 million impairment provisions into the line depreciation charge for the year.

Additions to intangible assets in the year amounted to €1.1 million (2013: €6.0 million) of which €0.6 million related to capitalized R&D (2013: €5.4 million) and €0.5 million to software costs (2013: €0.4 million). Capitalized R&D included an impairment charge of €1.1 million for Solar-related projects following our internal capitalization policy which requires a write-down of the full project in case that future revenue recognition may be at risk.

The 2014 amortization charge on Intangibles acquired on acquisition of AEG PS was €6.5 million, in addition €7.6 million was recorded as accelerated amortization charge; €7.4 million for POC Customer relations and €0.2 million for EMS Customer relations. An impairment charge of €1.1 million was booked on the goodwill acquired upon the acquisition of skytron.

Non-current financial assets decreased to €1.7 million at year-end mainly due to the signed termination agreement with the Limited Liability Company (LLC) in the U.S. The LLC was a partnership between the Group and an experienced investor and manager of solar assets in the U.S. The partnership did not result into anticipated business opportunities and as such the Group cancelled the agreement which resulted into €1.5 million losses.

Current assets
Excluding cash, current assets decreased from €107.2 million to €89.7 million. The sale of assets, cease of operational activities and the reduced inventory level, as a result of the lower gross volume and increase in inventory reserves, are the main driver for this reduction.

Cash and cash equivalents including overdrafts decreased by €2.6 million to €29.3 million. Free cash flow from operations was €1.1 million positive (2013: €7.0 negative). During 2014 no interest was paid on the bond (2013 €9.2 million). In August 2014, the existing shareholders contributed €4.0 million in cash in exchange of new shares in the Company. This amount was fully used to settle the €4.7 million professional fees incurred in relation to the exchange offer.

The Company lowered its short-term debt by €3.5 million.

Current liabilities
Current liabilities decreased by €14.8 million year-on-year. Trade and other payables decreased by €12.4 million due to the lower sales volume and the sale of assets/ceased operational activities.

Provisions increased by €2.2 million due to the net effect of €8.3 million of severance payments during 2014, the newly created restructuring reserves of €11.3 million and the addition of €4.3 million to the general risk provision. €5.1 million of this net effect is presented in long-term provisions.

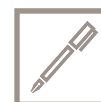
With respect to Lannion, the Group (Holding France and Holding BV) received lawsuits from a major Lannion supplier and former Lannion employees. The supplier claims payment of outstanding invoices, the employees claim additional termination benefits above the state indemnification. The claims have been assessed on risk and probability.

Loans, borrowings and corporate income tax provision in total reduced by €4.6 million.

Non-current liabilities
Non-current liabilities fell by €57.3 million in the year of which €61.5 million relate to change in loans and borrowings. The Company converted the half of its €100.0 million debt into equity and exchanged the other half with a new bond of €50.0 million. This bond of €50.0 million nominal value was initially fair valued at €36.0 million (openings rate of the notes of the new bond on the Unregulated Market (Open Market) of the Frankfurt Stock Exchange on August 27, 2014).

Equity
Total equity at the end of 2014 was €44.0 million; an increase of €26.2 million compared to 2013 based on the issuance of 78.7 million new shares against €4.0 million contribution in cash and €19.3 million contribution in kind, and a net share-based payments transaction of €1.2 million. The net income after tax amounts to €7.5 million and includes the impairment and amortization of intangibles on acquisition (and related tax effects) and the effect of one-off costs. Excluding these, the Group would have reported an estimated net income of €9.6 million (see Appendix page 80).

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



OUTLOOK

With the Group's financial restructuring completed and progress in operational restructuring realized in 2014, improvements are visible in the reporting period. The goal of the Group is to lay a solid foundation for future prosperous development. The Company is focused on internal measures for achieving continuous improvement and to expand market share.

Nevertheless a great deal of potential for further improvement still remains and will require additional effort in the next years. The results already achieved should not obscure the fact that the Company is still just in year two of a difficult business transformation and development path. A challenge going forward is not only to rely upon best-in-class technology and reliability, but to develop and implement a customer-facing organization that is proactive, receptive to input and adaptive to the changing commercial environments in which the Group operates. This includes the transformation of a previously uncompetitive structure into a customer-centric, lean and flexible organization and will necessarily require patience and further understanding from suppliers and customers alike. So far the Company has managed to retain key frame contracts, demonstrating that customers value our business solutions approach.

Continued opportunities exist in the Company's future core businesses. Areas such as energy storage and data centers offer some intriguing possibilities. On the other hand the unrectified situation in Russia and Ukraine, the volatility and decline in oil price as well as an uncertain economic perspective is having an impact on current trading. For full business year 2015, we forecast revenue to be in line with the revenues of 2014 on a like for like basis. The medium-term goal remains having top-line growth in the mid-single digits and an EBITDA margin of 5% to 10%.

RESULTS AND DIVIDENDS

The results for the year and the financial position at December 31, 2014 are shown in the consolidated income statement and the consolidated statement of financial position.

No dividend is proposed for the year.

DIRECTORS' INTERESTS

The interests of Directors and related parties in the share capital of the Company are shown in note 33 of the consolidated financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of the Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

CORPORATE GOVERNANCE

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

3W Power S.A. (formerly 3W Power Holdings S.A.) is a limited Company organized under the laws of Luxembourg. The Company has an authorized share capital of €1,000,000.00 consisting of 100,000,000.00 shares and an issued share capital of €837,037.03 consisting of 83,703,703.00 shares without a nominal value of € 0.01 each. As of the end of the 2014 financial year, the share capital consisted solely of ordinary shares which are listed on the Deutsche Börse Frankfurt.

As a Luxembourg company, we make every effort to fully comply with the letter and spirit of Luxembourg corporate requirements, including standards of governance and responsibility towards all its stakeholders. As a Luxembourg company listed solely on the German Deutsche Börse stock exchange, the Company is not subject to any specific mandatory corporate governance rules, neither in Germany nor in Luxembourg. Nevertheless, the Company makes every effort to comply, to the extent possible, with the Luxembourg corporate governance rules as set forth In the Ten Principles of Corporate Governance. In 2014, the Company continued to solidify its compliance rules and raise awareness within the Group.

Shareholders

Each of the shares of the Company is entitled to one vote (except for treasury shares). Shareholders are called to an Annual General Meeting each year by the Board of Directors. The Board may also call extraordinary Shareholder Meetings at its discretion. Decisions at the Annual General Meeting are subject to simple majority requirements, unless otherwise provided under Luxembourg law. The Articles of Association provide for general meetings of shareholders to be convened by registered letter sent to each shareholder at least 30 days prior to the meeting. The Chairman of a shareholder meeting is a Director or, in the absence of any Director, a shareholder chosen by the general meeting.

Issuance of new shares within the Company's authorized share capital is decided by the Board of Directors of the Company. The authorized share capital of the Company is €1,000,000.00. During a period of five years from the publication of the Articles of Association, the Board of Directors is authorized to issue shares within the authorized share capital of the Company subject to the conditions set out in the Articles of Association.

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

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

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

Purchase of own shares by the Company

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

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

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

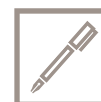
Board of Directors

Under the Articles of Association of the Company, the Board of Directors consists of at least four members, with no maximum number. The members of the Board are appointed and revoked by ordinary resolution of the shareholders. The Board of Directors may also appoint Directors to fill vacancies on the Board who will hold office only until the next Annual General Meeting and then be eligible for election. During the 2014 financial year, Messrs. Dr. Dirk Wolfertz (Chairman), Willi Loose, Klaus Schulze, Keith Corbin, Bernd Luft and Jeffrey Casper were appointed to the Board of Directors. At the 2015 Annual General Meeting, the entire Board will stand for re-election. The Board of Directors is responsible for the activity of the Company, the corporate governance structures, approving strategies and, more generally, the day-to-day management of the Company. However, under the Articles of Association, the Company's daily management may be delegated to an Executive Director acting alone. Shareholder approval is required only in limited situations including approving the annual accounts of the Company, amending the articles of association or winding up the Company's business.

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

The fees paid to Non-Executive Directors have been set at €100,000 per annum in aggregate by resolution of the shareholders at the Annual General Meeting held on June 25, 2014. Board members are also entitled to reimbursement of their reasonable costs associated with the performance of their duties as Directors. Members of the Board of Directors must report and provide all relevant information regarding any conflict of interest to the Board.

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



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

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

In 2014, the Audit Committee met regularly with the Management and the Company's auditors and assisted the Board of Directors in fulfilling its duties.

External Auditors
The external auditors are appointed by the shareholders at the Annual General Meeting on the recommendation of the Board of Directors and, more specifically, its Audit Committee. The remuneration of the external auditors is agreed upon by the Board of Directors. The Annual General Meeting of June 25, 2014 approved the appointment of KPMG Luxembourg Societe Cooperative as external auditor.

RISK

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

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

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

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

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

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

Credit and customer concentration risk

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

Economic and market risk

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

Liquidity risk

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

Interest rate and currency risk

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

GOING CONCERN ASSUMPTION

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 started early 2014 with the objective to improve the Company's short-term liquidity situation and to safeguard the Company's future existence.

The operational restructuring plan was seeking to de-risk 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 was the redundancy program at our main subsidiary in Germany, which resulted in approximately160 employees leaving.

The Company continued closing non-core affiliates and unprofitable subsidiaries (3W South Africa, Dallas and Lannion) and elected to complete some more non-strategic asset divestitures (POC module business, skytron and India). After layoffs and divestitures, total headcount reduced to approximately 1,000 by year-end 2014 compared to 1,521 at year-end 2013.

The financial restructuring plan was aimed at a fundamental restructuring of the outstanding loan of €100.0 million (the 9.25% Notes). The key elements of the restructuring plan were a debt-to-equity swap of 50% of the outstanding bond nominal, a change of the conditions of the remaining €50.0 million Notes which included significantly lowering the interest charges and a prolonged repayment date to December 2019. In addition, as part of the financial restructuring, it was contemplated that the current shareholders would have preferential subscription rights to increase the capital by a cash-contribution of €4.0 million against issuance of new shares. The financial restructuring plan was completed at the end of August 2014.

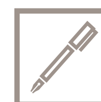
At the end of 2014 a new redundancy program was announced for our main subsidiary in Germany with a further reduction in headcount of 35 to 45 employees.

In 2015 the Group will continue to focus on an operational improvement plan to continuously investigate further evaluation of its manufacturing footprint, downsizing of its overhead headcount and adapting its sales strategy and sales force to current market requirements. The Group is finalizing the implementation of vertical market segments based on end customer markets. Vertical markets have been identified for Oil & Gas, Power Distribution, Transportation, Renewables (Battery storage and Grid Solutions), Data & IT and Services. Highly qualified, successful and motivated segment leaders have been appointed to define the strategy and to work closely with the affiliates and the end customer(s).

The segment leaders work closely with Product Management and R&D to establish a product portfolio that is dedicated to each vertical market- and customer specific requirements. Ongoing R&D investment is a prerequisite.

Total headcount expected by year-end 2015 is 950, compared to 1,000 at year-end 2014.

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



the Board of Directors. The budgets and forecasts underlying the going concern assessment anticipate an improved financial position, recovery of the overall profitability and improved liquidity situation.

Risk on the realization of the budget and forecast

The forecasted cash flows are dependent on external market conditions and the speed of recovery of the business performance in most of our segments. There is a risk that this recovery does not fully occur due to deteriorating market conditions, delay in order intake or slower than expected business performance recovery.

Management believes that the forecasted like-for-like revenue will be at least in line with 2014, however with a considerably lower cost basis and strongly reduced Operating Working Capital requirements. Management is of the opinion that they have sufficient actions at their disposal (delay of internal projects and cash planning options) to mitigate any liquidity risks.

Non-current risks

- The Group received 75 lawsuits from former Lannion employees, amounting to €5.0 million, the French court may decide in line with the objective of the claimholders.

- The new bond matures in 2019 and has an escalating interest rate beginning with 4% and accumulating to 12%. The Group may face the risk that all initiatives to further grow sales and margins are not sufficient to secure the last three years of interest payments in the range of 8% to 12%. Alternative sourcing of financing may turn out to be unsuccessful.

- Restructuring measures may not succeed as originally scheduled, due to the labor laws in certain countries and the obligatory involvement of works council and unions, which could require more time and cash as anticipated.

Operational risk of a material subsidiary

- 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 new bond loan) will entitle each Noteholder to declare his Notes due and demand immediate redemption.

All these potential risks indicate 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 financial statements have been prepared. Management is of the opinion that due to the long term aspect of the risks, as described in the non-current risk section, going concern is therefore mainly dependent on the realization of the budgets and forecasts within the boundaries set by Management and conclude that the application of the going concern assumption for the 2014 financial statements is therefore appropriate. This is based on the following facts and circumstances:

- The Company successfully completed the financial and operational restructuring program.

- Current business forecasts indicate sufficient liquidity to operate the business without interruption.

- Management has identified mitigating actions to guarantee the minimum level of liquidity required, both for the group as well as for the material subsidiaries to operate, amongst other by:

  - Investigation of implementation of cash pooling for the majority of its affiliates.
  - Implementation of cash flow control procedures with the aim that solid payment terms and guarantees have been negotiated.
  - Investigation of possible increased liquidity positions via drawing of a mortgage and postponement of payments relating to internal projects.

These activities are all designed to bring the business activities of the Group into a sound financial position, to restore bankability and obtain normalized credit conditions. Any of the other described major risks could place the Group into financial distress which may result in insolvency.

SUBSEQUENT EVENTS

During the first quarter of 2015, the Group received multiple lawsuits following the decision of the French state to place AEG Power Solutions S.A.S. at Lannion, France into liquidation. These lawsuits represent a €1.1 million claim from a former major supplier and a €5.0 million claim in total from 75 former employees which seek additional termination compensation above the state indemnification received.

During 2014, the Group had to take a €1.1 million bad debt allowance provision on its historic major customer in RES. This customer filed at the end of November 2014 for chapter 11. In March 2015, the Group sold these receivables for a consideration of $0.8 million cash (without recourse).

In March 2015, the Group was informed by Advanced Energies Industries that the cash earn-out of €1.0 million following the sale of the power controller modules business was met and settlement will take place in March 2015.

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

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

Jeffrey Casper

April 2, 2015

RESPONSIBILITY STATEMENT

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

Jeffrey Casper

On behalf of the Board of Directors
April 2, 2015

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION As of December 31

in thousands of euros	Note	2014	2013
Assets			
Property, plant and equipment	15	26,791	30,152
Intangible assets	16	33,894	54,441
Goodwill	16	11,952	13,052
Other non-current financial assets	17	1,711	3,648
Deferred tax assets	18	1,383	–
Total non-current assets		**75,731**	**101,293**
Inventories	19	32,301	45,888
Trade and other receivables	20	54,629	60,664
Prepayments	21	2,789	585
Cash and cash equivalents	22	29,881	32,746
Total current assets		**119,600**	**139,883**
Total assets		**195,331**	**241,176**
Equity			
Share capital	23	837	12,520
Share premium	23	418,822	383,836
Retained earnings		(354,482)	(359,322)
Reserve for own shares	23	(22,870)	(22,870)
Cumulative translation adjustment	23	1,712	3,636
Total equity attributable to equity holders of the Company		**44,019**	**17,800**
Liabilities			
Loans and borrowings	25	37,764	99,267
Employee benefits	26	28,566	26,124
Deferred tax liabilities	18	–	3,793
Provisions	27	12,008	6,393
Total non-current liabilities		**78,338**	**135,577**
Loans and borrowings	25	2,602	6,221
Trade and other payables	28	56,947	69,388
Income tax liabilities		148	842
Deferred income	29	5,556	5,823
Provisions	27	7,721	5,525
Total current liabilities		**72,974**	**87,799**
Total liabilities		**151,312**	**223,376**
Total equity and liabilities		**195,331**	**241,176**

The consolidated financial statements on pages 22 to 64 were approved by the Board of Directors on April 2, 2015 and signed on its behalf by:

Jeffrey Casper

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

CONSOLIDATED STATEMENT OF INCOME For the year ended December 31

in thousands of euros	Note	2014	2013[1]
Continuing operations			
Revenue	6	203,286	260,338
Cost of sales	9	(173,671)	(217,646)
Gross profit		**29,615**	**42,692**
Selling, general and administrative expenses		(45,985)	(62,463)
Research and development expenses		(13,504)	(27,126)
Other income/(expenses)	10	(4,743)	(11,625)
(Loss) before interest and tax (EBIT)[2]		**(34,617)**	**(58,522)**
Finance income		52,785	1,976
Finance costs		(16,434)	(18,082)
Net finance income/(costs)	13	**36,351**	**(16,106)**
Income/(loss) before income tax		**1,734**	**(74,628)**
Income tax benefit	14	6,605	141
Income/(loss) from continuing operations		**8,339**	**(74,487)**
Discontinued operations			
Loss from discontinued operations, net of tax	7	(861)	(6,995)
Net income/(loss)		**7,478**	**(81,482)**
Net income/(loss) attributable to:			
Owners of the Company		7,478	(81,482)
Non-controlling interest		–	–
Net income/(loss)		**7,478**	**(81,482)**
Earnings per share			
Basic income/(loss) per share (euro)	24	0.23	(17.03)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended December 31

in thousands of euros	Note	2014	2013[1]
Income/(loss) for the period		**7,478**	**(81,482)**
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		(1,924)	1,906
Subtotal		**(1,924)**	**1,906**
Items that will never be reclassified to profit or loss:			
Unrealized gains and losses on pension liabilities		(3,854)	1,085
Income tax benefit on other comprehensive income		–	(366)
Subtotal		**(3,854)**	**719**
Other comprehensive (loss)/income for the period		**(5,778)**	**2,625**
Total comprehensive income/(loss) for the period		**1,700**	**(78,857)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		1,700	(78,857)
Total comprehensive income/(loss) for the period		**1,700**	**(78,857)**

[1] Re-presented for reclassification of Harmer & Simmons S.A.S. (formerly AEG Power Solutions (France) S.A.S.), Lannion, as discontinued operations in 2013.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to holders of the Company

in thousands of euros	Note	Share capital	Share premium	Translation reserve	Reserve for own shares	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 year		–	–	–	–	(81,482)	(81,482)	–	(81,482)
Total other comprehensive income/(loss)		–	–	1,906	–	719	2,625	–	2,625
Total comprehensive income/ (loss) for the year		**–**	**–**	**1,906**	**–**	**(80,763)**	**(78,857)**	**–**	**(78,857)**
74,337 shares transferred from treasury shares	23	–	–	–	726	(726)	–	–	–
Share-based payments/ long-term incentive plan	33	–	–	–	–	(143)	(143)	–	(143)
Total contributions by and distributions to owners of the Company		**–**	**–**	**–**	**726**	**(869)**	**(143)**	**–**	**(143)**
Total transactions				**1,906**	**726**	**(81,632)**	**(79,000)**		**(79,000)**
Balance at December 31, 2013		**12,520**	**383,836**	**3,636**	**(22,870)**	**(359,322)**	**17,800**	**–**	**17,800**
Balance at January 1, 2014		**12,520**	**383,836**	**3,636**	**(22,870)**	**(359,322)**	**17,800**	**–**	**17,800**
Profit/(loss) for the year		–	–	–	–	7,478	7,478	–	7,478
Total other comprehensive income/(loss)		–	–	(1,924)	–	(3,854)	(5,778)	–	(5,778)
Total comprehensive income/ (loss) for the year		–	–	**(1,924)**	–	**3,624**	**1,700**	–	**1,700**
Capital restructuring	23	(12,470)	12,470	–	–	–	–	–	–
Issuance of 25,109,731 new shares against contribution in cash	23	251	3,766	–	–	–	4,017	–	4,017
Issuance of 53,570,370 new shares against contribution in kind	23	536	18,750	–	–	–	19,286	–	19,286
Share-based payments/ long-term incentive plan	33	–	–	–	–	1,216	1,216	–	1,216
Total contributions by and distributions to owners of the Company		**(11,683)**	**34,986**	–	–	**1,216**	**24,519**	–	**24,519**
Total transactions		**(11,683)**	**34,986**	**(1,924)**	–	**4,840**	**26,219**	–	**26,219**
Balance at December 31, 2014		**837**	**418,822**	**1,712**	**(22,870)**	**(354,482)**	**44,019**	–	**44,019**

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

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended December 31

in thousands of euros	Note	2014	2013[1]
Cash flows from operating activities			
Net profit/(loss) from continuing operations for the year		8,339	(74,487)
Result of discontinued operations		(861)	(6,995)
Adjustments for non-cash items:			
Depreciation and impairment	15	2,375	8,396
Amortization and impairment of intangible assets and goodwill	16	20,036	26,685
Change in provisions	19, 20, 27	22,711	21,178
Share-based payments	11, 33	1,216	(143)
Change in other non-cash transactions	10	–	(1,473)
Change in other non-current financial assets	17	1,691	(46)
Result on divestments POC Modules business, India and skytron	10	(18,234)	–
Finance (costs)/income (net)	13	(36,351)	16,195
Income tax	14	(6,605)	(193)
Cash flow from operations before changes in working capital		**(5,683)**	**(10,883)**
Change in inventories	19	588	(2,578)
Change in trade and other receivables	20	3,370	70,112
Change in prepayments	21	(2,189)	62
Change in trade and other payables	28	(17,306)	(23,942)
Change in employee benefits	26	563	(518)
Change in provisions	27	(8,033)	(9,150)
Change in deferred income	29	(409)	(9,284)
Cash used in operating activities		**(23,416)**	**24,702**
Income tax paid		2,348	(3,964)
Net cash (used in)/from operating activities		**(26,751)**	**9,855**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash	8	–	(956)
Decrease/(increase) in non-consolidated investment	17	256	1,614
Acquisition of property, plant and equipment	15	(813)	(2,588)
Proceeds from sale of property, plant and equipment	15	599	187
Acquisition of intangible assets	16	(500)	(433)
Proceeds from divestment of POC modules business		22,000	–
Proceeds from sale of legal entities net of cash disposed		7,161	–
Capitalized internal development expenditure	16	(635)	(5,419)
Net cash from/(used) in investing activities		**28,068**	**(7,595)**
Cash flows from financing activities			
Proceeds from issue of share capital		4,017	–
Transaction costs in relation to the exchange offer		(4,658)	–
Interest (paid)/received (net)		(256)	(9,290)
Change in other long- and short-term debt	25	(3,503)	(3,624)
Net cash from/(used in) financing activities		**(4,400)**	**(12,914)**
Effect of movement in exchange rates		516	(365)
Net decrease in cash and cash equivalents		(2,567)	(11,019)
Cash and cash equivalents at beginning of year		31,873	42,892
Cash and cash equivalents at end of year	22	**29,306**	**31,873**

[1] Re-presented for reclassification of Harmer & Simmons S.A.S. (formerly AEG Power Solutions (France) S.A.S.), Lannion, as discontinued operations in 2013.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

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

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

The consolidated financial statements of the Company as at and for the year ended December 31, 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

AEG PS is a world provider of power electronics. It offers product and service portfolios in uninterruptable power supply (UPS), power conversion and control, for customers spanning the infrastructure markets of energy, telecom, lighting, transportation and general industrial sectors. The Group developed a range of products for the solar energy industry, from solar central inverters, software monitoring, turn-key electrical balance of systems and has invested in areas of power management within distributed power generation and smart micro grids.

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The consolidated financial statements were authorized for issue by the Board of Directors on April 2, 2015.

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.

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The operational restructuring plan was seeking to de-risk 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 was the redundancy program at our main subsidiary in Germany, which resulted in approximately 160 employees leaving.

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The financial restructuring plan was aimed at a fundamental restructuring of the outstanding loan of €100.0 million (the 9.25% Notes). The key elements of the restructuring plan were a debt-to-equity swap of 50% of the outstanding bond nominal, a change of the conditions of the remaining €50.0 million Notes which included significantly lowering the interest charges and a prolonged repayment date to December 2019. In addition, as part of the financial restructuring, it was contemplated that the current shareholders would have preferential subscription rights to increase the capital by a cash-contribution of €4.0 million against issuance of new shares. The financial restructuring plan was completed at the end August 2014.

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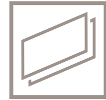
The segment leaders work closely with Product Management and R&D to establish a product portfolio that is dedicated to each vertical market- and customer specific requirements. Ongoing R&D investment is a pre-requisite.

Total headcount expected by year-end 2015 is 950, compared to 1,000 at year-end 2014.



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Risk on the realization of the budget and forecast

The forecasted cash flows are dependent on external market conditions and the speed of recovery of the business performance in most of our segments. There is a risk that this recovery does not fully occur due to deteriorating market conditions, delay in order intake or slower than expected business performance recovery.

Management believes that the forecasted like-for-like revenue will be at least in line with 2014, however with a considerably lower cost basis and strongly reduced Operating Working Capital requirements. Management is of the opinion that they have sufficient actions at their disposal (delay of internal projects and cash planning options) to mitigate any liquidity risks.

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Operational risk of a material subsidiary

- 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 new bond loan) will entitle each Noteholder to declare his Notes due and demand immediate redemption.

All these potential risks indicate 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 financial statements have been prepared. Management is of the opinion that due to the long term aspect of the risks, as described in the non-current risk section, going concern is therefore mainly dependent on the realization of the budgets and forecasts within the boundaries set by Management and conclude that the application of the going concern assumption for the 2014 financial statements is therefore appropriate. This is based on the following facts and circumstances:

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  - Investigation of implementation of cash pooling for the majority of its affiliates.
  - Implementation of cash flow control procedures with the aim that solid payment terms and guarantees have been negotiated.
  - Investigation of possible increased liquidity positions via drawing of a mortgage and postponement of payments relating to internal projects.

These activities are all designed to bring the business activities of the Group into a sound financial position, to restore bankability and obtain normalized credit conditions. Any of the other described major risks could place the Group into financial distress which may result in insolvency.

C) BASIS OF MEASUREMENT

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

D) FUNCTIONAL AND PRESENTATION CURRENCY

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

E) USE OF ESTIMATES AND JUDGMENTS

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

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

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

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

F) CHANGES IN ACCOUNTING POLICIES

The accounting policies described in note 3 have been applied consistently to all periods presented in these consolidated financial statements except, as explained below, those which address changes in accounting policies.

Change in treatment of Lannion

In these consolidated financial statements the 2013 numbers in the statement of income have been re-presented to reflect the classification of the Telecom converter business (CVT/LED) as a discontinued operation.

IFRS ACCOUNTING STANDARDS ADOPTED AS FROM 2014

During the year, the following new and amended IFRS accounting standards were adopted which have an effect on the Company's consolidated financial statements.

- IFRS 10, "Consolidated Financial Statements", effective January 1, 2014 replaces the consolidation requirements in SIC 12 (Special Purpose Entities) and IAS 27 (Consolidated and Separate Financial Statements). IFRS 10 changes the definition of control so the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. The new standard includes guidance on control, with less than half of the voting rights ("de facto" control), participating and protective rights and agent/principal relationships. This standard did not affect our consolidated financial statements.

- IFRS 11, "Joint Arrangements", effective January 1, 2014 addresses the accounting of joint arrangements and eliminates proportionate consolidation. This standard did not affect our consolidated financial statements.

- IFRS 12, "Disclosure of Interests in Other Entities" effective January 1, 2014 contains the disclosure requirements for interests in subsidiaries, joint ventures, associates and other unconsolidated entities. This standard did not affect our consolidated financial statements.

- The amendment to IAS 27, "Separate Financial Statements" effective January 1, 2014 addresses the requirements for separate financial statements. This standard did not affect our Company financial statements.

- The amendment to IAS 32, "Financial Instruments, Presentation – Offsetting Financial Assets and Financial Liabilities", effective January 1, 2014 clarifies that the right to offset must not be contingent on a future event; and must be legally enforceable. This standard did not affect our consolidated financial statements.

- Other changes, other non-disclosed accounting pronouncements, which became effective for January 2014, had no material impact on our consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2F), those which address changes in accounting policies.

A) BASIS OF CONSOLIDATION

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

Business combinations

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

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

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

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

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

Transactions eliminated on consolidation
Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

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

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

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

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

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

Country	Currency	Closing rates 2014	Average rates 2014	Closing rates 2013	Average rates 2013
China	CNY	0.13	0.12	0.12	0.12
India	INR	0.01	0.01	0.01	0.01
Russia	RUB	0.01	0.02	0.02	0.02
Singapore	SGD	0.62	0.59	0.57	0.60
Ukraine	UAH	0.05	0.06	0.09	0.09
United Kingdom	GBP	1.28	1.24	1.20	1.18
United States	USD	0.82	0.75	0.73	0.75

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

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

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

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

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

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

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

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

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

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans are stated at amortized cost, less the related allowance for impaired loans. Loans and receivables comprise trade and other receivables.

Trade accounts receivable are carried at the lower of amortized cost or the present value of estimated future cash flows, taking into account discounts given or agreed. The present value of estimated future cash flows is determined through the use of allowances for uncollectible amounts. In the event of sale of receivables and factoring, the Group derecognizes receivables when the Group has given up control or continuing involvement. Long-term receivables are initially recognized at their present value using an appropriate interest rate. Any discount is amortized to income over the life of the receivable using the effective yield.

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

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

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

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

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

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

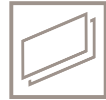
Financial guarantees
Financial guarantees are only provided to subsidiaries and therefore are not disclosed in the consolidated financial statements. However, information on financial guarantee to subsidiaries is provided in the section "credit risk".

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

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

E) PROPERTY, PLANT AND EQUIPMENT

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



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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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

F) INTANGIBLE ASSETS

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For acquisitions on or after January 1, 2010 the Company measures goodwill at the acquisition date as:

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

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

Research and development

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

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

Other intangible assets

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

Subsequent expenditure

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

Amortization

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

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

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

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

G) LEASED ASSETS

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

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

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

H) INVENTORIES

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

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

I) IMPAIRMENT

Financial assets including receivables

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

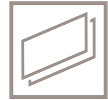
The Group considers evidence of impairment for receivables at a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment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

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

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

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

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



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

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

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

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

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

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

J) DISCONTINUED OPERATIONS

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

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

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

K) EMPLOYEE BENEFITS

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

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

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

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

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

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

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

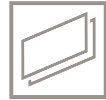
Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

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

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

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



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

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

M) REVENUE

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

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

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

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

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

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

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

N) LEASE PAYMENTS

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

O) FINANCE INCOME AND FINANCE COSTS

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

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

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

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

P) INCOME TAX

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

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

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

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

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

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

Q) EARNINGS PER SHARE

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

R) SEGMENT REPORTING

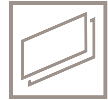
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker (the "CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has identified two reportable segments, Renewable Energy Solutions ''RES" and Energy Efficiency Solutions "EES". RES combines the Power Controllers and Solar business units. EES includes the Group's telecom, converters and EMS solutions.

S) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements. The main standards that might affect the Group are:

- IFRS 9, "Financial Instruments" (replacement of IAS 39) is not yet EU-endorsed and will become effective as from 2018, with earlier adoption permitted. IFRS 9 introduced new requirements for classifying and measuring financial assets and liabilities. This standard encompasses an overall change of accounting principles for financial instruments and will eventually replace IAS 39 – the current standard on financial instruments. As its scope will be further expanded during the next year(s), we will review the effects of a comprehensive standard on financial instruments and consider adoption when appropriate.

- IFRS 15, "Revenue from contracts with customers" is not yet EU-endorsed and will become effective as from January 1, 2017. IFRS 15 replaces existing revenue recognition guidance in IFRS. It introduces a five-step model to determine when to recognize revenue and at what amount, based on transfer of control over goods or services to the customer. New qualitative and quantitative disclosures will also be required. We will assess the impact of IFRS 15 in our 2015 consolidated financial statements.



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

4. DETERMINATION OF FAIR VALUES

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

Property, plant and equipment
The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

Intangible assets
The fair value of technology acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the technology being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets (such as backlog) is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventories
The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables
The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

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

Pension
The fair value of pension as a result of the business combination is recognized based upon the identified unrecognized net actuarial gain adjusted for discounted flows expected to be derived from the use and eventual sale of this asset.

At the year-end the value of the plan assets have been determined based on market quotations.

Share-based payments/long-term incentive plan
Share-based payments and long-term incentive plan are both measured by reference to market prices.

Long-term loans and borrowings
The valuation of the new bond loan is based upon management judgment that the notes will be held until maturity.

5. FINANCIAL RISK MANAGEMENT

Overview
The Group has exposure to the following risks:

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

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

A) CREDIT AND CUSTOMER CONCENTRATION RISK

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

Trade and other receivables

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

In RES the Group had historically two customers that represented 45.9% to 55.0% of the segment revenue and 16.3% to 27.4% of the Group revenue. In 2014 these numbers reduced significantly to 13.5% and 2.0% respectively. The Group monitors these customers closely and uses advance payments and written guarantees to lower the associated credit risk. The Group also tries to mitigate concentration risks by broadening the customer base as much as possible in the circumstances. The concentration by customer can vary from year to year.

Due to an unforeseen business risk, one of the historic major RES customers filed for Chapter 11 (foreseen bankruptcy). Due to this situation, the Company's major affiliate in Warstein, Belecke, Germany had to create a bad debt allowance of 100% on the total outstanding receivable of €1.1 million at year-end 2014.

Two of the Group's subsidiaries historically derive more than 50% of their revenue from a (different) single customer. The subsidiaries have a long-standing and close association with the customers.

More than 50% of the Group's customers have been transacting with the Group for over five years, and losses have occurred infrequently. The Group's operating subsidiaries analyze new customers individually for creditworthiness before orders are accepted. Credit risk is also covered where possible by request for collateral such as advance payments, guarantees and the use of retention of title clauses. Credit reviews are carried out which include external ratings, when available, and bank references.

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

Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with strong counterparties.

Guarantees

The Group provides guarantees and performance bonds when required for specific projects and such guarantees are approved by Group management. At December 31, 2014 the value of guarantees issued by the Group amounted to €10.4 million (2013: €14.4 million) net of those covered by cash collateral. These guarantees are only provided to subsidiaries.

B) LIQUIDITY RISK

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

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

In November 2010 the Company successfully raised a net €96.8 million of loan capital through the placement of loan notes due December 1, 2015. This capital provided the Group with liquidity to finance its activities and implement a restructuring program and to pursue a solar growth strategy. As of December 31, 2013, the Group did not believe it will generate sufficient cash flow from operations to be able to fully repay the loan notes due December 1, 2015 and therefore initiated a financial restructuring program. In August 2014 the Company successfully converted half of its €100.0 million debt into equity and exchanged the other half against a new bond of €50.0 million.

Refinancing will require the Group to access credit markets. At December 31, 2014, in addition to the liquidity raised through the loan notes, the Group also had the following credit facilities at certain of its subsidiaries:

- €2.0 million in overdraft and short-term loans of which €1.2 million was undrawn.
- €13.7 million receivable financing of which €11.9 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

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

Taking into account these variables and based on present circumstances, including reasonable assumptions about the probability of certain outcomes, management believes there will be sufficient liquidity to continue as a going concern throughout the coming twelve months. At December 31, 2014 the Company's cash was €29.3 million compared to €31.9 million at December 31, 2013.

C) ECONOMIC AND MARKET RISK

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

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

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

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

D) OPERATIONAL RISK

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

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

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

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

E) INTEREST RATE AND CURRENCY RISK

The majority of the Group's debt is in the form of the Notes which are long-term and have an escalating interest rate beginning with 4% and accumulating to 12%. Debt with variable interest rate is largely confined to the receivables financing facilities and the Group does not enter into interest rate derivatives. Therefore the Group's exposure to interest rate risk is limited.

Details of the Group's exposure to currency risk are shown in note 32. The main exposure is to the euro, the Group's functional currency. Exposure to other currencies is relatively limited. The Group will monitor such exposure closely and take appropriate steps to mitigate if required. The Group had no foreign currency instruments in place at the year-end.

Capital management

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

The Group monitors, on a weekly basis, the placement of excess cash, the draw on existing credit facilities and the cash flow development. Exchange risks are closely managed and during 2014 the Group did not enter into any major currency hedge transaction.

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

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

F) CHANGES TO THE GROUP

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

On January 15, 2014, the Group initiated plans to close down its R&D and sales office located in Richardson, Texas, USA. The entity was loss-making and continued to consume cash that the Group could no longer afford to 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 was completed on July 31, 2014.

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

The following tables present the 2014 and 2013 trading results as continued operations from legal entities/business activities that were sold during the year.

in thousands of euros	Total Revenue[1] 2014	Total Revenue[1] 2013	External Revenue 2014	External Revenue 2013
AEG PS (India) PVT Ltd	2,862	12,394	2,089	11,375
skytron energy GmbH	4,552	15,564	4,251	9,025
POC Modules business[2]	5,615	14,113	5,363	12,293

[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] 2014	Gross margin[1] 2013	Income/(loss) before interest and tax (EBIT)[1] 2014	Income/(loss) before interest and tax (EBIT)[1] 2013
AEG PS (India) PVT Ltd	(930)	1,039	4,314	(1,864)
Skytron Energy GmbH	1,889	6,931	(460)	1,049
POC Modules business[2]	327	6,452	(215)	3,336

[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.

G) RE-PRESENTED NUMBERS

In these consolidated financial statements, 2013 numbers in the statement of income have been re-presented for reclassification of Harmer & Simmons S.A.S. (formerly AEG Power Solutions (France) S.A.S.), as discontinued operations (the Telecom converter business unit was excluded from the EES segment).

6. 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. Accordingly the results of the Group are presented in these two segments which also reflect the presentation of information to the Group's Chief Executive, who has been identified as the chief operating decision maker ("CODM"). The LED and Converter activity are re-presented in discontinued operations and 2013 numbers have been represented for comparative purposes.

For 2014 and 2013 no intra-segment transactions occurred and inter-Company transactions within the segment are eliminated.

RESULTS BY OPERATING SEGMENT
For the year ended December 31, 2014

in thousands of euros	RES	EES	Unallocated amounts	Total
Revenue	**30,461**	**172,825**	**–**	**203,286**
Segment operating income/(loss)	**(21,593)**	**272**	**830**	**(20,491)**
Restructuring income/(costs)	(4,336)	(4,190)	(2,770)	(11,296)
Capitalized development costs (net of amortization and impairment)	(2,546)	(812)	–	(3,358)
Central overheads	–	–	(6,077)	(6,077)
Result on divestments	18,234	–	–	18,234
Amortization of tangible and intangible assets and working capital[1]	–	3,671	–	3,671
Amortization and impairment of intangibles on acquisition[2]	(9,208)	(5,825)	(267)	(15,300)
Income/(loss) before interest and tax (EBIT)[3]	**(19,449)**	**(6,884)**	**(8,284)**	**(34,617)**

[1] Amortization relates to the fair valuing of assets at net realizable value of legal entities that have been diposed during the financial year 2014.
[2] Relates to intangibles identified on the acquisition of AEG PS in 2009 and skytron in 2010.
[3] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

RESULTS BY OPERATING SEGMENT
For the year ended December 31, 2013

in thousands of euros	RES	EES	Unallocated amounts	Total
Revenue	**96,141**	**164,196**	**–**	**260,338**
Segment operating income/(loss)	**(9,117)**	**1,635**	**(6,685)**	**(14,167)**
Restructuring income/(costs)	(153)	(1,240)	(1,768)	(3,161)
Capitalized development costs (net of amortization and impairment)	(5,131)	(91)	–	(5,222)
Central overheads	–	–	(9,023)	(9,023)
Accelerated amortization of tangible and intangible assets and working capital[1]	(8,361)	(4,420)	–	(12,781)
Amortization and impairment of intangibles on acquisition[2]	(5,932)	(7,969)	(267)	(14,168)
Income/(loss) before interest and tax (EBIT)[3]	**(28,694)**	**(12,085)**	**(17,743)**	**(58,522)**

[1] Accelerated amortization relates to the fair valuing of assets at net realizable value of legal entities that are considered for divestiture during the financial year 2014.
[2] Relates to intangibles identified on the acquisition of AEG PS in 2009 and skytron in 2010.
[3] The interest referred to in earnings before interest and tax (EBIT) comprises all financial items included within net finance income/costs.

Revenue comprises €148.7 million for goods and €54.6 million for services (2013: €206.9 million and €53.4 million respectively).

In 2013 two customers in RES accounted for 45.9% and 16.3% of RES and Group revenue respectively. In 2014 these numbers reduced significantly to 13.5% and 2.0%.

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 period ended December 31, 2014	51,810	80,222	65,026	6,228	–	203,286
Revenue for the period ended December 31, 2013	54,805	85,946	108,992	10,595	–	260,338

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

For the year ended and as at December 31, 2014

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

[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.

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

Discontinued operations

On January 8, 2014 the AEG Power Solutions S.A.S at Lannion was placed into administration and subsequently on July 16, 2014 into liquidation. The entity was structurally loss-making which the Group could no longer support. The principal business activity of Lannion is telecom converters and LED. These were included in the EES segment. The loss related to discontinued operations (€0.9 million) as reported as per December 31, 2014 represents the effect of the deconsolidation of Lannion, and the provision anticipated on received l awsuits (note 27).

DISCONTINUED OPERATIONS

in thousands of euros	2014	2013
Revenue	–	10,698
Expenses	(861)	(17,745)
Result from operating activities	**(861)**	**(7,047)**
Income tax	–	52
Loss for the period	(861)	(6,995)
Earnings per share		
Basic (loss) per share (euro)	(0.03)	(1.46)

CASH FLOW FROM (USED IN) DISCONTINUED OPERATIONS

in thousands of euros	2014	2013
Net cash used in operating activities	–	(6,588)
Net cash used in investing activities	–	(81)
Net cash used in financing activities	–	–
Net cash flows for the period	**–**	**(6,669)**

8. ACQUISITIONS

No acquisitions occurred during 2014. In the first half-year of 2013 the Group acquired 100% of the shares in Primetech S.r.l., a small service provider located in Italy. The acquisition cost (net of cash) amounted €956 thousand.

Balance sheet of Primetech S.r.l. at acquisition date:

ASSETS

in thousands of euros	2013
Property, plant and equipment	80
Intangibles	10
Inventories	131
Trade and other receivables	765
Cash and cash equivalents	107
Total assets	**1,093**

LIABILITIES

in thousands of euros	2013
Employee benefits	29
Long-term debt	105
Short-term debt	5
Trade and other payables	429
Corporate income taxes	58
Total liabilities	**626**

Upon the acquisition goodwill of €480 thousand was identified.

9. COST OF SALES

in millions of euros	2014	2013
Material costs	(109.8)	(132.4)
Employee costs	(44.4)	(52.2)
Other costs [1]	(10.8)	(16.4)
Inventory reserve	(7.4)	(15.5)
Bad debt allowance	(0.4)	4.4
Tangible depreciation costs	(0.7)	(5.5)
Intangible depreciation costs	(0.1)	(0.1)
Total cost of sales	**(173.6)**	**(217.7)**

[1] Other costs include warranty reserve and other variable costs.

10. OTHER INCOME/(EXPENSES)

in thousands of euros	Note	2014	2013
Cancellation fee		–	1,473
Proceeds sale obsolete/excess stock		652	–
Result on divestments POC Modules business, India and skytron	6	18,234	–
Capital gain		52	36
Other income		**18,938**	**1,509**
Amortization of intangible assets	16	(3,631)	(3,941)
Impairment of intangible assets	16	(7,654)	(2,073)
Goodwill impairment	16	(1,100)	(2,480)
(Release of) non-recurring property tax		–	(1,480)
Restructuring costs (net)	27	(11,296)	(3,160)
Other expense		**(23,681)**	**(13,134)**
Total other (expense)		**(4,743)**	**(11,625)**

11. PERSONNEL EXPENSES

in thousands of euros	Note	2014	2013
Wages and salaries		(64,707)	(77,461)
Compulsory social security contributions		(11,639)	(13,461)
Contributions to defined contribution plans	26	(978)	(1,082)
Expenses related to defined benefit plans		(236)	(144)
Increase/(decrease) in liability for long-service leave		(1,293)	168
Share-based payments/long-term incentive payments	33	(1,216)	143
Total personnel expenses		**(80,069)**	**(91,837)**

12. HEADCOUNT BY REGION

The total average number of full-time equivalent (FTE) employees in the year to December 31, 2014 and comparative numbers for the year 2013 are as follows:

in thousands of euros	2014	2013
Germany	551	726
France	185	259
Rest of Europe and Africa	238	243
Asia Pacific	188	237
North America	6	34
Total average FTE	**1,168**	**1,499**

The total headcount at December 31, 2014 is 1,037 (2013: 1,521).

13. FINANCE INCOME AND COSTS

in thousands of euros	Note	2014	2013
Gain as a result of the exchange offer		46,715	–
Interest income on bank deposits		418	587
Foreign exchange income	32	5,652	1,389
Finance income		**52,785**	**1,976**
Interest expense on loans and payables		(625)	(667)
Interest expense on notes payable	25	(9,438)	(9,899)
Pension related financial expenses	26	(896)	(997)
Foreign exchange costs	32	(2,908)	(5,931)
Loss on non-current financial asset		(2,046)	–
Other finance costs	7	(521)	(588)
Finance costs		**(16,434)**	**(18,082)**
Net finance income/(costs)		**36,351**	**(16,106)**

Interest on notes payable relates to interest accrued at 9.25% on the Notes placed in December 2010 of €100.0 million, the interest at 4% on the notes placed in August 2014 of €50.0 million and the amortized portion of costs incurred in placing the notes payable. Such costs are expensed over the period that the debt is outstanding using the effective interest method.

Gain as a result of the exchange offer of €46.7 million represents the conversion of €100.0 million notes plus the accrued interest of €6.9 million on these 9.25% Notes into new 4% notes, with a fair value of €36.0 million (nominal value of €50.0 million) and shares of the Company, with a fair value of €19.3 million, offset by €4.7 million costs relating to the conversion.

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

Other finance costs include factoring charges.

14. INCOME TAX (CHARGE)/BENEFIT

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

in thousands of euros	2014	2013
Current tax (expense)/benefit		
Income tax benefit/(charge) for the year	1,442	(5,704)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	(7,125)	8,163
Reduction of current year tax losses	–	(2,318)
Recognition and utilization of prior year losses	12,288	–
Deferred tax benefit	**5,163**	**5,845**
Total income tax benefit	**6,605**	**141**

RECONCILIATION OF EFFECTIVE TAX RATE

in thousands of euros	2014	2013
Income/(loss) from continuing operations for the period	8,339	(74,487)
Total income tax benefit	6,605	141
Income/(loss) from continuing operations before income tax	**1,734**	**(74,628)**
Expected income tax (charge)/benefit using the Company's domestic tax rate of 29.22% (2013: 29.22%)	(507)	21,848
Effect of different local tax rates	(60)	(56)
Tax exempt expense	(1,055)	(704)
Current year losses for which no deferred tax asset was set up	(4,054)	(18,651)
Recognition of prior year losses	12,288	–
Reduction in deferred tax assets	(7)	(2,318)
Other	–	22
Income tax benefit	**6,605**	**141**

15. PROPERTY, PLANT AND EQUIPMENT

See table on next page.

LANNION TELECOM CONVERTER BUSINESS
The assets transferred to/from assets held for sale relate to the Lannion Telecom converter business (note 7).

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

- Cost of sales: €739 (2013: €5,476) thousand
- Selling, general and administrative expenses: €1,407 (2013: €2,324) thousand
- Research and development expenses: €229 (2013: €596) thousand

In assessing whether property, plant and equipment have to be impaired, the carrying amount of the assets is compared with the recoverable amount of the cash generating unit. For the period 2014, no impairment charge was recognized (2013: €2,990 thousand).

DISPOSAL AND OTHERS

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

ACQUISITION THROUGH BUSINESS COMBINATIONS

Acquisition through business combination reflects the addition of fixed assets following the acquisition of Primetech in 2013.

LEASED PLANT AND MACHINERY

The Group has no material finance lease agreements.

CAPITALIZED BORROWING COSTS

For 2014 and 2013 no costs were capitalized.

in thousands of euros	Land	Building	Machinery and equipment	Other	Total
Cost					
Balance at January 1, 2013	**2,957**	**21,743**	**15,037**	**8,295**	**48,032**
Acquisition through business combinations	–	–	–	80	80
Additions	–	186	1,769	633	2,588
Disposals and others	–	(27)	(424)	(887)	(1,338)
Transfer from assets held for sale	–	110	3,031	169	3,310
Effect of movements in exchange rates	–	(89)	(519)	(435)	(1,043)
Balance at December 31, 2013	**2,957**	**21,923**	**18,894**	**7,855**	**51,629**
Balance at January 1, 2014	**2,957**	**21,923**	**18,894**	**7,855**	**51,629**
Acquisition through business combinations	–	–	–	–	–
Additions	–	12	305	496	813
Disposals and others	–	(390)	(7,463)	(3,889)	(11,742)
Transfer from assets held for sale	–	–	–	–	–
Effect of movements in exchange rates	–	27	415	150	592
Balance at December 31, 2014	**2,957**	**21,572**	**12,151**	**4,612**	**41,292**
Depreciation and impairment					
Balance at January 1, 2013	**–**	**(4,145)**	**(4,163)**	**(3,107)**	**(11,415)**
Depreciation for the year	–	(1,245)	(2,502)	(1,659)	(5,406)
Impairment	–	(215)	(1,767)	(1,008)	(2,990)
Disposals and others		–	416	865	1,281
Transfer from assets held for sale	–	(24)	(3,160)	(82)	(3,266)
Other changes	–	–	–	1	1
Effect of movements in exchange rates	–	16	174	128	318
Balance at December 31, 2013	**–**	**(5,613)**	**(11,002)**	**(4,862)**	**(21,477)**
Balance at January 1, 2014	**–**	**(5,613)**	**(11,002)**	**(4,862)**	**(21,477)**
Depreciation for the year	–	(1,198)	(415)	(762)	(2,375)
Disposals and others	–	293	6,494	2,850	9,637
Transfer from assets held for sale	–	–	–	–	–
Other changes	–	–	–	9	9
Effect of movements in exchange rates	–	(24)	(184)	(87)	(295)
Balance at December 31, 2014	–	**(6,542)**	**(5,107)**	**(2,852)**	**(14,501)**
Carrying amounts					
At January 1, 2014	2,957	16,310	7,892	2,993	30,152
At December 31, 2014	**2,957**	**15,030**	**7,044**	**1,760**	**26,791**

16. INTANGIBLE ASSETS

in thousands of euros	Goodwill	Backlog	Customer relations	Technology	Research & Develop-ment costs	Other	Total
Cost							
Balance at January 1, 2013	**101,752**	**24,007**	**215,978**	**55,740**	**29,997**	**7,923**	**435,397**
Acquisition through business combinations	480	–	–	–	–	10	490
Additions	–	–	–	–	–	433	433
Internally developed assets	–	–	–	–	5,419	–	5,419
Disposals and others	–	–	–	–	(7,866)	(182)	(8,048)
Transfer from assets held for sale	–	–	–	–	–	13	13
Effect of movements in exchange rates	–	–	–	–	–	(116)	(116)
Balance at December 31, 2013	**102,232**	**24,007**	**215,978**	**55,740**	**27,550**	**8,081**	**433,588**
Balance at January 1, 2014	**102,232**	**24,007**	**215,978**	**55,740**	**27,550**	**8,081**	**433,588**
Acquisition through business combinations	–	–	–	–	–	–	–
Additions	–	–	–	–	–	500	500
Internally developed assets	–	–	–	–	635	–	635
Disposals and others	–	–	–	–	(4,141)	(1,313)	(5,454)
Transfer from assets held for sale	–	–	–	–	–	–	–
Effect of movements in exchange rates	–	–	–	–	–	137	137
Balance at December 31, 2014	**102,232**	**24,007**	**215,978**	**55,740**	**24,044**	**7,405**	**429,406**
Amortization and impairment							
Balance at January 1, 2013	**(86,700)**	**(24,007)**	**(182,192)**	**(40,068)**	**(10,435)**	**(3,987)**	**(347,389)**
Amortization for the year	–	–	(6,013)	(5,888)	(3,928)	(1,411)	(17,240)
Impairment	(2,480)	–	–	–	(6,713)	(252)	(9,445)
Disposals and others	–	–	–	–	7,866	52	7,918
Transfer from assets held for sale	–	–	–	–	–	(14)	(14)
Effect of movements in exchange rates	–	–	–	–	–	75	75
Balance at December 31, 2013	**(89,180)**	**(24,007)**	**(188,205)**	**(45,956)**	**(13,210)**	**(5,537)**	**(366,095)**
Balance at January 1, 2014	**(89,180)**	**(24,007)**	**(188,205)**	**(45,956)**	**(13,210)**	**(5,537)**	**(366,095)**
Amortization for the year	–	–	(11,285)	(2,647)	(2,861)	(1,010)	(17,803)
Impairment	(1,100)	–	–	–	(1,133)	–	(2,233)
Disposals and others	–	–	–	–	1,451	1,238	2,689
Transfer from assets held for sale	–	–	–	–	–	–	–
Effect of movements in exchange rates	–	–	–	–	–	(118)	(118)
Balance at December 31, 2014	**(90,280)**	**(24,007)**	**(199,490)**	**(48,603)**	**(15,753)**	**(5,427)**	**(383,560)**
Carrying amounts							
At January 1, 2014	13,052	–	27,773	9,784	14,340	2,544	67,493
At December 31, 2014	**11,952**	**–**	**16,488**	**7,137**	**8,291**	**1,978**	**45,846**

In July 2014 skytron was sold and the remaining €1.1 million goodwill of the initial acquisition in 2010 was impaired. Goodwill increased in 2013 due to €0.5 million on acquisition of Primetech, this amount was impaired during the year.

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

Impairment charges
In assessing whether intangible assets have to be impaired, the carrying amount of the intangible assets is compared with the recoverable amount of the cash generating unit. For the period 2014, the Company recognized an impairment charge of €2.2 million. €1.1 million to the goodwill acquired upon acquisition of skytron, and €1.1 million on R&D projects of which the underlying technology was especially developed for solar activities.

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

Lannion Telecom converter business
The assets transferred to/from assets held for sale relate to the Lannion Telecom converter business (note 7).

Acquisition through business combinations
Acquisition through business combination reflects the addition of intangible assets following the acquisition of Primetech S.r.l. in 2013.

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

Goodwill and intangibles on acquisition
As a result of the acquisition of AEG Power Solutions, €102.5 million of goodwill was generated in 2009 and subsequently reduced by €91.3 million. Goodwill arising on the acquisition of skytron amounted to €3.1 million and was fully reduced in 2014 while €0.7 million of goodwill arose in 2011 on the acquisition of Fluxpower.

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

A summary of the results of the 2014 impairment test together with the CGUs to which goodwill has been allocated is shown below (in millions of euros):

CGU	Net carrying amount of goodwill at January 1, 2014	Additions	Reductions	Impairment charge	Net carrying amount of goodwill at December 31, 2014	Difference between value in use value and the carrying amount of the assets
EMS/Fluxpower	11.9	–	–	–	11.9	8.0
skytron	1.1	–	–	(1.1)	–	–
Primetech	–	–	–	–	–	–
Total	**13.0**	–	–	**(1.1)**	**11.9**	**8.0**

The recoverable amount of the cash-generating units was based on their value is use. In 2014 an impairment amortization of €1.1 million was identified on goodwill from skytron. An accelerated amortization charge of €7.6 million was taken against customer relations for EMS (€0.2 million) and POC (€7.4 million) as a result of specific review of individual customer values. Accelerated amortization charges are included in the amortization charges for the year.

The value in use for each CGU was determined by discounting the future cash flows generated from the continuing use of the CGUs. The calculation of this value was based on the key assumptions described below.

Cash flows were projected based on past experience, actual operating results and five-year business plans. Terminal growth rates used in the valuations are set at 1% which can be supported by reference to the trading performance of the Company over a longer period.

The Company completed the annual testing of goodwill and review of intangibles. In 2013, the methodology used for the testing was based on the fair value less cost to sell. In addition, a review was carried out of the useful life of intangibles ascribed to customer relations, which represent by far the largest intangible carried on the consolidated balance sheet of the Company.

At December 31, 2014 the majority of the headcount restructuring program was initiated/communicated and included in our balance sheet as per year-end 2014. In the projections used for the 2014 impairment testing additional effects of restructuring, costs and benefits were included.

In setting the five-years plan, management took into account actual performance in 2014, prevailing economic condition, the new vertical market segment approach of (key) end-customer markets. In addition there is an ongoing focus on margin improvement by cutting unefficiencies and reducing material costs. the projections for the five-year plans have been based on the expectation of successful completion of the current restructuring and some recovery in the economy adjusted for factors expected to influence the units' activities such as growth in major vertical market end-customer segments (Oil and Gas, Power Distribution, Transportation and Services), and succesfull introduction of new products in the core business. The POC and CVT/LED CGU were excluded from the five-years plan.

An average pre-tax discount rate of 15.6% (2013: 17.5%) was applied in determining the recoverable amount of the CGUs. The discount rate was estimated using the market rate for risk free returns and risk premium and by benchmarking against the cost of equity, capital structure and credit spreads of a peer group of companies operating in sectors similar to those of AEG PS's operations. For 2014 the discount rate was decreased to take into account the successful completion of the Companies restructucting measures and the risk premium from a market participants view given the valuation in fair value less cost to sell model.

An increase in the pre-tax discount rate of 1% would have resulted in a decrease of €7.4 million in the headroom for CGU EMS.

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

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

- Cost of sales: €42 (2013: €73) thousand
- Research and development expenses: €6,778 (2013: €16,852) thousand
- Other expenses: €12,384 (2013: €8,494) thousand
- Selling, general and administrative expenses: €832 (2013: €1,265) thousand

17. OTHER NON-CURRENT FINANCIAL ASSETS

in thousands of euros	2014	2013
Cash guarantee deposit	1,101	1,405
Non-consolidated investments	535	2,168
Others	75	75
Total other non-current financial assets	1,711	3,648

In 2014 the Group signed a settlement agreement with the Limited Liability Company (LLC) in the U.S. The LLC was a partnership between the Group and an experienced investor and manager of solar assets in the U.S. Under the partnership agreement, the Group would invest up to USD 5.0 million in the LLC under the stewardship of the partner.

The partnership did not result into anticipated business opportunities and after receipt of € 256 thousand the Group cancelled the agreement and impaired the remaining invested value.

18. 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.

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

in thousands of euros	2014	2013
Tax losses	34,312	44,269
Deductible temporary differences	28,152	9,955
Total unrecognized deferred tax assets	**62,464**	**54,224**

Of the total unrecognized deferred tax assets on tax losses, €5.6 million (2013: €10.1million) will expire within ten years, €3.0 million (2013: €2.3 million) will expire after ten years and €25.7 million (2013: €31.9 million) have no expiration date.

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

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

in thousands of euros	Assets 2014	Liabilities 2014	Assets 2013	Liabilities 2013
Property, plant and equipment	–	(3,360)	247	(3,342)
Intangible assets	–	(6,685)	–	(12,905)
Inventories	138	(42)	1,557	(107)
Employee benefits	4,079	–	4,086	–
Provisions	842	(10)	569	(9)
Other items	222	(251)	426	(773)
Sub-total	**5,281**	**(10,348)**	**6,885**	**(17,136)**
Tax loss carry-forwards	6,451		6,458	
Tax assets/(liabilities)	**11,731**	**(10,348)**	**13,343**	**(17,136)**
Set-off of deferred tax positions	(10,348)	10,348	(13,343)	13,343
Net tax assets/ (liabilities)	1,383	**–**	**–**	**(3,793)**

Net deferred tax assets relate to the following balance sheet captions and tax loss carry-forwards (including tax credit carry-forwards) of which the movements during the years 2014 and 2013 respectively are as follows:

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD

in thousands of euros	Balance Dec. 31, 2012[1]	Lannion	Recognized in profit or loss	Recognized in other comprehensive income	Balance Dec. 31, 2013	Lannion	Recognized in profit or loss	Recognized in other comprehensive income	Balance Dec. 31, 2014
Property, plant and equipment	(3,308)	(448)	661	–	(3,095)	453	(718)	–	(3,360)
Intangible assets	(19,225)	–	6,320	–	(12,905)		6,220	–	(6,685)
Inventories	(110)	–	1,560	–	1,450		(1,354)	–	96
Employee benefits	3,460	456	536	(366)	4,086	(440)	433	–	4,079
Provisions	692	–	(132)	–	560		273	–	833
Other items	458	(23)	(782)	–	(347)		317	–	(30)
Sub-total	**(18,033)**	**(15)**	**8,163**	**(366)**	**(10,251)**	**13**	**5,171**	–	**(5,067)**
Tax loss carry-forwards	8,776	–	(2,318)	–	6,458		(7)	–	6,451
Total	**(9,257)**	**(15)**	**5,845**	**(366)**	**(3,793)**	**13**	**5,163**	–	**1,383**

[1] 2012 comparative numbers have been restated for the change in IAS 19 “Employee Benefits”.

19. INVENTORIES

in thousands of euros	2014	2013
Raw materials and consumables	30,643	50,745
Work in progress	11,947	14,377
Finished goods	14,022	16,729
Gross inventory	**56,612**	**81,851**
Reserve for slow-moving and obsolete inventories	(24,311)	(35,963)
Net inventory	**32,301**	**45,888**

Included in cost of sales is €109.8 (2013: €132.4) million of material costs and €7.4 (2013: €15.5) million of allowance for write-down of inventory. The Group sold and scrapped for more than than €10.0 million in total its obsolete inventory.

Group inventories are not pledged as security.

20. TRADE AND OTHER RECEIVABLES

in thousands of euros	2014	2013
Trade receivables	54,587	58,703
Income tax receivables	739	2,576
Other current assets	5,404	6,807
Allowance for doubtful accounts	(6,101)	(7,422)
Net trade and other receivables	**54,629**	**60,664**
Current	**54,629**	**60,664**

For 2014 and 2013 trade receivables and allowance for doubtful accounts were based on normal trading activities. The impairment charges for doubtful debts in 2014 amounted to €0.4 million charge (€3.4 charge offset by €3.0 million reversal), (2013: €4.4 million income; €4.1 charge offset by €8.5 million reversal), and are included in cost of sales.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in notes 5 and 32.

21. PREPAYMENTS

For 2014 and 2013 this relates to regular advance payments to Group suppliers.

22. CASH AND CASH EQUIVALENTS

in thousands of euros	2014	2013
Bank balances	24,878	29,699
Restricted cash	5,003	3,047
Cash and cash equivalents	**29,881**	**32,746**
Bank overdrafts included in loans and borrowings	(575)	(873)
Cash and cash equivalents used in the statement of cash flows	**29,306**	**31,873**

RESTRICTED CASH

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

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

in millions of euros	2014	2013
Within 1 year	3.4	2.3
Between 2-3 years	1.2	0.7
After 4 years	0.4	–
Total	**5.0**	**3.0**

23. CAPITAL AND RESERVES

SHARE CAPITAL

in number of shares	Ordinary shares	Treasury shares [1]	Total shares
Issued at December 31, 2012	**47,816,019**	**2,420,005**	**50,236,024**
Transferred to executives [2]	74,337	(74,337)	–
Issued at December 31, 2013	**47,890,356**	**2,345,668**	**50,236,024**
Capital restructuring (reverse stock split (1:10) and cancellation of four shares).	(43,101,320)	(2,111,102)	(45,212,422)
Issuance of new shares against contribution in cash	25,109,731	–	25,109,731
Issuance of new shares against contribution in kind	53,570,370	–	53,570,370
Issued at December 31, 2014 [3]	**83,469,137**	**234,566**	**83,703,703**

[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] During the year 2013, 74,337 shares were transferred to Jeffrey Casper under the terms of his employment contract.
[3] Included in the ordinary shares are 8,370,370 shares for the Management Incentive Program ("MIP"). The MIP has been created on July 21, 2014 to transfer, under certain conditions, the MIP Shares to certain members of the Management of the Company, who have substantially expedited the current restructuring of the AEG PS Group since December 2013 (the "Beneficiaries").

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

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

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

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

On August 26, 2014 the Company:

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

On August 29, 2014 the Company:

– completed an exchange offer program. Approximately 82% of the creditors of the old bond exercised their rights to new shares and approximately 84% exercised their rights to new Notes. The acquisition period went from July 31, 2014 to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book build. The shares were sold for €0.26 per share and the Notes were sold for 70% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bond holders who elected not to subscribe to the new debt and equity increase.

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

in thousands of euros	Share capital
January 1, 2013	**12,520**
December 31, 2013	**12,520**
Capital restructuring (reverse stock split 1:10 and cancellation of four shares)	(12,470)
Issuance of 25,109,731 new shares against contribution in cash	251
Issuance of 53,570,370 new shares against contribution in kind	536
December 31, 2014	**837**

in thousands of euros	Share premium
January 1, 2013	**383,836**
December 31, 2013	**383,836**
Capital restructuring (reverse stock split 1:10 and cancellation of four shares)	12,470
Issuance of 25,109,731 new shares against contribution in cash	3,766
Issuance of 53,570,370 new shares against contribution in kind	18,750
December 31, 2014	**418,822**

in thousands of euros	Reserve for own shares
January 1, 2013	**(23,596)**
Transfer to executives	726
December 31, 2013	**(22,870)**
January 1, 2014	**(22,870)**
December 31, 2014	**(22,870)**

The reserve for the Company's own shares comprises the cost of the Company's shares held by or on behalf of the Company. At December 31, 2014 the Company held 234,566 (2013: 2,345,668) of its own shares with an aggregate cost of €22,870 thousand (2013: €22,870 thousand).

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

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

24. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

Loss/profit attributable to ordinary shareholders

in thousands of euros	2014	2013
Income/(loss) for the period	7,478	(81,482)
Continuing operations	8,339	(74,487)
Discontinued operations	(861)	(6,995)

Weighted average number of ordinary shares

in number of shares	2014	2013
Issued ordinary shares at December 31	83,469,137	47,890,356
Recalculated with effect of reverse split	–	4,789,036
Effect of new shares issued	(51,228,527)	–
Effect of shares issued from treasury shares	–	(3,076)
Weighted average number of ordinary shares	**32,240,610**	**4,785,960**
Basic earnings/(loss)per share (euro)	**0.23**	**(17.03)**
Continuing operations earnings/(loss) per share (euro)	**0.26**	**(15.57)**
Discontinued operations (loss)/earnings per share (euro)	**(0.03)**	**(1.46)**

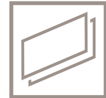
DILUTED EARNINGS PER SHARE

In evaluating diluted earnings per share, the effects of instruments that could potentially dilute basic earnings per share should be considered. Such instruments included the shares awarded (but not yet vested) to Directors and other executives (note 33) under service agreements and long-term incentive plan (LTIP, note 33) and the MIP (note 33). In both 2014 and 2013 the MIP and awards under Part B of the LTIP were not included in the calculation of diluted earnings per share as the conditions under which these instruments would result in the issue of dilutive shares were not met at either year-end.

25. LOANS AND BORROWINGS

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

in thousands of euros	2014	2013
Non-current		
Notes payable	37,249	98,569
Unsecured government loans	515	592
Unsecured bank loans	–	106
Total non-current	**37,764**	**99,267**
Current		
Unsecured government loans	76	61
Unsecured bank loans	106	200
Bank overdrafts	575	873
Obligations under receivable factoring arrangements	1,845	5,064
Others	–	23
Total current	**2,602**	**6,221**
Grand total of current and non-current	**40,366**	**105,488**



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 2014	Carrying amount 2014	Nominal value 2013	Carrying amount 2013
Notes payable [1]	EUR	Escalating annual interest rate from 4% to 12%	2019	50,000	37,249	–	–
Notes payable [2]	EUR	9.250%	2015	-	-	100,000	98,569
Government loans [3]	EUR	–	2021-2022	591	591	653	653
Bank loans [4]	EUR	Euribor +1.5%	2016	106	106	306	306
Bank overdraft [5]	EUR	Euribor +3.25% - 5.75%	–	575	575	873	873
Obligations under receivable factoring arrangements [6]	EUR	Euribor +0.8% - 3.65%	–	1,845	1,845	5,064	5,064
Other	EUR	–	–	–	–	23	23
Total				**53,117**	**40,366**	**106,919**	**105,488**

The fair value of the €50.0 million notes payable amount to €37,800 thousand as at December 31, 2014 (2013: fair value of the €100.0 million notes payable amount to €35,000 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 €50,000,000 effective interest 15.96%, due August 29, 2019.
On August 29, 2014, the Company issued loan notes (the "Notes") with a nominal value of €50.0 million. The Notes were exchanged by creditors of the old bond as well as investors participating in an accelerated book building on August 25/26, 2014. The Notes bear interest from and including August 29, 2014 to, but excluding August 29, 2019 at an escalating interest rate starting at 4% and on an annual basis increased with 2% pa (15.96% effective interest), payable annually in arrears on February 29 (if the relevant calendar year is a leap year or on February 28 if the relevant calendar year is not a leap year) and August 29 of each year. The first interest payment was made on February 28, 2015. The Notes are redeemable at par on August 29, 2019. The Notes have the benefit of an unconditional and irrevocable guarantees by certain subsidiaries of the issuer. Once per interest period the Issuer is entitled to redeem all outstanding Notes in the amount of 20% 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% 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% 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% of the outstanding aggregate principal amount of the Notes then outstanding have exercised the Put Option.
Management judgment is that the notes will be held until maturity.

[2] 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 €100.0 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 were traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market. This Note was converted in 2014 for 50% into equity and refinanced for €50,000,000.

Other non-current loans

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

[4] There is one unsecured bank loan with a nominal value of €300 thousand (interest at Euribor +1.5%). The carrying amount at December 31, 2014 was €106 thousand.
The loan is repayable by monthly installments over a period of three and five years respectively.

Current loans

[5] **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%.

[6] **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 €13.9 million at December 31, 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 3.65%.The facilities have no fixed expiry date, but most are renewable annually.

26. EMPLOYEE BENEFITS

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

Defined benefit plans

The benefits provided by the defined benefit plans are based on employees' years of service and compensation levels. The largest defined-benefit pension plans are in Germany and France. Together these plans account for more than 90% of the total defined obligation and the plan assets. Other countries include Netherlands, France and Italy.

The plans have different characteristics:

In Germany, the retirees benefit from the receipt of a pension during their retirement (perpetual annuity). In addition, employees can benefit from early retirement under the "Altersteilzeitverträge" scheme, and from long service awards which are granted to employees on retirement based on their length of service, grade and salary. The recognition of these liabilities is determined based on independent actuarial calculations.

In France, employees benefit from a retirement and indemnity plan. A lump-sum payment is received by the employee on his retirement or departure. Similarly to France, in Italy, lump-sum payments are distributed on the employee's retirement or departure.

In Netherlands, the retirees benefit from the receipt of a pension during their retirement (perpetual annuity) similar to Germany. At the end of 2013, the Company has changed its defined benefit plan in the Netherlands into a defined contribution plan.

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

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

Defined contribution plans

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

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

Employee benefit expenses

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

in thousands of euros	2014	2013
Defined contribution plans	(978)	(1,082)
Defined benefit plans	(254)	(576)
Other	(236)	289
Total pre-tax employee benefit costs	**(1,468)**	**(1,369)**

As mentioned before, in 2013, the pension arrangements for a number of employees in the Netherlands were transferred from a defined benefit into a defined contribution plan. As a result of the plan amendment, the Group's defined benefit obligation decreased by €0.4 million in 2013. A corresponding past service credit was recognized in profit or loss during 2013.

Employee benefits comprise the following elements:

in thousands of euros	2014	2013
Accrued liability	26,250	23,391
ATZ (Altersteilzeitverträge)	1,285	1,556
Long-service awards	1,031	1,177
Total employee benefits	**28,566**	**26,124**

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

MOVEMENT IN DEFINED BENEFIT OBLIGATION AND FAIR VALUE OF PLAN ASSETS

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset)/liability	
in thousands of euros	2014	2013	2014	2013	2014	2013
Balance at January 1*	**24,279**	**24,757**	**(1,834)**	**(1,264)**	**22,445**	**23,493**
Included in statement of income						
Current service cost	214	370	–	–	214	370
Past service credit	–	(409)	–	–	–	(409)
Interest costs/(income)	764	997	(38)	(60)	726	937
Other costs/(income)	–	160	38	24	38	184
	978	**1,118**	**–**	**(36)**	**978**	**1,082**
Included in OCI						
Re-measurement loss (gain):						
– Actuarial loss (gain) from:						
– demographic assumptions	–	–	–	–	–	–
– financial assumptions	3,984	(600)	–	–	3,984	(600)
– experience adjustment	(130)	–	–	–	(130)	–
– Return on plan assets excluding interest income	–	–	–	(425)	–	(425)
	3,854	**(600)**	**–**	**(425)**	**3,854**	**(1,025)**
Other						
Contributions paid by employer	–	82	–	(172)	–	(90)
Benefits paid	(1,027)	(1,078)	–	63	(1,027)	(1,015)
	(1,027)	**(996)**	**–**	**(109)**	**(1,027)**	**(1,105)**
Balance at December 31**	**28,084**	**24,279**	**(1,834)**	**(1,834)**	**26,250**	**22,445**

* The opening balance sheet has been adjusted for the discontinued operations of Lannion.
** The 2013 net defined benefit liability including Lannion is €23,391 thousand.

The Group expects €0.9 million in contributions to be paid to its defined benefit plans in 2015.

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

The interest costs are recorded in financial expenses. Service costs are included in cost of sales and selling, general and administrative expenses. The 2013 past service benefit includes the €0.4 million gain of the plan amendment related to the Netherlands.

Assumptions

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

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

in %	2014		2013	
	Germany	France	Germany	France
Discount rate	2.15	2.25	3.25	3.5
Future salary growth	0.0	1.75–3.00	0.0	1.75–3.00
Future pension increases	2.0	–	2.0	–

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

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

At December 31, 2014, the weighted average duration of the defined benefit obligation was 13.8 years (2013: 13.6 years).

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

in thousands of euros	2014	2013
Service costs	214	370
Interest costs	764	997
Expected return on plan assets	(38)	(60)
Curtailment and other costs	38	(225)
Total net costs	**978**	**1,082**

Sensitivity analysis

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

Effect in thousands of euros	2014		2013	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(2,896)	3,620	(2,971)	2,400
Future mortality (+1 year)	1,126	na	838	na

Other benefit plans

Employee benefits include €2,316 thousand (2013: €2,733 thousand) for other benefit plans. This includes € 1,285 thousand (2013: € 1,556 thousand) for "Altersteilzeitverträge", a scheme in Germany under which employees can seek early retirement, and a further €1,031 thousand (2013: €1,177 thousand) for long-service awards. Such awards are granted to employees on retirement based on their length of service, grade and salary and are determined by an independent actuarial calculation.

27. PROVISIONS

in thousands of euros	Warranty	Restructuring	General Risks	Total
Balance at January 1, 2013	**8,089**	**6,431**	**174**	**14,694**
Provisions net made/(released) during the year	4,591	5,022	(31)	9,582
Provisions used during the year	(6,338)	(7,189)	–	(13,527)
Transfer from liabilities held for sale	118	1,040	116	1,274
Other	(67)	(38)	–	(105)
Balance at December 31, 2013	**6,393**	**5,266**	**259**	**11,918**
Balance at January 1, 2014	**6,393**	**5,266**	**259**	**11,918**
Provisions net made/(released) during the year	4,025	11,296	4,252	19,573
Provisions used during the year	(2,700)	(6,755)	–	(9,455)
Disposal/discontinued	(873)	(1,577)	(83)	(2,533)
Other	94	29	103	226
Balance at December 31, 2014	**6,939**	**8,259**	**4,531**	**19,729**

Restructuring

Restructuring charges in 2014 related to the estimated costs of the Groups operational restructuring program.

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

Warranty

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

All of the above provisions are expected to be used within one year with the exception of warranty. The Group's warranty terms exceed one year.

General Risks

Comprises provisions related to claims or identified risks other than warranty claims. The increase of € 4,252 thousand mainly relates to the liquidation of Lannion and the ceasing of operational activities in Dallas.

28. TRADE AND OTHER PAYABLES

in thousands of euros	2014	2013
Trade accounts payable	31,244	39,763
Accrued salaries and wages	9,038	10,599
Accrued taxes and VAT payable	2,650	2,973
Accrued social security charges	3,991	4,401
Accrued trademark royalty [1]	453	3,655
Accrued interest on notes payable	667	771
Others	8,904	7,226
Total	**56,947**	**69,388**

[1] The 2013 trademark license agreement with AB Electrolux foresaw in a minimal royalty obligation of €5.4 million, assuming an underlying sales volume in the range of €400 million to €450 million. 2013 sales were significantly lower which resulted in an accrual.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 32.

29. DEFERRED INCOME

Deferred income relates mainly to customer deposits and advances of €5.6 (2013: €5.8) million in connection with projects in progress.

30. CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET COMMITMENTS

CONTRACTUAL CASH OBLIGATIONS

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

December 31, 2014

in thousands of euros	Within 1 year	2 – 3 years	4 – 5 years	After 5 years	Total
Operating leases	2,235	1,738	814	235	5,022
Unconditional purchase obligations	134	–	–	–	134
Total	**2,369**	**1,738**	**814**	**235**	**5,156**

The unconditional purchase obligations are related to the requirements to place firm commitments for tangible and intangible assets. Rental expenses under operating leases amounted to €3.8 million in 2014 (€5.0 million in 2013).

OTHER COMMITMENTS

December 31, 2014

in thousands of euros	Within 1 year	2 to 3 years	4 to 5 years	After 5 years	Total
Guarantees	5,897	3,923	229	376	10,425

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

TRADEMARK LICENSE AGREEMENT

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

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

- Minimum annual royalty of €3,136 thousand for 2013;
- The minimum annual royalty for 2014 will be based on actual sales;
- During Q1 2015 the parties shall meet and agree on sales targets and minimum annual royalty for 2015 and 2016;
- For the years 2017 to 2019 the amended agreement stipulates that the sales targets and minimum annual royalty will not be lower than those applying for the last year of the 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.

31. CONTINGENCIES

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

We refer to the explanation in note 36 about the situation after year-end of our subsidiary in Lannion.

32. FINANCIAL INSTRUMENTS

CREDIT RISK

Exposure to credit risk

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

in thousands of euros	2014	2013
Trade receivables net of allowance for doubtful accounts	48,486	51,281

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

in thousands of euros	2014	2013
Germany	13,952	14,193
France	8,820	8,780
Spain	7,634	6,610
Italy	6,055	9,845
United Kingdom	4,043	5,975
Netherlands	4,561	3,582
United States	374	567
Other regions	9,148	9,151
Total	**54,587**	**58,703**

IMPAIRMENT LOSSES

The aging of trade receivables at the reporting date was:

in thousands of euros	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	**38,096**	**(379)**	**44,452**	**(3,371)**
Past due 0–30 days	5,696	(107)	5,279	(99)
Past due 31–120 days [1]	5,282	(1,384)	2,843	(193)
Past due 121–180 days	1,091	(662)	1,516	(147)
Past due 181–360 days	4,422	(3,569)	4,613	(3,612)
Total	**54,587**	**(6,101)**	**58,703**	**(7,422)**

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

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

in thousands of euros	2014	2013
Balance at January 1	**7,422**	**12,389**
Transfer from/to assets held for sale	–	171
Utilization of impairment reserve	(172)	(646)
Impairment loss (released)/recognized [1]	435	(4,421)
Disposal/discontinued	(1,690)	–
Other	106	(71)
Balance at December 31	**6,101**	**7,422**

[1] The impairment charges for doubtful debts in 2013 amounted €4.4 million income (€4.1 million charge offset by €8.5 million reversal of provision), and are included in cost of sales.

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

LIQUIDITY RISK

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

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

in thousands of euros	2014	2013
Trade and other payables	56,947	69,388
Current income tax liabilities	148	842
Short-term provisions	7,721	5,525
Total	**64,816**	**75,755**
Purchase commitments [1]	5,334	6,851
Operating leases	2,235	3,303
Guarantees on customer contracts	5,897	9,928
Total	**13,466**	**20,082**
Total obligations	**78,282**	**95,837**
Financing resources		
Cash and cash equivalents, excluding restricted cash > 1 year	28,306	31,999
Trade and other receivables	56,289	60,664
Loans and borrowings	(2,602)	(6,221)
Total	**81,993**	**86,442**
Net position	**3,711**	**(9,395)**

[1] Purchase commitments include unconditional purchase obligations as referred to in note 30 (firm commitment of tangible and intangible assets, €134 thousand) and the unconditional purchase obligations related to the firm commitments for recurring operating expenses (€5,200 thousand).

In August 2014 the Company successfully converted its €100.0 million of nominal loan through the exchange offer. In essence €50.0 million was converted into equity and €50.0 million was repaid to the old bond holders. The exchange offer improves the Company's short-term liquidity and reduces the Company's indebtedness. At December 31, 2014, in addition to the liquidity raised through the loan Notes, the Group also had the following credit facilities at certain of its subsidiaries:

- €2.0 million in overdraft and short-term loans of which €1.2 million was undrawn
- €13.7 million receivable financing of which €11.9 million was undrawn. The extent to which these facilities can be utilized depends on the amount of available receivables at the subsidiaries concerned.

Persistent operating losses, the effect of unfavorable credit terms given by our suppliers, and continued loss of business volume resulted in falling beneath the minimum level of required liquidity to adequately finance our operations over the coming quarters. The Company addressed and continues in addressing its operating costs through a business process redesign and with an emphasis on cash generation. The combination of asset sales, closing of affiliates, reduction in fixed operating expenses and reduction in interest burden through restructuring of the Group's financial commitments were all designed to bring the activities of the Group into a stable financial position. The occurrence of other, remote, risks, such as the lawsuits received in relation to Lannion, insufficient growth of business and margin improvements for securing the future interest payments in the range of 8% to 12%, could place the Group into further financial distress and may result in an insolvency.

The table below summarizes the projected contractual cash flows based on the maturity profile of the Group's interest bearing loans and borrowings (including interest) as at December 31, 2014:

in thousands of euros	Within 1 year	2 – 5 years	After 5 years	Total
Maturity profile				
Obligations under receivable factoring arrangements	(1,845)	–	–	(1,845)
Notes payable	(2,000)	(68,000)	–	(70,000)
Bank overdraft	(575)	–	–	(575)
Other debt	(183)	(229)	(286)	(698)
Total	**(4,603)**	**(68,229)**	**(286)**	**(73,118)**

CURRENCY RISK

The Group's exposure to foreign currency risk based on the following net amounts as at December 31, 2014 was:

in thousands of euros	EUR	USD	GBP	SGD	CNY	Other
Cash	21,117	3,917	585	880	2,595	787
Trade and other receivables	44,800	5,147	1,590	1,985	884	223
Prepayments	1,965	807		7	3	7
Trade and other payables	(45,708)	(5,727)	(1,619)	(2,003)	(1,282)	(608)
Deferred income	(3,979)	(638)	(185)	(122)	(629)	(3)
Short- and long-term debt	(40,366)	–	–	–	–	–
Total	**(22,171)**	**3,506**	**371**	**747**	**1,571**	**406**

The Group is primarily exposed to the euro because of its principal operations in the Eurozone. Other currencies to which the Group is exposed include the USD, GBP, SGD and CNY. A change of 5% in any of these currencies would have a maximum impact of €794 thousand on equity or statement of income.

Inter-Company transactions between India and the rest of the Group (mostly euro denominated) have been outstanding for the last two years resulting in currency risks.

FAIR VALUES

Fair values versus carrying amounts

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

in thousands of euros	Notes	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Assets carried at amortized cost					
Trade and other receivables	20	54,629	54,629	60,664	60,664
Cash and cash equivalents	22	29,881	29,881	32,746	32,746
Total		**84,510**	**84,510**	**93,410**	**93,410**
Liabilities carried at amortized cost					
Trade and other payables	28	56,947	56,947	69,388	69,388
Loans and borrowings	25	3,117	3,117	6,919	6,919
Notes payable	25	37,249	37,800	98,569	35,000
Total		**97,313**	**97,864**	**174,876**	**111,307**

Fair value hierarchy

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

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

December 31, 2014	Level 1	Level 2	Level 3
Notes payable	37,800	–	–

December 31, 2013	Level 1	Level 2	Level 3
Notes payable	35,000	–	–

CUSTOMER CONCENTRATION RISK

Up to the end of 2013 the Group had two major customers accounting for approximately 45.9% to 55.0% of RES segment revenue and for approximately 16.3% to 27.4% of Group revenue. In 2014, orders with these two customers decreased significantly to 13.5% and 2.0%. This drop in activity was anticipated.

The Group monitors these customers closely and uses advance payments and written guarantees to lower the associated credit risk. The Group also tries to mitigate concentration risks by broadening the customer base as much as possible in the circumstances. The concentration by customer can vary from year to year.

CREDIT RISK

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

33. RELATED PARTIES

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

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

BOARD AND KEY MANAGEMENT REMUNERATION

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

Year to December 31, 2014

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

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

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

Year to December 31, 2013

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (7 FTE)
Salary, bonuses and short-term benefits	1,080,810	–	1,080,810	2,054,451
Severance	819,297	–	819,297	885,773
Post-employment benefits	31,353	–	31,353	20,396
Share-based payments[1]	–	–	–	25,000
Awards under long-term incentive plan (LTIP)[1]	–	–	–	55,000
Fees	60,000	60,000	120,000	–
Total	**1,991,460**	**60,000**	**2,051,460**	**3,040,620**

[1] A net income of €143 thousand has been recognized in the income statement with debit to equity in relation to share-based payments and LTIP, including an expense of €80 thousand which has been recognized in 2013 for awards granted compensated by the true up of the prior-year expense to reflect the forfeiture of awards granted during the prior years for which service conditions are no longer met.

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. B. A. Brock, Mr. R. J. Huljak (both as from April 2013), and Dr. H. J. Kayser (2013). Fees relate to Non-Executive Directors Mr. B. A. Brock, Mr. K. Corbin, Mr. R. J. Huljak and Prof. M. Wössner.

Mr. J. Casper (2013) is included in other managers.

RELATED PARTY INTERESTS IN THE EQUITY AND NOTES OF THE COMPANY

As at December 31, 2014	No. of shares	Bonds at nominal value (€)
Intec Beteiligungsgesellschaft	6,072,080	100,000
Mr. Willi Loose	1,664,000	–
Mr. Bernd Luft	4,175,644	248,500
Mr. Klaus Schulze	2,000,000	–
Mr. Jeffrey Casper	2,635,904	–
AEG PS managers	24,858	–
Total	**16,572,486**	**348,500**

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2014 were as in the table above.

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

AEG PS managers refer to key executives other than Directors.

EXECUTIVE LONG-TERM INCENTIVE PLAN

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

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

PART A

Under Part A, participants had been granted annual awards of shares, in the form of nil-cost options, over a four-year period. All awards will vest at the end of the four-year period subject to the condition that the participant is still employed by the Company at that point in time. The maximum number of shares which can be granted under Part A of the LTIP is 725,000 although no individual can be granted more than 30% of this maximum number of shares. On a change of control all outstanding awards will vest immediately. In the period to June 2014 no shares (2013: 55,000) have been awarded, 30,000 shares (2013: 128,000) were forfeited and 105,000 shares were cancelled. Mr. J. Casper waived his compensation entitlement for the 75,000 shares held. The Restructuring Committee is assessing the amount due for the remaining 30,000 shares previously held by a senior manager of the Group.

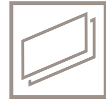
PART B

Under Part B, participants had been allocated a number of units from a total pool of units. These units had no value on grant but gave participants the opportunity to share in a percentage of the value created for shareholders in excess of pre-determined share price targets at annual measurement points. There were three measurement dates over a three-year performance period, namely May 1, 2012, May 1, 2013 and May 1, 2014.

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

In the period to December 2014 no shares were awarded (2013: none), nor forfeited (2013: 300,000).

	2014	2013
LTIP A		
Outstanding at the beginning of the period	**135,000**	**208,000**
Granted during the period	–	55,000
Forfeited during the period	(30,000	(128,000)
Cancelled during the period	(105,000)	–
Outstanding at the end of the period and exercisable	**–**	**135,000**
LTIP B		
Outstanding at the beginning of the period	**270,000**	**570,000**
Granted during the period	–	–
Forfeited during the period	–	(300,000)
Cancelled during the period	(270,000)	–
Outstanding at the end of the period and exercisable	–	**270,000**



MANAGEMENT INCENTIVE PROGRAM

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

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

- 25% of the MIP Shares in the case of a market capitalization of the Company of EUR 50.0 million ("Tranche 1");
- 50% of the MIP Shares in the case of a market capitalization of the Company of EUR 95.0 million ("Tranche 2"); and
- 25% of the MIP Shares in the case of a market capitalization of the Company of EUR 139.0 million ("Tranche 3").

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

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

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

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

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

(ii) the merger of the Company with or into a third person or the merger of a third person with or into the Company, or the sale of all or substantially all of the assets (determined on a consolidated basis) of the Company to a third person other than in a transaction following which (A) in the case of a merger holders that represented 100% of the voting rights of the Company own directly or indirectly at least a majority of the voting rights of the surviving person immediately after such merger and (B) in the case of a sale of all or substantially all of the assets, each transferee becomes a guarantor in respect of the New Bond and is or becomes a subsidiary of the Company. If not all MIP Shares are released and transferred by CBSB to the Beneficiaries pursuant to the abovementioned rules upon the lapse of ten years starting from the day of the subscription and acquisition of the MIP Shares by CBSB, CBSB shall, subject to applicable law, release and transfer to the Company those MIP Shares which have not been released and transferred to the Beneficiaries at that point of time together with any dividends accrued on the respective MIP Shares so released and transferred, less any taxes paid by CBSB on such dividends, and the Company shall then cancel such MIP Shares.

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

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

At December 31, 2014 no shares were vested.

34. AUDITORS' REMUNERATION

The fees of the principal auditor of the Group, KPMG, were as follows:

in thousands of euros	2014	2013
Audit services	487	807
Audit-related services	330	6
Other services related to taxation	150	227
Other fees	–	–
Total	**967**	**1,040**

35. GROUP ENTITIES

SUBSIDIARIES

		Ownership interest	
	Country of incorpora-tion	2014	2013
PSS Holdings (France) S.A.S.	France	100	100
AEG PS S.A.S (Tours)	France	100	100
AEG PS (France) S.A.S.	France	–	100
3WPower Holding GmbH	Germany	100	1 00
AEG PS GmbH	Germany	100	100
skytron energy GmbH	Germany	–	100
Fluxpower GmbH	Germany	100	100
AEG PS Ltd	United Kingdom	100	100
AEG PS Iberica SL	Spain	100	100
Opción Dos Energia Natural SL	Spain	–	100
3W Power S.p.A.	Italy	100	100
Primetech S.r.l.	Italy	100	100
AEG PS Pte Ltd	Singapore	100	100
AEG PS SDN BHD	Malaysia	100	100
3W Power USA, Inc.	USA	100	100
AEG PS Inc	Canada	–	100
AEG PS (Russia) LLC	Russia	100	100
AEG PS Co.	China	100	100
3W Power Ukraine TOV	Ukraine	100	100
AEG PS (India) PVT Ltd	India	–	100
3W Power Holdings B.V.	The Netherlands	100	100
AEG Power Solutions B.V.	The Netherlands	100	100
3W Power (South Africa) Pty Ltd	South Africa	25	100
3W Power (South Africa)	South Africa	51	–
AEG PS Aram. Kft.	Hungary	100	100
AEG PS spol s.r.o.	Czech	100	100

The overview of subsidiaries reflects the sale and liquidation of affiliates as a result of the operational restructuring plan. In addition, during 2014 the Group liquidated AEG PS Inc, Canada and Opcion Dos Energia Natural SL, Spain. The Group acquired 51% in 3W Power, South Africa, the remaining 49% is held by a South African investor.

36. SUBSEQUENT EVENTS

During the first quarter of 2015, the Group received multiple lawsuits following the decision of the French state to place AEG Power Solutions S.A.S. at Lannion, France into liquidation. These lawsuits represent a €1.1 million claim from a former major supplier and a €5.0 million claim in total from 75 former employees which seek additional termination compensation above the state indemnification received.

During 2014, the Group had to take a €1.1 million bad debt allowance provision on its historic major customer in RES. This customer filed at the end of November 2014 for chapter 11. In March 2015, the Group sold these receivables for a consid-eration of $0.8 million cash (without recourse).

During March 2015, the Group was informed by Advanced Energies Industries that the cash earn-out of €1.0 million following the sale of the power controller modules business was met and settlement will take place in March 2015.

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated June 25, 2014, we have audited the accompanying consolidated financial statements of 3W Power S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 22 to 64.

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

Responsibility of the Réviseur d'Entreprises agréé
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements as set out on pages 22 to 64 give a true and fair view of the consolidated financial position of 3W Power S.A. as of December 31, 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 B in the consolidated financial statements which indicates that the Group experiences profitability and related cash flow problems and is currently undergoing an operational as well as a financial restructuring. These conditions, along with other matters as set forth in Note 2 B, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Luxembourg, April 2, 2015
KPMG Luxembourg
Société coopérative
Cabinet de révision agréé
Ph. Meyer

KPMG Luxembourg
Société coopérative
39, Avenue John F. Kennedy
L-1855 Luxembourg
Cabinet de révision agréé

R.C.S. Luxembourg B 149133
TVA LU 27351518

COMPANY STATEMENT OF FINANCIAL POSITION As of December 31

in thousands of euros	Note	2014	2013
Assets			
Shares in affiliated undertakings	7	2,674	34,280
Loans to affiliated undertakings	8	84,720	84,720
Total non-current assets		**87,394**	**119,000**
Trade and other receivables	9	7,201	1,352
Cash and cash equivalents	10	18	21
Total current assets		**7,219**	**1,373**
Total assets		**94,613**	**120,373**
Liabilities			
Loans and borrowings	11	37,248	98,569
Total non-current liabilities		**37,248**	**98,569**
Trade and other payables	12	1,555	737
Loans and borrowings	11	667	771
Total current liabilities		**2,222**	**1,508**
Total liabilities		**39,470**	**100,077**
Equity			
Share capital	13	837	12,520
Share premium	13	418,822	383,836
Reserve for own shares	13	(22,870)	(22,870)
Retained earnings		(341,646)	(353,190)
Total equity attributable to equity holders of the Company		**55,143**	**20,296**
Total equity and liabilities		**94,613**	**120,373**

The Company financial statements on pages 66 to 80 were approved by the Board of Directors on April 2, 2015 and signed on its behalf by:

Jeffrey Casper

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

COMPANY STATEMENT OF COMPREHENSIVE INCOME For the year ended December 31

in thousands of euros	Note	2014	2013
Administrative expenses	5	(1,882)	(608)
Impairment of investments in subsidiaries	7	(31,606)	(200,720)
Loss before interest and tax		**(33,488)**	**(201,328)**
Finance income	6	53,260	8,075
Finance costs	6	(9,441)	(9,906)
Net finance (costs)/income		**43,819**	**(1,831)**
Profit/(loss) before income tax for the year		**10,331**	**(203,159)**
Income tax		(3)	–
Total comprehensive profit/(loss) for the year		**10,328**	**(203,159)**

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

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

in thousands of euros	Share capital	Share premium	Reserve for own shares	Retained earnings	Total equity
Balance at January 1, 2013	**12,520**	**383,836**	**(23,596)**	**(149,162)**	**223,598**
Loss for the year	–	–	–	(203,159)	(203,159)
Total comprehensive loss for the year	**–**	**–**	**–**	**(203,159)**	**(203,159)**
74,337 shares transferred from treasury shares	–	–	726	(726)	–
Share-based payments/ long-term incentive plan	–	–	–	(143)	(143)
Total contributions by and distributions to owners of the Company	**–**	**–**	**726**	**(869)**	**(143)**
Total transactions	**–**	**–**	**726**	**(204,028)**	**(203,302)**
Balance at December 31, 2013	**12,520**	**383,836**	**(22,870)**	**(353,190)**	**20,296**
Balance at January 1, 2014	**12,520**	**383,836**	**(22,870)**	**(353,190)**	**20,296**
Profit for the year	–	–	–	10,328	10,328
Total comprehensive profit for the year	–	–	–	**10,328**	**10,328**
Capital restructuring	(12,470)	12,470	–	–	–
Issuance of 25,109,731 new shares against contribution in cash	251	3,766	–	–	4,017
Issuance of 53,570,370 new shares against contribution in kind	536	18,750	–	–	19,286
Share-based payments/ long-term incentive plan				1,216	1,216
Total contributions by and distributions to owners of the Company	**(11,683)**	**34,986**	–	**1,216**	**24,519**
Total transactions	**(11,683)**	**34,986**	–	**11,544**	**34,847**
Balance at December 31, 2014	**837**	**418,822**	**(22,870)**	**(341,646)**	**55,143**

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

COMPANY STATEMENT OF CASH FLOWS For the year ended December 31

in thousands of euros	Note	2014	2013
Cash flows from operating activities			
Profit/(loss) for the year		10,328	(203,159)
Adjustments for non-cash items:			
Shares in affiliated undertakings		31,606	200,720
Share-based payments	5, 15	1,216	(143)
Finance expense (net)	6	(43,819)	1,831
Income tax		3	–
Cash flow used in operations before changes in working capital		**(666)**	**(751)**
Change in trade and other receivables		(1,319)	(1)
Change in trade and other payables		2,111	193
Cash from operating activities		**792**	**192**
Income tax paid		(3)	–
Net cash from/(used in) operating activities		**123**	**(559)**
Cash flows from investing activities			
Repayment of loan to AEG PS B.V.	8	–	280
Interest received		515	9,255
Net cash from investing activities		**515**	**9,535**
Cash flows from financing activities			
Proceeds from issue of share capital		4,017	–
Transaction costs debt to equity swap		(4,658)	–
Interest paid		–	(9,250)
Net cash used in financing activities		**(641)**	**(9,250)**
Net decrease in cash and cash equivalents		**(3)**	**(274)**
Cash and cash equivalents at beginning of year		21	295
Cash and cash equivalents at end of year	10	**18**	**21**

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. GENERAL INFORMATION

On May 7, 2010 3W Power S.A. (formerly 3W Power Holdings S.A.), (the "Company") transferred the place of its registered office and its principal place of business from Guernsey to Luxembourg, adopted the Luxembourg nationality and changed its name from Germany1 Acquisition Limited to 3W Power Holdings S.A. On May 19, 2011 the Company changed its name to its current name of 3W Power S.A. The registered office of the Company is at 19, rue Eugène Ruppert, L-2453 Luxembourg.

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

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

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

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

On August 26, 2014 the Company:

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

On August 29, 2014 the Company:

- completed an exchange offer program. Approximately 82% of the creditors of the old bond exercised their rights to new shares and approximately 84% exercised their rights to new Notes. The acquisition period went from July 31, 2014 to August 22, 2014. The remaining shares and new Notes were offered to investors by way of an accelerated book build. The shares were sold for €0.26 per share and the Notes were sold for 70% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bond holders who elected not to subscribe to the new debt and equity increase.
- issued a new bond 2014/2019 (ISIN DE000A1ZJZB9 / WKN A1ZJZB) with a total volume of €50.0 million and a term of five years as well as an initial interest rate (to be paid semi-annually) of 4% per annum (first year of the term), which will increase by 2% per annum for each following year of the term.

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

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

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

B) GOING CONCERN ASSUMPTION

See note 2, section (B) of the consolidated financial statements in which the Company describes the going concern assumptions.

C) BASIS OF MEASUREMENT

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

D) FUNCTIONAL AND PRESENTATION CURRENCY

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

E) USE OF ESTIMATES AND JUDGMENTS

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

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

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

F) ADOPTION OF NEW AND REVISED IFRS

See note 2, section (F) of the consolidated financial statements in which the Company describes all standards and interpretations that were adopted as from January 1, 2014.

G) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4. DETERMINATION OF FAIR VALUES

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

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

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

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

5. ADMINISTRATIVE EXPENSES

Included in administrative expenses are:

in thousands of euros	2014	2013
Administration, accountancy and trustee fees	(300)	(128)
Audit, legal and professional fees	42	(135)
Directors' fees and expenses	24	(348)
Share-based payment expenses (including LTIP and MIP)	(1,216)	143
Other	(275)	9
Recharge of administrative expenses	(157)	(149)
Total administrative expenses	**(1,882)**	**(608)**

6. FINANCE INCOME AND FINANCE COSTS

in thousands of euros	2014	2013
Interest income on bank deposits	–	4
Interest income on loans	6,545	8,071
Gain as a result of the exchange offer	46,715	–
Finance income	**53,260**	**8,075**
Interest expense on notes payable	(9,438)	(9,250)
Other finance costs	(3)	(656)
Finance costs	**(9,441)**	**(9,906)**
Net finance income/(costs)	**43,819**	**(1,831)**

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

in thousands of euros	2014	2013
Total interest income on financial assets	6,545	8,071
Total interest expense on financial liabilities	(9,438)	(9,250)

7. SHARES IN AFFILIATED UNDERTAKINGS

Shares in affiliated undertakings represent the Company's 100% interest in 3W Power Holdings B.V. which in turn holds 100% of AEG Power Solutions B.V. ("AEG PS") acquired on September 10, 2009. AEG PS is a world provider of power electronics. It offers product and service portfolios in 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, turnkey electrical balance of systems and has invested in areas of power management within distributed power generation and smart micro grids.

Movement in carrying amount is as follows:

in thousands of euros	2014	2013
Carrying amount at January 1	**34,280**	**235,000**
Impairment charge	(31,606)	(200,720)
Carrying amount at December 31	**2,674**	**34,280**

Management identified a triggering event according to IAS 39 in analyzing the significant and prolonged decline of the fair value of the Company's shares, and accordingly of the Company's sole investment in an affiliated undertaking. The recoverable amount of the affiliated undertaking has been estimated based on its Value in Use by measuring the cash flows of the underlying cash generating unit ("CGU") of EMS and DCT only.

The methodology and assumptions used (including five-year forecasts and discount rate) were as described in note 16 of the consolidated financial statements, and projections used for the five-years forecast.

The carrying amount of the investment was determined to be higher than the recoverable amount of the combined underlying CGU, and impairment loss of €31.6 million was recognized to record the carrying amount at the level of its recoverable amount. Any adverse movement in a key assumption would lead to a further impairment.

8. LOANS TO AFFILIATED UNDERTAKINGS

in thousands of euros	2014	2013
Loan to subsidiary	**84,720**	**84,720**

The loan carries interest at 4.25% and, although contractually repayable on demand, is not expected to be settled within the next twelve months after reporting date. The interest reduced from 9.375% to 4.25% following the change in the interest conditions on the notes.

9. TRADE AND OTHER RECEIVABLES

in thousands of euros	2014	2013
Due from affiliated undertakings and shareholders	7,169	1,328
Prepayments	32	24
Total trades and other receivables	**7,201**	**1,352**

All receivables are due within 1 year.

10. CASH AND CASH EQUIVALENTS

in thousands of euros	2014	2013
Current accounts	18	21
Total cash and cash equivalents	**18**	**21**

Cash and cash equivalents comprise current accounts and deposits with an original maturity of three months or less.

11. LOANS AND BORROWINGS

in thousands of euros	2014	2013
Non-current		
Notes payable [1]	37,248	–
Notes payable [2]	–	98,569
Total non-current	**37,248**	**98,569**
Current		
Accrued interest	667	771
Total current	**667**	**771**
Total loans and borrowings	**37,915**	**99,340**

[1] Unsubordinated notes payable €50,000,000 effective interest 15.96%, due August 29, 2019. On August 29, 2014, the Company issued loan notes (the "Notes") with a nominal value of €50.0 million. The Notes were exchanged by creditors of the old bond as well as investors participating in an accelerated book building on August 25/26, 2014. The Notes bear interest from and including August 29, 2014 to, but excluding August 29, 2019 at an escalating interest rate starting at 4% and on an annual basis increased with 2% pa (15.96% effective interest), payable annually in arrears on February 29 (if the relevant calendar year is a leap year or on February 28 if the relevant calendar year is not a leap year) and August 29 of each year. The first interest payment was made on February 28, 2015. The Notes are redeemable at par on August 29, 2019. The Notes have the benefit of an unconditional and irrevocable guarantees by certain subsidiaries of the issuer. Once per interest period the Issuer is entitled to redeem all outstanding Notes in the amount of 20% of the initial principleamount 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% 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% 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% of the outstanding aggregate principal amount of the Notes then outstanding have exercised the Put Option.
Management judgment is that the notes will be held until maturity.

[2] 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 €100.0 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 were traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market. This note was converted in 2014 for 50% into equity and refinanced for €50,000,000.

Loans are due as follows:

in thousands of euros	2014	2013
Within 1 year	667	771
Within 2–5 years	37,248	98,569
Total	**37,915**	**99,340**

12. TRADE AND OTHER PAYABLES

in thousands of euros	2014	2013
Trade payables	**1,555**	**737**

13. CAPITAL AND RESERVES

SHARE CAPITAL

in number of shares	Ordinary shares	Treasury shares[1]	Total shares
Issued at December 31, 2012	**47,816,019**	**2,420,005**	**50,236,024**
Transferred to executives[2]	74,337	(74,337)	–
Issued at December 31, 2013	**47,890,356**	**2,345,668**	**50,236,024**
Capital restructuring (reverse stock split (1:10) and cancellation of four shares).	(43,101,320)	(2,111,102)	(45,212,422)
Issuance of new shares against contribution in cash	25,109,731	–	25,109,731
Issuance of new shares against contribution in kind	53,570,370	–	53,570,370
Issued at December 31, 2014[3]	**83,469,137**	**234,566**	**83,703,703**

[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] During the year 2013, 74,337 shares were transferred to Jeffrey Casper under the terms of his employment contract.
[3] Included in the ordinary shares are 8,370,370 shares for the Management Incentive Program ("MIP") . The MIP has been created on July 21, 2014 to transfer, under certain conditions, the MIP Shares to certain members of the Management of the Company, who have substantially expedited the current restructuring of the AEG PS Group since December 2013 (the "Beneficiaries").

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

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

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

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

On August 26, 2014 the Company:

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

On August 29, 2014 the Company:

– completed an exchange offer program. Approximately 82% of the creditors of the old bond exercised their rights to new shares and approximately 84% exercised their rights to new Notes. The acquisition period went from July 31, 2014 to August 22, 2014. The remaining shares and new notes were offered to investors by way of an accelerated book build. The shares were sold for €0.26 per share and the Notes were sold for 70% of their nominal value. This translates into a value of €117.52 per share subscription right and €350.00 per bond subscription right not exercised. The proceeds were paid to the old bond holders who elected not to subscribe to the new debt and equity increase.

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

in thousands of euros	Share capital
January 1, 2013	**12,520**
December 31, 2013	**12,520**
Capital restructuring (reverse stock split 1:10 and cancellation of four shares)	(12,470)
Issuance of 25,109,731 new shares against contribution in cash	251
Issuance of 53,570,370 new shares against contribution in kind	536
December 31, 2014	**837**

in thousands of euros	Share premium
January 1, 2013	**383,836**
December 31, 2013	**383,836**
Capital restructuring (reverse stock split 1:10 and cancellation of four shares)	12,470
Issuance of 25,109,731 new shares against contribution in cash	3,766
Issuance of 53,570,370 new shares against contribution in kind	18,750
December 31, 2014	**418,822**

in thousands of euros	Reserve for own shares
January 1, 2013	**(23,596)**
Transfer to executives	726
December 31, 2013	**(22,870)**
January 1, 2014	**(22,870)**
December 31, 2014	**(22,870)**

The reserve for the Company's own shares comprises the cost of the Company's shares held by or on behalf of the Company. At December 31, 2014 the Company held 234,566 (2013: 2,345,668) of its own shares with an aggregate cost of €22,870 thousand (2013: €22,870 thousand).

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

14. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

in thousands of euros	2014	2013
Cash and cash equivalents	18	21
Loans and receivables	91,921	86,072
Total financial assets	**91,939**	**86,093**
Financial liabilities measured at amortized costs		
Trade and other payables	1,555	737
Interest on notes payable	667	771
Notes payable	37,248	98,569
Total financial liabilities measured at amortized cost	**39,470**	**100,077**
Total net financial assets/(liabilities)	**52,469**	**(13,984)**

FAIR VALUES

Fair values versus carrying amounts

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

in thousands of euros	Notes	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Assets carried at amortized cost					
Cash and cash equivalents		18	18	21	21
Loans and receivables		91,921	91,921	86,072	86,072
Total		**91,939**	**91,939**	**86,093**	**86,093**
Liabilities carried at amortized cost					
Trade and other payables		1,555	1,555	737	737
Borrowings		667	667	771	771
Notes payable		37,248	37,800	98,569	35,000
Total		**39,470**	**40,022**	**100,077**	**36,508**

Fair value hierarchy

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

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

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

December 31, 2014	Level 1	Level 2	Level 3
Notes payable	37,800		

December 31, 2013	Level 1	Level 2	Level 3
Notes payable	35,000	–	–

15. RELATED PARTIES

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

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

BOARD AND KEY MANAGEMENT REMUNERATION

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

Year to December 31, 2014

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

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

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

Year to December 31, 2013

in euros	Executive Directors	Non-Executive Directors	Total Directors	Other managers (7 FTE)
Salary, bonuses and short-term benefits	1,080,810	–	1,080,810	2,054,451
Severance	819,297	–	819,297	885,773
Post-employment benefits	31,353	–	31,353	20,396
Share-based payments [1]	–	–	–	25,000
Awards under long-term incentive plan (LTIP) [1]	–	–	–	55,000
Fees	60,000	60,000	120,000	–
Total	**1,991,460**	**60,000**	**2,051,460**	**3,040,620**

[1] A net income of €143 thousand has been recognized in the income statement with debit to equity in relation to share-based payments and LTIP, including an expense of €80 thousand which has been recognized in 2013 for awards granted compensated by the true up of the prior year expense to reflect the forfeiture of awards granted during the prior years for which service conditions are no longer met.

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr. B. A. Brock, Mr. R. J. Huljak (both as from April 2013) and Dr. H. J. Kayser (2013). Fees relate to Non-Executive Directors Mr. B. A. Brock, Mr. K. Corbin, Mr. R. J. Huljak and Prof. M. Wössner.

Mr. J. Casper (2013) is included in other managers.

RELATED PARTY INTERESTS IN THE EQUITY AND NOTES OF THE COMPANY

As at December 31, 2014	No. of shares	Bonds at nominal value (€)
Intec Beteiligungsgesellschaft	6,072,080	100,000
Mr. Willi Loose	1,664,000	–
Mr. Bernd Luft	4,175,644	248,500
Mr. Klaus Schulze	2,000,000	–
Mr. Jeffrey Casper	2,635,904	–
AEG PS managers	24,858	–
Total	**16,572,486**	**348,500**

The interests of Directors and other related parties in the shares, warrants and Notes of the Company at December 31, 2014 were as in the table above.

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

AEG PS managers refer to key executives other than Directors.

EXECUTIVE LONG-TERM INCENTIVE PLAN

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

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

PART A

Under Part A, participants had been granted annual awards of shares, in the form of nil-cost options, over a four-year period. All awards will vest at the end of the four-year period subject to the condition that the participant is still employed by the Company at that point in time. The maximum number of shares which can be granted under Part A of the LTIP is 725,000 although no individual can be granted more than 30% of this maximum number of shares. On a change of control all outstanding awards will vest immediately. In the period to June 2014 no shares (2013: 55,000) have been awarded, 30,000 shares (2013: 128,000) were forfeited and 105,000 shares were cancelled. Mr. J. Casper waived his compensation entitlement for the 75,000 shares held. The Restructuring Committee is assessing the amount due for the remaining 30,000 shares previously held by a senior manager of the Group.

PART B

Under Part B, participants had been allocated a number of units from a total pool of units. These units had no value on grant but give participants the opportunity to share in a percentage of the value created for shareholders in excess of pre-determined share price targets at annual measurement points. There were three measurement dates over a three-year performance period, namely May 1, 2012, May 1, 2013 and May 1, 2014.

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

In the period to December 2014 no shares were awarded (2013: none), nor forfeited (2013: 300,000).

	2014	2013
LTIP A		
Outstanding at the beginning of the period	**135,000**	**208,000**
Granted during the period	–	55,000
Forfeited during the period	(30,000)	(128,000)
Cancelled during the period	(105,000)	–
Outstanding at the end of the period and exercisable	**–**	**135,000**
LTIP B		
Outstanding at the beginning of the period	**270,000**	**570,000**
Granted during the period	–	–
Forfeited during the period	–	(300,000)
Cancelled during the period	(270,000)	–
Outstanding at the end of the period and exercisable	–	**270,000**

MANAGEMENT INCENTIVE PROGRAM

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

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

- 25% of the MIP Shares in the case of a market capitalization of the Company of EUR 50.0 million ("Tranche 1");
- 50% of the MIP Shares in the case of a market capitalization of the Company of EUR 95.0 million ("Tranche 2"); and
- 25% of the MIP Shares in the case of a market capitalization of the Company of EUR 139.0 million ("Tranche 3").

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

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

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

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

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

(ii) the merger of the Company with or into a third person or the merger of a third person with or into the Company, or the sale of all or substantially all of the assets (determined on a consolidated basis) of the Company to a third person other than in a transaction following which (A) in the case of a merger holders that represented 100 % of the voting rights of the Company own directly or indirectly at least a majority of the voting rights of the surviving person immediately after such merger and (B) in the case of a sale of all or substantially all of the assets, each transferee becomes a guarantor in respect of the New Bond and is or becomes a subsidiary of the Company. If not all MIP Shares are released and transferred by CBSB to the Beneficiaries pursuant to the above-mentioned rules upon the lapse of ten years starting from the day of the subscription and acquisition of the MIP Shares by CBSB, CBSB shall, subject to applicable law, release and transfer to the Company those MIP Shares which have not been released and transferred to the Beneficiaries at that point of time together with any dividends accrued on the respective MIP Shares so released and transferred, less any taxes paid by CBSB on such dividends, and the Company shall then cancel such MIP Shares.

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

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

At December 31, 2014 no shares were vested.

16. FINANCIAL RISKS

The carrying amount of financial assets represents the maximum credit exposure. The main credit risk is the €84.7 million loan receivable from AEG Power Solutions B.V.

All principal balance sheet amounts (including cash balances, obligations under the notes payable and the warrants) are denominated in euro and therefore there is no significant currency risk.

A risk of valuation exists in respect of the carrying amount of shares in affiliated undertakings. At December 31, 2014 the shares are stated at acquisition price less the impairment that was identified. Should there be objective evidence that one or more events have a negative effect on the estimated future cash flows from the shares then an impairment test will be carried out in addition to the yearly impairment test.

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

17. GUARANTEES AND COMMITMENTS

At December 31, 2014, no guarantee was issued by the Company.

18. SUBSEQUENT EVENTS

During the first quarter of 2015, the Group received multiple lawsuits following the decision of the French state to place AEG Power Solutions S.A.S. at Lannion, France into liquidation. These lawsuits represent a €1.1 million claim from a former major supplier and a €5.0 million claim in total from 75 former employees which seek additional termination compensation above the state indemnification received.

During 2014, the Group had to take a €1.1 million bad debt allowance provision on its historic major customer in RES. This customer filed at the end of November 2014 for chapter 11. In March 2015 The group sold these receivables for a consideration of $0.8 million cash (without recourse).

During March 2015, the Group was informed by Advanced Energies Industries, that the cash earn-out of €1.0 million following the sale of the power controller modules business was met and settlement will take place in March 2015.

INDEPENDENT AUDITOR'S REPORT ON THE COMPANY FINANCIAL STATEMENTS

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

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

REPORT ON THE FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated June 25, 2014, we have audited the accompanying separate financial statements of 3W Power S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 66 to 80.

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

Responsibility of the Réviseur d'Entreprises agréé
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements as set out on pages 66 to 80 give a true and fair view of the financial position of 3W Power S.A. as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 B in the financial statements which indicates that 3W Power S.A. and its subsidiaries experience profitability and related cash flow problems and are currently undergoing an operational as well as a financial restructuring. These conditions, along with other matters as set forth in Note 2 B, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Luxembourg, April 2, 2015
KPMG Luxembourg
Société coopérative
Cabinet de révision agréé
Ph. Meyer

KPMG Luxembourg
Société coopérative
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L-1855 Luxembourg
Cabinet de révision agréé

R.C.S. Luxembourg B 149133
TVA LU 27351518

APPENDIX

RECONCILIATION OF REPORTED EBIT TO ADJUSTED EBIT

in millions of euros	December 31, 2014	December 31, 2013
Reported EBIT	**(34.6)**	**(58.5)**
Adjustments		
Amortization of intangibles on acquisition	6.5	7.5
Accelerated amortization of intangibles on acquisition	7.7	4.6
Impairment of goodwill and intangibles on acquisition	1.1	2.5
Restructuring charge/(release)	11.3	3.2
Capital gain on sale of POC Modules	(18.3)	–
(Reversal of) impairment of tangible assets	(1.5)	3.3
Impairment of intangible assets	1.0	7.0
(Reversal of) impairment of working capital	(0.9)	11.7
Professional consultancy and other costs	2.4	3.4
Total adjustments	**9.3**	**43.2**
Adjusted EBIT	**(25.3)**	**(15.3)**

DERIVATION OF EBITDA

in millions of euros	December 31, 2014	December 31, 2013
Reported EBIT	**(34.6)**	**(58.5)**
Depreciation and amortization charges		
Amortization and impairment of intangibles on acquisition	15.3	14.6
Depreciation charge on tangible assets	2.1	8.0
Amortization charge on intangible assets	1.0	1.7
Other	4.0	10.6
Total depreciation and amortization charges	**22.4**	**34.9**
EBITDA	**(12.2)**	**(23.6)**

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

in millions of euros	December 31, 2014	December 31, 2013
Adjusted EBIT	**(25.3)**	**(15.3)**
Depreciation and amortization charges		
Depreciation charge on tangible assets	3.7	4.7
Amortization charge on intangible assets	1.1	1.4
Other	2.9	3.9
Total depreciation and amortization charges	**7.7**	**10.0**
Normalized EBITDA	**(17.7)**	**(5.3)**

RECONCILIATION FROM REPORTED NET INCOME TO ADJUSTED NET INCOME

in millions of euros	December 31, 2014	December 31, 2013
Reported net income	**7.5**	**(81.5)**
Adjustments		
Change in fair value of warrants	–	–
Regular amortization of intangibles on acquisition	6.5	7.5
Accelerated amortization of intangibles on acquisition	7.7	4.6
Impairment of goodwill and intangibles on acquisition	1 1	2.5
Restructuring charge/(release)	11.3	3.2
Capital gain on sale of POC modules	(18.3)	–
Professional consultancy and other costs	2.4	3.4
(Reversal of) impairment of tangible assets	(1.5)	3.3
(Reversal of) impairment of intangi-ble assets	1.0	7.0
(Reversal of) impairment of working capital	(0.9)	11.7
Estimate tax effect on the above	(7.2)	(7.1)
Total adjustments	**2.1**	**36.1**
Adjusted net income	**9.6**	**(45.4)**

May 13
Publication of Q1 2015 results

August 13
Publication of Q2 2015 results

November 12
Publication of Q3 2015 results

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Concept and design:
HGB Hamburger Geschäftsberichte, Hamburg

Note to the annual report: This is the English original of the annual report. A German translation of this report is also available. In the event of deviations between the two versions, the English language version will prevail.

Note regarding the rounding of figures: Due to the rounding of figures and percentages small deviations may occur.

Disclaimer: This annual report contains forward-looking statements that are based on certain assumptions and expectations at the time of its publication. These statements are subject to risks and uncertainties and actual results may differ substantially from the future oriented statements made in this report. Many of these risks and uncertainties are determined by factors that are beyond the control of 3W Power | AEG Power Solutions and cannot be gauged with any certainty at this point in time. This includes future market conditions and economic developments, the behavior of other market participants, the achievement of expected synergy effects as well as legal and political decisions. 3W Power | AEG Power Solutions does not feel obliged to publish corrections of these forward-looking statements to reflect events or circumstances that have occurred after the publication date of this material.

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